# 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 June 30, 2021**

**Or**

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

Net availability under the 2021

**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 | x | Accelerated filer | ☐ | Non-accelerated filer | ☐ |
| Smaller reporting company | ☐ | Emerging growth company | ☐ | | |

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

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

As of July 28, 2021, there were 64,900,000 Trust common shares of Compass Diversified Holdings outstanding.

**COMPASS DIVERSIFIED HOLDINGS**

**QUARTERLY REPORT ON FORM 10-Q**
**For the period ended June 30, 2021**

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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 "Company" refer to Compass Group Diversified Holdings LLC;
- "businesses," "operating segments," "subsidiaries" and "reporting units" refer to, collectively, the businesses controlled by the Company;
- the "Manager" refer to Compass Group Management LLC ("CGM");
- the "Trust Agreement" refer to the Second Amended and Restated Trust Agreement of the Trust dated as of December 6, 2016;
- the "2021 Credit Facility" refer to the second amended and restated credit agreement entered into on March 23, 2021 among the Company, the Lenders from time to time party thereto (the "Lenders"), Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (the "agent") and other agents party thereto;
- the "2021 Revolving Credit Facility" refers to the $600 million in revolving loans, swing line loans and letters of credit provided by the 2021 Credit Facility that matures in 2026;
- the "2018 Credit Facility" refer to the amended and restated credit agreement entered into on April 18, 2018 among the Company, the Lenders from time to time party thereto (the "Lenders"), Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer (the "agent") and other agents party thereto, as further amended;
- the "2018 Revolving Credit Facility" refers to the $600 million in revolving loans, swing line loans and letters of credit provided by the 2018 Credit Facility;
- the "2018 Term Loan" refer to the $500 million term loan provided by the 2018 Credit Facility;
- the "LLC Agreement" refer to the fifth amended and restated operating agreement of the Company dated as of December 6, 2016; 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, and ability to make quarterly distributions and (ii) our plans, strategies and objectives for future operations, including our planned capital expenditures and potential tax reclassification. 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, 2020 filed with the United States Securities and Exchange Commission (“SEC”) on February 24, 2021, 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:

- the adverse impact on the U.S. and global economy, including the markets in which we operate, of the novel coronavirus, which causes the Coronavirus disease 2019 (COVID-19) global pandemic, and the impact in the near, medium and long-term on our business, results of operations, financial position, liquidity or cash flows;
- 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 businesses on a combined basis, and to effectively integrate and improve future acquisitions;
- 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 cash flow available for distribution and reinvestment and 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 businesses operate;
- trends in the industries in which our businesses operate;
- 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;
- 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 businesses;
- our and CGM’s ability to retain or replace qualified employees of our businesses and CGM;
- the impact of any potential 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 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**

| *(in thousands)* | June 30, 2021 (Unaudited) | December 31, 2020 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 110,166 | $ 70,744 |
| Accounts receivable, net | 231,369 | 232,507 |
| Inventories, net | 387,262 | 363,373 |
| Prepaid expenses and other current assets | 43,803 | 41,743 |
| Total current assets | 772,600 | 708,367 |
| Property, plant and equipment, net | 176,228 | 172,669 |
| Goodwill | 786,251 | 766,003 |
| Intangible assets, net | 802,198 | 837,165 |
| Other non-current assets | 123,870 | 114,314 |
| **Total assets** | $ 2,661,147 | $ 2,598,518 |
| | | |
| **Liabilities and stockholders' equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 90,375 | $ 101,671 |
| Accrued expenses | 177,959 | 152,127 |
| Due to related party | 11,299 | 10,238 |
| Other current liabilities | 33,514 | 30,679 |
| Total current liabilities | 313,147 | 294,715 |
| Deferred income taxes | 85,509 | 83,541 |
| Long-term debt | 988,349 | 899,460 |
| Other non-current liabilities | 101,145 | 100,654 |
| **Total liabilities** | 1,488,150 | 1,378,370 |
| | | |
| Commitments and contingencies | | |
| | | |
| **Stockholders' equity** | | |
| Trust preferred shares, 50,000 authorized; 12,600 shares issued and outstanding at June 30, 2021 and December 31, 2020 | | |
| Series A preferred shares, no par value; 4,000 shares issued and outstanding at June 30, 2021 and December 31, 2020 | 96,417 | 96,417 |
| Series B preferred shares, no par value; 4,000 shares issued and outstanding at June 30, 2021 and December 31, 2020 | 96,504 | 96,504 |
| Series C preferred shares, no par value; 4,600 shares issued and outstanding at June 30, 2021 and December 31, 2020 | 110,997 | 110,997 |
| Trust common shares, no par value, 500,000 authorized; 64,900 shares issued and outstanding at June 30, 2021 and December 31, 2020 | 1,008,564 | 1,008,564 |
| Accumulated other comprehensive income (loss) | 50 | (1,456) |
| Accumulated deficit | (270,671) | (211,002) |
| Total stockholders' equity attributable to Holdings | 1,041,861 | 1,100,024 |
| Noncontrolling interest | 131,136 | 120,124 |
| Total stockholders' equity | 1,172,997 | 1,220,148 |
| **Total liabilities and stockholders' equity** | $ 2,661,147 | $ 2,598,518 |

See notes to condensed consolidated financial statements.

**COMPASS DIVERSIFIED HOLDINGS**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Unaudited)**

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| *(in thousands, except per share data)* | **2021** | **2020** | **2021** | **2020** |
| Net revenues | $ 487,438 | $ 333,627 | $ 949,034 | $ 667,076 |
| Cost of revenues | 294,683 | 216,224 | 569,430 | 430,185 |
| **Gross profit** | 192,755 | 117,403 | 379,604 | 236,891 |
| Operating expenses: | | | | |
| Selling, general and administrative expense | 114,022 | 84,014 | 224,990 | 167,814 |
| Management fees | 11,308 | 5,157 | 22,356 | 13,777 |
| Amortization expense | 18,847 | 14,779 | 37,446 | 28,284 |
| **Operating income** | 48,578 | 13,453 | 94,812 | 27,016 |
| Other income (expense): | | | | |
| Interest expense, net | (14,947) | (11,174) | (28,752) | (19,771) |
| Amortization of debt issuance costs | (722) | (610) | (1,408) | (1,135) |
| Loss on debt extinguishment | (33,305) | — | (33,305) | — |
| Other income (expense), net | (663) | (2,386) | (2,890) | (1,725) |
| **Income (loss) before income taxes** | (1,059) | (717) | 28,457 | 4,385 |
| Provision for income taxes | 10,192 | 6,649 | 17,712 | 6,871 |
| **Net income (loss)** | (11,251) | (7,366) | 10,745 | (2,486) |
| Less: Net income attributable to noncontrolling interest | 3,379 | 1,071 | 6,381 | 2,286 |
| **Net income (loss) attributable to Holdings** | $ (14,630) | $ (8,437) | $ 4,364 | $ (4,772) |
| | | | | |
| **Basic income (loss) per common share attributable to Holdings (refer to Note I)** | $ (0.38) | $ (0.30) | $ (0.29) | $ (0.50) |
| | | | | |
| Basic weighted average number of shares of common shares outstanding | 64,900 | 62,844 | 64,900 | 61,364 |
| | | | | |
| Cash distributions declared per Trust common share (refer to Note I) | $ 0.36 | $ 0.36 | $ 0.72 | $ 0.72 |

See notes to condensed consolidated financial statements.

**COMPASS DIVERSIFIED HOLDINGS**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**(Unaudited)**

| *(in thousands)* | Three months ended June 30, 2021 | Three months ended June 30, 2020 | Six months ended June 30, 2021 | Six months ended June 30, 2020 |
|---|---|---|---|---|
| **Net income (loss)** | $ (11,251) | $ (7,366) | $ 10,745 | $ (2,486) |
| Other comprehensive income (loss) | | | | |
| Foreign currency translation adjustments | 886 | 167 | 605 | (1,951) |
| Pension benefit liability, net | 138 | (238) | 901 | 356 |
| Other comprehensive income (loss) | 1,024 | (71) | 1,506 | (1,595) |
| Total comprehensive income (loss), net of tax | (10,227) | (7,437) | 12,251 | (4,081) |
| Less: Net income attributable to noncontrolling interests | 3,379 | 1,071 | 6,381 | 2,286 |
| Less: Other comprehensive income (loss) attributable to noncontrolling interests | 23 | (5) | 26 | (22) |
| **Total comprehensive income (loss) attributable to Holdings, net of tax** | $ (13,629) | $ (8,503) | $ 5,844 | $ (6,345) |

See notes to condensed consolidated financial statements.

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

| *(in thousands)* | Trust Preferred Shares | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Series A** | **Series B** | **Series C** | **Trust Common Shares** | **Accumulated Deficit** | **Accumulated Other Comprehensive Income (Loss)** | **Stockholders' Equity Attributable to Holdings** | **Non-Controlling Interest** | **Total Stockholders' Equity** |
| **Balance — April 1, 2020** | $ 96,417 | $ 96,504 | $ 110,997 | $ 924,680 | $ (141,866) | $ (5,457) | $ 1,081,275 | $ 53,808 | $ 1,135,083 |
| Net income (loss) | — | — | — | — | (8,437) | — | (8,437) | 1,071 | (7,366) |
| Total comprehensive loss, net | — | — | — | — | — | (71) | (71) | — | (71) |
| Issuance of trust common shares, net of offering costs | — | — | — | 83,908 | — | — | 83,908 | — | 83,908 |
| Option activity attributable to noncontrolling shareholders | — | — | — | — | — | — | — | 1,890 | 1,890 |
| Effect of subsidiary stock option exercise | — | — | — | — | — | — | — | 180 | 180 |
| Purchase of noncontrolling interest | — | — | — | — | — | — | — | (260) | (260) |
| Acquisition of Marucci Sports | — | — | — | — | — | — | — | 11,127 | 11,127 |
| Distributions paid - Trust Common Shares | — | — | — | — | (21,564) | — | (21,564) | — | (21,564) |
| Distributions paid - Trust Preferred Shares | — | — | — | — | (6,045) | — | (6,045) | — | (6,045) |
| **Balance — June 30, 2020** | $ 96,417 | $ 96,504 | $ 110,997 | $ 1,008,588 | $ (177,912) | $ (5,528) | $ 1,129,066 | $ 67,816 | $ 1,196,882 |
| | | | | | | | | | |
| **Balance — April 1, 2021** | $ 96,417 | $ 96,504 | $ 110,997 | $ 1,008,564 | $ (226,631) | $ (974) | $ 1,084,877 | $ 125,967 | $ 1,210,844 |
| Net income (loss) | — | — | | — | (14,630) | — | (14,630) | 3,379 | (11,251) |
| Total comprehensive income, net | — | — | | — | — | 1,024 | 1,024 | — | 1,024 |
| Option activity attributable to noncontrolling shareholders | — | — | | — | — | — | — | 2,847 | 2,847 |
| Effect of subsidiary stock option exercise | — | — | | — | — | — | — | 315 | 315 |
| Purchase of noncontrolling interest | — | — | | — | — | — | — | (1,372) | (1,372) |
| Distributions paid - Trust Common Shares | — | — | — | — | (23,364) | — | (23,364) | — | (23,364) |
| Distributions paid - Trust Preferred Shares | — | — | — | — | (6,046) | — | (6,046) | — | (6,046) |
| **Balance — June 30, 2021** | $ 96,417 | $ 96,504 | $ 110,997 | $ 1,008,564 | $ (270,671) | $ 50 | $ 1,041,861 | $ 131,136 | $ 1,172,997 |

| (in thousands) | Trust Preferred Shares | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Series A** | **Series B** | **Series C** | **Trust Common Shares** | **Accumulated Deficit** | **Accumulated Other Comprehensive Income (Loss)** | **Stockholders' Equity Attributable to Holdings** | **Non-Controlling Interest** | **Total Stockholders' Equity** |
| **Balance — January 1, 2020** | $ 96,417 | $ 96,504 | $ 110,997 | $ 924,680 | $ (109,338) | $ (3,933) | $ 1,115,327 | $ 50,548 | $ 1,165,875 |
| Net income (loss) | — | — | — | — | (4,772) | — | (4,772) | 2,286 | (2,486) |
| Total comprehensive loss, net | — | — | — | — | — | (1,595) | (1,595) | — | (1,595) |
| Issuance of trust common shares, net of offering costs | — | — | — | 83,908 | — | — | 83,908 | — | 83,908 |
| Option activity attributable to noncontrolling shareholders | — | — | — | — | — | — | — | 3,945 | 3,945 |
| Effect of subsidiary stock option exercise | — | — | — | — | — | — | — | 253 | 253 |
| Purchase of noncontrolling interest | — | — | — | — | — | — | — | (343) | (343) |
| Acquisition of Marucci Sports | — | — | — | — | — | — | — | 11,127 | 11,127 |
| Distributions paid - Allocation interests | — | — | — | — | (9,087) | — | (9,087) | — | (9,087) |
| Distributions paid - Trust Common Shares | — | — | — | — | (43,128) | — | (43,128) | — | (43,128) |
| Distributions paid - Trust Preferred Shares | — | — | — | — | (11,587) | — | (11,587) | — | (11,587) |
| **Balance — June 30, 2020** | $ 96,417 | $ 96,504 | $ 110,997 | $ 1,008,588 | $ (177,912) | $ (5,528) | $ 1,129,066 | $ 67,816 | $ 1,196,882 |
| | | | | | | | | | |
| **Balance — January 1, 2021** | $ 96,417 | $ 96,504 | $ 110,997 | $ 1,008,564 | $ (211,002) | $ (1,456) | $ 1,100,024 | $ 120,124 | $ 1,220,148 |
| Net income | — | — | — | — | 4,364 | — | 4,364 | 6,381 | 10,745 |
| Total comprehensive income, net | — | — | — | — | — | 1,506 | 1,506 | — | 1,506 |
| Option activity attributable to noncontrolling shareholders | — | — | — | — | — | — | — | 5,618 | 5,618 |
| Effect of subsidiary stock option exercise | — | — | — | — | — | — | — | 385 | 385 |
| Purchase of noncontrolling interest | — | — | — | — | — | — | — | (1,372) | (1,372) |
| Distributions paid - Allocation Interests | — | — | — | — | (5,214) | — | (5,214) | — | (5,214) |
| Distributions paid - Trust Common Shares | — | — | — | — | (46,728) | — | (46,728) | — | (46,728) |
| Distributions paid - Trust Preferred Shares | — | — | — | — | (12,091) | — | (12,091) | — | (12,091) |
| **Balance — June 30, 2021** | $ 96,417 | $ 96,504 | $ 110,997 | $ 1,008,564 | $ (270,671) | $ 50 | $ 1,041,861 | $ 131,136 | $ 1,172,997 |

See notes to condensed consolidated financial statements.

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

| | Six months ended June 30, | |
|---|---|---|
| *(in thousands)* | **2021** | **2020** |
| **Cash flows from operating activities:** | | |
| Net income (loss) | $ 10,745 | $ (2,486) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation expense | 19,433 | 16,902 |
| Amortization expense | 37,446 | 31,284 |
| Amortization of debt issuance costs and premium | 1,325 | 1,079 |
| Loss on debt extinguishment | 33,305 | — |
| Noncontrolling stockholder stock based compensation | 5,618 | 3,945 |
| Provision for receivable and inventory reserves | 3,526 | 2,519 |
| Deferred taxes | 1,715 | (5,933) |
| Other | 2,030 | 1,155 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 3,143 | 8,780 |
| Inventories | (24,082) | 11,236 |
| Other current and non-current assets | (4,705) | 1,991 |
| Accounts payable and accrued expenses | 19,935 | 17,858 |
| Cash provided by operating activities | 109,434 | 88,330 |
| **Cash flows from investing activities:** | | |
| Acquisitions, net of cash acquired | (34,163) | (200,720) |
| Purchases of property and equipment | (17,847) | (12,168) |
| Other investing activities | (686) | (102) |
| Cash used in investing activities | (52,696) | (212,990) |
| **Cash flows from financing activities:** | | |
| Proceeds from issuance of Trust common shares, net | — | 83,908 |
| Borrowings under credit facility | 179,000 | 200,000 |
| Repayments under credit facility | (486,000) | (200,000) |
| Proceeds from issuance of Senior Notes | 1,000,000 | 202,000 |
| Redemption of Senior Notes | (627,688) | — |
| Distributions paid - common shares | (46,728) | (43,128) |
| Distributions paid - preferred shares | (12,091) | (11,587) |
| Distributions paid - allocation interests | (5,214) | (9,087) |
| Net proceeds provided by noncontrolling shareholders - acquisition | — | 11,127 |
| Net proceeds provided by noncontrolling shareholders | 385 | 253 |
| Purchase of noncontrolling interest | (1,372) | (343) |
| Debt issuance costs | (17,389) | (3,180) |
| Other | (227) | 632 |
| Net cash (used in) provided by financing activities | (17,324) | 230,595 |
| Foreign currency impact on cash | 8 | (1,021) |
| Net increase in cash and cash equivalents | 39,422 | 104,914 |
| Cash and cash equivalents — beginning of period | 70,744 | 100,314 |
| Cash and cash equivalents — end of period | $ 110,166 | $ 205,228 |

See notes to condensed consolidated financial statements.

## Note A - Presentation and Principles of Consolidation

Compass Diversified Holdings, a Delaware statutory trust (the "Trust" or "Holdings") and Compass Group Diversified Holdings LLC, a Delaware limited liability company (the "Company"), were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. In accordance with the second amended and restated Trust Agreement, dated as of December 6, 2016 (as amended and restated, the "Trust Agreement"), the Trust is sole owner of 100% of the Trust Interests (as defined in the Company's fifth amended and restated operating agreement, dated as of December 6, 2016 (as amended and restated, the "LLC Agreement")) of the Company and, pursuant to the LLC Agreement, the Company has, outstanding, the identical number of Trust Interests as the number of outstanding shares of the Trust. The Company is the operating entity with a board of directors and other corporate governance responsibilities, similar to that of a Delaware corporation.

The Company is a controlling owner of ten businesses, or reportable operating segments, at June 30, 2021. The segments are as follows: 5.11 Acquisition Corp. ("5.11"), Boa Holdings Inc. ("BOA"), The Ergo Baby Carrier, Inc. ("Ergobaby"), Liberty Safe and Security Products, Inc. ("Liberty Safe" or "Liberty"), Marucci Sports, LLC ("Marucci Sports" or "Marucci"), Velocity Outdoor, Inc. (formerly Crosman Corp.) ("Velocity Outdoor" or "Velocity"), Compass AC Holdings, Inc. ("ACI" or "Advanced Circuits"), AMT Acquisition Corporation ("Arnold"), FFI Compass, Inc. ("Altor Solutions" or "Altor") (formerly "Foam Fabricators"), and The Sterno Group, LLC ("Sterno"). Refer to Note D - "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 Company and oversees the management and operations of our businesses pursuant to a Management Services Agreement ("MSA").

*Basis of Presentation*

The condensed consolidated financial statements for the three and six month periods ended June 30, 2021 and June 30, 2020 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, 2020.

*Consolidation*

The condensed consolidated financial statements include the accounts of Holdings and all majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

*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 quarters produce the highest net sales during our fiscal year.

*Recently Adopted Accounting Pronouncements*

In December 2019, the FASB issued ASU No. 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This guidance removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences. This guidance also clarifies and simplifies other areas of ASC 740. The guidance was effective for fiscal years and interim periods beginning after December 15, 2020 and early adoption is permitted. The adoption of this guidance on January 1, 2021 did not have a material impact on our consolidated financial statements.

**Note B — Acquisition**

*Acquisition of Marucci Sports, LLC*

On April 20, 2020, pursuant to an Agreement and Plan of Merger entered into on March 6, 2020, the Company, through a wholly-owned subsidiary, Wheelhouse Holdings Inc., a Delaware corporation ("Buyer") and Wheelhouse Holdings Merger Sub LLC, a Delaware limited liability company and a wholly owned Subsidiary of Buyer ("Merger Sub"), completed a merger (the "Transaction") with Marucci Sports, LLC, a Delaware limited liability company ("Marucci"). Upon the completion of the Transaction, Marucci became a wholly owned subsidiary of Buyer and an indirect subsidiary of the Company. Headquartered in Baton Rouge, Louisiana, Marucci is a leading manufacturer and distributor of baseball and softball equipment. Founded in 2009, Marucci has a product portfolio that includes wood and metal bats, apparel and accessories, batting and fielding gloves and bags and protective gear.

The Company made loans to, and purchased a 92.2% equity interest in, Marucci. The purchase price, including proceeds from noncontrolling shareholders and net of transaction costs, was $198.9 million. Marucci management and certain existing shareholders invested in the Transaction along with the Company, representing 7.8% initial noncontrolling interest on both a primary and fully diluted basis. The fair value of the noncontrolling interest was determined based on the enterprise value of the acquired entity multiplied by the ratio of the number of shares acquired by the minority holders to total shares. The transaction was accounted for as a business combination. CGM acted as an advisor to the Company in the acquisition and will continue to provide integration services during the first year of the Company's ownership of Marucci. CGM will receive integration service fees of $2.0 million payable quarterly over a twelve month period as services are rendered which payments began in the quarter ended September 30, 2020. The Company incurred $2.0 million of transaction costs in conjunction with the Marucci acquisition, which was included in selling, general and administrative expense in the consolidated statements of operations during the second quarter of 2020.

