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Compass Diversified Holdings, Inc. (CODI)

Q1 2021 Earnings Call

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Analyst, Jefferies LLC

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Analyst, Raymond James & Associates, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon. And welcome to Compass Diversified's First Quarter 2021 Conference Call. Today's call is being recorded. All lines have been placed on mute. [Operator Instructions]

At this time, I would like to turn the conference over to Matt Berkowitz of The IGB Group for introductions and the reading of the Safe Harbor statement. Please go ahead, sir.

Matthew Berkowitz

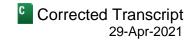
Director, The IGB Group

Thank you, and welcome to Compass Diversified's first quarter 2021 conference call. Representing the company today are Elias Sabo, CODI's CEO; Ryan Faulkingham, CODI's CFO; and Pat Maciariello, COO of Compass Group Management.

Before we begin, I would like to point out that the Q1 2021 press release, including the financial tables and non-GAAP financial measure reconciliations are available at the Investor Relations section on the company's website at www.compassdiversified.com. The company also filed its Form 10-Q with the SEC today after the market close, which includes reconciliations of non-GAAP financial measures discussed on this call and is also available at the Investor Relations section of our website.

Please note that references to EBITDA in the following discussions refer to adjusted EBITDA as reconciled to net income in the company's financial filings. The company does not provide a reconciliation of its full-year expected 2021 adjusted EBITDA or 2021 payout ratio because certain significant reconciling information is not available without unreasonable efforts. Throughout this call, we will refer to Compass Diversified as CODI or the company.

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Now, allow me to read the following Safe Harbor statement. During this conference call, we may make certain forward-looking statements including statements with regard to the future performance of CODI and its subsidiaries and statements related to CODI's future tax structure. Words such as believes, expects, plans, projects, and future or similar expressions are intended to identify forward-looking statements. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. Certain factors could cause actual results to differ on a material basis from those projected in these forward-looking statements and some of these factors are enumerated in the risk factor discussion in the Form 10-Q as filed with the SEC for the quarter ended March 31, 2020, as well as in other SEC fillings.

In particular, the domestic and global economic environment, as currently impacted by the COVID-19 pandemic has a significant impact on our subsidiary companies. Except as required by law, CODI undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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

Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

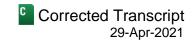
Good afternoon. Thank you all for your time. And welcome to our first quarter earnings conference call. Before discussing our results, I would like to take a brief moment to acknowledge our employees. Our performance over the last year since the onset of COVID-19 is a testament to their extraordinary efforts. Despite the ongoing challenges brought on by the pandemic, I am pleased to report that our first quarter results dramatically exceeded our expectations, including BOA and Marucci as if we own them from January 1, 2020. Pro forma consolidated revenue grew over 20% and adjusted EBITDA grew more than 45% over prior year's quarter.

Our first quarter results were exceptional and reflect the incredible work of each of our subsidiary companies management team. Though we continue to experience certain challenges and uncertainties stemming from the pandemic such as changes in demand pattern, supply disruption, shortages in labor and inflationary pressures at levels not previously experienced. Our subsidiaries team continue to expertly maintain our operation to deliver record results. Our outstanding first quarter results build on the positive momentum from the second half of 2020.

Our branded consumer businesses grew at a rapid pace driven by continued increased participation by consumers and outdoor activities. We have seen significant structural shifts since the onset of the pandemic that have benefited outdoor activities, including trends towards deurbanization and remote work. At the same time, disposable spending has been supported by historic levels of transfer payments globally and a shift in spending patterns towards goods and away from services. While these trends have proven to be durable, it remains unclear for how long and the extent to which these consumer habits will continue as the economy gradually reopens and lockdowns ease.

At this time, end market demand continues to rise along with our bookings and backlog. And we are seeing strong levels of growth in our consumer goods businesses thus far in 2021, including early in the second quarter. We believe our subsidiary companies are well-positioned to maintain market share gains even following the effects of the pandemic. We are also pleased to report that our industrial businesses, which had experienced a dramatic decline in demand at the onset of the pandemic have stabilized in the first quarter. And we now anticipate our industrial businesses will remain stable through 2021 with a possible return to growth as the economy reopens and comparable periods in the prior year become easier to lap.

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Notwithstanding the extraordinary first quarter results, I want to emphasize that the macro environment remains uncertain. Even with the global economy starting to normalize, the effects of the pandemic have proven to be long-lasting with shortages in components and shipping capacity becoming acute. In addition, commodity costs have risen rapidly and labor shortages continue. We now find ourselves in a highly inflationary environment with rising costs, which we will seek to pass through via increased prices based on market conditions. However, we may experience modest margin compression in the near-term as commodity-driven price increases typically lag in implementation through the supply chain.

In light of our extraordinary first quarter result and our expectations for the balance of the year, we now expect to produce consolidated subsidiary adjusted EBITDA of between \$325 million and \$345 million, representing growth of 11% to 18% from prior year. And a payout ratio of between 70% and 60%, based on our historic distribution rate of \$0.36 per share each quarter. The strength of our balance sheet enabled our subsidiary companies to take market share during the pandemic, as we focused most of our cost containment activities on non-revenue generating function.

Moving forward, we plan to increase spending at a number of our subsidiary companies in order to compensate and continue to take market share. These increases are built into our financial expectations for the balance of the year. Our first quarter results showed the strength across our portfolio and in particular both of our 2020 acquisition, Marucci Sports and BOA Technology, produced outstanding growth. We believe our permanent capital model, again, proved to be a substantial competitive advantage relative to traditional private equity, allowing us to acquire these two outstanding businesses while others were unable to compete due to limited availability of debt financing.

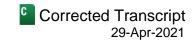
On a combined basis, these two companies produced 104% year-over-year pro forma adjusted EBITDA growth in the first quarter and significantly increased our growth rate up from 30% excluding these acquisitions to 46% when including them. Although, we expect this magnitude of growth to recede, we do believe these acquisitions will continue to benefit the core growth rate of the portfolio. We believe our permanent capital approach to private equity like investing not only provides a substantial competitive advantage in capital allocation as we have seen over the past few years, but also in our cost of capital.

