

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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 14, 2023

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

Delaware
(State or other jurisdiction
of incorporation)

001-34927
(Commission
File Number)

57-6218917
(I.R.S. Employer
Identification No.)

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

Delaware
(State or other jurisdiction
of incorporation)

001-34926
(Commission
File Number)

20-3812051
(I.R.S. Employer
Identification No.)

**301 Riverside Avenue, Second Floor, Westport, CT 06880
(Address of principal executive offices and zip code)**

Registrant's telephone number, including area code: (203) 221-1703

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Section 2 Financial Information

Item 2.01 Completion of Acquisition or Disposition of Assets

Compass Group Diversified Holdings LLC (the "LLC") and Compass Diversified Holdings ("Holdings" and, together with the Company, collectively the "Company," "CODI," "us" or "we") acquires and manages small to middle market businesses in the ordinary course of its business. The following description relates to the recent divestiture of one such business.

Marucci

On November 1, 2023, the Company, solely in its capacity as the representative (the "Equityholders' Representative") of the holders (the "Equityholders") of stock and options of Wheelhouse Holdings Inc. ("Wheelhouse"), a majority owned subsidiary of the Company, entered into a definitive Agreement and Plan of Merger (the "Agreement") with Fox Factory, Inc. ("Purchaser"), Marucci Merger Sub, Inc. ("Merger Sub") and Wheelhouse, to sell to Purchaser all of the issued and outstanding securities of Wheelhouse, the parent company of the operating entity, Marucci Sports, LLC, through a merger of Merger Sub with and into Wheelhouse, with Wheelhouse surviving the merger and becoming a wholly owned subsidiary of Purchaser (the "Merger").

On November 14, 2023, the parties completed the Merger pursuant to the Agreement. The sale price of Wheelhouse was based on an enterprise value of \$572 million, subject to certain adjustments based on matters such as transaction tax benefits, transaction expenses of Wheelhouse, the net working capital and cash and debt balances of Wheelhouse at the time of the closing. After the allocation of the sales price to Wheelhouse non-controlling equityholders and the payment of transaction expenses, CODI received approximately \$485 million of total proceeds at closing. The proceeds will be used to pay down outstanding debt under the Company's 2022 Credit Facility and for general corporate purposes. CODI expects to record a pre-tax gain on the sale of Wheelhouse ranging between \$225 million and \$245 million for the quarter ended December 31, 2023.

The foregoing brief description of the Agreement is not meant to be exhaustive and is qualified in its entirety by the Agreement itself, which is incorporated herein by reference to Exhibit 2.1 to CODI's Current Report on Form 8-K (Accession No. 0001345126-23-000056) filed on November 2, 2023.

Section 8 Other Events

Item 8.01 Other Events

On November 15, 2023, CODI issued a Press Release announcing the closing of the Wheelhouse sale. The foregoing description of the Press Release is qualified in its entirety by reference to the complete text of the Press Release furnished as Exhibit 99.1 hereto, which is hereby incorporated by reference herein.

Forward Looking Statements

This Current Report on Form 8-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements with regard to the expectations related to the sale of Wheelhouse. Words such as "believes", "expects", "anticipates", "intends", "projects", "assuming", 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 materially from those projected in these forward-looking statements, including, but not limited to, the risk that the Merger may not be completed in a timely manner or at all; risks associated with the disposition of Wheelhouse generally, such as the inability to obtain, delays in obtaining, or the imposition of burdensome conditions imposed in connection with obtaining regulatory approval and the occurrence of any event, change or other circumstances that could give rise to the termination of the definitive agreement entered into for the disposition of Wheelhouse; and the effect of the announcement or pendency of the Merger on Wheelhouse's business relationships, performance, and business generally. Certain other factors are enumerated in the risk factor discussion in the Form 10-K filed by CODI with the SEC for the year ended December 31, 2022 and other filings with the SEC. 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.

Section 9 Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(b) Pro Forma Financial Information.

The unaudited condensed consolidated pro forma balance sheet of Compass Diversified Holdings at September 30, 2023 and notes thereto and the unaudited condensed consolidated pro forma statements of operations for the nine months ended September 30, 2023 and the years ended December 31, 2022, 2021 and 2020 and notes thereto are filed as Exhibit 99.2 hereto and incorporated by reference herein.