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

| *(in thousands)* | Final Purchase Price Allocation |
|---|---|
| **Assets** | |
| Cash | 2,730 |
| Accounts Receivable (1) | 11,471 |
| Inventory (2) | 14,481 |
| Property, plant and equipment (3) | 10,307 |
| Intangible assets | 100,211 |
| Goodwill | 68,170 |
| Other current and noncurrent assets | 2,208 |
| **Total Assets** | 209,578 |
| | |
| **Liabilities and noncontrolling interest** | |
| Current liabilities | 6,501 |
| Other liabilities | 43,058 |
| Deferred tax liabilities | 1,161 |
| Noncontrolling interest | 11,127 |
| **Total liabilities and noncontrolling interest** | 61,847 |
| | |
| Net assets acquired | 147,731 |
| Noncontrolling interest | 11,127 |
| Intercompany loans | 42,100 |
| | $ 200,958 |

| Acquisition consideration | | |
|---|---|---|
| Purchase price | $ | 200,000 |
| Cash acquired | | 2,730 |
| Net working capital adjustment | | 728 |
| Other adjustments | | (2,500) |
| Total purchase consideration | $ | 200,958 |
| Less: Transaction costs | | 2,042 |
| Net purchase price | $ | 198,916 |

**(1)** Includes $12.7 million in gross contractual accounts receivable, of which $1.2 million is not expected to be collected. The fair value of accounts receivable approximates book value acquired.

**(2)** Includes $4.3 million in inventory basis step-up, which will be charged to cost of goods sold. $3.0 million was amortized to cost of goods sold in the second quarter of 2020, and $1.3 million was charged to cost of goods sold in the third quarter of 2020.

**(3)** Includes $2.5 million of property, plant and equipment basis step-up. The fair value of property, plant and equipment will be depreciated over the remaining useful lives of the assets.

The allocation of the purchase price presented above is based on management's estimate of the fair values using valuation techniques including the income, cost and market approach. In estimating the fair value of the 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 and current and other liabilities are valued at historical carrying values. Property, plant and equipment is valued through a purchase price appraisal and will be depreciated on a straight-line basis over the respective 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 acquired 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 $68.2 million reflects the strategic fit of Marucci in the Company's branded consumer business and is expected to be deductible for income tax purposes.

The intangible assets recorded related to the Marucci acquisition are as follows (in thousands):

| Intangible Assets | | Amount | Estimated Useful Life |
|---|---|---|---|
| Tradename | $ | 84,891 | 15 years |
| Customer relationships | | 11,120 | 15 years |
| Technology | | 4,200 | 15 years |
| | $ | 100,211 | |

The tradename was valued at $84.9 million using a multi-period excess earnings methodology. The customer relationships intangible asset was valued at $11.1 million using the distributor method, a variation of the multi-period excess earnings methodology, in which an asset is valuable to the extent it enables its owners to earn a return in excess of the required returns on the other assets utilized in the business. The technology was valued at $4.2 million using a relief from royalty method.

*Acquisition of Boa Technology, Inc.*

On October 16, 2020, the Company, through its newly formed acquisition subsidiaries, BOA Holdings Inc., a Delaware corporation (“BOA Holdings”) and BOA Parent Inc., a Delaware corporation (“BOA Buyer”) and a wholly-owned subsidiary of BOA Holdings, acquired Boa Technology Inc. ("BOA"), and its subsidiaries pursuant to an Agreement and Plan of Merger (the “Agreement and Plan of Merger”) by and among BOA Buyer, Reel Holding Corp., a Delaware corporation (“Reel”) and the sole stockholder of Boa Technology, Inc., BOA Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of BOA Buyer (“Merger Sub”) and Shareholder Representative Services LLC (in its capacity as the representative of the stockholders of Reel) entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Reel Holding Corp., a Delaware corporation (“BOA”) and the sole stockholder of Boa Technology, Inc., BOA Merger Sub Inc., a Delaware corporation and a wholly-owned subsidiary of BOA Buyer ("Merger Sub"), and Shareholder Representative Services LLC (in its capacity as the representative of the stockholders of BOA). Pursuant to the Merger Agreement, Merger Sub was merged with and into BOA (the "Merger") such that the separate existence of Merger Sub ceased, and BOA survived the Merger as a wholly-owned subsidiary of BOA Buyer. BOA, creators of the award-winning BOA® Fit System featured in performance footwear, action sports, outdoor and medical products worldwide, was founded in 2001 and is headquartered in Denver, Colorado.

The Company made loans to, and purchased an 82% equity interest in, BOA. The purchase price, including proceeds from noncontrolling shareholders and net of transaction costs, was $454.3 million. BOA management and certain existing shareholders invested in the transaction along with the Company, representing 18% initial noncontrolling interest on both a primary and fully diluted basis. The fair value of the noncontrolling interest was determined based on the enterprise value of the acquired entity multiplied by the ratio of the number of shares acquired by the minority holders to total shares. The transaction was accounted for as a business combination. CGM acted as an advisor to the Company in the acquisition and will continue to provide integration services during the first year of the Company's ownership of BOA. CGM will receive integration service fees of $4.4 million payable quarterly over a twelve month period as services are rendered which payments began in the quarter ended December 31, 2020. The Company incurred $2.5 million of transaction costs in conjunction with the BOA acquisition, which was included in selling, general and administrative expense in the consolidated statements of operations during the fourth quarter of 2020. The Company funded the acquisition with cash on hand and a $300 million draw on its 2018 Revolving Credit Facility.

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

| *(in thousands)* | **Final Purchase Price Allocation** |
|---|---|
| Assets: | |
| Cash | $ 7,677 |
| Accounts receivable [(1)] | 2,065 |
| Inventory [(2)] | 6,178 |
| Property, plant and equipment [(3)] | 15,431 |
| Intangible assets | 234,000 |
| Goodwill | 254,153 |
| Other current and noncurrent assets | 12,554 |
| Total assets | $ 532,058 |
| | |
| Liabilities and noncontrolling interest: | |
| Current liabilities | $ 14,008 |
| Other liabilities | 130,587 |
| Deferred tax liabilities | 49,969 |
| Noncontrolling interest | 61,534 |
| Total liabilities and noncontrolling interest | $ 256,098 |
| | |
| Net assets acquired | $ 275,960 |
| Noncontrolling interest | 61,534 |
| Intercompany loans to business | 119,349 |
| | $ 456,843 |

| Acquisition consideration | | |
|---|---|---|
| Purchase price | $ | 454,000 |
| Cash acquired | | 7,677 |
| Net working capital adjustment | | (1,970) |
| Other adjustments | | (2,864) |
| Total purchase consideration | $ | 456,843 |
| Less: Transaction costs | | 2,517 |
| Net purchase price | $ | 454,326 |

**(1)** Includes $2.1 million in gross contractual accounts receivable, of which $0.06 million is not expected to be collected. The fair value of accounts receivable approximates book value acquired.

**(2)** Includes $1.5 million in inventory basis step-up, which was charged to cost of goods sold in the fourth quarter of 2020.

**(3)** Includes $6.5 million of property, plant and equipment basis step-up. The fair value of property, plant and equipment will be depreciated over the remaining useful lives of the assets.

The allocation of the purchase price presented above is based on management's estimate of the fair values using valuation techniques including the income, cost and market approach. In estimating the fair value of the 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 and current and other liabilities are valued at historical carrying values. Property, plant and equipment is valued through a purchase price appraisal and will be depreciated on a straight-line basis over the respective 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 acquired 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 $254.2 million reflects the strategic fit of BOA in the Company's branded consumer business and is not expected to be deductible for income tax purposes.

The intangible assets recorded related to the BOA acquisition are as follows (in thousands):

| Intangible Assets | | Fair Value | Estimated Useful Lives |
|---|---|---|---|
| Technology | $ | 70,200 | 10 - 12 years |
| Tradename | | 84,300 | 20 years |
| Customer relationships | | 73,000 | 15 years |
| In-process Research & Development [(1)] | | 6,500 | |
| | $ | 234,000 | |

**(1)** 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.

The technology was considered the primary intangible asset in the acquisition and was valued at $70.2 million using a multi-period excess earnings methodology with an assumed obsolescence factor. The tradename was valued at $84.3 million using a relief-from-royalty method. The customer relationships, which represent BOA's relationship with brand partners, were valued at $73.0 million using the distributor method, a variation of the multi-period excess earnings methodology, in which an asset is valuable to the extent it enables its owners to earn a return in excess of the required returns on the other assets utilized in the business.

***Unaudited pro forma information***

The following unaudited pro forma data for the three months and six months ended June 30, 2020 gives effect to the acquisitions of Marucci and BOA, as described above, as if the acquisitions had been completed as of January 1, 2020. The pro forma data gives effect to historical operating results with adjustments to interest expense, amortization and depreciation 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.

| *(in thousands, except per share data)* | **Three months ended June 30, 2020** | **Six months ended June 30, 2020** |
|---|---|---|
| Net sales | 358,416 | 740,609 |
| Gross profit | 131,695 | 278,925 |
| Operating income | 11,580 | 28,061 |
| Net loss from continuing operations | (12,921) | (10,631) |
| Net loss from continuing operations attributable to Holdings | (14,180) | (13,510) |
| Basic and fully diluted net loss per share attributable to Holdings | (0.39) | (0.65) |

***Other acquisitions***

Arnold

On March 1, 2021, Arnold acquired Ramco Electric Motors, Inc. ("Ramco"), a manufacturer of stators, rotors and full electric motors, for a purchase price of approximately $34.3 million. The acquisition and related transaction costs were funded through an additional equity investment in Arnold by the Company of $35.5 million. Ramco was founded in 1987 and is based in Greenville, Ohio. Ramco supplies their custom electric motor solutions for general industrial, aerospace and defense, and oil and gas end-markets. Ramco's complementary product portfolio will allow Arnold to be able to offer more comprehensive, turnkey solutions to their customers. The excess purchase price over net assets acquired has been recorded as goodwill of $22.3 million on a preliminary basis at June 30, 2021.

Altor Solutions

On July 1, 2020, Altor Solutions acquired substantially all of the assets of Polyfoam Corp. ("Polyfoam"), a Massachusetts-based manufacturer of protective and temperature-sensitive packaging solutions for the medical, pharmaceutical, grocery and food industries, among others. Founded in 1974, Polyfoam operates two manufacturing facilities producing highly engineered foam and injection-molded plastic solutions across a variety of end-markets. The acquisition complements Altor Solutions' current operating footprint and provides access to a new customer base and product offerings, including Polyfoam's significant end-market exposure to cold chain (including seafood boxes, insulated shipping containers and grocery delivery totes). The purchase price was approximately $12.8 million and includes a potential earnout of $1.4 million if Polyfoam achieves certain financial metrics.

In September 2020, Altor Solutions invested $3.6 million in Rational Packaging, LLC, a designer and manufacturer of recyclable, paperboard-based structural packaging components. The investment will be accounted for as an equity method investment.

**Note C — Revenue**

The Company recognizes revenue in accordance with the provisions of Revenue from Contracts with Customers, or ASC 606. Revenue is recognized 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. 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 June 30, 2021 and 2020 (in thousands):

| Three months ended June 30, 2021 | 5.11 | BOA | Ergo | Liberty | Marucci | Velocity | ACI | Altor | Arnold | Sterno | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| United States | $ 91,464 | $ 14,736 | $ 9,092 | $ 32,808 | $ 24,365 | $ 56,304 | $ 22,465 | $ 34,783 | $ 22,095 | $ 85,428 | $ 393,540 |
| Canada | 2,764 | 346 | 1,108 | 640 | 135 | 2,901 | — | — | 212 | 3,259 | 11,365 |
| Europe | 6,486 | 16,988 | 8,483 | — | 29 | 2,559 | — | — | 7,810 | 448 | 42,803 |
| Asia Pacific | 4,068 | 11,976 | 8,159 | — | 106 | 505 | — | — | 1,951 | 90 | 26,855 |
| Other international | 5,251 | 39 | 114 | — | 5 | 1,089 | — | 5,857 | 488 | 32 | 12,875 |
| | $ 110,033 | $ 44,085 | $ 26,956 | $ 33,448 | $ 24,640 | $ 63,358 | $ 22,465 | $ 40,640 | $ 32,556 | $ 89,257 | $ 487,438 |

| Three months ended June 30, 2020 | 5.11 | Ergo | Liberty | Marucci | Velocity | ACI | Altor | Arnold | Sterno | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| United States | $ 70,677 | $ 7,100 | $ 23,467 | $ 5,035 | $ 41,900 | $ 22,956 | $ 20,873 | $ 15,293 | $ 73,913 | $ 281,214 |
| Canada | 1,791 | 1,016 | 986 | 16 | 2,852 | — | — | 83 | 3,143 | 9,887 |
| Europe | 7,245 | 6,812 | — | 4 | 1,774 | — | — | 7,282 | 165 | 23,282 |
| Asia Pacific | 3,882 | 5,007 | — | 199 | 188 | — | — | 1,153 | 6 | 10,435 |
| Other international | 4,040 | 109 | — | 2 | 507 | — | 3,556 | 459 | 136 | 8,809 |
| | $ 87,635 | $ 20,044 | $ 24,453 | $ 5,256 | $ 47,221 | $ 22,956 | $ 24,429 | $ 24,270 | $ 77,363 | $ 333,627 |

| Six months ended June 30, 2021 | 5.11 | BOA | Ergo | Liberty | Marucci | Velocity | ACI | Altor | Arnold | Sterno | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| United States | $ 172,247 | $ 28,817 | $ 17,891 | $ 63,411 | $ 60,461 | $ 114,573 | $ 44,027 | $ 67,527 | $ 43,456 | $ 159,453 | $ 771,863 |
| Canada | 5,318 | 570 | 1,862 | 1,488 | 476 | 6,124 | — | — | 417 | 6,259 | 22,514 |
| Europe | 13,641 | 30,338 | 15,828 | — | 58 | 5,080 | — | — | 16,668 | 697 | 82,310 |
| Asia Pacific | 7,881 | 20,704 | 13,420 | — | 288 | 781 | — | — | 3,244 | 105 | 46,423 |
| Other international | 10,823 | 108 | 283 | 27 | 5 | 2,432 | — | 10,933 | 1,256 | 57 | 25,924 |
| | $ 209,910 | $ 80,537 | $ 49,284 | $ 64,926 | $ 61,288 | $ 128,990 | $ 44,027 | $ 78,460 | $ 65,041 | $ 166,571 | $ 949,034 |

| Six months ended June 30, 2020 | 5.11 | Ergo | Liberty | Marucci | Velocity | ACI | Altor | Arnold | Sterno | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| United States | $ 143,104 | $ 13,358 | $ 48,123 | $ 5,035 | $ 67,779 | $ 44,652 | $ 44,460 | $ 33,856 | $ 153,928 | $ 554,295 |
| Canada | 3,265 | 1,716 | 1,290 | 16 | 4,772 | — | — | 239 | 6,071 | 17,369 |
| Europe | 13,552 | 12,599 | — | 4 | 3,472 | — | — | 15,610 | 223 | 45,460 |
| Asia Pacific | 7,393 | 10,910 | — | 199 | 434 | — | — | 2,548 | 34 | 21,518 |
| Other international | 16,102 | 1,110 | — | 2 | 1,154 | — | 8,352 | 1,575 | 139 | 28,434 |
| | $ 183,416 | $ 39,693 | $ 49,413 | $ 5,256 | $ 77,611 | $ 44,652 | $ 52,812 | $ 53,828 | $ 160,395 | $ 667,076 |

## Note D — Operating Segment Data

At June 30, 2021, 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. 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 and services 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 Irvine, 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, hiking/trekking, golf, running, court sports, workwear as well as headwear and medical 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 engineered for fast, effortless, precision fit, 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 is a designer, marketer and distributor of wearable baby carriers and accessories, blankets and swaddlers, nursing pillows, strollers 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. Ergobaby is headquartered in Los Angeles, California.

- Liberty Safe is a designer, manufacturer and marketer of premium home, gun and office safes in North America. From its over 300,000 square foot manufacturing facility, Liberty produces a wide range of home and gun safe models in a broad assortment of sizes, features and styles. Liberty is headquartered in Payson, Utah.

- Marucci Sports is a leading designer, manufacturer, and marketer of premium wood and metal baseball bats, fielding gloves, batting gloves, bags, protective gear, sunglasses, on and off-field apparel, and other baseball and softball equipment used by professional and amateur athletes. Marucci also develops and licenses franchises for sports training facilities. Marucci is headquartered in Baton Rouge, Louisiana.

- Velocity Outdoor is a leading designer, manufacturer, and marketer of airguns, archery products, laser aiming devices and related accessories. Velocity Outdoor offers its products under the highly recognizable Crosman, Benjamin, Ravin, LaserMax and CenterPoint brands that are available through national retail chains, mass merchants, dealer and distributor networks. Velocity Outdoor is headquartered in Bloomfield, New York.

- Advanced Circuits is an electronic components manufacturing company that provides small-run, quick-turn and volume production rigid printed circuit boards. ACI manufactures and delivers custom printed circuit boards to customers primarily in North America. ACI is headquartered in Aurora, Colorado.

- 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. In July 2020, Altor acquired the assets of Polyfoam, a Massachusetts-based manufacturer of protective and temperature-sensitive packaging solutions for the medical, pharmaceutical, grocery and food industries, among others. Altor is headquartered in Scottsdale, Arizona and operates 14 molding and fabricating facilities across North America subsequent to the acquisition of Polyfoam.

- Arnold is a global manufacturer of engineered magnetic solutions for a wide range of specialty applications and end-markets, including aerospace and defense, general industrial, motorsport/automotive, oil and gas, medical, energy, reprographics and advertising specialties. Arnold produces high performance permanent magnets (PMAG), precision foil products (Precision Thin Metals or "PTM"), turnkey electric motors ("Ramco") 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 clients worldwide. Arnold is headquartered in Rochester, New York.

- Sterno is a manufacturer and marketer of portable food warming systems, creative indoor and outdoor lighting, and home fragrance solutions for the foodservice industry and 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, flameless candles and outdoor lighting products through Sterno Home, and scented wax cubes and warmer products used for home decor and fragrance systems through Rimports. Sterno is headquartered in Corona, California.

The tabular information that follows shows data for each of the operating segments reconciled to amounts reflected in the consolidated financial statements. The results of operations of each of the operating segments are included in consolidated operating results as of their date of acquisition. There were no significant inter-segment transactions.

**Summary of Operating Segments**

| **Net Revenues** | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| *(in thousands)* | **2021** | **2020** | **2021** | **2020** |
| 5.11 | $ 110,033 | $ 87,635 | $ 209,910 | $ 183,416 |
| BOA | 44,085 | — | 80,537 | — |
| Ergobaby | 26,956 | 20,044 | 49,284 | 39,693 |
| Liberty | 33,448 | 24,453 | 64,926 | 49,413 |
| Marucci | 24,640 | 5,256 | 61,288 | 5,256 |
| Velocity Outdoor | 63,358 | 47,221 | 128,990 | 77,611 |
| ACI | 22,465 | 22,956 | 44,027 | 44,652 |
| Altor | 40,640 | 24,429 | 78,460 | 52,812 |
| Arnold | 32,556 | 24,270 | 65,041 | 53,828 |
| Sterno | 89,257 | 77,363 | 166,571 | 160,395 |
| Total segment revenue | 487,438 | 333,627 | 949,034 | 667,076 |
| Corporate and other | — | — | — | — |
| Total consolidated revenues | $ 487,438 | $ 333,627 | $ 949,034 | $ 667,076 |

| **Segment profit (loss)** [1] | **Three months ended June 30,** | | **Six months ended June 30,** | |
|---|---|---|---|---|
| *(in thousands)* | **2021** | **2020** | **2021** | **2020** |
| 5.11 | $ 11,969 | $ 4,702 | $ 17,805 | $ 9,288 |
| BOA | 11,453 | — | 18,707 | — |
| Ergobaby | 3,754 | 2,026 | 5,718 | 3,580 |
| Liberty | 5,903 | 3,400 | 11,533 | 6,545 |
| Marucci | 1,180 | (7,743) | 11,687 | (7,743) |
| Velocity Outdoor | 9,100 | 3,998 | 20,134 | 2,834 |
| ACI | 6,324 | 6,329 | 11,819 | 12,067 |
| Altor | 3,548 | 2,847 | 8,232 | 6,359 |
| Arnold | 2,497 | 1,443 | 5,493 | 3,096 |
| Sterno | 6,578 | 3,963 | 10,862 | 9,232 |
| Total | 62,306 | 20,965 | 121,990 | 45,258 |
| **Reconciliation of segment profit (loss) to consolidated net income before income taxes:** | | | | |
| Interest expense, net | (14,947) | (11,174) | (28,752) | (19,771) |
| Other income (expense), net | (663) | (2,386) | (2,890) | (1,725) |
| Corporate and other [2] | (47,755) | (8,122) | (61,891) | (19,377) |
| Total consolidated income (loss) before income taxes | $ (1,059) | $ (717) | $ 28,457 | $ 4,385 |

(1) Segment profit (loss) represents operating income (loss).