We are pleased that in the first quarter we successfully refinanced our bonds that were originally issued in 2018, increasing their amount, extending their duration and lowering our cost. Our new bond carries an interest rate of 5.25% compared to the previous 8%, a decrease of 33%. The outcome of our bond refinancing was meaningful in terms of lowering our weighted average cost of capital. However, we remain relentlessly focused on exploring additional options to reduce our WACC and further strengthening our competitive advantage.

To this end, we continue to analyze the potential change in our tax classification, including potentially checking-the-box to elect to be taxed as a C-Corporation instead of a partnership, which would eliminate the cumbersome K-1 and UBTI. Pursuant to our significant and ongoing analysis, the historical tax benefits of our pass-through structure have waned in recent years and we believe the holistic tax paid on average by individual shareholders as a partnership or as a corporate taxpayer is approximately the same. We believe a move to be taxed as a C-Corp will allow more institutional and retail shareholders to consider an investment in our company and may allow for inclusion in passive electronically traded funds. Ryan will walk through the details of this potential change in tax classification along with the process and expected timing to achieve such classification.

Before turning the call over to Pat to review our subsidiary results, I would like to take a minute to discuss our ongoing ESG efforts. Over the course of the past year, we have made significant strides in our ongoing efforts towards becoming a best-in-class ESG company, including redirecting two employees at the manager to focus on

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ESG initiatives, elevating ESG to become a recurring topic of board oversight, incorporating ESG considerations into our investment process and working with our subsidiary management teams to push ESG initiatives forward at the subsidiary level.

We encourage you to visit our website to see the progress we are making in this incredibly important work. And we will continue to highlight ESG accomplishments in our investor communications. Specifically during the first quarter, we increased the amount of recycled plastic materials used in our BOA dial and we had our first full quarter of sales of the Ergobaby Aerloom, a premium carrier that uses over 80% post-consumer recycled polyester yarn. Each of these carriers is composed of up to 26 plastic water bottles and we are proud of Ergobaby's leadership in this category.

With that, I will now turn the call over to Pat.

Patrick A. Maciariello

Partner & Chief Operating Officer, Compass Diversified Holdings, Inc.

Thanks, Elias. Before I begin on our subsidiary results, I want to touch generally on the quarter. Our branded consumer businesses were well positioned to benefit from changes in consumer demand as lockdown restrictions began to ease in North America. And as a result, experienced impressive growth across the board. Our niche industrial businesses are exceeding our expectations as a group and are showing agility and resiliency even as we experienced labor shortages and commodity increases at several of our businesses.

Now on to our subsidiary results, I'll begin with our niche industrial businesses. For the first quarter of 2021, revenue increased by 4% and EBITDA increased by 2.1% versus the first quarter of 2020. For the first quarter of 2021 revenue at Advanced Circuits was approximately flat and EBITDA declined slightly as compared to the first quarter of 2020. As discussed last quarter, longer lead time defense related bookings declined in the fourth quarter of 2020 following the election and we saw this trend impacted revenues in January and in early February. Bookings began to stabilize across segments early in the current quarter and the company returned to revenue growth in March of this year.

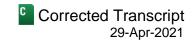
Arnold Magnetics revenue increased by 9.9% and EBITDA increased approximately 50% to \$5.1 million as the company benefited from increased sales to aerospace and defense related customers associated with large orders received in 2020 and from higher gross profit margins associated with positive mix and increased efficiencies. While we believe Q1 will be a seasonally strong quarter for the company in 2021, we do expect the business to steadily improve through the year for 2020.

Arnold's acquisition of Ramco was completed on March 1 of this year and its financials are only included since that date. By acquiring Ramco, Arnold expanded on already diverse product offering with industry leading electric motor solution capabilities. Integration is going well and we remain optimistic about the acquisition.

Altor Solutions grew revenue and EBITDA by 33.2% and 9.8% in the first quarter of 2021 as compared to the first quarter of 2020. While the company was negatively impacted due to lower than expected shipments of vaccine-related coolers and increasing labor and raw material costs in the period. We are pleased with the growth that they experienced in the quarter.

We do expect margins to be under pressure at Altor during the second quarter due to inflationary environment that Elias described. As a reminder, Altor has the ability to pass through a portion of its raw material price increases through contractual agreements. However, typically the timing of such pass-throughs lags behind the raw material price increase itself.

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The Sterno Group's first quarter 2021 revenue and EBITDA declined by 6.9% and 12.8% respectively versus first quarter 2020. Demand for the company's core chafing fuel lines decreased significantly from the year ago period. The bookings improved significantly in March as venues began to reopen nationwide. We are also seeing this trend continue in the beginning of the second quarter. In addition to Sterno's consumer business continue to experience elevated demand for its line of wax and essential oil products, which helped mitigate the year-over-year declines in the company's food service segment.

Now turning to our branded consumer businesses, which as a group, experienced an exceptional quarter. Our results are presented as if we owned Marucci and BOA from January 1, 2020. For the quarter, each of our branded consumer businesses experienced significant growth and as a group, revenues increased by 33.2% and EBITDA increased by 82% versus the first quarter of 2020.

BOA's first quarter revenue increased by 37.5% versus the comparable period in 2020. EBITDA increased to \$14.1 million, up over 76% versus the comparable period in 2020, exceeding our expectations. BOA experienced strong demand across most of its categories led by cycling, outdoor and golf. We were encouraged by the continued media exposure this quarter following the publication of our collaboration with the University of Denver, showing meaningful improvements in performance with a Tri-Panel or Y-Wrap BOA closures. We estimate that some portion of BOA's exceptional growth stemmed from brand partners ordering ahead due to supply constraints associated with slowdowns in global shipping and in an effort to ensure solid inventory levels for consumers at retail. We believe, however, that the majority of this growth was driven from underlying strong demand for products using the BOA Fit System and increased market share across multiple categories for these products. We remain impressed with the leadership at BOA and their ability to definitely navigate the changing demand patterns and service their customers.

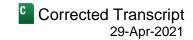
Ergobaby's first quarter 2021 EBITDA increased to \$4.7 million versus \$3.9 million in the first quarter of 2020. First quarter revenue growth was driven by increases in e-commerce sales and growth at several key accounts in North America. But we remain optimistic about Ergobaby's prospects in 2021 driven both by solid demand across markets and new product introductions, pandemic related slowdowns in key markets remain as a potential headwind.

Liberty Safe's revenue and EBITDA increased by 26.1% and 68.4% respectively compared with the first quarter of 2020. Liberty's continued strong performance in the quarter was driven predominantly by sales through traditional big-box customers. End market demand continues to be very robust and Liberty's book-to-bill ratio was significantly above 1 in the quarter, leading to much of the company's production capacity remaining filled into the third quarter.

Though management has done an exceptional job managing raw material and labor pressures to date and we remain optimistic about the balance of the year, we expect continued steel price increases will likely be a headwind to gross profit margins for the remainder of the year relative to the first quarter of 2021. Marucci posted a very strong start to 2021. Revenue in the first quarter grew by 64.8% and EBITDA grew by over a 140% to \$13.5 million substantially exceeding our expectations.

The company experienced strong demand from big-box customers and resellers for both its Marucci and Victus brands in advance of baseball and softball seasons. Sell-throughs in the quarters were similarly strong and we see a continuation of this trend in the second quarter. As such we believe the company is taking market share in several categories.

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As we mentioned on our last call, the first quarter of the year typically represents a seasonally larger portion of the company's revenue and EBITDA. We do believe, however, that market share gains and strong demand for the brands will lead to continued growth in 2021 as baseball and softball return to more normal seasonal patterns and the industry follows. We remain excited about the prospects for Marucci.

Velocity Outdoor's EBITDA increased dramatically in the first quarter of 2021, up over 300% to \$12.2 million. Velocity's performance surpassed our elevated expectations as investments made over the last several years came to fruition and continued consumer interest in outdoor activities drove demand for their products. Those significant challenges remain in parts of the company's supply chain and commodity price increases are a likely headwind to margin growth. Bookings and sell-throughs remain strong and growing participation rates and innovative new products in multiple categories continue to benefit the company.

Finally 5.11's first quarter EBITDA increased by 14.9% versus Q1 2020. Revenue grew by 4.3% despite large direct to international agency sales, which we refer to as DTA being down by 5.7% compared to first quarter last year. The company's direct-to-consumer business as a whole continues to significantly exceed our expectations in the first quarter, driving revenue growth and higher margins. 5.11 continues to take significant steps to grow a strong team, its infrastructure and its ability to service its customers across channels. We remain optimistic about the company's future and believe it is on its way to becoming a world-class omni-channel brand.

Before I turn the call over to Ryan, I would once again just like to recognize our subsidiary company management teams and all our employees, thanks to their hard work. We are confident that we are exiting pandemic conditions on firmer footing than we entered them. And I could not be prouder to work with each of them.

I will now turn the call over to Ryan for his comments on our financial results.

Ryan J. Faulkingham

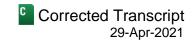
Chief Financial Officer, Excecutive Vice President, Co-Compliance Officer & Member-Investment Committee, Compass Diversified Holdings, Inc.

Thank you, Pat. Moving to our consolidated financial results for the quarter ended March 31, 2021. I will limit my comments largely to the overall results for our company since the individual subsidiary results are detailed in our Form 10-Q that was filed with the SEC earlier today. On a consolidated basis, revenue for the quarter ended March 31, 2021 was \$461.6 million, up 38.4% compared to \$333.4 million for the prior year period. This year-over-year increase primarily reflects our acquisitions of Marucci and BOA during 2020. Excluding these recent acquisitions, our revenue increased by more than 14%, driven by strong sales growth at our branded consumer subsidiaries Velocity Outdoor, 5.11 and Liberty, which offset a decline in sales at Sterno.

Consolidated net income for the quarter ended March 31, 2021 was \$22 million compared to \$4.9 million in the prior year. The increase in net income was primarily attributable to the acquisitions of Marucci and BOA during 2020. CAD for the quarter ended March 31, 2021 was \$46.2 million, up over 160% from \$17.7 million in the prior year period. Our CAD that we generated during the quarter was significantly above our expectations, almost doubled our distribution and was the highest quarterly CAD we've ever generated. The increase was above our expectations primarily due to the outstanding performance of our most recent acquisitions, Marucci and BOA as well as continued strong performance at our Liberty and Velocity businesses. Other factors impacting our CAD in Q1 compared to the prior year include slightly higher CapEx spend, an increase in cash taxes, and higher preferred share distributions as a result of our Series C issuance in November 2019.

Turning to our balance sheet, as a reminder we refinanced our debt during the first quarter by placing \$1 billion of eight-year senior unsecured notes at 5.25%. Of note, on our balance sheet at March 31, we had a deposit with

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our trustee recorded as an asset and a current liability related to our old 8% bonds of \$600 million. These items were due to the redemption of our old bonds occurring after quarter end on April 1 this year.

As of March 31, 2021, we had over \$60 million in cash, approximately \$594 million available on our revolver and our leverage was below 3 times. We have substantial liquidity. And as previously communicated, we have the ability to upsize our revolver capacity by an additional \$250 million. We stand ready and able to provide our subsidiaries with the financial support they need, invest in subsidiary growth opportunities, and act on compelling investment opportunities as they present themselves.

Turning now to capital expenditures. During the first quarter of 2021, we incurred \$4.9 million of maintenance CapEx of our existing businesses compared to \$3.3 million in the prior year period. The increase was primarily result of the acquisitions in 2020. During the first quarter of 2021, we continue to invest in growth capital, spending \$2.8 million in the quarter, primarily related to 5.11's long-term growth objectives. Growth CapEx in the prior year quarter was \$3.3 million. As Elias mentioned earlier, we continue to analyze the potential change in our tax structure such that we would no longer be classified as a partnership for tax purposes and instead would be taxed as a C-Corp.

I would like to highlight certain key aspects of the process and discuss our expected timing. It's important to mention that we are continuing to analyze certain elements of this potential reclassification, and therefore, what I discuss here is not definitive and is subject to change.

The first concept I'd like to discuss is the tax impact to shareholders as a result of a change in classification. This involves a very complex tax analysis, which has been and is continuing to be, performed by management and our outside advisors. If undertaken, this change would likely result in taxable capital gain income that would be passed through to shareholders. This would create current tax liability for the 2021 tax year that shareholders would see on a final K-1 sent out in 2022. However, this taxable capital gain would also provide shareholders the benefit of increasing their basis in CODI stock, effectively reducing their future taxable gains by a similar amount should they sell CODI.