(2) Primarily relates to management fees expensed and payable to CGM, the loss on debt extinguishment recognized in 2021 and corporate overhead expenses.

| Depreciation and Amortization Expense | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| *(in thousands)* | 2021 | 2020 | 2021 | 2020 |
| 5.11 | $ 5,343 | $ 5,286 | $ 10,701 | $ 10,438 |
| BOA | 4,846 | — | 9,736 | — |
| Ergobaby | 2,095 | 2,038 | 4,312 | 4,091 |
| Liberty | 467 | 415 | 908 | 821 |
| Marucci | 2,024 | 4,687 | 4,163 | 4,687 |
| Velocity Outdoor | 3,145 | 3,113 | 6,218 | 6,360 |
| ACI | 524 | 626 | 1,041 | 1,272 |
| Altor | 3,134 | 2,935 | 5,697 | 5,982 |
| Arnold | 2,016 | 1,641 | 3,737 | 3,272 |
| Sterno | 5,181 | 5,639 | 10,366 | 11,263 |
| Total | 28,775 | 26,380 | 56,879 | 48,186 |
| **Reconciliation of segment to consolidated total:** | | | | |
| Amortization of debt issuance costs and bond premium | 722 | 554 | 1,325 | 1,079 |
| Consolidated total | $ 29,497 | $ 26,934 | $ 58,204 | $ 49,265 |

| | Accounts Receivable | | Identifiable Assets | |
|---|---|---|---|---|
| *(in thousands)* | June 30, 2021 | December 31, 2020 | June 30, 2021 [(1)] | December 31, 2020 [(1)] |
| 5.11 | $ 48,956 | $ 50,082 | $ 356,736 | $ 354,033 |
| BOA | 3,046 | 1,492 | 263,590 | 269,438 |
| Ergobaby | 9,086 | 5,034 | 88,928 | 91,293 |
| Liberty | 20,615 | 18,877 | 39,209 | 35,858 |
| Marucci | 14,226 | 10,172 | 121,952 | 129,116 |
| Velocity Outdoor | 40,279 | 40,126 | 208,702 | 191,180 |
| ACI | 8,350 | 7,252 | 24,799 | 28,932 |
| Altor | 34,332 | 34,088 | 161,610 | 164,800 |
| Arnold | 18,650 | 13,237 | 86,542 | 75,958 |
| Sterno | 52,066 | 70,467 | 239,369 | 251,307 |
| Allowance for doubtful accounts | (18,237) | (18,320) | — | — |
| Total | 231,369 | 232,507 | 1,591,437 | 1,591,915 |
| **Reconciliation of segment to consolidated total:** | | | | |
| Corporate and other identifiable assets | — | — | 52,090 | 8,093 |
| Consolidated total | $ 231,369 | $ 232,507 | $ 1,643,527 | $ 1,600,008 |

[(1)] Does not include accounts receivable balances per schedule above or goodwill balances - refer to Note F - "Goodwill and Other Intangible Assets".

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

*Property, plant and equipment*

Property, plant and equipment is comprised of the following at June 30, 2021 and December 31, 2020 *(in thousands)*:

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Machinery and equipment | $ 229,691 | $ 217,639 |
| Furniture, fixtures and other | 50,715 | 48,251 |
| Leasehold improvements | 52,362 | 51,663 |
| Buildings and land | 13,321 | 10,817 |
| Construction in process | 19,489 | 15,713 |
| | 365,578 | 344,083 |
| Less: accumulated depreciation | (189,350) | (171,414) |
| Total | $ 176,228 | $ 172,669 |

Depreciation expense was $9.9 million and $19.4 million for the three and six months ended June 30, 2021, respectively and $8.6 million and $16.9 million for the three and six months ended June 30, 2020, respectively.

*Inventory*

Inventory is comprised of the following at June 30, 2021 and December 31, 2020 *(in thousands)*:

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Raw materials | $ 90,944 | $ 81,357 |
| Work-in-process | 15,938 | 14,979 |
| Finished goods | 307,543 | 289,035 |
| Less: obsolescence reserve | (27,163) | (21,998) |
| Total | $ 387,262 | $ 363,373 |

## Note F — 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***

*2021 Annual Impairment Testing*

The Company uses 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 less than its carrying amount as a basis for determining whether it is necessary to perform quantitative goodwill impairment testing. We determined that the Arnold 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 2021 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 Arnold was performed using an income approach to determine the fair value of the reporting unit. The discount rate used in the income approach was 13.0% and the results of the quantitative impairment testing indicated that the fair value of the Arnold reporting unit exceeded the carrying value by 272%.

*2020 Annual Impairment Testing*

The Company used a qualitative approach to test goodwill for impairment in the prior year. We determined that the Ergobaby, Altor Solutions and Velocity reporting units 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 2020 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 tests of Ergobaby, Altor Solutions and Velocity were performed using an income approach to determine the fair value of the reporting units. For Ergobaby, the discount rate used in the income approach was 15.9% and the results of the quantitative impairment testing indicated that the fair value of the Ergobaby reporting unit exceeded the carrying value by 14.0%. For Altor Solutions, the discount rate used in the income approach was 13.3%, and the results of the quantitative impairment testing indicated that the fair value of the Altor Solutions reporting unit exceeded the carrying value by 3.8%. For Velocity, the discount rate used in the income approach was 12.8%, and the results of the quantitative impairment testing indicated that the fair value of the Velocity reporting unit exceeded the carrying value by 16.4%.

A summary of the net carrying value of goodwill at June 30, 2021 and December 31, 2020, is as follows *(in thousands)*:

| | Six months ended June 30, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Goodwill - gross carrying amount | $ 843,996 | $ 823,748 |
| Accumulated impairment losses | (57,745) | (57,745) |
| Goodwill - net carrying amount | $ 786,251 | $ 766,003 |

The following is a reconciliation of the change in the carrying value of goodwill for the six months ended June 30, 2021 by operating segment *(in thousands)*:

| | Balance at January 1, 2021 | Acquisitions | Balance at June 30, 2021 |
|---|---|---|---|
| 5.11 | $ 92,966 | $ — | $ 92,966 |
| BOA | 254,153 | — | 254,153 |
| Ergobaby | 63,531 | (2,083) | 61,448 |
| Liberty | 32,828 | — | 32,828 |
| Marucci | 68,170 | — | 68,170 |
| Velocity Outdoor | 30,079 | — | 30,079 |
| ACI | 58,019 | — | 58,019 |
| Altor | 75,369 | — | 75,369 |
| Arnold | 26,903 | 22,331 | 49,234 |
| Sterno | 55,336 | — | 55,336 |
| Corporate [(1)] | 8,649 | — | 8,649 |
| Total | $ 766,003 | $ 20,248 | $ 786,251 |

(1) Represents goodwill resulting from purchase accounting adjustments not "pushed down" to the ACI segment. This amount is allocated back to the ACI segment for purposes of goodwill impairment testing.

***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 2021 and 2020. 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. The Ergobaby reporting unit has an indefinite lived trade name that was tested in conjunction with the goodwill impairment test at March 31, 2020. The results of the quantitative impairment testing indicated that the trade name was not impaired.

Other intangible assets are comprised of the following at June 30, 2021 and December 31, 2020 *(in thousands)*:

| | June 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer relationships | $ 548,262 | $ (209,871) | $ 338,391 | $ 548,262 | $ (191,142) | $ 357,120 |
| Technology and patents | 162,608 | (41,931) | 120,677 | 155,392 | (35,552) | 119,840 |
| Trade names, subject to amortization | 358,827 | (77,198) | 281,629 | 358,818 | (65,318) | 293,500 |
| Licensing and non-compete agreements | 7,642 | (7,576) | 66 | 7,642 | (7,422) | 220 |
| Distributor relations and other | 2,476 | (1,026) | 1,450 | 726 | (726) | — |
| Total | 1,079,815 | (337,602) | 742,213 | 1,070,840 | (300,160) | 770,680 |
| Trade names, not subject to amortization | 59,985 | — | 59,985 | 59,985 | — | 59,985 |
| In-process research and development [(1)] | — | — | — | 6,500 | — | 6,500 |
| Total intangibles, net | $ 1,139,800 | $ (337,602) | $ 802,198 | $ 1,137,325 | $ (300,160) | $ 837,165 |

[(1)] 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. The Company determined that the in-process research and development technology asset acquired in the BOA acquisition achieved viability in the second quarter of 2021, and will be amortized over a ten-year period.

Amortization expense related to intangible assets was $18.8 million and $37.4 million for the three and six months ended June 30, 2021, respectively and $14.8 million and $28.3 million for the three and six months ended June 30, 2020, respectively.

Estimated charges to amortization expense of intangible assets for the remainder of 2021 and the next four years, is as follows *(in thousands)*:

| 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|
| $ 36,987 | $ 72,428 | $ 71,985 | $ 70,223 | $ 64,935 |

## Note G — Warranties

The Company’s Ergobaby, Liberty, Marucci, 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 six months ended June 30, 2021 and the year ended December 31, 2020 is as follows (*in thousands*):

| Warranty liability | Six months ended June 30, 2021 | Year ended December 31, 2020 |
|---|---|---|
| Beginning balance | $ 2,390 | $ 1,583 |
| Provision for warranties issued during the period | 4,291 | 3,772 |
| Fulfillment of warranty obligations | (3,913) | (3,614) |
| Other [(1)] | — | 649 |
| Ending balance | $ 2,768 | $ 2,390 |

[(1)] Represents the warranty liabilities recorded in relation to the Marucci and BOA acquisitions in 2020.

## Note H — Debt

*2021 Credit Facility*

On March 23, 2021, we entered into a Second Amended and Restated Credit Agreement (the "2021 Credit Facility") to amend and restate the 2018 Credit Facility (as previously restated and amended) among the Company, the lenders from time to time party thereto (the “Lenders”), and Bank of America, N.A., as Administrative Agent. The 2021 Credit Facility is secured by all of the assets of the Company, including all of its equity interests in, and loans to, its consolidated subsidiaries. The 2021 Credit Facility provides for revolving loans, swing line loans and letters of credit (the “2021 Revolving Credit Facility”) up to a maximum aggregate amount of $600 million and also permits the Company, 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 2021 Revolving Credit Facility will become due on March 23, 2026, which is the maturity date of loans advanced under the 2021 Credit Facility.

The Company may borrow, prepay and reborrow principal under the 2021 Revolving Credit Facility from time to time during its term. Advances under the 2021 Revolving Credit Facility can be either Eurodollar rate loans or base rate loans. Eurodollar rate revolving loans bear interest on the outstanding principal amount thereof for each interest period at a rate per annum based on the London Interbank Offered Rate or a Successor Rate, as defined, (the “Eurodollar Rate”) for such interest period 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) Eurodollar Rate 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.

Under the 2021 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 2021 Revolving Credit Facility.

Net availability under the 2021 Revolving Credit Facility was approximately $599.1 million at June 30, 2021. Letters of credit outstanding at June 30, 2021 totaled approximately $0.9 million. At June 30, 2021, the Company was in compliance with all covenants as defined in the 2021 Credit Facility.

*2018 Credit Facility*

On April 18, 2018, the Company entered into an Amended and Restated Credit Agreement (the "2018 Credit Facility"). The 2018 Credit Facility provided for (i) revolving loans, swing line loans and letters of credit (the “2018 Revolving Credit Facility”) up to a maximum aggregate amount of $600 million, and (ii) a $500 million term loan (the “2018 Term Loan”). The Company repaid the outstanding amounts under the 2018 Term Loan in 2019, and used a portion of the proceeds from the issuance of the 2029 Senior Notes to repay the amount outstanding under the 2018 Revolving Credit Facility in March 2021.

*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 Notes were issued pursuant to an indenture, dated as of March 23, 2021 (the “Indenture”), between the Company and U.S. Bank National Association, as trustee (the "Trustee"). The Notes bear interest at the rate of 5.250% per annum and will mature on April 15, 2029. Interest on the Notes is payable in cash on April 15th and October 15th of each year. The first interest payment date on the 2029 Senior Notes will be October 15, 2021. The 2029 Notes are general unsecured obligations of the Company and are not guaranteed by our subsidiaries.

The Notes rank equal in right of payment with all of the Company’s existing and future senior unsecured indebtedness, and rank senior in right of payment to all of the Company’s future subordinated indebtedness, if any. The Notes will be effectively subordinated to the Company’s existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including the indebtedness under the Company’s credit facilities described below. The Indenture contains several restrictive covenants including, but not limited to, limitations on the following: (i) the incurrence of additional indebtedness, (ii) payment of dividends or other restricted payments, (iii) the purchase, redemption or retirement of capital stock or subordinated debt, (iv) asset sales, mergers or consolidations, (v) transactions with affiliates, (vi) incurring liens, (vii) entering into sale-leaseback transactions, (viii) providing subsidiary guarantees and (ix) making certain investments, subject in each case to certain exceptions.

The proceeds from the sale of the 2029 Notes was used to repay debt outstanding under the 2018 Credit Facility in connection with entering into the 2021 Credit Facility, as described above, and to redeem our 8.000% Senior Notes due 2026 (the “2026 Senior Notes”).

*2026 Senior Notes*

Our 2026 Senior Notes bore interest at 8.000% per annum and were scheduled to mature on May 1, 2026. On March 2, 2021, pursuant to an indenture, dated as of April 18, 2018 between the Company and U.S. Bank National Association, as trustee ("Trustee"), the Trustee delivered redemption notices, on behalf of the Company, to holders of the Company’s 2026 Senior Notes to redeem the 2026 Senior Notes on April 1, 2021. The principal amount of the 2026 Senior Notes redeemed was $600 million, which represented all of the outstanding principal of the 2026 Senior Notes. The 2026 Senior Notes were redeemed at 100% of their principal, plus an applicable premium, and accrued and unpaid interest as of the redemption date. On March 23, 2021, the proceeds required for the redemption of the 2026 Senior Notes, the applicable premium and accrued interest totaling $647.7 million was irrevocably deposited with the Trustee and held by the Trustee until the date of redemption, April 1, 2021. The redemption of the 2026 Senior Notes resulted in a Loss on Debt Extinguishment of approximately $33.3 million, which is comprised of the premium paid for early redemption of the 2026 Senior Notes, and the expensing of the deferred financing costs and bond premium associated with the 2026 Senior Notes.

The following table provides the Company’s debt holdings at June 30, 2021 and December 31, 2020 *(in thousands)*:

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Senior Notes | $ 1,000,000 | $ 600,000 |
| Revolving Credit Facility | — | 307,000 |
| Less: Unamortized premiums and debt issuance costs | (11,651) | (7,540) |
| Long-term debt | $ 988,349 | $ 899,460 |

The Company's 2029 Senior Notes consisted of the following carrying value and estimated fair value (in thousands):

| | | | | June 30, 2021 | |
|---|---|---|---|---|---|
| | Maturity Date | Rate | Fair Value Hierarchy Level | Carrying Value | Fair Value |
| 2029 Senior Notes | April 15, 2029 | 5.250 % | 2 | 1,000,000 | 1,040,000 |

Debt Issuance Costs

Deferred debt issuance costs represent the costs associated with the issuance of the Company's financing arrangements. In connection with the 2029 Senior Notes offering in March 2021, the Company recorded $12.0 million in deferred financing costs. The net deferred financing costs associated with the Company's 2026 Senior Notes were $7.2 million at March 31, 2021, and were expensed on April 1, 2021, the date of the redemption of the 2026 Senior Notes. In connection with entering into the 2021 Credit Facility, the Company recorded $5.4 million in deferred financing costs.

Since the Company can borrow, repay and reborrow principal under the Revolving Credit Facility, the debt issuance costs associated with the 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 Senior Notes are classified as a reduction of long-term debt in the accompanying condensed consolidated balance sheet.

The following table summarizes unamortized premiums and debt issuance costs at June 30, 2021 and December 31, 2020, and the balance sheet classification in each of the periods presented (*in thousands*):

| | June 30, 2021 | December 31, 2020 |
|---|---|---|
| Unamortized premiums and debt issuance costs | $ 23,465 | $ 16,466 |
| Accumulated amortization | (4,449) | (6,121) |
| Unamortized premiums and debt issuance costs, net | $ 19,016 | $ 10,345 |
| | | |
| Balance sheet classification: | | |
| Other noncurrent assets | $ 7,365 | $ 2,805 |
| Long-term debt | 11,651 | 7,540 |
| | $ 19,016 | $ 10,345 |

**Note I — Stockholders' Equity**

***Trust Common Shares***

The Trust is authorized to issue 500,000,000 Trust common shares and the Company is authorized to issue a corresponding number of trust interests. The Company will at all times have the identical number of trust 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 Company are entitled to vote.

*Secondary Offering*

In May 2020, the Company completed an offering of 5,000,000 Trust common shares at a public offering price of $17.60 per share. The proceeds to the Company, after deducting the underwriter's discount and offering costs, totaled approximately $83.9 million.

***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 preferred interests.

*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 June 30, 2021, $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 Trust 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 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 July 30, 2018, at a rate per annum of 7.875%. Distributions on the Series B Preferred Shares are cumulative and at June 30, 2021, $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 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 Trust 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 may be redeemed at the Company's option, in whole or in part, at any time after July 30, 2022, at a price of $25.00 per share, plus any declared and unpaid distributions. Holders of Series A Preferred Shares will have no right to require the redemption of the Series A Preferred Shares and there is no maturity date. 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 preferred shares.

***Profit Allocation Interests***

The Allocation Interests represent the original equity interest in the Company. The holders of the Allocation Interests ("Holders") 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 distributions declared on Allocation Interests to stockholders’ equity when they are approved by the Company’s board of directors.

<u>Holding Event</u>

The ten-year anniversary of Liberty occurred in March 2020 and the ten-year anniversary of Ergobaby occurred in September 2020. Both of these represented a Holding Event, and the holders of the Allocation Interests elected to defer the distribution until after the end of 2020. The profit allocation payment of $3.3 million related to the Liberty Holding Event and the profit allocation payment of $2.0 million related to the Ergobaby Holding Event were both paid in January 2021. The five-year anniversary of the acquisition of Sterno Products occurred in October 2019 which represented a Holding Event. The Company declared and paid a distribution to the Holders of $9.1 million in February 2020. The fifteen-year anniversary of ACI occurred in May 2021 which represented a Holding Event. The Company declared and paid a distribution to the Holders of $12.1 million in July 2021.

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

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

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Net income (loss) attributable to Holdings | $ (14,630) | $ (8,437) | $ 4,364 | $ (4,772) |
| Less: Distributions paid - Allocation Interests | — | — | 5,214 | 9,087 |
| Less: Distributions paid - Preferred Shares | 6,046 | 6,045 | 12,091 | 11,587 |
| Less: Accrued distributions - Preferred Shares | 2,869 | 2,869 | 2,869 | 2,869 |
| Net loss attributable to common shares of Holdings | $ (23,545) | $ (17,351) | $ (15,810) | $ (28,315) |

### *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 June 30, 2021 and 2020 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 June 30, 2021 and 2020 attributable to the common shares of Holdings is calculated as follows *(in thousands, except per share data)*:

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Net loss attributable to common shares of Holdings | $ (23,545) | $ (17,351) | $ (15,810) | $ (28,315) |
| Less: Effect of contribution based profit - Holding Event | 1,078 | 1,249 | 2,688 | 2,537 |
| Net loss attributable to common shares of Holdings | $ (24,623) | $ (18,600) | $ (18,498) | $ (30,852) |
| Basic and diluted weighted average common shares outstanding | 64,900 | 62,844 | 64,900 | 61,364 |
| **Basic and fully diluted loss per common share attributable to Holdings** | $ (0.38) | $ (0.30) | $ (0.29) | $ (0.50) |

### *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 |
|---|---|---|---|---|
| **Trust Common Shares:** | | | | |
| April 1, 2021 - June 30, 2021 [(1)] | $ 0.36 | $ 23,364 | July 15, 2021 | July 22, 2021 |
| January 1, 2021 - March 31, 2021 | $ 0.36 | $ 23,364 | April 15, 2021 | April 22, 2021 |
| October 1, 2020 - December 31, 2020 | $ 0.36 | $ 23,364 | January 15, 2021 | January 22, 2021 |
| July 1, 2020 - September 30, 2020 | $ 0.36 | $ 23,364 | October 15, 2020 | October 22, 2020 |
| April 1, 2020 - June 30, 2020 | $ 0.36 | $ 23,364 | July 16, 2020 | July 23, 2020 |
| January 1, 2020 - March 31, 2020 | $ 0.36 | $ 21,564 | April 16, 2020 | April 23, 2020 |
| October 1, 2019 - December 31, 2019 | $ 0.36 | $ 21,564 | January 16, 2020 | January 23, 2020 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Series A Preferred Shares:** | | | | | | |
| April 30, 2021 - July 29, 2021 [1] | $ | 0.453125 | $ | 1,813 | July 15, 2021 | July 30, 2021 |
| January 30, 2021 - April 29, 2021 | $ | 0.453125 | $ | 1,813 | April 15, 2021 | April 30, 2021 |
| October 30, 2020 - January 29, 2021 | $ | 0.453125 | $ | 1,813 | January 15, 2021 | January 30, 2021 |
| July 30, 2020 - September 29, 2020 | $ | 0.453125 | $ | 1,813 | October 15, 2020 | October 30, 2020 |
| April 30, 2020 - July 29, 2020 | $ | 0.453125 | $ | 1,813 | July 15, 2020 | July 30, 2020 |
| January 30, 2020 - April 29, 2020 | $ | 0.453125 | $ | 1,813 | April 15, 2020 | April 30, 2020 |
| October 30, 2019 - January 29, 2020 | $ | 0.453125 | $ | 1,813 | January 15, 2020 | January 30, 2020 |
| | | | | | | |
| **Series B Preferred Shares:** | | | | | | |
| April 30, 2021 - July 29, 2021 [1] | $ | 0.4921875 | $ | 1,969 | July 15, 2021 | July 30, 2021 |
| January 30, 2021 - April 29, 2021 | $ | 0.4921875 | $ | 1,969 | April 15, 2021 | April 30, 2021 |
| October 30, 2020 - January 29, 2021 | $ | 0.4921875 | $ | 1,969 | January 15, 2021 | January 30, 2021 |
| July 30, 2020 - September 29, 2020 | $ | 0.4921875 | $ | 1,969 | October 15, 2020 | October 30, 2020 |
| April 30, 2020 - July 29, 2020 | $ | 0.4921875 | $ | 1,969 | July 15, 2020 | July 30, 2020 |
| January 30, 2020 - April 29, 2020 | $ | 0.4921875 | $ | 1,969 | April 15, 2020 | April 30, 2020 |
| October 30, 2019 - January 29, 2020 | $ | 0.4921875 | $ | 1,969 | January 15, 2020 | January 30, 2020 |
| | | | | | | |
| **Series C Preferred Shares:** | | | | | | |
| April 30, 2021 - July 29, 2021 [1] | $ | 0.4921875 | $ | 2,264 | July 15, 2021 | July 30, 2021 |
| January 30, 2021 - April 29, 2021 | $ | 0.4921875 | $ | 2,264 | April 15, 2021 | April 30, 2021 |
| October 30, 2020 - January 29, 2021 | $ | 0.4921875 | $ | 2,264 | January 15, 2021 | January 30, 2021 |
| July 30, 2020 - September 29, 2020 | $ | 0.4921875 | $ | 2,264 | October 15, 2020 | October 30, 2020 |
| April 30, 2020 - July 29, 2020 | $ | 0.4921875 | $ | 2,264 | July 15, 2020 | July 30, 2020 |
| January 30, 2020 - April 29, 2020 | $ | 0.4921875 | $ | 2,264 | April 15, 2020 | April 30, 2020 |
| November 20, 2019 - January 29, 2020 | $ | 0.38281 | $ | 1,531 | January 15, 2020 | January 30, 2020 |