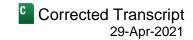
Now our goal in this process is to not have shareholders sell our shares. Therefore, as a result of this additional current tax burden in 2021 to shareholders, we would expect to pay a special distribution at the time of this tax structure change of \$0.88 per share. We expect that this special distribution along with our other regular quarterly distributions would more than offset shareholder 2021 current tax liability, absent any significant capital gains tax if we were to divest subsidiaries.

Further, we expect that this taxable gain to shareholders should provide a substantial tax benefit to CODI under C-Corp taxation, as it would allow us to step up the basis in our interests in our subsidiaries by the same amount, which would reduce future capital gains tax at the C-Corp should be opportunistically divest or subsidiaries in the future.

The next discussion point is our distribution policy. As a reminder, our board of directors sets our distribution amount quarterly and we'll continue to do so after this potential tax structure change. As we've indicated in our previous comments, we expect to adjust our distribution policy if we undertake this tax structure change. Currently as a partnership, we pass through CODI's income to shareholders on a K-1 who then pay the tax to the IRS.

Going forward in the event, we elect to be treated as a C-Corporation for tax purposes, we will no longer pass through income to shareholders. Thus CODI would pay the tax to the IRS. As a result of CODI's assumption of the tax liability, we estimate that we would reduce our annual distribution from \$1.44 per share per year to

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approximately \$1 per share per year. Our desired outcome on any distribution reduction would be for the average after tax return in the past to approximate the average after tax return in the future.

The next obvious question is timing. Management currently expects that its recommendation to our board of directors would be that CODI's payment remain at \$0.36 per share for the expected July and October 2021 quarterly payments and then decrease to approximately \$0.25 per share for the January 2022 expected payment and all expected subsequent payments. Another important point to highlight is that prior to a tax structure change, all quarterly payments would continue to be distributions as they have been while after the tax structure change, we believe all quarterly payments would be qualified dividends for shareholders that have met the requisite holding period requirements to the extent CODI has earnings and profits.

Assuming we complete this tax structure change in the third quarter, the last \$0.36 per share quarterly payment in October and all future payments would be qualified dividends. In summary, if we assume the tax structure change is approved and all estimated payments I've discussed are authorized by our board of directors, the total payments received by shareholders who will own stock during each quarter in the 2021 calendar year will be \$2.32 per share.

Let me put the \$2.32 per share into context relative to our expected CAD for 2021. Elias mentioned we anticipate our payout ratio to be between 70% and 60%, an improvement from our previous guidance. At the high end of this range of a 60% payout ratio, our CAD we would expect to earn in 2021, assuming we don't divest any subsidiaries would cover this \$2.32 distribution.

The final point I'll discuss here is procedural. We will need a shareholder vote for a tax reclassification to occur. The shareholder vote, in effect, would have the goal of altering our organizational documents such that our desired tax structural outcome is possible. This vote is not part of the 2021 annual proxy that was recently mailed. It would be sent as a separate special proxy. Assuming we receive all necessary approvals, we expect to hold the special meeting and should be able to check the box to be taxed as a C-Corp sometime late in the third quarter of 2021. We will continue to provide updates as appropriate as we move along this process.

With that, I'll now turn the call back over to Elias.

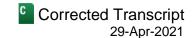
Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

Thank you, Ryan. I would like to close by briefly discussing M&A activity and our go forward growth strategy. As I mentioned earlier, we took prescient steps in 2019 to prepare for the unexpected in 2020. Those decisions and our unique permanent capital structure positioned us to not only weather the storm, but to also proactively execute on our growth strategy in a volatile year. We believe that as we enter the middle of 2021, we continue to have the balance sheet strength to support our company's operations regardless of macro conditions. Our confidence in our subsidiaries and the respective management teams remains strong following their incredible performance as they pivoted their businesses to maintain and even grow their market positions during the pandemic.

As we look to the future, we are optimistic that our subsidiaries are well-positioned to continue to gain additional market share and look forward to continuing to support their growth in the months and years to come. As for CODI, our permanent capital structure puts us in a strong position to continue to seek both platform and add-on acquisition. We believe there are compelling opportunities for us to generate long-term shareholder value given continued market dislocations in 2021. In addition, we will continue to invest in and enhance our subsidiary

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companies' competitive positioning, which includes supporting them as they build and grow their digital transformation strategy.

Our differentiated strategy has set us apart for more than a decade and it remains consistent. In 2021, we remain intensely focused on executing our proven and disciplined acquisition strategy, improving the operating performance of our company, opportunistically divesting, enhancing our commitment to ESG initiatives across our portfolio and creating long-term shareholder value.

With that, operator, please open up the lines for Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question is from Larry Solow with CJS Securities.	
Lee Jagoda Analyst, CJS Securities, Inc.	Q
Hi. Good afternoon. It's actually Lee Jagoda for Larry.	
Elias J. Sabo Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.	A
Good afternoon.	
	A
Hi, Lee.	
Lee Jagoda Analyst, CJS Securities, Inc.	Q
So, just starting, obviously, you're seeing a lot of the benefits of the which are probably somewhat offset by some of the assets that are portfolio or if you look at the portfolio in total in terms of overall ber pandemic. Can you kind of speak to where you think the total portfolio	e geared towards a recovery. If I look at the nefit versus potential headwind from the

Elias J. Sabo

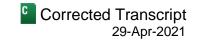
Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

future growth once the pandemic kind of eases a little bit here?

Sure. So, [ph] I think it is (00:32:38) a case by case basis, right? It's a roll-up of each of the 10 subsidiaries when you get to this. But if I looked at it holistically across our consumer businesses, some of them have benefited incredibly strong namely Velocity and Liberty through the increased participation rates in outdoor activities. I would say as we look forward, there is nothing right now for those two businesses that lead us to believe that demand is receding. All the forward indicators like book-to-bill ratios and kind of weekly bookings are pointing up. So, that gives us confidence there.

Outside of those businesses, I would say the other four consumer businesses don't feel like they have really kind of participated meaningfully in any upside recovery from the pandemic. Ergo probably got hurt from it to be

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honest. 5.11, I would say likely got hurt because the professional side of the business was incredibly weak and the consumer side of the business has, I would say, just longer-term secular growth tailwinds that we don't think were impacted materially.