**(1)** This distribution was declared on July 2, 2021.

**Note J — Noncontrolling Interest**

Noncontrolling interest represents the portion of the Company's majority owned subsidiary's net income (loss) and equity that is owned by noncontrolling shareholders. The following tables reflect the Company's ownership percentage of its majority owned operating segments and related noncontrolling interest balances as of June 30, 2021 and December 31, 2020:

| | % Ownership [1] June 30, 2021 | | % Ownership [1] December 31, 2020 | |
|---|---|---|---|---|
| | Primary | Fully Diluted | Primary | Fully Diluted |
| 5.11 | 97.7 | 88.4 | 97.6 | 88.1 |
| BOA | 81.9 | 75.0 | 81.9 | 74.8 |
| Ergobaby | 81.8 | 72.9 | 81.4 | 72.6 |
| Liberty | 91.2 | 86.0 | 91.2 | 86.0 |
| Marucci | 92.2 | 83.8 | 92.2 | 83.8 |
| Velocity Outdoor | 99.3 | 88.0 | 99.3 | 88.0 |
| ACI | 71.8 | 67.6 | 71.8 | 67.6 |
| Altor | 100.0 | 91.5 | 100.0 | 91.5 |
| Arnold | 98.0 | 88.1 | 96.7 | 81.1 |
| Sterno | 100.0 | 87.1 | 100.0 | 88.5 |

(1) 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)* | June 30, 2021 | December 31, 2020 |
| 5.11 | $ 15,467 | $ 14,567 |
| BOA | 65,001 | 61,625 |
| Ergobaby | 28,428 | 27,408 |
| Liberty | 4,517 | 3,836 |
| Marucci | 12,505 | 11,386 |
| Velocity Outdoor | 4,674 | 4,077 |
| ACI | (5,013) | (7,175) |
| Altor | 3,414 | 2,901 |
| Arnold | 1,178 | 1,117 |
| Sterno | 865 | 282 |
| Allocation Interests | 100 | 100 |
| | $ 131,136 | $ 120,124 |

## Note K — Fair Value Measurement

The following table provides the assets and liabilities carried at fair value measured on a recurring basis at June 30, 2021 and December 31, 2020 (*in thousands*):

| | Fair Value Measurements at June 30, 2021 | | | |
|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 |
| *Liabilities:* | | | | |
| Put option of noncontrolling shareholders [1] | $ (584) | $ — | $ — | $ (584) |
| Contingent consideration - acquisition [2] | (1,350) | — | — | (1,350) |
| Total recorded at fair value | $ (1,934) | $ — | $ — | $ (1,934) |

(1) Represents put option issued to noncontrolling shareholders in connection with the 5.11 and Liberty acquisitions.

(2) Represents potential earn-out payable as additional purchase price consideration by Altor in connection with the acquisition of Polyfoam.

| | Fair Value Measurements at December 31, 2020 | | | |
|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 |
| *Liabilities:* | | | | |
| Put option of noncontrolling shareholders [1] | $ (435) | $ — | $ — | $ (435) |
| Contingent consideration - acquisition [2] | (1,350) | — | — | (1,350) |
| Total recorded at fair value | $ (1,785) | $ — | $ — | $ (1,785) |

(1) Represents put option issued to noncontrolling shareholders in connection with the 5.11 and Liberty acquisitions.

(2) Represents potential earn-out payable as additional purchase price consideration by Altor in connection with the acquisition of Polyfoam.

Reconciliations of the change in the carrying value of the Level 3 fair value measurements from January 1, 2020 through June 30, 2021 are as follows (*in thousands*):

| | Level 3 |
|---|---|
| Balance at January 1, 2020 | $ (111) |
| Increase in the fair value of put option of noncontrolling shareholder - Liberty | (264) |
| Increase in the fair value of put option of noncontrolling shareholder - 5.11 | (60) |
| Contingent consideration - Polyfoam | (1,350) |
| Balance at December 31, 2020 | $ (1,785) |
| Increase in the fair value of put option of noncontrolling shareholder - Liberty | (121) |
| Increase in the fair value of put option of noncontrolling shareholder - 5.11 | (28) |
| Balance at June 30, 2021 | $ (1,934) |

*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, 2020.

*Nonrecurring Fair Value Measurements*

There were no assets or liabilities measured on a non-recurring basis during the quarter ended June 30, 2021 and December 31, 2020, respectively.

**Note L — Income taxes**

Each fiscal quarter, the Company estimates its annual effective tax rate and applies that 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 computation of the annual estimated effective tax rate in each interim period requires certain estimates and significant judgment, including the projected operating income for the year, projections of the proportion of income earned and taxed in other jurisdictions, permanent and temporary differences and the likelihood of recovering deferred tax assets generated in the current year. 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 environment changes. 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 six months ended June 30, 2021 and 2020 is as follows:

| | Six months ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| United States Federal Statutory Rate | 21.0 % | 21.0 % |
| State income taxes (net of Federal benefits) | 6.9 | 80.0 |
| Foreign income taxes | 3.2 | (7.6) |
| Expenses of Compass Group Diversified Holdings LLC representing a pass through to shareholders [(1)] | 38.9 | 16.9 |
| Impact of subsidiary employee stock options | 0.5 | 141.5 |
| Credit utilization | (6.7) | (55.8) |
| Non-recognition of NOL carryforwards at subsidiaries | 1.0 | (54.9) |
| Effect of Tax Act | (0.7) | 10.0 |
| Other | (1.9) | 5.6 |
| Effective income tax rate | 62.2 % | 156.7 % |

[(1)] The effective income tax rate for the six months ended June 30, 2021 and 2020 includes a loss at the Company's parent, which is currently taxed as a partnership.

### Note M — 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 $2.8 million is recognized in the consolidated balance sheet as a component of other non-current liabilities at June 30, 2021. Net periodic benefit cost consists of the following for the three and six months ended June 30, 2021 and 2020 *(in thousands*):

| | Three months ended June 30, | | Six months ended June 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Service cost | $ 105 | $ 138 | $ 214 | $ 277 |
| Interest cost | 11 | 7 | 17 | 15 |
| Expected return on plan assets | (18) | (20) | (37) | (41) |
| Amortization of unrecognized loss | (7) | 56 | 2 | 113 |
| Effect of curtailment | 31 | — | 88 | — |
| Net periodic benefit cost | $ 122 | $ 181 | $ 284 | $ 364 |

During the six months ended June 30, 2021, per the terms of the pension agreement, Arnold contributed $0.2 million to the plan. For the remainder of 2021, the expected contribution to the plan will be approximately $0.1 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 June 30, 2021 were considered Level 3.

### Note N - 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 manufacturing facilities, warehouses, office facilities, retail stores, equipment and vehicles under various operating 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 June 30, 2021 and 2020. The Company recognized $9.3 million and $18.7 million in the three and six months ended June 30, 2021, respectively, and $7.6 million and $14.9 million in the three and six months ended June 30, 2020, respectively, in expense related to operating leases in the condensed consolidated statements of operations.

The maturities of lease liabilities at June 30, 2021 are as follows (*in thousands*):

| | | |
|---|---|---|
| 2021 (excluding six months ended June 30, 2021) | $ | 13,887 |
| 2022 | | 30,284 |
| 2023 | | 23,331 |
| 2024 | | 19,188 |
| 2025 | | 15,935 |
| Thereafter | | 35,919 |
| Total undiscounted lease payments | $ | 138,544 |
| Less: Interest | | 17,924 |
| Present value of lease liabilities | $ | 120,620 |

The calculated amount of the right-of-use assets and lease liabilities in the table above 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 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. Regarding the discount rate, lease accounting guidance requires the use of a rate implicit in the lease whenever this rate is readily determinable. As this 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** | **June 30, 2021** | **June 30, 2020** |
|---|---|---|
| Weighted-average remaining lease term (years) | 5.74 | 6.18 |
| Weighted-average discount rate | 7.70 % | 7.68 % |

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

| | **Line Item in the Company's Consolidated Balance Sheet** | | **June 30, 2021** | | **December 31, 2020** |
|---|---|---|---|---|---|
| Operating lease right-of-use assets | Other non-current assets | $ | 106,993 | $ | 100,366 |
| Current portion, operating lease liabilities | Other current liabilities | $ | 26,335 | $ | 23,397 |
| Operating lease liabilities | Other non-current liabilities | $ | 94,285 | $ | 84,055 |

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

| | Six months ended June 30, 2021 | Six months ended June 30, 2020 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ 18,686 | $ 14,924 |
| Right-of-use assets obtained in exchange for lease obligations: | | |
| Operating leases | $ 11,739 | $ 6,630 |

**Note O — Related Party Transactions**

*Management Services Agreement*

The Company entered into the MSA with CGM effective May 16, 2006. The MSA provides for, among other things, CGM to perform services for the Company 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. In March 2020, as a proactive measure to provide the Company with additional cash liquidity in light of the COVID-19 pandemic, the Company elected to draw down $200 million on our 2018 Revolving Credit Facility. The Company and CGM entered into a waiver agreement whereby CGM agreed to waive the portion of the management fee attributable to the cash balances held at the Company as of March 31, 2020. In addition, due to the unprecedented uncertainty as a result of the COVID-19 pandemic, CGM agreed to waive 50% of the management fee calculated at June 30, 2020 that was paid in July 2020. Further, for the third quarter of 2020, the Company and CGM entered into a waiver agreement whereby CGM agreed to waive the portion of the management fee attributable to the cash balances held at the Company as of September 30, 2020. CGM has also entered into a waiver of the MSA for a period through December 31, 2021 to receive a 1% annual management fee related to BOA, rather than the 2% called for under the MSA. In the first quarter of 2021, the Company and CGM entered into a waiver agreement whereby CGM agreed to waive the portion of the management fee related to the amount of the proceeds deposited with the Trustee that was in excess of the amount payable related to the 2026 Senior Notes at March 31, 2021.

*Integration Services Agreements*

BOA, which was acquired in October 2020, entered into an Integration Services Agreement ("ISA") with CGM whereby BOA will pay CGM an integration service fee of $4.4 million quarterly over a twelve month period as services are rendered, beginning in the quarter ended December 31, 2020. Marucci Sports, which was acquired in April 2020, entered into an ISA with CGM. Marucci will pay CGM an integration service fee of $2.0 million quarterly over a twelve month period as services are rendered beginning in the quarter ended September 30, 2020. Under the ISAs, 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 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 and $0.8 million during the three and six months ended June 30, 2021, respectively, and $1.0 million and $1.5 million during the three and six months ended June 30, 2020, respectively, in inventory from the vendor.

*BOA*

*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 had approximately $11.8 million and $21.6 million in purchases from this supplier during the three and six months ended June 30, 2021, respectively.

## NOTE P - SUBSEQUENT EVENT

*Liberty Safe*

On July 16, 2021, the Company entered into a definitive stock purchase agreement (the “Agreement”) with Independence Buyer, Inc. (“Buyer”) pursuant to which the Buyer will acquire all of the issued and outstanding securities of Liberty Safe Holding Corporation, the parent company of the operating entity, Liberty Safe and Security Products, Inc. The sale price for Liberty will be based on a total enterprise value of $147.5 million and will be subject to certain adjustments based on matters such as the working capital and cash and debt balances of Liberty at the time of the closing. The closing of the transaction is expected to occur by the end of August 2021, however, there can be no assurances that all of the conditions to closing will be satisfied. The Company expects to realize a gain on sale of approximately $75 million to $85 million.

*Proposed Change in Company Tax Status Election*

On June 23, 2021, the Trust and the Company issued a definitive proxy statement requesting shareholder approval to amend their governing documents to allow the Trust to “check-the-box” to elect to be treated as a corporation for U.S. federal income tax purposes. The shareholder meeting will be held on August 3, 2021. If the amendments are approved, we anticipate that the Company, acting through the Board of Directors, will cause the Trust to elect to be treated as a corporation for U.S. federal income tax purposes effective late in the third quarter of 2021 or early in the fourth quarter of 2021.

## 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, 2020 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") was incorporated in Delaware on November 18, 2005. Compass Group Diversified Holdings LLC (the "Company") was also formed on November 18, 2005. Holdings and the Company (collectively, "CODI") were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. The Company is the operating entity and is a controlling owner of ten businesses, or operating segments, at June 30, 2021. The segments are as follows: 5.11 Acquisition Corp. ("5.11"), Boa Holdings Inc. ("BOA"), The Ergo Baby Carrier, Inc. ("Ergobaby"), Liberty Safe and Security Products, Inc. ("Liberty Safe" or "Liberty"), Marucci Sports, LLC ("Marucci" or "Marucci Sports"), Velocity Outdoor, Inc. ("Velocity Outdoor" or "Velocity"), Compass AC Holdings, Inc. ("ACI" or "Advanced Circuits"), FFI Compass, Inc. ("Altor Solutions" or "Altor" (formerly "Foam Fabricators")), AMT Acquisition Corporation ("Arnold"), and The Sterno Group, LLC ("Sterno").

We acquired our existing businesses (segments) that we own at June 30, 2021 as follows:

| | | Ownership Interest - June 30, 2021 | |
|---|---|---|---|
| **Business** | **Acquisition Date** | **Primary** | **Diluted** |
| Advanced Circuits | May 16, 2006 | 71.8% | 67.6% |
| Liberty Safe | March 31, 2010 | 91.2% | 86.0% |
| Ergobaby | September 16, 2010 | 81.8% | 72.9% |
| Arnold | March 5, 2012 | 98.0% | 88.1% |
| Sterno | October 10, 2014 | 100.0% | 87.1% |
| 5.11 | August 31, 2016 | 97.7% | 88.4% |
| Velocity Outdoor | June 2, 2017 | 99.3% | 88.0% |
| Altor Solutions | February 15, 2018 | 100.0% | 91.5% |
| Marucci Sports | April 20, 2020 | 92.2% | 83.8% |
| BOA | October 16, 2020 | 81.9% | 75.0% |

We categorize the businesses we own into two separate groups of businesses: (i) branded consumer businesses, and (ii) niche industrial businesses. Branded consumer businesses are characterized as those businesses that we believe capitalize on a valuable brand name in their respective market sector. We believe that our branded consumer businesses are leaders in their particular product category. Niche industrial businesses are characterized as those businesses that focus on manufacturing and selling particular products and industrial services within a specific market sector. We believe that our niche industrial businesses are leaders in their specific market sector. The following is an overview of each of our 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 Irvine, 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 -*** BOA Technology, 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, hiking/trekking, golf, running, court sports, workwear as well as headwear and medical 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 engineered for fast, effortless, precision fit, 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 Los Angeles, California, Ergobaby is dedicated to building a global community of confident parents with smart, ergonomic solutions that enable and encourage bonding between parents and babies. Ergobaby offers a broad range of award-winning baby carriers, strollers, swaddlers, nursing pillows, and related products that fit into families' daily lives seamlessly, comfortably and safely. Historically, Ergobaby derives more than 50% of its sales from outside of the United States.

***Liberty*** - Founded in 1988, Liberty Safe is the premier designer, manufacturer and marketer of home and gun safes in North America. From its over 300,000 square foot manufacturing facility, Liberty Safe produces a wide range of home and gun safe models in a broad assortment of sizes, features and styles ranging from an entry level product to good, better and best products. Products are marketed under the Liberty brand, as well as a portfolio of licensed and private label brands, including Cabela's, Case IH, Colt and John Deere. Liberty Safe's products are the market share leader and are sold through an independent dealer network ("Dealer sales") in addition to various sporting goods, farm and fleet and home improvement retail outlets ("Non-Dealer sales"). Liberty has the largest independent dealer network in the industry. Liberty is headquartered in Payson, Utah.

***Marucci Sports -*** Founded in 2009, Marucci is a leading designer, manufacturer, and marketer of premium wood and metal baseball bats, fielding gloves, batting gloves, bags, protective gear, sunglasses, on and off-field apparel, and other baseball and softball equipment used by professional and amateur athletes. Marucci also develops sports training facilities that may be licensed franchises or corporate owned. Marucci is headquartered in Baton Rouge, Louisiana.

***Velocity Outdoor*** - A leading designer, manufacturer, and marketer of airguns, archery products, laser aiming devices and related accessories, Velocity Outdoor offers its products under the highly recognizable Crosman, Benjamin, LaserMax, Ravin and CenterPoint brands that are available through national retail chains, mass merchants, dealer and distributor networks. The airgun 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 crossbows and the Pioneer Airbow, consumables, which includes steel and plastic BBs, lead pellets and CO2 cartridges, lasers for firearms, and airsoft products. In September 2018, Velocity acquired Ravin Crossbows, LLC ("Ravin" or "Ravin Crossbows"), a manufacturer and innovator of crossbows and accessories. Ravin primarily focuses on the higher-end segment of the crossbow market and has developed significant intellectual property related to the advancement of crossbow technology. Velocity Outdoor is headquartered in Bloomfield, New York.

**Niche Industrial**

***Advanced Circuits -*** Advanced Circuits is a provider of small-run, quick-turn and volume production printed circuit boards ("PCBs") to customers throughout the United States. Historically, small-run and quick-turn PCBs have represented approximately 50% - 55% of Advanced Circuits' gross sales. Small-run and quick-turn PCBs typically command higher margins than volume production PCBs given that customers require high levels of responsiveness, technical support and timely delivery of small-run and quick-turn PCBs and are willing to pay a premium for them. Advanced Circuits is able to meet its customers' demands by manufacturing custom PCBs in as little as 24 hours, while maintaining over 98.0% error-free production rates and real-time customer service and product tracking 24 hours per day. Advanced Circuits is headquartered in Aurora, Colorado.

***Altor Solutions*** - Founded in 1957 and headquartered in Scottsdale, Arizona, Altor Solutions is a designer and manufacturer of custom molded protective foam solutions and original equipment manufacturer (OEM) components made from expanded polystyrene (EPS) and expanded polypropylene (EPP). Altor operates 14 molding and fabricating facilities across North America and provides products to a variety of end-markets, including appliances and electronics, pharmaceuticals, health and wellness, automotive, building products and others. In July 2020, Altor Solutions acquired the assets of Polyfoam, a Massachusetts-based manufacturer of protective and temperature-sensitive packaging solutions for the medical, pharmaceutical, grocery and food industries, among others.

***Arnold*** - Arnold serves a variety of markets including aerospace and defense, general industrial, motorsport/ automotive, oil and gas, medical, energy, reprographics and advertising specialties. Over the course of more than 100 years, Arnold has successfully evolved and adapted our products, technologies, and manufacturing presence to meet the demands of current and emerging markets. Arnold produces high performance permanent magnets (PMAG), precision foil products (Precision Thin Metals or "PTM"), turnkey electric motors ("Ramco") and flexible magnets (Flexmag™) that are mission critical in motors, generators, sensors and other systems and components. Arnold has expanded globally and built strong relationships with our customers worldwide. Arnold is the largest and, we believe, the most technically advanced U.S. manufacturer of engineered magnetic systems. Arnold is headquartered in Rochester, New York.

***Sterno*** - Sterno, headquartered in Corona, California, is the parent company of Sterno LLC ("Sterno Products"), Sterno Home Inc. ("Sterno Home"), and Rimports Inc. ("Rimports"). Sterno is a leading manufacturer and marketer of portable food warming systems, creative indoor and outdoor lighting, and home fragrance solutions for the foodservice industry and 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, flameless candles and outdoor lighting products through Sterno Home, and scented wax cubes and warmer products used for home decor and fragrance systems through Rimports.

While our businesses have different growth opportunities and potential rates of growth, we work with the management teams of each of our 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 businesses; improving and expanding existing sales and marketing programs; and assisting in the acquisition and integration of complementary businesses. We remain focused on marketing our Company's attractive ownership and management attributes to potential sellers of middle market businesses. In addition, we continue to pursue opportunities for add-on acquisitions by our existing subsidiary companies, which can be particularly attractive from a strategic perspective.

**2021 Outlook and COVID-19 Update**

In March 2020, the World Health Organization categorized COVID-19 as a pandemic. During 2020, the COVID-19 pandemic led to governments around the world implementing increasingly stringent measures to help control the spread of the virus, including quarantines, “shelter-in-place” and “stay-at-home” orders, travel restrictions, business curtailments, particularly retail operations and non-essential businesses, school closures, and other measures. In addition, governments and central banks in several parts of the world enacted fiscal and monetary stimulus measures to counteract the impacts of COVID-19. The emergence of COVID-19 and new variants of the virus around the world continue to present significant risks to our business. The economic and health conditions in the United States and across most of the globe have continued to change since the beginning of the pandemic and the ultimate impact of COVID-19 on our business is dependent on future developments, including the duration of the pandemic, the emergence of variants of the virus and the related length of its impact on the global economy, which are highly uncertain and cannot be accurately predicted at this time. The public health situation, global response measures and corresponding impacts on various markets remain fluid and uncertain. We continue to closely monitor the impact of the COVID-19 pandemic on all aspects of our business, including how it is impacting our customers, employees, supply chains, and distribution networks. The health of our team and various stakeholders is our highest priority, and we have taken multiple steps to provide support and a safe work environment.

For 2021, the Company anticipates that COVID-19 will continue to have an impact on its results of operations, including a decrease in operating income and Adjusted EBITDA at certain of its niche industrial businesses. These niche industrial businesses will continue to experience operating constraints as their end markets are expected to be more significantly impacted by the pandemic. For example, the Company expects the Sterno Products division of Sterno to continue to be negatively impacted by the pandemic throughout 2021 due to that division's reliance on the food service industry. Additionally, disruption in the global supply chain due to transportation delays and U.S. port congestion are expected to continue during 2021 and continue to place constraints on several of our businesses. However, we expect the diversification of our group of businesses, particularly the continued strong performance in our consumer branded businesses, to offset the expected decline in operating results from the COVID-19 pandemic experienced by these niche industrial businesses. We expect that our outdoor consumer branded businesses, particularly, 5.11, Liberty Safe and Velocity Outdoor, and our 2020 acquisitions, Marucci Sports and BOA, will continue to build on trends experienced in the prior year, particularly the increase in consumer participation in outdoor activities.

The areas of focus for 2021, which are generally applicable to each of our businesses, include:

- Achieving sales growth through a combination of new product development, increasing distribution, new customer acquisitions and international expansion;
- 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;
- Continuing to grow through disciplined, strategic acquisitions and rigorous integration processes; and
- Driving free cash flow through increased net income and effective working capital management, enabling continued investment in our businesses, strategic acquisitions, and distributions to our shareholders.

**Recent Events**

*Issuance of 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 Notes were issued pursuant to an indenture, dated as of March 23, 2021 (the “Indenture”), between the Company and U.S. Bank National Association, as trustee. The 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 will be October 15, 2021. The proceeds from the sale of the 2029 Notes was used to repay debt outstanding under the 2018 Credit Facility in connection with entering into the 2021 Credit Facility, and to redeem our 8.000% Senior Notes due 2026 (the “2026 Notes”).

*2021 Credit Facility*

On March 23, 2021, we entered into a Second Amended and Restated Credit Agreement (the "2021 Credit Facility") to amend and restate the 2018 Credit Facility. The 2021 Credit Facility provides for revolving loans, swing line loans and letters of credit (the “2021 Revolving Credit Facility”) up to a maximum aggregate amount of $600 million and also permits the Company, 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 2021 Revolving Credit Facility will become due on March 23, 2026, which is the maturity date of loans advanced under the Revolving Credit Facility.

**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 June 30, 2021 and June 30, 2020, and components of the results of operations as well as those components presented as a percent of net revenues, for each of our businesses on a stand-alone basis. For the acquisitions of Marucci in April 2020 and BOA in October 2020, the pro forma results of operations for the Marucci and BOA business segments have been prepared as if we purchased those businesses on January 1, 2020. Where appropriate, relevant pro forma adjustments are reflected as part of the historical operating results of Marucci and BOA. We believe this is the most meaningful comparison for the operating results of acquired business segments. The consolidated results of operations reflect the operating results of Marucci and BOA from the date of acquisition.

In the first quarter of 2020, we began to see the impacts of COVID-19 on certain of our businesses, markets and operations, particularly those that were most affected by governmental “stay-at home” orders which led to reduced consumer traffic and either a closure of stores by some retailers or a focus on items that were deemed essential. The effect of the COVID-19 pandemic in the second quarter of 2020 was more significant, as many of our businesses saw a significant decrease in sales. The effects of the pandemic on our results of operations in the prior year will impact the comparisons of the three and six months ended 2021 versus the prior year. In response to reductions in revenue resulting from the pandemic, our businesses took a number of steps to address the effects of COVID-19, including reducing variable costs and payroll, and adjusting production levels to "right-size" inventory levels, while in the current period, spending levels reflect a return to more normal levels. The ultimate impact of COVID-19 on our business is dependent on future developments, including the duration of the pandemic and the related length of its impact on the global economy, which are highly uncertain and cannot be accurately predicted at this time. 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 months ended June 30, 2021 and 2020:

| | Three months ended | | Six months ended | |
|---|---|---|---|---|
| *(in thousands)* | **June 30, 2021** | **June 30, 2020** | **June 30, 2021** | **June 30, 2020** |
| Net revenues | $ 487,438 | $ 333,627 | $ 949,034 | $ 667,076 |
| Cost of revenues | 294,683 | 216,224 | 569,430 | 430,185 |
| Gross profit | 192,755 | 117,403 | 379,604 | 236,891 |
| Selling, general and administrative expense | 114,022 | 84,014 | 224,990 | 167,814 |
| Fees to manager | 11,308 | 5,157 | 22,356 | 13,777 |
| Amortization of intangibles | 18,847 | 14,779 | 37,446 | 28,284 |
| Operating income | 48,578 | 13,453 | 94,812 | 27,016 |
| Interest expense | (14,947) | (11,174) | (28,752) | (19,771) |
| Amortization of debt issuance costs | (722) | (610) | (1,408) | (1,135) |
| Loss on debt extinguishment | (33,305) | — | (33,305) | — |
| Other income (expense) | (663) | (2,386) | (2,890) | (1,725) |
| Income (loss) before income taxes | (1,059) | (717) | 28,457 | 4,385 |
| Provision for income taxes | 10,192 | 6,649 | 17,712 | 6,871 |
| Net income (loss) | $ (11,251) | $ (7,366) | $ 10,745 | $ (2,486) |

***Three months ended June 30, 2021 compared to three months ended June 30, 2020***

_Net revenues_

Consolidated net revenues for the three months ended June 30, 2021 increased by approximately $153.8 million, or 46.1%, compared to the corresponding period in 2020. Our BOA business, which we acquired in October 2020, contributed $44.1 million in net revenue during the second quarter of 2021. During the three months ended June 30, 2021 compared to 2020, we also saw significant increases in net sales at 5.11 ($22.4 million increase), Ergobaby ($6.9 million increase), Liberty ($9.0 million increase), Marucci ($19.2 million increase), Velocity Outdoor ($16.1 million increase), Arnold ($8.3 million increase), Altor Solutions ($16.2 million increase) and Sterno ($11.9 million increase). During the comparable period in 2020, the onset of the COVID-19 pandemic resulted in the implementation of various measures to help control the spread of the virus, including quarantines, "shelter-in-place" and "stay-at-home" orders, that severely impacted our businesses and led to a steep drop-off in revenue during the quarter. Refer to "Results of Operations - Business Segments" for a more detailed analysis of net revenues by business segment.

We do not generate any revenues apart from those generated by the businesses we own. We may generate interest income on the investment of available funds, but we expect such earnings to be minimal. Our investment in our businesses is typically in the form of loans from the Company to such businesses, as well as equity interests in those companies. Cash flows coming to the Trust and the Company are the result of interest payments on those loans, amortization of those loans and dividends on our equity ownership. However, on a consolidated basis, these items will be eliminated.

*Cost of revenues*

On a consolidated basis, cost of revenues increased approximately $78.5 million during the three months ended June 30, 2021 compared to the corresponding period in 2020. Our BOA business contributed $16.3 million of the increase, and we saw notable increases in cost of revenues at 5.11 ($8.1 million increase), Liberty ($6.5 million increase), Marucci ($6.7 million increase), Velocity ($9.0 million increase), Arnold ($5.9 million increase), Altor ($14.3 million increase) and Sterno ($9.9 million increase) that correspond to the revenue increases noted above. Gross profit as a percentage of net revenues was approximately 39.5% in the three months ended June 30, 2021 compared to 35.2% in the three months ended June 30, 2020. The increase in gross profit as a percentage of net sales in the quarter ended June 30, 2021 as compared to the quarter ended June 30, 2020 primarily related to the increase in net revenue at our branded consumer businesses, which have higher gross margins than our niche industrial businesses. Refer to "Results of Operations - Business Segments" for a more detailed analysis of gross profit by business segment.

*Selling, general and administrative expense*

Consolidated selling, general and administrative expense increased approximately $30.0 million during the three months ended June 30, 2021, compared to the corresponding period in 2020. A portion of the increase in the second quarter of 2021 is due to our BOA acquisitions in the prior year. $12.3 million of the increase is attributable to BOA, which was acquired in October 2020. We also saw an increase in selling, general and administrative expense at several of our subsidiaries versus the prior year quarter as spending on variable expenses were reduced in the prior year in response to the onset of the COVID-19 pandemic, with the current quarter spend reflecting more normal levels. Refer to "Results of Operations - Business Segments" for a more detailed analysis of selling, general and administrative expense by business segment. At the corporate level, general and administrative expense was $4.0 million in the second quarter of 2021 and $3.6 million in the second quarter of 2020.

*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 June 30, 2021, we incurred approximately $11.3 million in management fees as compared to $5.2 million in fees in the three months ended June 30, 2020. The increase in Management fees is primarily attributable to our acquisition of Marucci in April 2020 and BOA in October 2020. CGM has entered into a waiver of the MSA for a period through December 31, 2021 to receive a 1% annual management fee related to BOA, rather than the 2% called for under the MSA, which resulted in a lower management fee paid in the second quarter of 2021 than would have normally been due. Additionally, in the second quarter of 2020, in anticipation of an expected decline in earnings and cash flows due to the onset of the COVID-19 pandemic, CGM agreed to waive 50% of the management fee calculated for the quarter ended June 30, 2020.

*Amortization expense*

Amortization expense for the three months ended June 30, 2021 increased $4.1 million as compared to the three months ended June 30, 2020 as a result of the amortization expense associated with the intangibles that were recognized in conjunction with the purchase price allocation for Marucci, which was acquired in April 2020, and BOA, which was acquired in October 2020.

*Interest expense*

We recorded interest expense totaling $14.9 million for the three months ended June 30, 2021 compared to $11.2 million for the comparable period in 2020, an increase of $3.8 million. The increase in interest expense for the quarter reflects the higher amount outstanding on our Senior Notes during the quarter after we redeemed our 8.000% 2026 Senior Notes and issued $1,000.0 million in 5.250% 2029 Senior Notes in March of 2021, offset by a decrease in the average amount outstanding under our Revolving Credit Facility during the second quarter of 2021 as compared to the second quarter of 2020.

*Other income (expense)*

For the quarter ended June 30, 2021, we recorded $0.7 million in other expense as compared to $2.4 million in other expense in the quarter ended June 30, 2020, a decrease in expense of $1.7 million. Other income (expense) in typically reflects the movement in foreign currency at our businesses with international operations, gains or (losses) realized on the sale of property, plant and equipment, and expenses incurred that are not considered a part of our operations.

*Income taxes*

We had an income tax provision of $10.2 million during the three months ended June 30, 2021 compared to an income tax provision of $6.6 million during the same period in 2020. Our income before income taxes for the quarter ended June 30, 2021 decreased by approximately $0.3 million as compared to the prior year quarter ended June 30, 2020, however this was driven by the recognition of $33.3 million in loss on debt extinguishment at the corporate level related to the refinancing of our Senior Notes. Our tax provision increased $3.5 million as the tax provision reflects an annual effective tax rate at our subsidiaries, the effect of state and local taxes and the related allocation of income, and the losses at our parent company, which is currently taxed as a partnership.

On June 23, 2021, the Trust and the Company issued a definitive proxy statement requesting shareholder approval to amend their governing documents to allow the Trust to “check-the-box” to elect to be treated as a corporation for U.S. federal income tax purposes. The shareholder meeting will be held on August 3, 2021. If the amendments are approved, we anticipate that the Company, acting through the Board of Directors, will cause the Trust to elect to be treated as a corporation for U.S. federal income tax purposes effective late in the third quarter of 2021 or early in the fourth quarter of 2021.

***Six months ended June 30, 2021 compared to six months ended June 30, 2020***

*Net revenues*

On a consolidated basis, net revenues for the six months ended June 30, 2021 increased by approximately $282.0 million, or 42.3%, compared to the corresponding period in 2020. Our Marucci business, which we acquired in April 2020, contributed $56.0 million in incremental net revenue during the first half of 2021, and our BOA business, which we acquired in October 2020, contributed $80.5 million in net revenue during the first half of 2021. During the six months ended June 30, 2021 compared to 2020, we also saw significant increases in net sales at 5.11 ($26.5 million increase), Ergobaby ($9.6 million increase), Liberty ($15.5 million increase), Velocity Outdoor ($51.4 million increase), Arnold ($11.2 million increase) and Altor Solutions ($25.6 million increase). The increase in net revenue at Altor Solutions during the first half of 2021 was partially attributable to their acquisition of Polyfoam in July 2020. Refer to "Results of Operations - Business Segments" for a more detailed analysis of net revenues by business segment.

We do not generate any revenues apart from those generated by the businesses we own. We may generate interest income on the investment of available funds, but we expect such earnings to be minimal. Our investment in our businesses is typically in the form of loans from the Company to such businesses, as well as equity interests in those companies. Cash flows coming to the Trust and the Company are the result of interest payments on those loans, amortization of those loans and dividends on our equity ownership. However, on a consolidated basis, these items will be eliminated.

*Cost of revenues*

On a consolidated basis, cost of revenues increased approximately $139.2 million during the six months ended June 30, 2021 compared to the corresponding period in 2020. Our Marucci and BOA businesses contributed $51.6 million of the increase, and we saw notable increases in cost of revenues at 5.11 ($7.4 million increase), Liberty ($10.7 million increase), Velocity ($31.0 million increase), Arnold ($7.3 million increase) and Altor ($22.3 million increase) that correspond to the revenue increases noted above. Gross profit as a percentage of net revenues was approximately 40.0% in the six months ended June 30, 2021 compared to 35.5% in the six months ended June 30, 2020. The increase in gross profit as a percentage of net sales in the quarter ended June 30, 2021 as compared to the quarter ended June 30, 2020 primarily related to the increase in net revenue at our branded consumer businesses, which have higher gross margins than our niche industrial businesses. Refer to "Results of Operations - Business Segments" for a more detailed analysis of gross profit by business segment.

*Selling, general and administrative expense*

Consolidated selling, general and administrative expense increased approximately $57.2 million during the six months ended June 30, 2021, compared to the corresponding period in 2020. A majority of the increase in the first half of 2021 is due to our Marucci and BOA acquisitions in the prior year. $9.5 million of the increase is attributable to our Marucci business, which was acquired in April 2020, and $23.8 million of the increase is attributable to BOA, which was acquired in October 2020. We also saw an increase in selling, general and administrative expense at several of our subsidiaries versus the prior year quarter as spending on variable expenses were reduced in the prior year in response to the onset of the COVID-19 pandemic, with the current quarter spend reflecting more normal levels of selling, general and administrative spend. Refer to "Results of Operations - Business Segments" for a more detailed analysis of selling, general and administrative expense by business segment. At the corporate level, general and administrative expense was $8.0 million in the first half of 2021 and $6.9 million in the first half of 2020. The increase in corporate general and administrative expense during the first half of 2021 is primarily due to increased professional fees associated with our proposal to cause the Trust to elect to be treated as a corporation for U.S. federal income tax purposes.

*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, 2021, we incurred approximately $22.4 million in management fees as compared to $13.8 million in fees in the six months ended June 30, 2020. The increase in Management fees is primarily attributable to our acquisition of Marucci in April 2020 and BOA in October 2020. CGM has entered into a waiver of the MSA for a period through December 31, 2021 to receive a 1% annual management fee related to BOA, rather than the 2% called for under the MSA, which resulted in a lower management fee paid in the first half of 2021 than would have normally been due. In the first quarter of 2020, as a proactive measure to provide the Company with additional liquidity in light of the onset of the COVID-19 pandemic, the Company drew $200 million down on the 2018 Revolving Credit Facility. The Company and CGM entered a waiver agreement whereby CGM agreed to waive the portion of the management fee attributable to cash balances at March 31, 2020 which reduced the amount of Management fee that would have been paid in the first quarter of 2020. Additionally, as a result of an expected decline in earnings and cash flows in the second quarter of 2020 in light of the COVID-19 pandemic, CGM agreed to waive 50% of the management fee calculated at June 30, 2020. In the first quarter of 2021, the Company and CGM entered into a waiver agreement whereby CGM agreed to waive the portion of the management fee related to the amount of the proceeds deposited with the Trustee that was in excess of the amount payable related to the 2026 Senior Notes at March 31, 2021.

*Amortization expense*

Amortization expense for the six months ended June 30, 2021 increased $9.2 million as compared to the six months ended June 30, 2020 as a result of the amortization expense associated with the intangibles that were recognized in conjunction with the purchase price allocation for Marucci, which was acquired in April 2020, and BOA, which was acquired in October 2020.

*Interest expense*

We recorded interest expense totaling $28.8 million for the six months ended June 30, 2021 compared to $19.8 million for the comparable period in 2020, an increase of $9.0 million. The increase in interest expense for the quarter reflects the higher amount outstanding on our Senior Notes during the current year after we redeemed $600.0 million of our 8.000% 2026 Senior Notes and issued $1000.0 million of 5.250% 2029 Senior Notes in March of 2021, as well as an increase in the average amount outstanding under our Revolving Credit Facility during the first half of 2021. The average amount outstanding on our Revolving Credit Facility in the first half of 2021 was approximately $161 million, while the average amount outstanding during the first half of 2020 was $58 million.

*Other income (expense)*

For the six months ended June 30, 2021, we recorded $2.9 million in other expense as compared to $1.7 million in other expense in the six months ended June 30, 2020, an increase in expense of $1.2 million. Other income (expense) in typically reflects the movement in foreign currency at our businesses with international operations, gains or (losses) realized on the sale of property, plant and equipment, and expenses incurred that are not considered a part of our operations.

*Income taxes*

We had an income tax provision of $17.7 million during the six months ended June 30, 2021 compared to an income tax provision of $6.9 million during the same period in 2020. Our income before income taxes for the six months ended June 30, 2021 increased by approximately $24.1 million as compared to the prior year six months ended June 30, 2020, and our tax provision increased $10.8 million as the tax provision reflects an annual effective tax rate at our subsidiaries, the effect of state and local taxes and the related allocation of income, and the losses at our parent company, which is currently taxed as a partnership.

On June 23, 2021, the Trust and the Company issued a definitive proxy statement requesting shareholder approval to amend their governing documents to allow the Trust to “check-the-box” to elect to be treated as a corporation for U.S. federal income tax purposes. The shareholder meeting will be held on August 3, 2021. If the amendments are approved, we anticipate that the Company, acting through the Board of Directors, will cause the Trust to elect to be treated as a corporation for U.S. federal income tax purposes effective late in the third quarter of 2021 or early in the fourth quarter of 2021.

**Results of Operations - Business Segments**

**Branded Consumer Businesses**

**5.11**

| | Three months ended | | | | Six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2021 | | June 30, 2020 | | June 30, 2021 | | June 30, 2020 | |
| Net sales | $ 110,033 | 100.0 % | $ 87,635 | 100.0 % | $ 209,910 | 100.0 % | $ 183,416 | 100.0 % |
| Gross profit | $ 58,642 | 53.3 % | $ 44,321 | 50.6 % | $ 110,716 | 52.7 % | $ 91,578 | 49.9 % |
| SG&A | $ 44,210 | 40.2 % | $ 37,182 | 42.4 % | $ 87,985 | 41.9 % | $ 77,417 | 42.2 % |
| Operating income | $ 11,969 | 10.9 % | $ 4,702 | 5.4 % | $ 17,805 | 8.5 % | $ 9,288 | 5.1 % |

***Three months ended June 30, 2021 compared to three months ended June 30, 2020***

*Net sales*

Net sales for the three months ended June 30, 2021 were $110.0 million as compared to net sales of $87.6 million for the three months ended June 30, 2020, an increase of $22.4 million, or 25.6%. This increase is due in part to e-commerce and retail sales growth of $12.6 million, up 36% from the prior year comparable period. Retail sales grew largely due to thirteen new retail store openings since June 2020 (bringing the total store count to eighty-one as of June 30, 2021) as well as positive growth in same-store sales for the three months ended June 30, 2021 as compared to the same period last year which was negatively impacted by the effects of the COVID-19 pandemic, as certain of our retail locations had to temporarily close. Net sales were also positively impacted by domestic wholesale sales growth of $8.0 million, up 24.7% from the prior year comparable period which was negatively impacted by the effects of the COVID-19 pandemic.

*Gross profit*

Gross profit as a percentage of net sales was 53.3% in the three months ended June 30, 2021 as compared to 50.6% for the three months ended June 30, 2020. Growth in gross profit percentage was driven by channel mix as direct to consumer sales, which realize higher gross profit than wholesale sales, grew versus the prior period. Growth in gross profit percentage was also favorably impacted for the three months ended June 30, 2021, due to the release of duty liabilities (decreased cost of goods sold) for over-accrued duty for 5.11's international operations which did not occur in the three months ended June 30, 2020. The increase in gross profit from the release of duty liabilities was offset in part by the write-off of domestic duty drawback receivables from previous years deemed uncollectable during the three months ended June 30, 2021.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended June 30, 2021 was $44.2 million, or 40.2% of net sales compared to $37.2 million, or 42.4% of net sales for the comparable period in 2020. The increase in selling, general and administrative expense for the three months ended June 30, 2021 as compared to the prior year comparable period was driven by the costs associated with additional retail stores (eighty-one opened at June 30, 2021 versus sixty-eight opened at June 30, 2020 during the comparable period), as well as additional sales and marketing spend to drive digital sales. For the three months ended June 30, 2020, management significantly reduced variable expenses, including payroll, bonus, travel and entertainment, and sales and marketing, as a response to decreased sales from the effects of the COVID-19 pandemic. While management continues to control and reduce variable expenses, payroll and bonus for the three months ended June 30, 2021 were not reduced, thereby increasing selling, general and administrative expense as compared to the three months ended June 30, 2020.