And BOA and Marucci in the first quarter, I think, probably benefited from some seasonal changes in demand patterns. But I'm not sure that if you looked at it on a LTM basis, we would say that these companies are kind of benefiting at any kind of large level. So, all that being said, if you put it all together we still have a outlook that our consumer businesses will continue to grow over the balance of 2021. The second quarter likely to be kind of another strong growth quarter as we comp again what was a really weak period as kind of lockdown hit full force in 2020.

On the other side, our industrial businesses really took it on the chin in 2020 and are starting to show recovery. In fact, March was a pretty good up month that brought the entire quarter up. We would expect April and May to be even stronger on a year-over-year basis as the full effect of the shutdowns kind of started to materialize in the second quarter last year. So, our outlook there is for strengthening results. So, if you put it on balance, I would say, it feels as though we're in a pretty good position to continue to benefit from the reopening and any headwinds we may experience at certain of our consumer businesses, we think are more than made up for by strength in our industrial businesses.

And remember our largest subsidiary Sterno, it's shaping fuel side of its business went to zero and probably even had for some period some negative earnings on that side of the business and that was historically well north of \$20 million EBITDA line of business. We've seen some real encouraging signs in March and thus far in April where demand and through bookings has really picked up materially. And so if you think about your largest business being able to bounce back that would offset if there are any headwinds in the consumer business that would offset it. But again I want to reiterate we are not experiencing right now and seeing any headwinds that have emerged. In fact, we continue to see tailwinds across virtually all of our consumer businesses.

Lee Jagoda

Analyst, CJS Securities, Inc.

Great. That's very helpful. And then last one for me, just I know you gave the different components of the liquidity in your prepared remarks. I just missed them. If you could give those again that would be great? And then speak to just the current pipeline of opportunities in areas in the market that look interesting to you all today either in terms of valuation or growth potential as you look at these various businesses?

Ryan J. Faulkingham

 ${\it Chief Financial Officer, Excecutive Vice President, Co-Compliance Officer \& Member-Investment Committee, Compass Diversified Holdings, Inc.}$

Sure, Lee. This is Ryan, I'll talk to liquidity and let Elias talk to the latter question there. But we – as of March 31, we had \$594 million of availability on our revolver. So, virtually the entire revolver balances open and available. Plus we had about \$60 million of cash on the balance sheet. So, just a really strong liquidity position at this point.

Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

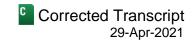
And Lee, in terms of M&A, I'll ask Pat to comment on that as he's much closer to the M&A markets.

Patrick A. Maciariello

Partner & Chief Operating Officer, Compass Diversified Holdings, Inc.



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Yeah. I think we're seeing right now lots of on the platform side. We think of it, Lee, is kind of platforms and addons. See, on the platform side, we are seeing lots of deals. We're probably seeing as many transactions as we have really in a longtime and part of that is due to some internal efforts and some hirings we've made, but part of it is just the deal market. The trouble is shifting through quality. And you touched on a lot of companies — you touched on pandemic related tailwinds before. You have to make sure that the companies that you're looking at don't have tailwinds that are too strong on the pandemic and that you can get comfortable with what you're underwriting if that makes sense. On the add-on side, it's also more plentiful and we're seeing some good potentially actionable activities on the add-on side in the near or medium-term.

Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

And the last part of your question on valuations, we're seeing valuations hit all-time highs. I would say they've reverted back to pre-pandemic levels plus some and there's a plethora of capital that's out there. If you think about the effects of the pandemic last year, M&A was virtually non-existent. We were really proud to put \$700 million roughly to work, but those were through efforts that were direct – that was because of our catalyst to get those transactions completed. And we had the balance sheet to do it.

By and large, the rest of the private equity market kind of sat on their hands and if you think about one of the disadvantages that we believe exists in traditional private equity, especially when compared to our model, there's timelines on which you have to put this money to work and if you have a five-year window under which you need to invest money and you took one-year off that's just increased the pace that you have to invest and from 20% per year to 25% per year over the balance of the four years that puts an incredible amount of upward demand on assets and the availability of debt financing at historically attractive rates has come back to the market. So, the window was incredibly short during this pandemic-fueled recession that we experienced in 2021 for valuations to rein in and now valuations have kind of reverted back to pre-pandemic levels.

Lee Jagoda

Analyst, CJS Securities, Inc.

Great. Very helpful. I'll hop back in queue. Thank you very much.

Operator: Your next question is from Matt Koranda with Roth Capital.

Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

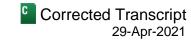
Hi, Matt.

Matt Koranda

Analyst, ROTH Capital

Hey, guys. Good afternoon. One kind of fundamental question and one higher level strategic. So, on the fundamental question, maybe just wanted to see if you could highlight, you did mention sort of modest margin pressure across most segments that you're factoring into the guidance for EBITDA for the rest of the year. I was curious if you could just highlight specific segments where you are factoring in the most commodity pressure for the rest of the year and maybe also if you could [ph] thread (00:40:16) in which segments have sort of the most pricing power to offset that versus, which are sort of just more price figures that may not be able to offset as much?

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Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

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Yeah. So, Matt, I would just say, look, across the board, there is a lot of inflationary pressures and some of it's from commodity. And so, take a business like Liberty Safe for example. Liberty has a large portion on the raw material cost in the form of steel. And steel costs have risen dramatically. Now Liberty is really good at locking in steel. And so those costs didn't manifest in the first quarter, but they are clearly coming. Now the good news with Liberty is demand is robust and we can't even take orders in the second quarter. We're now taking them into the third quarter. So, our goal there is pass-through dollar for dollar, the steel price increases that we're getting.

Now an obvious margin point here. If you have a dollar of cost that you pass through dollar of price, even though you can maintain the same dollar margin per unit, your margin comes down. And so I would just caution everybody that in a rising price environment where you are pushing through prices equal to your kind of underlying cost increase that margins will come down, but the dollar profit margin is not. I think beyond that, I think, most of the companies where there is large pricing pressure is where we have the greatest ability to push through prices. Velocity is seeing some price pressure, but they also have very strong demand and the ability to push it through. We believe and so, I would say largely we feel where the costs are increasing the most is where demand is best and we should have the most inelasticity to push through these prices.

Altor is the one company that I would highlight because we have seen a dramatic rise in costs. Now that is contractual as we push through those raw material costs, but it comes with a lag. So, if we were getting cost increases today and we can't push through a price increase for 90 days, it's going to hit kind of [ph] war (00:42:44) that 90-day period margins pretty hard and then they'll catch up as we go forward. Obviously, the converse happens when prices decrease, but that's not the environment that we find ourselves in.

So, right now I would say raw material prices are the most acute that were – issue that we're dealing with. And the companies, I mentioned, are the ones that have probably the biggest kind of impact in Liberty, Velocity and Altor, but across the board we are seeing labor shortages, which causes numerous challenges for our managers at our subsidiaries. We have to work more over time in many cases or you have more late products and you might have the airship so that creates kind of some challenges for each of our managers to deal with.

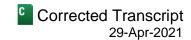
And then I would say as we said in our commentary this is across the board. Every one of our companies are suffering from shipping problems. And there is just the lack of available shipping capacity right now. There's a lack of available capacity. The cost in order to get the containers is much more expensive today than it was. So, those are being realized by everyone. So, now I want to put it all into context because that could sound really scary when you hear it. But remember revenue growth and the operating leverage that you get on revenue growth can absorb a lot of these cost increases that are coming through. So, yes, it is something that we're dealing with. Our managers are working aggressively to manage through this and to preserve our margins and operating leverage is really helping. I think what we really wanted to highlight for everybody is that as we continue to experience strong revenue growth, it will not materialize with as much operating leverage as you normally would see and as much EBITDA leverage as would be normal because some of that is going to get into margin compression.

Matt Koranda

Analyst, ROTH Capital

Okay. Super detailed and helpful, Elias. It's very great. And then the other higher level strategic question I had was basically just, does the potential flip to a C-Corp change any of your decision making process when it comes to the portfolio whether that the acquisitions or divestitures in the near-term?

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Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

No, I mean this is one of the things that Ryan highlighted and I highlighted here. This is really a tax neutral. There were some benefits that historically it pass through entities receive holistically from a tax standpoint that have waned in recent years. To the point now where there's no advantage to executing our model as a pass through versus the C-Corp. So, there – being there is no disadvantage of being at C-Corp, we don't view tax policy – the tax change or reclassification as being something that would dictate a change in strategy.

Matt Koranda Analyst, ROTH Capital

Okay. Awesome. And then just one more if I could slip one in here. Just on the dollar per share hypothetical distribution that you highlighted relative to the \$1.44 that historically we've had. Is all of the gap there the \$0.44 basically just alluding to what we have to retain for tax liabilities that come about as a result of the C-Corp? Just help me understand sort of how we arrived at the dollar?

Ryan J. Faulkingham

Chief Financial Officer, Excecutive Vice President, Co-Compliance Officer & Member-Investment Committee, Compass Diversified Holdings, Inc.

Yeah, sure, Matt. That's right. If you think about the \$1.44 per share that we've historically paid, a portion of that is paid to the IRS. And we went back 5, 8, 10 years, ran all the numbers, did the averages, and as you know sometimes in a given year the after tax return for CODI could be very low. If we have substantial capital gains or other significant income, some years where we don't have substantial income the after tax return can be higher, right?

So, if we think about the \$1.44 and we went back and ran these numbers, the after tax \$1 per share on average you receive was very roughly around \$0.70. And when we set this \$1 per share distribution going forward, we said [ph] while at (00:47:16) qualified dividend rate that's roughly 30% if you consider federal and state, getting you to about the same after tax roughly \$0.70 per share, right? That's how we thought it through because the goal here, Matt, is on an after tax basis, the returns should be the same. And we've created that using averages over the past number of years.

Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

And Matt just one follow-up point that I'll make. As Ryan mentioned, we think the after tax proceeds that average \$0.70 over history and in the future will average around – will average \$0.70 under qualified dividend rate. We think going forward, it's much more beneficial even though it's the same because the volatility in that after tax return is going to be vastly reduced. It's going to go to zero volatility compared to before. There were some years where the capital gains and dividend income we received essentially wiped out the full \$1.44. And there are some years where virtually none of it was. And I think shareholders will enjoy having a more stable after tax return that is equal to what they were getting in over history given that now there will be no volatility in that after tax return.

Matt Koranda

Analyst, ROTH Capital

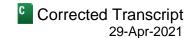
Excellent point, okay. Awesome. Very helpful guys. Thank you. I will get back in queue.

Operator: And your next question is from Kyle Joseph with Jefferies.

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Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

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Hi, Kyle.

Kyle Joseph

Analyst, Jefferies LLC

Q

Hey. Good afternoon, guys. Congratulations on a really strong start to the year and thanks for having me on. A lot of my questions have been addressed. But just Ryan, apologies if I missed it. Did you given an outlook for maintenance CapEx for the remainder of the year?

Ryan J. Faulkingham

Chief Financial Officer, Excecutive Vice President, Co-Compliance Officer & Member-Investment Committee, Compass Diversified Holdings, Inc.

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We did not update that Kyle, so I would assume it falls in line with the previous guidance.

Kyle Joseph

Analyst, Jefferies LLC



Okay. perfect. And then Elias, [ph] you even referenced and (00:49:20) I appreciate the color you gave on inflationary impact on companies. But I want to talk about supply chain disruption and any companies that are being impacted there because looking at the results it doesn't necessarily feel like that's the case, but just any company you would highlight being impacted by supply chain issues?

Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.



Yeah, Kyle, I mean, again I want to start the question, the answer off with giving praise to our subsidiary company managers who are all dealing with supply chain issues of varying degrees and what they executed, how they executed and the results they posted, honestly is nothing short of remarkable. And I think it's a testament to the strength of our subsidiary managers that we have in place and kind of what they're doing with their teams. And we've been for the last few years making some adjustments to our subsidiary management teams and really doing a lot of upgrading and I think the result – although, the effort is really showing through in what are very challenging times today.