Income from operations

Income from operations for the three months ended June 30, 2021 was $12.0 million, an increase of $7.3 million when compared to income from operations of $4.7 million for the same period in 2020, based on the factors described above.

***Six months ended June 30, 2021 compared to six months ended June 30, 2020***

*Net sales*

Net sales for the six months ended June 30, 2021 were $209.9 million as compared to net sales of $183.4 million for the six months ended June 30, 2020, an increase of $26.5 million, or 14.4%. This increase is due primarily to e-commerce and retail sales growth of $20.9 million, up 31% from the prior year comparable period. Retail sales grew largely due to thirteen new retail store openings since June 2020 (bringing the total store count to eighty-one as of June 30, 2021) as well as positive growth in same-store sales for the six months ended June 30, 2021 as compared to the same period last year which was negatively impacted by the effects of the COVID-19 pandemic. Net sales were also positively impacted by domestic wholesale sales growth of $8.7 million, up 12.8% from the prior year comparable period which was negatively impacted by the effects of the COVID-19 pandemic, as certain of our retail stores had to temporarily close. The increase in sales from our retail and e-commerce channels was partially offset by a decrease of $6.8 million in sales in our direct to agency business (DTA) as we fulfilled a large contract in the first half of 2020 which did not repeat in 2021.

*Gross profit*

Gross profit as a percentage of net sales was 52.7% in the six months ended June 30, 2021 as compared to 49.9% for the six months ended June 30, 2020. Growth in gross profit percentage was driven by channel mix as direct to consumer sales, which realize higher gross profit than wholesale sales, grew versus the prior period. Growth in gross profit percentage was also favorably impacted as in the six months ended June 30, 2020, we recorded a duty drawback accrual (which increased cost of goods sold) for audited duty drawback claims which was not repeated for the comparable period in 2021.

Selling, general and administrative expense

Selling, general and administrative expense for the six months ended June 30, 2021 was $88.0 million, or 41.9% of net sales compared to $77.4 million, or 42.2% of net sales for the comparable period in 2020. The increase in selling, general and administrative expense for the six months ended June 30, 2021 as compared to the prior year comparable period was driven by the costs associated with additional retail stores (eighty-one open in 2021 versus sixty-eight open in 2020 during the comparable period), as well as additional sales and marketing spend to drive digital sales. For the six months ended June 30, 2020, management significantly reduced variable expenses, including payroll, bonus, travel and entertainment, and sales and marketing, as a response to decreased sales from the effects of the COVID-19 pandemic. While management continues to control and reduce variable expenses, payroll and bonus for the first half of 2021 increased in correlation with the increase in net sales.

Income from operations

Income from operations for the six months ended June 30, 2021 was $17.8 million, an increase of $8.5 million when compared to income from operations of $9.3 million for the same period in 2020, based on the factors described above.

**BOA**

In the following results of operations, we provide comparative pro forma results of operations for BOA for the three and six months ended June 30, 2020 as if we had acquired the business on January 1, 2020. The results of operations that follows include relevant pro-forma adjustments for pre-acquisition periods and explanations where applicable. The operating results for BOA have been included in the consolidated results of operation from the date of acquisition in October 2020.

| | Three months ended | | | | | | Six months ended | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30, 2021 | | | June 30, 2020 | | | June 30, 2021 | | | June 30, 2020 | | |
| | | | | Pro forma | | | | | | Pro forma | | |
| Net sales | $ | 44,085 | 100.0% | $ | 24,524 | 100.0% | $ | 80,537 | 100.0% | $ | 51,032 | 100.0% |
| Gross profit | $ | 27,777 | 63.0% | $ | 14,224 | 58.0% | $ | 50,541 | 62.8% | $ | 29,607 | 58.0% |
| SG&A | $ | 12,330 | 28.0% | $ | 8,027 | 32.7% | $ | 23,754 | 29.5% | $ | 17,266 | 33.8% |
| Amortization expense | $ | 3,744 | 8.5% | $ | 3,810 | 15.5% | $ | 7,580 | 9.4% | $ | 7,620 | 14.9% |
| Operating income | $ | 11,453 | 26.0% | $ | 2,137 | 8.7% | $ | 18,707 | 23.2% | $ | 4,221 | 8.3% |

*Pro forma results of operations include the following pro form adjustments as if we had acquired BOA January 1, 2020:*

- Amortization expense associated with the intangible assets recorded in connection with the purchase price allocation for BOA of $3.8 million and $7.6 million, respectively, for the three and six months ended June 30, 2020.
- Management fees that would have been payable to the Manager during each period.

***Three months ended June 30, 2021 compared to pro forma three months ended June 30, 2020***

*Net sales*

Net sales for the three months ended June 30, 2021 were $44.1 million as compared to net sales of $24.5 million for the three months ended June 30, 2020, an increase of $19.6 million, or 79.8%. This increase is due to underlying category and BOA momentum within key markets including Cycling, Outdoor and Golf. The two factors primarily impacting growth rates were consumer participation increases as well as accelerated production ordering due to longer lead times, resulting from overall global supply chain constraints.

*Gross profit*

Gross profit as a percentage of net sales was 63.0% in the three months ended June 30, 2021 as compared to 58.0% for the three months ended June 30, 2020. Growth in gross profit as a percentage of net sales was driven by manufacturing overhead leverage, cost engineering and targeted price increases.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended June 30, 2021 was $12.3 million, or 28.0% of net sales compared to $8.0 million, or 32.7% of net sales for the comparable period in 2020. Selling general and administrative expense in the current quarter includes $1.1 million in integration services fees paid to CGM. The remainder of the increase in selling, general, and administrative expense is due to increased employee costs related to BOA's bonus plan, incremental headcount and marketing investments.

Income from operations

Income from operations for the three months ended June 30, 2021 was $11.5 million, an increase of $9.3 million when compared to income from operations of $2.1 million for the same period in 2020, based on the factors described above.

***Six months ended June 30, 2021 compared to pro forma six months ended June 30, 2020***

*Net sales*

Net sales for the six months ended June 30, 2021 were $80.5 million as compared to net sales of $51.0 million for the six months ended June 30, 2020, an increase of $29.5 million, or 57.8%. This increase is due to underlying category and BOA momentum within key markets including Cycling, Outdoor and Golf. The two factors primarily impacting growth rates were consumer participation increases as well as accelerated production ordering due to longer lead times, resulting from overall global supply chain constraints.

*Gross profit*

Gross profit as a percentage of net sales was 62.8% in the six months ended June 30, 2021 as compared to 58.0% for the six months ended June 30, 2020. Growth in gross profit as a percentage of net sales was driven by manufacturing overhead leverage, cost engineering and targeted price increases.

Selling, general and administrative expense

Selling, general and administrative expense for the six months ended June 30, 2021 was $23.8 million, or 29.5% of net sales compared to $17.3 million, or 33.8% of net sales for the comparable period in 2020. Selling general and administrative expense in the current year includes $2.2 million in integration services fees paid to CGM. The remainder of the increase in selling, general, and administrative expense is due to increased employee costs related to BOA's bonus plan, incremental headcount and marketing investments.

Income from operations

Income from operations for the six months ended June 30, 2021 was $18.7 million, an increase of $14.5 million when compared to income from operations of $4.2 million for the same period in 2020, based on the factors described above.

**Ergobaby**

| | Three months ended | | | | | | Six months ended | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30, 2021 | | | June 30, 2020 | | | June 30, 2021 | | | June 30, 2020 | | |
| Net sales | $ | 26,956 | 100.0 % | $ | 20,044 | 100.0 % | $ | 49,284 | 100.0 % | $ | 39,693 | 100.0 % |
| Gross profit | $ | 17,827 | 66.1 % | $ | 13,176 | 65.7 % | $ | 32,856 | 66.7 % | $ | 25,942 | 65.4 % |
| SG&A | $ | 12,052 | 44.7 % | $ | 9,194 | 45.9 % | $ | 22,977 | 46.6 % | $ | 18,450 | 46.5 % |
| Operating income | $ | 3,754 | 13.9 % | $ | 2,026 | 10.1 % | $ | 5,718 | 11.6 % | $ | 3,580 | 9.0 % |

***Three months ended June 30, 2021 compared to three months ended June 30, 2020***

*Net sales*

Net sales for the three months ended June 30, 2021 were $27.0 million, an increase of $6.9 million, or 34.5%, compared to the same period in 2020. During the three months ended June 30, 2021, international sales were approximately $17.9 million, representing an increase of $4.9 million over the corresponding period in 2020, primarily as a result of increased distributor sales as well as strong European online and key account sales. Domestic sales were $9.1 million in the second quarter of 2021, reflecting an increase of $2.0 million compared to the corresponding period in 2020. The increase in domestic sales was primarily attributable to strong e-commerce and key accounts sales.

*Gross profit*

Gross profit as a percentage of net sales was 66.1% for the three months ended June 30, 2021, as compared to 65.7% for the three months ended June 30, 2020. The increase in gross profit as a percentage of sales was due to the mix of sales channels.

*Selling, general and administrative expense*

Selling, general and administrative expense increased $2.9 million quarter over quarter, with expense of $12.1 million, or 44.7% of net sales for the three months ended June 30, 2021 as compared to $9.2 million or 45.9% of net sales for the same period of 2020. The increase in selling, general and administrative expense in the three months ended June 30, 2021 as compared to the comparable period in the prior year is due to increased variable expenses related to sales and payroll accruals, and the timing of marketing spend.

*Income from operations*

Income from operations for the three months ended June 30, 2021 increased $1.7 million, compared to the same period in 2020, based on the factors noted above.

***Six months ended June 30, 2021 compared to six months ended June 30, 2020***

*Net sales*

Net sales for the six months ended June 30, 2021 were $49.3 million, an increase of $9.6 million, or 24.2%, compared to the same period in 2020. During the six months ended June 30, 2021, international sales were approximately $31.4 million, representing an increase of $5.1 million over the corresponding period in 2020 as a result of increased sales across all channels. Domestic sales were $17.9 million in the first half of 2021, reflecting an increase of $4.5 million compared to the corresponding period in 2020. The increase in domestic sales was primarily attributable to strong e-commerce and key accounts sales.

*Gross profit*

Gross profit as a percentage of net sales was 66.7% for the quarter ended June 30, 2021, as compared to 65.4% for the six months ended June 30, 2020. The increase in gross profit as a percentage of sales was due to the mix of sales channels.

*Selling, general and administrative expense*

Selling, general and administrative expense increased $4.5 million quarter over quarter, with expense of $23.0 million, or 46.6% of net sales for the six months ended June 30, 2021 as compared to $18.5 million or 46.5% of net sales for the same period of 2020. The increase in selling, general and administrative expense in the six months ended June 30, 2021 as compared to the comparable period in the prior year is due to increased variable expenses related to sales, payroll accruals, and timing of marketing expenses.

*Income from operations*

Income from operations for the six months ended June 30, 2021 increased $2.1 million, compared to the same period in 2020, based on the factors noted above.

**Liberty Safe**

| | Three months ended | | | | Six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2021 | | June 30, 2020 | | June 30, 2021 | | June 30, 2020 | |
| Net sales | $ 33,448 | 100.0 % | $ 24,453 | 100.0 % | $ 64,926 | 100.0 % | $ 49,413 | 100.0 % |
| Gross profit | $ 8,879 | 26.5 % | $ 6,340 | 25.9 % | $ 17,776 | 27.4 % | $ 12,947 | 26.2 % |
| SG&A | $ 2,851 | 8.5 % | $ 2,815 | 11.5 % | $ 5,993 | 9.2 % | $ 6,152 | 12.5 % |
| Operating income | $ 5,903 | 17.6 % | $ 3,400 | 13.9 % | $ 11,533 | 17.8 % | $ 6,545 | 13.2 % |

***Three months ended June 30, 2021 compared to three months ended June 30, 2020***

*Net sales*

Net sales for the quarter ended June 30, 2021 increased approximately $9.0 million, or 36.8%, to $33.4 million, compared to the corresponding quarter ended June 30, 2020. Non-Dealer sales were approximately $16.5 million in the three months ended June 30, 2021 as compared to $11.4 million in the quarter ended June 30, 2020. The increase in Non-Dealer sales of $5.1 million or 45% is attributable to strong performance in the Farm and Fleet channel. Dealer sales totaled approximately $16.9 million in the three months ended June 30, 2021 compared to $13.1 million in the same period in 2020, representing an increase of $3.8 million or 29%.

*Gross profit*

Gross profit as a percentage of net sales totaled approximately 26.5% and 25.9% for the quarters ended June 30, 2021 and June 30, 2020, respectively. The increase in gross profit as a percentage of net sales during the three months ended June 30, 2021 compared to the same period in 2020 is primarily attributable to favorable operating efficiencies due to higher production volumes and reduced consumer rebates during the current quarter, offset by higher material costs.

*Selling, general and administrative expense*

Selling, general and administrative expense was $2.9 million for the three months ended June 30, 2021 as compared to $2.8 million in selling, general and administrative expense in the three months ended June 30, 2020. Selling, general and administrative expense represented 8.5% of net sales in the three months ended March 31, 2021 and 11.5% of net sales for the same period of 2020.

*Income from operations*

Income from operations increased during the three months ended June 30, 2021 to $5.9 million, as compared to $3.4 million in the corresponding period in 2020. This increase was a result of the factors noted above.

***Six months ended June 30, 2021 compared to six months ended June 30, 2020***

*Net sales*

Net sales for the six months ended June 30, 2021 increased approximately $15.5 million, or 31.4%, to $64.9 million, compared to the corresponding six months ended June 30, 2020. Non-Dealer sales were approximately $31.5 million in the six months ended June 30, 2021 as compared to $21.3 million in the quarter ended June 30, 2020. The increase in Non-Dealer sales of $10.2 million or 48% is attributable to strong performance in the Farm and Fleet channel. Dealer sales totaled approximately $33.4 million in the six months ended June 30, 2021 compared to $28.1 million in the same period in 2020, representing an increase of $5.3 million or 19%.

*Gross profit*

Gross profit as a percentage of net sales totaled approximately 27.4% and 26.2% for the six months ended June 30, 2021 and June 30, 2020, respectively. The increase in gross profit as a percentage of net sales during the six months ended June 30, 2021 compared to the same period in 2020 is primarily attributable to favorable operating efficiencies due to higher production volumes and reduced consumer rebates during the current quarter.

*Selling, general and administrative expense*

Selling, general and administrative expense was $6.0 million for the six months ended June 30, 2021 as compared to $6.2 million in selling, general and administrative expense in the six months ended June 30, 2020. The decrease in selling, general and administrative expense in the first half of 2021 is due to spending reductions in advertising and promotion in an effort to manage demand for safes, partially offset by an increase in professional fees. Selling, general and administrative expense represented 9.2% of net sales in the six months ended June 30, 2021 and 12.5% of net sales for the same period of 2020.

*Income from operations*

Income from operations increased during the six months ended June 30, 2021 to $11.5 million, as compared to $6.5 million in the corresponding period in 2020. This increase was a result of the factors noted above.

**Marucci Sports**

In the following results of operations, we provide comparative pro forma results of operations for Marucci for the three and six months ended June 30, 2020 as if we had acquired the business on January 1, 2020. The results of operations that follows include relevant pro-forma adjustments for pre-acquisition periods and explanations where applicable. The operating results for Marucci have been included in the consolidated results of operation from the date of acquisition in April 2020.

| | Three months ended | | | | | | Six months ended | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | June 30, 2021 | | | June 30, 2020 | | | June 30, 2021 | | | June 30, 2020 | | |
| | | | | Pro forma | | | | | | Pro forma | | |
| Net sales | $ | 24,640 | 100.0 % | $ | 5,521 | 100.0 % | $ | 61,288 | 100.0 % | $ | 27,756 | 100.0 % |
| Gross profit | $ | 12,375 | 50.2 % | $ | (207) | (3.7)% | $ | 34,163 | 55.7 % | $ | 12,151 | 43.8 % |
| SG&A | $ | 9,484 | 38.5 % | $ | 8,004 | 145.0 % | $ | 18,938 | 30.9 % | $ | 15,991 | 57.6 % |
| Amortization expense | $ | 1,586 | 6.4 % | $ | 1,656 | 30.0 % | $ | 3,288 | 5.4 % | $ | 3,310 | 11.9 % |
| Operating income | $ | 1,180 | 4.8 % | $ | (9,992) | (181.0)% | $ | 11,687 | 19.1 % | $ | (7,400) | (26.7)% |

*Pro forma results of operations include the following pro form adjustments as if we had acquired Marucci January 1, 2020:*

- Depreciation expense associated with the increase in depreciable lives of capital assets of $0.1 million and $0.2 million, respectively in the three and six months ended June 30, 2020.
- Amortization expense associated with the intangible assets recorded in connection with the purchase price allocation for Marucci of $0.4 million and $0.8 million, respectively, for the three and six months ended June 30, 2020.
- Management fees that would have been payable to the Manager during each period.

### *Three months ended June 30, 2021 compared to pro forma three months ended June 30, 2020*

Net sales

Net sales for the three months ended June 30, 2021 were $24.6 million, an increase of $19.1 million as compared to net sales of $5.5 million for the three months ended June 30, 2020. During the second quarter of 2020, Marucci experienced a significant slowdown in sales as the COVID-19 pandemic led to the postponement of the baseball and softball seasons throughout much of the United States. During the current quarter, Marucci has continued to see increased customer demand and improved market share in many of Marucci's key product lines including aluminum and wood bats, batting gloves, and bags. The increased sales from these products occurred in both retail and direct channels.

Gross profit

Gross profit for the quarter ended June 30, 2021 increased $12.6 million as compared to the three months ended June 30, 2020. Gross profit as a percentage of net sales for the three months ended June 30, 2021 was 50.2%, as compared to gross profit as a percentage of sales of (3.7)% for the three months ended June 30, 2020. In the prior year, Marucci recorded $3.0 million in amortization of the inventory step-up resulting from the acquisition purchase price allocation. Excluding the effect of the step-up amortization, the gross profit as a percentage of net sales for the three months ended June 30, 2020 was 50.6%. During the current quarter, Marucci's facilities in Baton Rouge were damaged by floodwaters, which resulted in the write-off of $1.8 million in inventory. Excluding the write-off related to the flood, gross profit as a percentage of net sales during the quarter ended June 30, 2021 would have been higher than the prior year due to various factors including a shift of product mix in favor of higher margin products, mainly its aluminum bats, and channel mix, with increased sales through Marucci's higher margin direct-to-consumer and e-commerce channels.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended June 30, 2021 was $9.5 million, or 38.5% of net sales compared to $8.0 million, or 145.0% of net sales for the three months ended June 30, 2020. Selling, general and administrative expense for the three months ended June 30, 2021 includes $0.5 million in integration service fees paid to CGM. The remainder of the increase in selling, general and administrative expense for the three months ended June 30, 2021 correlates to the increase in net sales, with increases in credit card expenses, royalties, commissions, business development fees, and other variable expenses.

Income (loss) from operations

Income from operations for the three months ended June 30, 2021 was $1.2 million, an increase of $11.2 million when compared to loss from operations of $10.0 million for the same period in 2020, primarily as a result of the factors noted above.

### *Six months ended June 30, 2021 compared to pro forma six months ended June 30, 2020*

Net sales

Net sales for the six months ended June 30, 2021 were $61.3 million, an increase of $33.5 million as compared to net sales of $27.8 million for the six months ended June 30, 2020. The increase in net sales during the six months ended June 30, 2021 was primarily due to increased customer demand and market shares in many of Marucci's key product lines including aluminum and wood bats, batting gloves, and bags. The increased sales from these products occurred in both retail and direct channels. In the prior year, the shutdown of professional and youth baseball and softball in March as a response to the COVID-19 pandemic led to a significant drop off in demand for product through the end of the second quarter.

Gross profit

Gross profit for the quarter ended June 30, 2021 increased $22.0 million as compared to the six months ended June 30, 2020. Gross profit as a percentage of net sales for the six months ended June 30, 2021 was 55.7%, as compared to gross profit as a percentage of sales of 43.8% for the six months ended June 30, 2020. In the prior year, Marucci recorded $3.0 million in amortization of the inventory step-up resulting from the acquisition purchase price allocation. Excluding the effect of the step-up amortization, the gross profit as a percentage of net sales for the six months ended June 30, 2020 was 54.6%. During the current year, Marucci's facilities in Baton Rouge were damaged by floodwaters, which resulted in the write-off of $1.8 million in inventory. Despite the effect of the write-off related to the flood, gross profit as a percentage of net sales during the six months ended June 30, 2021 was higher than the prior year due to various factors including a shift of product mix in favor of higher margin products, mainly its aluminum bats, and channel mix, with increased sales through Marucci's higher margin direct-to-consumer and e-commerce channels.

Selling, general and administrative expense

Selling, general and administrative expense for the six months ended June 30, 2021 was $18.9 million, or 30.9% of net sales compared to $16.0 million, or 57.6% of net sales for the six months ended June 30, 2020. Selling, general and administrative expense for the six months ended June 30, 2021 includes $1.0 million in in integration service fees paid to CGM. The remainder of the increase in selling, general and administrative expense for the six months ended June 30, 2021 correlates to the increase in net sales, with increases in credit card expenses, royalties, commissions, business development fees, and other variable expenses.

Income (loss) from operations

Income from operations for the six months ended June 30, 2021 was $11.7 million, an increase of $19.1 million when compared to loss from operations of $7.4 million for the same period in 2020, primarily as a result of the factors noted above.

**Velocity Outdoor**

| | Three months ended | | | | Six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2021 | | June 30, 2020 | | June 30, 2021 | | June 30, 2020 | |
| Net sales | $ 63,358 | 100.0 % | $ 47,221 | 100.0 % | $ 128,990 | 100.0 % | $ 77,611 | 100.0 % |
| Gross profit | $ 19,961 | 31.5 % | $ 12,810 | 27.1 % | $ 41,117 | 31.9 % | $ 20,753 | 26.7 % |
| SG&A | $ 8,453 | 13.3 % | $ 6,404 | 13.6 % | $ 16,167 | 12.5 % | $ 13,103 | 16.9 % |
| Operating income | $ 9,100 | 14.4 % | $ 3,998 | 8.5 % | $ 20,134 | 15.6 % | $ 2,834 | 3.7 % |

***Three months ended June 30, 2021 compared to three months ended June 30, 2020***

*Net sales*

Net sales for the three months ended June 30, 2021 were $63.4 million, an increase of $16.1 million or 34.2%, compared to the same period in 2020. The increase in net sales for the three months ended June 30, 2021 is primarily due to significant increase in consumer demand across all Velocity Outdoor product lines.

*Gross profit*

Gross profit for the quarter ended June 30, 2021 increased $7.2 million as compared to the quarter ended June 30, 2020. Gross profit as a percentage of net sales was 31.5% for the three months ended June 30, 2021 as compared to 27.1% in the three months ended June 30, 2020. The increase in gross profit as a percentage of net sales was primarily attributable to favorable sales product mix of airguns, archery equipment and consumables.

*Selling, general and administrative expense*

Selling, general and administrative expense for the three months ended June 30, 2021 was $8.5 million, or 13.3% of net sales compared to $6.4 million, or 13.6% of net sales for the three months ended June 30, 2020. The increase in selling, general and administrative expense for the three months ended June 30, 2021 is primarily related to volume driven expenses that correlate to the increase in sales, as well as additional investments in marketing and additional professional fees.

*Income from operations*

Income from operations for the three months ended June 30, 2021 was $9.1 million, an increase of $5.1 million when compared to income from operations of $4.0 million for the same period in 2020 based on the factors noted above.

***Six Months ended June 30, 2021 compared to six months ended June 30, 2020***

*Net sales*

Net sales for the six months ended June 30, 2021 were $129.0 million, an increase of $51.4 million or 66.2%, compared to the same period in 2020. The increase in net sales for the six months ended June 30, 2021 is primarily due to significant increase in consumer demand across all Velocity Outdoor product lines.

*Gross profit*

Gross profit for the quarter ended June 30, 2021 increased $20.4 million as compared to the quarter ended June 30, 2020. Gross profit as a percentage of net sales was 31.9% for the six months ended June 30, 2021 as compared to 26.7% in the six months ended June 30, 2020. The increase in gross profit as a percentage of net sales was primarily attributable to favorable sales product mix of airguns, archery equipment and consumables.

*Selling, general and administrative expense*

Selling, general and administrative expense for the six months ended June 30, 2021 was $16.2 million, or 12.5% of net sales compared to $13.1 million, or 16.9% of net sales for the six months ended June 30, 2020. The increase in selling, general and administrative expense for the six months ended June 30, 2021 is primarily related to volume driven expenses that correlate to the increase in sales, as well as additional investments in marketing.

*Income from operations*

Income from operations for the six months ended June 30, 2021 was $20.1 million, an increase of $17.3 million when compared to income from operations of $2.8 million for the same period in 2020 based on the factors noted above.

**Niche Industrial Businesses**

**Advanced Circuits**

| | Three months ended | | | | Six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2021 | | June 30, 2020 | | June 30, 2021 | | June 30, 2020 | |
| Net sales | $ 22,465 | 100.0 % | $ 22,956 | 100.0 % | $ 44,027 | 100.0 % | $ 44,652 | 100.0 % |
| Gross profit | $ 10,312 | 45.9 % | $ 10,371 | 45.2 % | $ 19,717 | 44.8 % | $ 20,108 | 45.0 % |
| SG&A | $ 3,853 | 17.2 % | $ 3,847 | 16.8 % | $ 7,628 | 17.3 % | $ 7,637 | 17.1 % |
| Operating income | $ 6,324 | 28.2 % | $ 6,329 | 27.6 % | $ 11,819 | 26.8 % | $ 12,067 | 27.0 % |

***Three months ended June 30, 2021 compared to three months ended June 30, 2020***

*Net sales*

Net sales for the three months ended June 30, 2021 were $22.5 million, a decrease of approximately $0.5 million or 2.1% compared to the three months ended June 30, 2020. The decrease in net sales for the quarter ended June 30, 2021 as compared to the quarter ended June 30, 2020 was primarily due to decreased sales in the Quick-Turn Small-Run PCBs product line.

*Gross profit*

Gross profit as a percentage of net sales increased 70 basis points during the three months ended June 30, 2021 compared to the corresponding period in 2020 (45.9% at June 30, 2021 compared to 45.2% at June 30, 2020) primarily as a result of sales mix.

*Selling, general and administrative expense*

Selling, general and administrative expense was approximately $3.9 million in the three months ended June 30, 2021 and $3.8 million in the three months ended June 30, 2020. Selling, general and administrative expense represented 17.2% of net sales for the three months ended June 30, 2021 and 16.8% of net sales in the corresponding period in 2020.

*Income from operations*

Income from operations for both the three months ended June 30, 2021 and the three months ended June 30, 2020 was approximately $6.3 million.

***Six months ended June 30, 2021 compared to six months ended June 30, 2020***

*Net sales*

Net sales for the six months ended June 30, 2021 were $44.0 million, a decrease of approximately $0.6 million or 1.4% compared to the six months ended June 30, 2020. The decrease in net sales for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020 was due to decreased sales in the Quick-Turn Small-Run PCBs product line of approximately $1.7 million. This was partially offset by an increase in the Long-Lead Time/Other product line of approximately $0.5 million, subcontract of approximately $0.4 million and decreased promotional allowances of approximately $0.2 million.

*Gross profit*

Gross profit as a percentage of net sales decreased 20 basis points during the six months ended June 30, 2021 compared to the corresponding period in 2020 (44.8% at June 30, 2021 compared to 45.0% at June 30, 2020) primarily as a result of sales mix.

*Selling, general and administrative expense*

Selling, general and administrative expense was approximately $7.6 million in both the six months ended June 30, 2021 and the six months ended June 30, 2020. Selling, general and administrative expense represented 17.3% of net sales for the six months ended June 30, 2021 and 17.1% of net sales in the corresponding period in 2020.

*Income from operations*

Income from operations for the six months ended June 30, 2021 was approximately $11.8 million compared to $12.1 million in the same period in 2020, a decrease of approximately $0.2 million, principally as a result of the factors described above.

**Altor Solutions**

| | Three months ended | | | | Six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2021 | | June 30, 2020 | | June 30, 2021 | | June 30, 2020 | |
| Net sales | $ 40,640 | 100.0 % | $ 24,429 | 100.0 % | $ 78,460 | 100.0 % | $ 52,812 | 100.0 % |
| Gross profit | $ 9,258 | 22.8 % | $ 7,316 | 29.9 % | $ 19,342 | 24.7 % | $ 15,981 | 30.3 % |
| SG&A | $ 3,469 | 8.5 % | $ 2,223 | 9.1 % | $ 7,206 | 9.2 % | $ 5,130 | 9.7 % |
| Operating income | $ 3,548 | 8.7 % | $ 2,847 | 11.7 % | $ 8,232 | 10.5 % | $ 6,359 | 12.0 % |

***Three months ended June 30, 2021 compared to three months ended June 30, 2020***

*Net sales*

Net sales for the quarter ended June 30, 2021 were $40.6 million, an increase of $16.2 million, or 66.4%, compared to the quarter ended June 30, 2020. The increase in net sales during the quarter was due to the acquisition of Polyfoam in July 2020 and organic growth in our appliance and cold chain customer sectors, as well as the continued recovery during the quarter from the effects of the COVID-19 pandemic experienced in the prior year.

*Gross profit*

Gross profit as a percentage of net sales was 22.8% and 29.9% for the three months ended June 30, 2021 and 2020, respectively. The decrease in gross profit as a percentage of net sales in the quarter ended June 30, 2021 was primarily due to labor wage increases in the fourth quarter of 2020, increases in the price of Altor's primary raw material, expanded polystyrene ("EPS"), and margin dilution due to the acquisition of Polyfoam, which has historically had lower margins than the legacy business.

*Selling, general and administrative expense*

Selling, general and administrative expense for the three months ended June 30, 2021 was $3.5 million as compared to $2.2 million for the three months ended June 30, 2020, an increase of $1.2 million. The increase in selling, general and administrative expense in the second quarter of 2021 was due to the acquisition of Polyfoam and increased information technology and professional fees incurred during the quarter.

*Income from operations*

Income from operations was $3.5 million in the three months ended June 30, 2021, an increase of $0.7 million as compared to the three months ended June 30, 2020, based on the factors noted above.

***Six months ended June 30, 2021 compared to six months ended June 30, 2020***

*Net sales*

Net sales for the six months ended June 30, 2021 were $78.5 million, an increase of $25.6 million, or 48.6%, compared to the quarter ended June 30, 2020. The increase in net sales during the quarter was due to the acquisition of Polyfoam in July 2020 and the continued recovery during the quarter from the effects of the COVID-19 pandemic experienced in the prior year.

*Gross profit*

Gross profit as a percentage of net sales was 24.7% and 30.3% for the six months ended June 30, 2021 and 2020, respectively. The decrease in gross profit as a percentage of net sales in the quarter ended June 30, 2021 was primarily due to labor wage increases in the fourth quarter of 2020, increases in the price of Altor's primary raw material, EPS, during the first half of the year and margin dilution due to the acquisition of Polyfoam, which has historically had lower margins than the legacy business.

*Selling, general and administrative expense*

Selling, general and administrative expense for the six months ended June 30, 2021 was $7.2 million as compared to $5.1 million for the six months ended June 30, 2020, an increase of $2.1 million. The increase in selling, general and administrative expense in the first half of 2021 was primarily due to the acquisition of Polyfoam, and increased information technology and professional fees incurred during the quarter.

*Income from operations*

Income from operations was $8.2 million in the six months ended June 30, 2021, an increase of $1.9 million as compared to the six months ended June 30, 2020, based on the factors noted above.

**Arnold**

| | Three months ended | | | | Six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2021 | | June 30, 2020 | | June 30, 2021 | | June 30, 2020 | |
| Net sales | $ 32,556 | 100.0 % | $ 24,270 | 100.0 % | $ 65,041 | 100.0 % | $ 53,828 | 100.0 % |
| Gross profit | $ 8,562 | 26.3 % | $ 6,148 | 25.3 % | $ 17,935 | 27.6 % | $ 14,062 | 26.1 % |
| SG&A | $ 5,130 | 15.8 % | $ 3,770 | 15.5 % | $ 10,572 | 16.3 % | $ 9,096 | 16.9 % |
| Operating income | $ 2,497 | 7.7 % | $ 1,443 | 5.9 % | $ 5,493 | 8.4 % | $ 3,096 | 5.8 % |

***Three months ended June 30, 2021 compared to three months ended June 30, 2020***

*Net sales*

Net sales for the three months ended June 30, 2021 were approximately $32.6 million, an increase of $8.3 million compared to the same period in 2020. International sales were $10.5 million in the three months ended June 30, 2021 and $9.0 million in the three months ended June 30, 2020. The increase in net sales is primarily a result of increased demand in defense and industrial markets driven in part by the acquisition of Ramco Electric Motors, Inc. in March 2021.

*Gross profit*

Gross profit for the three months ended June 30, 2021 was approximately $8.6 million compared to approximately $6.1 million in the same period of 2020. Gross profit as a percentage of net sales increased to 26.3% for the quarter ended June 30, 2021 from 25.3% in the quarter ended June 30, 2020 principally due to increased volume and improved operational efficiencies.

*Selling, general and administrative expense*

Selling, general and administrative expense in the three months ended June 30, 2021 was $5.1 million, an increase in expense of approximately $1.4 million compared to $3.8 million for the three months ended June 30, 2020. Selling, general and administrative expense was 15.8% of net sales in the three months ended June 30, 2021 and 15.5% in the three months ended June 30, 2020. The increase in selling general and administrative expense was due to higher staffing related costs, higher legal and environmental costs and an increase in travel related costs.

*Income from operations*

Income from operations for the three months ended June 30, 2021 was approximately $2.5 million, an increase of $1.1 million when compared to the same period in 2020, as a result of the factors noted above.

***Six months ended June 30, 2021 compared to six months ended June 30, 2020***

*Net sales*

Net sales for the six months ended June 30, 2021 were approximately $65.0 million, an increase of $11.2 million compared to the same period in 2020. International sales were $21.6 million in the six months ended June 30, 2021 and $20.0 million in the six months ended June 30, 2020. The increase in net sales is primarily a result of increased demand in defense and industrial markets driven in part by the acquisition of Ramco Electric Motors, Inc. in March 2021.

*Gross profit*

Gross profit for the six months ended June 30, 2021 was approximately $17.9 million compared to approximately $14.1 million in the same period of 2020. Gross profit as a percentage of net sales increased to 27.6% for the six months ended June 30, 2021 from 26.1% in the six months ended June 30, 2020 principally due to favorable material and labor costs driven by product mix and operational improvements.

*Selling, general and administrative expense*

Selling, general and administrative expense in the six months ended June 30, 2021 was $10.6 million, an increase in expense of approximately $1.5 million compared to $9.1 million for the six months ended June 30, 2020. The increase in selling, general and administrative expense during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020 is due to higher staffing related costs, acquisition costs and higher legal and environmental costs partially offset by lower travel related costs. Selling, general and administrative expense was 16.3% of net sales in the six months ended June 30, 2021 and 16.9% in the six months ended June 30, 2020.

*Income from operations*

Income from operations for the six months ended June 30, 2021 was approximately $5.5 million, an increase of $2.4 million when compared to the same period in 2020, as a result of the factors noted above.

**Sterno**

| | Three months ended | | | | Six months ended | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2021 | | June 30, 2020 | | June 30, 2021 | | June 30, 2020 | |
| Net sales | $ 89,257 | 100.0 % | $ 77,363 | 100.0 % | $ 166,571 | 100.0 % | $ 160,395 | 100.0 % |
| Gross profit | $ 19,161 | 21.5 % | $ 17,196 | 22.2 % | $ 35,441 | 21.3 % | $ 35,796 | 22.3 % |
| SG&A | $ 8,205 | 9.2 % | $ 8,855 | 11.4 % | $ 15,823 | 9.5 % | $ 17,808 | 11.1 % |
| Operating income | $ 6,578 | 7.4 % | $ 3,963 | 5.1 % | $ 10,862 | 6.5 % | $ 9,232 | 5.8 % |

***Three months ended June 30, 2021 compared to three months ended June 30, 2020***

*Net sales*

Net sales for the three months ended June 30, 2021 were approximately $89.3 million, an increase of $11.9 million, or 15.4%, compared to the same period in 2020. The net sales variance reflects an increase in sales at Sterno Products as we began to see a return of demand in the food service and hospitality industries during the current quarter. The increase in sales at Sterno Products quarter over quarter was offset by a decrease in sales at Rimports. During the prior year, Rimports saw strong sales growth at the onset of the COVID-19 pandemic since most resellers of Rimports products were not impacted by the retail store closures. Rimports continues to see strong consumer demand for their products at the retail level.

*Gross profit*

Gross profit as a percentage of net sales decreased from 22.2% for the three months ended June 30, 2020 to 21.5% for the same period ended June 30, 2021. The decrease in gross profit in the second quarter of 2021 as compared to the second quarter of 2020 was primarily attributable to sales mix, and additional inventory reserves recorded in the second quarter of 2021 at Sterno Home.

*Selling, general and administrative expense*

Selling, general and administrative expense for the three months ended June 30, 2021 was approximately $8.2 million as compared to $8.9 million for the three months ended June 30, 2020, a decrease of $0.7 million, reflecting lower salaries, commissions, and various cost savings initiatives implemented to address the effects of decreased demand from COVID-19. Selling, general and administrative expense represented 9.2% of net sales for the three months ended June 30, 2021 and 11.4% for the three months ended June 30, 2020.

*Income from operations*

Income from operations for the three months ended June 30, 2021 was approximately $6.6 million, an increase of $2.6 million compared to the three months ended June 30, 2020 based on the factors noted above.

***Six months ended June 30, 2021 compared to six months ended June 30, 2020***

*Net sales*

Net sales for the six months ended June 30, 2021 were approximately $166.6 million, an increase of $6.2 million, or 3.9%, compared to the same period in 2020. The increase in net sales reflects an increase in sales at each of our product groups, Sterno Products, Rimports and Sterno Home as compared to the first six months of 2020. Sterno Products began to see a return of demand in the food service and hospitality industries, while Rimports has continued to see strong consumer demand for their products at the retail level.

*Gross profit*

Gross profit as a percentage of net sales decreased from 22.3% for the six months ended June 30, 2020 to 21.3% for the same period ended June 30, 2021. The decrease in gross profit in the six months ended June 30, 2021 as compared to the six months ended June 30, 2020 was primarily attributable to sales mix, additional inventory reserves recorded in 2021, increases in raw material costs and freight, and the continuing impact of absorbing overheads on the reduced sales volume at Sterno Products.

*Selling, general and administrative expense*

Selling, general and administrative expense for the six months ended June 30, 2021 was approximately $15.8 million as compared to $17.8 million for the six months ended June 30, 2020, a decrease of $2.0 million, reflecting lower salaries, commissions, and various cost savings initiatives implemented to address the effects of decreased demand from COVID-19. Selling, general and administrative expense represented 9.5% of net sales for the six months ended June 30, 2021 and 11.1% for the six months ended June 30, 2020.

*Income from operations*

Income from operations for the six months ended June 30, 2021 was approximately $10.9 million, an increase of $1.6 million compared to the six months ended June 30, 2020 based on the factors noted above.

**Liquidity and Capital Resources**

*Liquidity*

At June 30, 2021, we had approximately $110.2 million of cash and cash equivalents on hand, an increase of $39.4 million as compared to the year ended December 31, 2020. 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. The change in cash and cash equivalents is as follows:

*Operating Activities:*

| | Six months ended | |
|---|---|---|
| *(in thousands)* | **June 30, 2021** | **June 30, 2020** |
| Cash provided by operating activities | $ 109,434 | $ 88,330 |

For the six months ended June 30, 2021, cash flows provided by operating activities totaled approximately $109.4 million, which represents a $21.1 million increase compared to cash provided by operating activities of $88.3 million during the six-month period ended June 30, 2020. Cash used in operating activities for working capital for the six months ended June 30, 2021 was $5.7 million, as compared to cash provided by operating activities for working capital of $39.9 million for the six months ended June 30, 2020. We typically have a higher usage of cash for working capital in the first half of the year as most of our companies will build up inventories after the fourth quarter. In the current year, several of our businesses had higher inventory levels than normal given longer lead times due to supply chain issues. In the prior year, the onset of the COVID-19 pandemic in March led our businesses to implement a variety of steps to conserve cash and increase liquidity given the uncertainty in the economy, resulting in a lower usage of cash for working capital. The increase in cash used in operating activities for working capital in the first half of 2021 is more typical of our liquidity usage, and also reflects the acquisition of Marucci Sports and BOA in the second and fourth quarter, respectively, of the prior year.

*Investing Activities:*

| | Six months ended | |
|---|---|---|
| *(in thousands)* | **June 30, 2021** | **June 30, 2020** |
| Cash used in investing activities | $ (52,696) | $ (212,990) |

Cash flows used in investing activities for the six months ended June 30, 2021 totaled $52.7 million, compared to cash used in investing activities of $213.0 million in the same period of 2020. In the first quarter of 2021, our Arnold subsidiary acquired an add-on acquisition for $34.2 million, while in the prior year, our investing activities reflect the acquisition of Marucci Sports in April 2020. Our spending on capital expenditures increased $5.7 million during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020, with $17.8 million in capital expenditures in 2021 and $12.2 million in capital expenditures in 2020. The additional capital expenditures reflects our acquisitions of Marucci in the second quarter of 2020 and BOA in the fourth quarter of 2020. We expect capital expenditures for the full year of 2021 to be approximately $32 million to $41 million.

*Financing Activities:*

| | Six months ended | |
|---|---|---|
| *(in thousands)* | **June 30, 2021** | **June 30, 2020** |
| Cash (used in) provided by financing activities | $ (17,324) | $ 230,595 |

Cash flows used in financing activities totaled approximately $17.3 million during the six months ended June 30, 2021 compared to cash flows provided by financing activities of $230.6 million during the six months ended June 30, 2020. During the first quarter of 2021, we completed an offering of $1,000.0 million of our 2029 Senior Notes, and used the proceeds to pay down our 2018 Revolving Credit Facility and pay off the existing 2026 Senior Notes. Financing activities in both periods reflect the payment of our common and preferred share distributions. During the six months ended June 30, 2021, we made a distribution to the Allocation Member of $5.2 million related to the five-year holding event of our Liberty and Ergobaby business, while in the prior year, we made a distribution to the Allocation Member of $9.1 million related to the five-year Holding event for our Sterno business.

*Intercompany Debt*

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 through our existing credit facility. Our strategy of providing intercompany debt financing within the capital structure of the businesses that we acquire and manage 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 businesses has a scheduled maturity and each 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 businesses have paid down their respective intercompany debt balances through the cash flow generated by these businesses and we have recapitalized, and expect to continue to recapitalize, these businesses 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.

In the fourth quarter of 2020, we amended the Arnold intercompany credit agreement to increase the revolving credit commitment available under the credit agreement, and to remove the requirement to meet the financial covenants through September 30, 2021. All of our subsidiaries were in compliance with the financial covenants included within their intercompany credit arrangements at June 30, 2021.