I would point each company is having some issues. I'd say Liberty Safe is dealing with getting some materials that we get or some components like locks that we get from Asia, are difficult to get in. And there's components that we continue to highlight at Velocity that causing supply shortages. Probably the two businesses that suffer the most right now from supply shortages are 5.11 where we have a inordinately high amount of in-transit inventory sort of double to triple to normal levels on a historical basis that sits in-transit that's creating tremendous challenges for them to be able to ship inventory that should have been sitting in our warehouse. Now the company is still growing. So, I think that is a testament to how strong demand is and how well they're executing and Velocity would be the second company that really is finding significant shortages. But again kudos to the management team at Velocity for being able to manage through this and post such remarkable results.

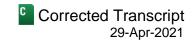
Kyle Joseph

Analyst, Jefferies LLC



Got it. Very helpful. Thanks again for having me on and answering my questions.

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Ryan J. Faulkingham

Chief Financial Officer, Excecutive Vice President, Co-Compliance Officer & Member-Investment Committee, Compass Diversified Holdings, Inc.

Thank you, Kyle.

Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

Thank you, Kyle.

Operator: Your next question is from Cris Kennedy with William Blair.

Cristopher Kennedy

Analyst, William Blair & Co. LLC

Hey, guys. Thanks for taking the question and I appreciate all the detail and the tax structure change potential. Just wanted to dive a little bit more into the M&A pipeline. Is it primarily within kind of the consumer and niche industrial verticals, are you kind of getting closer to potentially entering healthcare, fintech or technology, some of the higher growth markets?

Patrick A. Maciariello

Partner & Chief Operating Officer, Compass Diversified Holdings, Inc.

So, I'd say we're looking now outside of – just outside a little bit further afield from sort of just the traditional niche industrial and consumer businesses. We're not excluding them obviously, we're still focused on them, but we're looking a little bit further afield. We've done work on sort of building out that second - that next vertical, but we haven't made any key hires to date and there's still a lot of stuff sort of going on in there, right? So, on the sort of healthcare, on the dedicated healthcare team we haven't had any actions or definitive actions or definitive steps that is a long-term sort of strategic process that we continue to move down the path of, but don't have anything to announce yet.

Cristopher Kennedy

Analyst, William Blair & Co. LLC



Okay, understood. And then Elias, you mentioned increasing spending at some of your businesses. Can you just talk about some of the key priorities, I guess, which businesses you are referring to? Thanks guys.

Elias J. Sabo

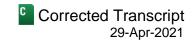


Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

Sure. So – yeah, so, in general, I would say we really kind of clamp down on non-revenue generating spend as I think kind of our shareholders would have wanted us to do as the pandemic started. And most of our managers just given the uncertainty as revenue started to rebound late in 2020. And for us, remember we started posting positive comps year-over-year in Q3 with acceleration in Q4 and now massive acceleration in Q1 of this year, I would say the general uncertainty brought on by the pandemic had our managers continuing to be, I would say, conservative in terms of allowing costs to come back. So, there are some costs that need to come back because we need to support the kind of revenue growth that we have. And that is across the board.

Now a company like Sterno, which [ph] hasn't (00:54:20) seen their revenues pop back yet, likely doesn't have cost increases until we see significant increases in the revenue - in their demand activity. But a company like Velocity or companies like 5.11, which were really kind of pushing down on their cost structure, 5.11, I'm thinking in particular, there are some costs that need to come back there just to be able to support the operations and

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provide the logistics capabilities and customer support and the financial kind of back office type things that needs to occur.

So there's some, I would say, makeup that needs to occur in terms of the spend to support higher levels of demand that exist in our businesses right now. That's a small portion to be honest. I would say where most of our focus is right now on adding costs. If I said we are going to add SG&A maybe 10% to 20% across the portfolio is a non-revenue generating activity. Our goal is when we create savings in those activities to try to make them as permanent as possible and be more efficient and have higher margin profiles of our company. So, I think everybody gets that and we will do a really good job of being able to control those going forward.

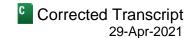
We believe that we have an opportunity though with the strength of our balance sheet and with our companies performing so well to invest in revenue generating activity. And so, I think of a company like BOA, which put up unbelievably extraordinary results or Marucci, right? I mean, if you look at these two companies combined, they put up over a 100% year-over-year growth. I mean it's just remarkable what they were able to do. These companies have opportunities and revenue generating spend to create faster longer-term growth. And for Marucci, it's things like as we enter into new categories with greater opportunity like in fielding gloves and in softball or maybe going into new markets like Japan, which is a market that we've been seeding, being able to step on the accelerator there and invest more to be able to harvest longer-term faster growth rates.

In BOA, it's – we have brand partners that would love for us to be working on more platforms that they want to come out with, but we have limitations based on the engineering talent that we – that we currently have and being able to kind of engineer through that. And so those are some examples where we absolutely want to invest for future growth. And then across the board in our consumer businesses, we look at putting more money into our sales and marketing efforts and thinking that this is a really good time for us to do that to foster longer-term faster growth. So, I think most of the spend that you're going to see accelerate is in really good high return on investment activities that our point of attack revenue-generating activities.

Cristopher Kennedy Analyst, William Blair & Co. LLC	C
Very helpful. Thanks a lot guys.	
Elias J. Sabo Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.	Д
Thank you.	
Operator : And we have time for one last question. Your next question is from Robert Dodd with Raymond James.	
Robert Dodd Analyst, Raymond James & Associates, Inc.	Q

Hi, guys and congratulations in the quarter. A couple about tax first and then fundamental if I can. On the tax and I really appreciate all the detail. You said you expect the average after tax return to approximately average in – historically versus the future. In the analysis, you've done a – is there any particular characteristic if the average is going to be the same, somebody is going to do worse, somebody is going to do [ph] better (00:58:07). Are there any characteristics within your analysis of which shareholders would actually see a higher return versus a lower return post this decision, if it goes through?

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Ryan J. Faulkingham

Chief Financial Officer, Excecutive Vice President, Co-Compliance Officer & Member-Investment Committee, Compass Diversified Holdings, Inc.

A

No, Robert, the average is meant – to mean across many years. So the rough numbers I had provided, which was the \$0.70, means in some years, the years where we have substantial capital gains like we did in 2019. The tax liability on a per share basis that a shareholder would have paid the IRS might have been \$1.10 or \$1.20 of that \$1.44, right? So the after tax return was a couple penny – couple dime, right?