As of June 30, 2021, we had the following outstanding loans due from each of our businesses:

| *(in thousands)* | | |
|---|---|---|
| 5.11 | $ | 131,078 |
| BOA | $ | 93,649 |
| Ergobaby | $ | 25,725 |
| Liberty | $ | 26,707 |
| Marucci | $ | 42,875 |
| Velocity Outdoor | $ | 103,821 |
| Advanced Circuits | $ | 89,112 |
| Altor | $ | 82,812 |
| Arnold | $ | 65,242 |
| Sterno | $ | 219,024 |

Our primary source of cash is from the receipt of interest and principal on the outstanding loans to our businesses. 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 2021 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*

*2021 Credit Facility*

On March 23, 2021, we entered into a Second Amended and Restated Credit Agreement to amend and restate the 2018 Credit Facility. The 2021 Credit Facility provides for revolving loans, swing line loans and letters of credit up to a maximum aggregate amount of $600 million and also permits the Company, 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 2021 Revolving Credit Facility will become due on March 23, 2026, which is the maturity date of loans advanced under the Revolving Credit Facility.

*2018 Credit Facility*

In April 2018, we entered into an Amended and Restated Credit Agreement (the "2018 Credit Facility") to amend and restate the 2014 Credit Facility. The 2018 Credit Facility provided for (i) revolving loans, swing line loans and letters of credit (the “2018 Revolving Credit Facility”) up to a maximum aggregate amount of $600 million, and (ii) a $500 million term loan (the “2018 Term Loan”). The 2018 Credit Facility also permitted the Company, 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. In 2019, we repaid the amounts due under the 2018 Term Loan. We used a portion of the proceeds from the issuance of the 2029 Notes offering to pay all amounts outstanding under the 2018 Revolving Credit Facility in March 2021.

We had $599.1 million in net availability under the 2021 Revolving Credit Facility at June 30, 2021. The outstanding borrowings under the 2021 Revolving Credit Facility include $0.9 million of outstanding letters of credit at June 30, 2021.

*Senior Notes*

On March 23, 2021, we consummated the issuance and sale of $1,000 million aggregate principal amount of our 5.250% 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 Notes were issued pursuant to an indenture, dated as of March 23, 2021 (the “Indenture”), between the Company and U.S. Bank National Association, as trustee. The Notes bear interest at the rate of 5.250% per annum and will mature on April 15, 2029. Interest on the Notes is payable in cash on April 15th and October 15th of each year. The 2029 Notes are general unsecured obligations of the Company and are not guaranteed by our subsidiaries.

The proceeds from the sale of the 2029 Notes was used to repay debt outstanding under the 2018 Credit Facility in connection with entering into the 2021 Credit Facility, as described above, and to redeem our 8.000% Senior Notes due 2026 (the “2026 Notes”).

The following table reflects required and actual financial ratios as of June 30, 2021 included as part of the affirmative covenants in our 2021 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 | 4.98:1.0 |
| Consolidated Senior Secured Leverage Ratio | Less than or equal to 3.50:1.0 | 0.00:1.0 |
| Consolidated Total Leverage Ratio | Less than or equal to 5.00:1.0 | 2.64:1.0 |

*Interest Expense*

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

| | Six months ended June 30, | |
|---|---|---|
| | 2021 | 2020 |
| Interest on credit facilities | $ 1,584 | $ 693 |
| Interest on Senior Notes | 26,395 | 18,400 |
| Unused fee on Revolving Credit Facility | 743 | 728 |
| Amortization of bond premium | (83) | (56) |
| Other interest expense | 115 | 164 |
| Interest income | (2) | (158) |
| Interest expense, net | $ 28,752 | $ 19,771 |

The following table provides the effective interest rate of the Company's outstanding long-term debt at June 30, 2021 and December 31, 2020 *(in thousands)*:

| | June 30, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Effective Interest Rate | Amount | Effective Interest Rate | Amount |
| Senior Notes [1] | 6.43% | $ 1,000,000 | 7.92% | $ 600,000 |
| Revolving Credit Facility | 1.97% | — | 2.13% | 307,000 |
| Unamortized premiums and debt issuance costs | | (11,651) | | (7,540) |
| Long-term debt | | $ 988,349 | | $ 899,460 |

[1] On March 23, 2021, we issued $1,000 million in 5.250% Senior Notes, and used a portion of the proceeds to repay our 8.000% Senior Notes. The 8.000% Senior Notes were redeemed on April 1, 2021, and we paid interest on these through the date of redemption.

**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.

Non-GAAP financial measures are provided as additional information to investors in order to provide them with an alternative method for assessing our financial condition and operating results. These measures 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.

The tables below reconcile the most directly comparable GAAP financial measures to Earnings before Interest, Income Taxes, Depreciation and Amortization ("EBITDA"), Adjusted EBITDA, and Cash Flow Available for Distribution and Reinvestment ("CAD").

*Reconciliation of Net income (Loss) to EBITDA and Adjusted EBITDA*

**EBITDA** – EBITDA is calculated as net income (loss) before interest expense, income tax expense (benefit), depreciation expense and amortization expense. Amortization expenses consist of amortization of intangibles and debt charges, including debt issuance costs, discounts, etc.

**Adjusted EBITDA** – Adjusted EBITDA is calculated utilizing the same calculation as described above in arriving at EBITDA further adjusted by: (i) noncontrolling stockholder compensation, which generally consists of non-cash stock option expense; (ii) successful acquisition costs, which consist of transaction costs (legal, accounting, due diligence, etc.) incurred in connection with the successful acquisition of a business expensed during the period in compliance with ASC 805; (iii) management fees, which reflect fees due quarterly to our Manager in connection with our MSA, as well as Integration Services Fees paid by newly acquired companies; (iv) impairment charges, which reflect write downs to goodwill or other intangible assets; and (v) items of other income or expense that are material to a subsidiary and non-recurring in nature.

We believe that EBITDA and Adjusted EBITDA provide useful information to investors and reflect important financial measures as they 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) these financial measures are limited in that they do not reflect the periodic costs of certain capital assets used in generating revenues of our businesses or the non-cash charges associated with impairments. This presentation also allows investors to view the performance of our businesses in a manner similar to the methods used by us and the management of our businesses, provides additional insight into our operating results and provides a measure for evaluating targeted businesses for acquisition.

We believe that these measurements are also useful in measuring our ability to service debt and other payment obligations. EBITDA and Adjusted EBITDA 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.

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

## Adjusted EBITDA
## Six months ended June 30, 2021

| | | Corporate | 5.11 | BOA | Ergobaby | Liberty | Marucci Sports | Velocity Outdoor | ACI | Altor | Arnold | Sterno | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **ome (loss)** | $ | (52,76$4) | 9,095 | 12,65$2 | 3,60$2 | 7,5$54 | 7,2$50 | 10,5$89 | 6,54$5 | 3,2$98 | 1,5$94 | 1,3$50 | 10,745 |
| d for: | | | | | | | | | | | | | |
| ision for income taxes | | — | 3,027 | 1,465 | 1,028 | 2,607 | 2,289 | 3,047 | 1,454 | 1,531 | 1,004 | 260 | 17,712 |
| est expense, net | | 28,651 | 7 | — | — | — | 4 | 90 | — | — | — | — | 28,752 |
| company interest | | (36,877) | 5,783 | 4,362 | 1,073 | 1,360 | 1,193 | 3,684 | 3,692 | 3,418 | 2,815 | 9,497 | — |
| on debt extinguishment | | 33,305 | — | — | — | — | — | — | — | — | — | — | 33,305 |
| reciation and amortization | | 359 | 10,894 | 9,884 | 4,327 | 948 | 4,222 | 6,328 | 1,101 | 5,816 | 3,817 | 10,591 | 58,287 |
| **A** | | (27,326) | 28,806 | 28,363 | 10,030 | 12,489 | 14,958 | 23,738 | 12,792 | 14,063 | 9,230 | 21,658 | 148,801 |
| r (income) expense | | 149 | (301) | 80 | — | (48) | 892 | 2,613 | 68 | (133) | — | (430) | 2,890 |
| controlling shareholder compensation | | — | 1,287 | 1,083 | 807 | 14 | 551 | 524 | 248 | 513 | 8 | 583 | 5,618 |
| uisition expenses | | — | — | — | — | — | — | — | — | — | 310 | — | 310 |
| ration services fee | | — | — | 2,200 | — | — | 1,000 | — | — | — | — | — | 3,200 |
| r | | 898 | — | — | — | — | — | (2,300) | — | — | — | 333 | (1,069) |
| agement fees | | 19,231 | 500 | 500 | 250 | 250 | 250 | 250 | 250 | 375 | 250 | 250 | 22,356 |
| ***ed EBITDA*** | $ | (7,0$48) | 30,2$92 | 32,2$36 | 11,0$87 | 12,7$05 | 17,6$51 | 24,8$25 | 13,3$58 | 14,8$38 | 9,7$98 | 22,3$94 | 182,106 |

## Adjusted EBITDA
## Six months ended June 30, 2020

| | Corporate | 5.11 | Ergobaby | Liberty | Marucci Sports | Velocity Outdoor | ACI | Altor | Arnold | Sterno | Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **ome (loss)** | $ (3,521) | $ 2,120 | $ 1,160 | $ 3,460 | $ (6,325) | $ (9,541) | $ 7,312 | $ 2,146 | $ 1,472 | $ (769) | (2,486) |
| d for: | | | | | | | | | | | |
| ovision (benefit) for income taxes | — | (1,577) | 1,154 | 1,148 | (1,944) | 6,328 | 1,819 | 1,141 | (1,306) | 108 | 6,871 |
| erest expense, net | 19,651 | 40 | — | — | 4 | 76 | — | — | — | — | 19,771 |
| ercompany interest | (34,632) | 7,334 | 1,252 | 1,900 | 532 | 4,791 | 2,843 | 3,513 | 2,882 | 9,585 | — |
| preciation and amortization | 259 | 10,639 | 4,106 | 862 | 4,717 | 6,474 | 1,347 | 6,108 | 3,320 | 11,489 | 49,321 |
| **A** | (18,243) | 18,556 | 7,672 | 7,370 | (3,016) | 8,128 | 13,321 | 12,908 | 6,368 | 20,413 | 73,477 |
| ner (income) expense | 1 | 1,168 | — | (3) | (40) | 1,067 | 17 | (567) | — | 82 | 1,725 |
| ncontrolling shareholder compensation | — | 1,155 | 417 | 14 | 90 | 1,045 | 247 | 515 | 36 | 426 | 3,945 |
| quisition expenses | — | — | — | — | 2,042 | — | — | — | — | — | 2,042 |
| ner | — | — | 598 | — | — | — | — | — | — | — | 598 |
| nagement fees | 11,305 | 500 | 250 | 250 | 97 | 250 | 250 | 375 | 250 | 250 | 13,777 |
| ***ed EBITDA*** | $ (6,937) | $ 21,379 | $ 8,937 | $ 7,631 | $ (827) | $ 10,490 | $ 13,835 | $ 13,231 | $ 6,654 | $ 21,171 | 95,564 |

*Reconciliation of Cash Flow Available for Distribution and Reinvestment*

The table below details cash receipts and payments that are not reflected on our income statement in order to provide an additional measure of management's estimate of cash flow available for distribution ("CAD"). CAD is a non-GAAP measure that we believe provides additional, useful information to our shareholders in order to enable them to evaluate our ability to make anticipated quarterly distributions. CAD is 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.

The following table reconciles CAD to net income (loss) and cash flows provided by operating activities, which we consider to be the most directly comparable financial measure calculated and presented in accordance with GAAP.

| | Six Months ended | |
|---|---|---|
| *(in thousands)* | **June 30, 2021** | **June 30, 2020** |
| Net income (loss) | $ 10,745 | $ (2,486) |
| Adjustment to reconcile net income (loss) to cash provided by operating activities: | | |
| Depreciation and amortization | 56,879 | 48,186 |
| Amortization of debt issuance costs and premium | 1,325 | 1,079 |
| Loss on debt extinguishment | 33,305 | — |
| Noncontrolling shareholder charges | 5,618 | 3,945 |
| Provision for receivable and inventory reserves | 3,526 | 2,519 |
| Deferred taxes | 1,715 | (5,933) |
| Other | 2,030 | 1,155 |
| Changes in operating assets and liabilities | (5,709) | 39,865 |
| Net cash provided by operating activities | 109,434 | 88,330 |
| Plus: | | |
| Unused fee on revolving credit facility | 743 | 728 |
| Integration services fee [(1)] | 3,200 | — |
| Successful acquisition costs | 310 | 2,042 |
| Changes in operating assets and liabilities | 5,709 | — |
| Less: | | |
| Changes in operating assets and liabilities | — | 39,865 |
| Maintenance capital expenditures: [(2)] | | |
| Compass Group Diversified Holdings LLC | — | — |
| 5.11 | 868 | 784 |
| BOA | 593 | — |
| Advanced Circuits | 482 | 93 |
| Altor Solutions | 1,253 | 975 |
| Arnold | 2,221 | 1,630 |
| Ergobaby | — | 124 |
| Liberty | 94 | 292 |
| Marucci Sports | 1,804 | 51 |
| Sterno | 1,555 | 915 |
| Velocity Outdoor | 2,087 | 1,673 |
| Other | 3,526 | 1,919 |
| Preferred share distribution | 12,091 | 11,587 |
| **Estimated cash flow available for distribution and reinvestment** | $ 92,822 | $ 31,192 |
| | | |
| Distribution paid in April 2021/2020 | $ (23,364) | $ (21,564) |
| Distribution paid in July 2021/ 2020 | (23,364) | (23,364) |
| | $ (46,728) | $ (44,928) |

**(1)** Represents fees paid by newly acquired companies to the Manager for integration services performed during the first year of ownership, payable quarterly.

(2) Represents maintenance capital expenditures that were funded from operating cash flow, net of proceeds from the sale of property, plant and equipment, and excludes growth capital expenditures of approximately $6.9 million for the six months ended June 30, 2021 and $5.6 million for the six months ended June 30, 2020.

_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 produce the highest net sales during our fiscal year.

***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 Company 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. In March 2020, as a proactive measure to provide the Company with additional cash liquidity in light of the COVID-19 pandemic, the Company elected to draw down $200 million on our 2018 Revolving Credit Facility. The Company and CGM entered into a waiver agreement whereby CGM agreed to waive the portion of the management fee attributable to the cash balances held at the Company as of March 31, 2020. In addition, as a result of an expected decline in earnings and cash flows in the second quarter of 2020, CGM agreed to waive 50% of the management fee calculated at June 30, 2020 that was paid in July 2020. Further, for the third quarter of 2020, the Company and CGM entered into a waiver agreement whereby CGM agreed to waive the portion of the management fee attributable to the cash balances held at the Company as of September 30, 2020. CGM has also entered into a waiver of the MSA for a period through December 31, 2021 to receive a 1% annual management fee related to BOA, rather than the 2% called for under the MSA. In the first quarter of 2021, the Company and CGM entered into a waiver agreement whereby CGM agreed to waive the portion of the management fee related to the amount of the proceeds deposited with the Trustee that was in excess of the amount payable related to the 2026 Senior Notes at March 31, 2021.

_Integration Services Agreements_

Marucci Sports, which was acquired in April 2020, entered into an ISA with CGM whereby Marucci paid an integration service fee of $2.0 million quarterly over a twelve month period as services are rendered beginning in the quarter ended September 30, 2020. BOA, which was acquired in October 2020, entered into an Integration Services Agreement ("ISA") with CGM whereby BOA will pay CGM an integration service fee of $4.4 million quarterly over a twelve month period as services are rendered, beginning in the quarter ended December 31, 2020. Under the ISAs, 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.

_Profit Allocation Payments_

The ten-year anniversary of Liberty occurred in March 2020 and the ten-year anniversary of Ergobaby occurred in September 2020. Both of these represented a Holding Event, and the holders of the Allocation Interests elected to defer the distribution until after the end of 2020. The profit allocation payment of $3.3 million related to the Liberty Holding Event and the profit allocation of $2.0 million related to the Ergobaby Holding Event were both paid in January 2021. The fifteen-year anniversary of ACI occurred in May 2021 which represented a Holding Event. The Company declared and paid a distribution to the Holders of $12.1 million in July 2021.

_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. During the three and six months ended June 30, 2021, 5.11 purchased approximately $0.4 million and $0.8 million, respectively, in inventory from the vendor.

*BOA*

*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 had approximately $11.8 million and $21.6 million, respectively, in purchases from this supplier during the three and six months ended June 30, 2021.

***Off-Balance Sheet Arrangements***

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

***Contractual Obligations***

Long-term contractual obligations, except for our long-term debt obligations and operating lease liabilities, are generally not recognized in our consolidated balance sheet. Contractual obligations associated with ongoing business and financing activities will require cash payments in future periods. A table summarizing the amounts and estimated timing of these future cash payments as of December 31, 2020 was provided in the Company's annual report on Form 10-K for the year ended December 31, 2020. The only significant change related to our contractual obligations since December 31, 2020 relates to our long-term debt obligations. In March 2021, we issued our 2029 Senior Notes, resulting in proceeds of $1,000 million, which were used to repay the $600 million principal amount outstanding on our 2026 Senior Notes on April 1, 2021, and to repay our 2018 Revolving Credit Facility. The 2029 Senior Notes pay interest at 5.250%, as opposed to the 2026 Senior Notes which paid interest at 8.000%. In connection with the repayment of the 2018 Revolving Credit Facility, we entered into the 2021 Credit Facility provides for revolving loans, swing line loans and letters of credit up to a maximum aggregate amount of $600 million and also permits the Company, 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.

***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, 2020, as filed with the SEC on February 24, 2021.

*Goodwill and Indefinite-lived Intangible Asset Impairment Testing*

*Goodwill*

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$^{st}$, and if current events or circumstances require, on an interim basis. Goodwill is allocated to various reporting units, which are generally an operating segment or one level below the operating segment. Each of our 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.

*2021 Annual Impairment Testing* - For our annual impairment testing at March 31, 2021, we performed a qualitative assessment of our reporting units. 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. As a result of the current COVID-19 pandemic, we have considered how we expect COVID-19 to impact our future operating results and short and long term financial condition as part of our qualitative assessment, including the effects on our end customers, potential short-term supply chain constraints, and the continued restrictions imposed by government and regulatory authorities. 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 Arnold exceeded their carrying value. Based on our analysis, we determined that the Arnold 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 tests of Arnold using an income approach to determine the fair value of the reporting units. We do not believe that the market approach results in relevant data points for market multiples or data from comparable companies since most of Arnold's competitors are privately held and do not publish data that can be used in an income approach. In developing the prospective financial information used in the income approach, we considered recent market conditions, taking into consideration the uncertainty associated with the COVID-19 pandemic and its economic fallout. The prospective financial information considers reporting unit specific facts and circumstances and is our best estimate of operational results and cash flows for the Arnold reporting unit as of the date of our impairment testing. The discount rate used in the income approach was 13.0%, and the results of the quantitative impairment testing indicated that the fair value of the Arnold reporting unit exceeded the carrying value by approximately 272%. The prospective financial information that is used to determine the fair values of the Arnold 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 $60.0 million. The results of the qualitative analysis of our reporting unit's indefinite-lived intangible assets, which we completed as of March 31, 2021, 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, 2020. 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, 2020, as filed with the SEC on February 24, 2021.

## ITEM 4. CONTROLS AND PROCEDURES

As required by Securities Exchange Act of 1934, as amended (the "Exchange Act") Rule 13a-15(b), Holdings’ Regular Trustees and the Company’s management, including the Chief Executive Officer and Chief Financial Officer of the Company, conducted an evaluation of the effectiveness of Holdings' and the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), as of June 30, 2021. Based on that evaluation, the Holdings' Regular Trustees and the Chief Executive Officer and Chief Financial Officer of the Company concluded that Holdings' and the Company's disclosure controls and procedures were effective as of June 30, 2021.

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 and Holdings’ 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, 2020, as filed with the SEC on February 24, 2021.

### ITEM 1A. RISK FACTORS

The risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 should be considered together with information included in this Quarterly Report on Form 10-Q for the quarter ended June 30, 2021 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, 2020.

## ITEM 6. EXHIBITS

| Exhibit Number | Description |
|---|---|
| 2.1 | Stock Purchase Agreement, dated July 16, 2021, by and among (i) Liberty Safe Holding Corporation; (ii) Independence Buyer, Inc.; (iii); Compass Group Diversified Holdings LLC, as the Sellers Representative; and (iv) each Stockholder and Optionholder of Liberty Safe Holding Corporation (incorporated by reference to Exhibit 2.1 of the Form 8-K filed on July 19, 2021 (File No. 000-34927). |
| 31.1* | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Registrant |
| 31.2* | Rule 13a-14(a)/15d-14(a) Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Registrant |
| 32.1*+ | 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 |
| 32.2*+ | 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 |
| 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.

COMPASS DIVERSIFIED HOLDINGS

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

Date: July 29, 2021

## 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.

COMPASS GROUP DIVERSIFIED HOLDINGS LLC

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

Date: July 29, 2021

## EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
| 2.1 | Stock Purchase Agreement, dated July 16, 2021, by and among (i) Liberty Safe Holding Corporation; (ii) Independence Buyer, Inc.; (iii); Compass Group Diversified Holdings LLC, as the Sellers Representative; and (iv) each Stockholder and Optionholder of Liberty Safe Holding Corporation (incorporated by reference to Exhibit 2.1 of the Form 8-K filed on July 19, 2021 (File No. 000-34927). |
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| 31.2* | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Registrant |
| 32.1*+ | 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 |
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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.

**Exhibit 31.1**

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

I, Elias J. Sabo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Compass Group Diversified Holdings LLC (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.

July 29, 2021

/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.

July 29, 2021

/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 June 30, 2021 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: July 29, 2021

/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 June 30, 2021 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 June 30, 2021 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: July 29, 2021

/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 June 30, 2021 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.