Robert Dodd

Analyst, Raymond James & Associates, Inc.

Understood, Understood, yes.

Ryan J. Faulkingham

Chief Financial Officer, Excecutive Vice President, Co-Compliance Officer & Member-Investment Committee, Compass Diversified Holdings, Inc.

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Whereas some years, right, yes, 2020 should be – 2018 was a reasonably high one. So, it's really about averaging over the years shareholders in general, their tax situation will differ slightly based on some of their inside basis from time-to-time. But in general, the average we were referring to is over a time period.

Robert Dodd

Analyst, Raymond James & Associates, Inc.



Got it. I appreciate that. Just one more on that, the issue is still being discussed. I mean what's the process left – and I realize is a board recommendation if they decide to go this way or that way. What's left to do, is this really, I mean, [ph] how we got (00:59:34) – is it just the paperwork left to do or this proposal is going to go through or is the board still actually evaluating it on a fundamental basis?

Ryan J. Faulkingham

Chief Financial Officer, Excecutive Vice President, Co-Compliance Officer & Member-Investment Committee, Compass Diversified Holdings, Inc.



So, the board is certainly supportive of the analysis, but what's left is time and that time has to do with the special shareholder vote we need. So, that special proxy that we'll have to file is subject to SEC review. And that can take days or it can take months. So...

Robert Dodd

Analyst, Raymond James & Associates, Inc.

Got it.

Ryan J. Faulkingham

Chief Financial Officer, Excecutive Vice President, Co-Compliance Officer & Member-Investment Committee, Compass Diversified Holdings, Inc.



...we tried to be conservative with the time here. So I think – I think late Q3 is a reasonable estimate. Elias and I certainly hope we could beat that. But it's a little bit out of our control because it's based on the SEC review. And then...

[indiscernible] (01:00:23)

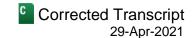
Ryan J. Faulkingham

Chief Financial Officer, Excecutive Vice President, Co-Compliance Officer & Member-Investment Committee, Compass Diversified Holdings, Inc.

P

...shareholder vote and then official - formal board resolutions.

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Robert Dodd

Analyst, Raymond James & Associates, Inc.

Got it. I appreciate that. Yeah.

Q

Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

But to clear Robert, we expect to move – this will be moved forward. Our board is fully supportive. Management is supportive. It's now just about getting the special vote in place and we think this is a very good transaction for our shareholders and the company. And we would anticipate that our shareholders will support it. But obviously a lot of the kind of language, which was softer around that as we said believe or anticipate, those things are much – less representative of what we're going to do internally. It was only representative of whether we get approval by our shareholders, which we would ask our shareholders to come out and vote their shares in the special proxy that coming up so that we get to a quorum and that they vote in favor of this because we think it is a true game changer in creating total shareholder return over the long-term for everybody.

Robert Dodd

Analyst, Raymond James & Associates, Inc.

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Got it. I appreciate the clarity on that one. Thank you. One more, if I can, on the supply chain and I say issues because your performance doesn't – it's complex, it doesn't [ph] look like there have been how (01:01:42) many issues, to be honest. Very, very strong performance. So compliments on you and the managers of subsidiaries [ph] this performance produces (01:01:52). What – can you give me – with 5.11, it sounds like frankly there's inventory stuck on containerships of the Port of Long Beach probably. But in any – are there any of these supply chain issues actually related to say overseas production capacity problems? Or is it primarily just transport, we all know that the backlogs of moving product backwards and forward side?

Elias J. Sabo

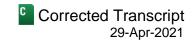
Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.



So, the vast majority is due to shipping issues and port issues. I think as you know I live on the West Coast and many times, I can look at [indiscernible] (01:02:32) a sea full of containerships that are, I think, waiting to be unloaded at the Port of Long Beach. And I always think wow, I wonder how much of our goods are sitting in there that unfortunately isn't being shipped to our customers. But I would say the vast majority is that. There are in some instances, some component production issues that we're dealing with. Velocity because of the sudden increase in participation in their sports had a massive demand increase and we didn't have and frankly our suppliers didn't have the available capacity to ramp up as quickly as our demand ramp. And we've been chasing supply for the better part of kind of eight, nine months now. And so, we continue to build kind of the supply there. But I would say it's a little bit different in terms of what is creating it, right?

In some industries, which you're hearing about is there was capacity that was really shut-in. And it's hard to bring that capacity back as quickly as demand is come back. We haven't experienced any of that. So, there are some demand chasing, some supply chasing because of rapid demand. In terms of one company that we do have a watch out for would be Ergobaby. They have a reasonable amount of production in India. I think everyone is aware India is suffering probably more acutely than any other country right now with the pandemic. And so, although, right now we are continuing to get supply non – uninterrupted out of India. I would just say that there is a heightened level of worry that we're managing through right now around whether or not India starts to enact more stringent lockdowns that would cause supply issues there. But we're really not seeing out of our supply partners and inabilities on the – from the most part to be able to meet our demand, it's much more getting the product on a boat and getting it offloaded into the United States.

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Patrick A. Maciariello

Partner & Chief Operating Officer, Compass Diversified Holdings, Inc.

Can I just, one exception to that, Robert, would be around the storms in Texas, we did have some shutdowns briefly that our teams did a really great job of managing around, so there are some acute instances.

Robert Dodd

Analyst, Raymond James & Associates, Inc.

Got it. Got it. I really appreciate that color. And again congrats on the quarter, yeah, record quarter for [indiscernible] (01:05:14) I mean in a still tough environment out there.

Patrick A. Maciariello

Partner & Chief Operating Officer, Compass Diversified Holdings, Inc.

Thanks, Robert.

Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

Thank you, Robert.

Operator: Okay. And I'll now hand the call back over to Elias Sabo for closing remarks.

Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

Thank you, operator. As always I'd like to thank everyone again for joining us on today's call and for your continued interest in CODI. We look forward to sharing our progress with you in the future. That concludes our call, operator.

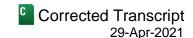
Operator: Thank you for joining us today. This does conclude today's presentation. You may now disconnect.

Elias J. Sabo

Partner, Chief Executive Officer & Director, Compass Diversified Holdings, Inc.

Thank you.

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