(d) Exhibits.

| Exhibit Number | Description |
|----------------|---|
| 2.1 | <u>Agreement and Plan of Merger, dated November 1, 2023, by and among (i) Fox Factory, Inc.; (ii) Marucci Merger Sub, Inc.; (iii) Wheelhouse Holdings Inc.; and (iv) Compass Group Diversified Holdings LLC, as the Equityholders' Representative (incorporated by reference to Exhibit 2.1 to CODI's Current Report on Form 8-K (Accession No. 0001345126-23-000056) filed on November 2, 2023).</u> |
| 99.1 | <u>Press Release dated November 15, 2023 announcing the closing of the Wheelhouse sale.</u> |
| 99.2 | <u>Unaudited Condensed Consolidated Pro Forma Balance Sheet of Compass Diversified Holdings at September 30, 2023 and notes thereto and Unaudited Condensed Consolidated Pro Forma Statements of Operations for the nine months ended September 30, 2023 and the years ended December 31, 2022, 2021 and 2020 and notes thereto.</u> |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

SIGNATURES

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

Date: November 15, 2023

COMPASS DIVERSIFIED HOLDINGS

By: /s/ Ryan J. Faulkingham

Ryan J. Faulkingham

Regular Trustee

SIGNATURES

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

Date: November 15, 2023

COMPASS GROUP DIVERSIFIED HOLDINGS LLC

By: /s/ Ryan J. Faulkingham

Ryan J. Faulkingham

Chief Financial Officer



Compass Diversified Completes Sale of Marucci Sports

WESTPORT, Conn., November 15, 2023 -- Compass Diversified (NYSE: CODI) ("CODI" or the "Company"), an owner of leading middle market businesses, announced today the completion of the Company's previously announced sale of its majority owned subsidiary, Wheelhouse Holdings, Inc. ("Marucci"), the parent company of Marucci Sports, LLC, to Fox Factory Holding Corp. (NASDAQ: FOXF) ("FOX"), a designer and manufacturer of performance-defining ride dynamics products primarily for a wide range of bicycles, on-road and off-road vehicles.

The sale price was based on an enterprise value of \$572 million, subject to certain working capital and other adjustments. After these adjustments, as well as for an allocation to Marucci's non-controlling shareholders and the payment of transaction expenses, CODI received approximately \$485 million of total proceeds from the sale at closing. This amount was in respect of its debt and equity interests in Marucci and the payment of accrued interest. As previously announced, CODI expects to record a pre-tax gain of approximately \$225 million to \$245 million from the sale. Net proceeds will be used to pay down outstanding debt and for general corporate purposes.

Elias Sabo, CEO of Compass Diversified, stated, "We are pleased to complete our sale of Marucci Sports and believe the Marucci team is well-positioned for future success under FOX ownership. Our partnership with Marucci, which began in early 2020, proved highly successful, and we are grateful for Kurt and the Marucci team's contributions over the years and look forward to their continued success."

Jefferies LLC acted as exclusive financial advisor and Ropes & Gray LLP and Jones Walker LLP acted as legal counsel to CODI. Squire Patton Boggs (US) LLP acted as legal counsel to FOX.

About Compass Diversified

Since its founding in 1998, CODI has consistently executed its strategy of owning and managing a diverse set of highly defensible, middle-market businesses across the niche industrial, branded consumer and healthcare sectors. The Company leverages its permanent capital base, long-term disciplined approach, and actionable expertise to maintain controlling ownership interests in each of its subsidiaries, maximizing its ability to impact long-term cash flow generation and value creation. The Company provides both debt and equity capital for its subsidiaries, contributing to their financial and operating flexibility. CODI utilizes the cash flows generated by its subsidiaries to invest in the long-term growth of the Company and has consistently generated strong returns through its culture of transparency, alignment and accountability. For more information, please visit compassdiversified.com.

About Fox Factory Holding Corp. (Nasdaq: FOXF)

Fox Factory Holding Corp. designs and manufactures performance-defining ride dynamics products primarily for bicycles, on-road and off-road vehicles and trucks, side-by-side vehicles, all-terrain vehicles, snowmobiles, specialty vehicles and applications, motorcycles, and commercial trucks. FOX is a direct supplier to leading powered vehicle original equipment manufacturers (“OEMs”). Additionally, FOX supplies top bicycle OEMs and their contract manufacturers, and provides aftermarket products to retailers and distributors.

FOX is a registered trademark of Fox Factory, Inc. NASDAQ Global Select Market is a registered trademark of The NASDAQ OMX Group, Inc. All rights reserved.

FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements, including statements with regard to the expectations related to the sale of Marucci. Words such as "believes," "expects," 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 materially from those projected in these forward-looking statements and some of these factors are enumerated in the risk factor discussion in the Form 10-K filed by CODI with the Securities and Exchange Commission (the “SEC”) for the year ended December 31, 2022 and in other filings with the SEC. 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.

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Compass Diversified Holdings**PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**

Compass Group Diversified Holdings LLC (the "LLC") and Compass Diversified Holdings ("Holdings" and, together with the LLC, collectively the "Company,") acquires and manages small to middle market businesses in the ordinary course of its business. On November 1, 2023, the LLC, solely in its capacity as the representative (the "Equityholders' Representative") of the holders (the "Equityholders") of stock and options of Wheelhouse Holdings Inc. ("Wheelhouse"), a majority owned subsidiary of the LLC, entered into a definitive Agreement and Plan of Merger (the "Agreement") with Fox Factory, Inc. ("Purchaser"), Marucci Merger Sub, Inc. ("Merger Sub") and Wheelhouse, to sell to Purchaser all of the issued and outstanding securities of Wheelhouse, the parent company of the operating entity, Marucci Sports, LLC, through a merger of Merger Sub with and into Wheelhouse, with Wheelhouse surviving the merger and becoming a wholly owned subsidiary of Purchaser (the "Merger"). On November 14, 2023, the parties completed the Merger pursuant to the Agreement.

The following unaudited pro forma condensed consolidated financial information is based on the historical consolidated financial statements of the Company including certain pro forma adjustments and has been prepared to illustrate the effect on the historical condensed consolidated financial statements of the Company of the sale of Wheelhouse (the "Marucci Disposition") for a total enterprise value of \$572 million, and estimated net proceeds of approximately \$482.8 million at closing which include repayment of \$87.3 million in intercompany loans from Wheelhouse. The sale of Wheelhouse is further described in Item 2.01 of this Current Report on Form 8-K.

The unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2023 and the years ended December 31, 2022, 2021 and 2020, give effect to the Marucci Disposition as if it had occurred as of the beginning of the earliest period presented. The unaudited pro forma condensed consolidated balance sheet gives effect to the pro forma adjustments necessary to reflect the Marucci Disposition as if it occurred on September 30, 2023.

The "as reported" financial information for both Compass Diversified Holdings and Marucci are derived from the audited financial statements of the Company for the years ended December 31, 2022, 2021 and 2020 as filed on Form 10-K and the unaudited financial statements of the Company as of September 30, 2023 and for the nine months ended September 30, 2023, as filed on Form 10-Q.

The "as adjusted" financial information for the three years ended December 31, 2022, 2021 and 2020 reflect the audited financial statements of the Company for the years ended December 31, 2022, 2021 and 2020, less the disposition of Compass AC Holdings, Inc. ("Advanced Circuits") which was sold on February 14, 2023. Advanced Circuits is presented as discontinued operations in the unaudited condensed consolidated statement of operations for the nine months ended September 30, 2023 and the unaudited condensed consolidated balance sheet as of September 30, 2023.

The unaudited pro forma financial information is prepared in accordance with Article 11 of Regulation S-X. The unaudited pro forma financial information is for informational purposes only and does not purport to present what our results would actually have been had the Marucci Disposition actually occurred on the dates presented or to project our results of operations or financial position for any future period. This financial information may not be predictive of the future results of operations or financial condition of the Company, as the Company's future results of operation and financial condition may differ significantly from the proforma amounts reflected herein due to a variety of factors.

The pro forma adjustments are described in the accompanying notes and are based upon information and assumptions available at the time of the filing of this Current Report on Form 8-K. This unaudited pro forma condensed consolidated financial information should be read in conjunction with the consolidated financial statements, including the notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our annual report on Form 10-K for the year ended December 31, 2022 and the condensed consolidated financial statements, and notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our quarterly report on Form 10-Q for the quarterly period ended September 30, 2023.

The pro forma adjustments to the statements of operations for all periods presented do not include the following:

- The non-recurring gain on the Marucci Disposition. The gain will be included in the Company's results for the year ended December 31, 2023, and,
- Certain non-recurring transaction costs on closing of the sale estimated to be approximately \$9.6 million.

Compass Diversified Holdings
Condensed Consolidated Pro Forma Balance Sheet
at September 30, 2023
(unaudited)

| <i>(in thousands)</i> | Compass Diversified Holdings as Reported | Marucci Disposition | | Pro Forma Consolidated Compass Diversified Holdings |
|---|---|------------------------------|----------------------------------|--|
| | | Less: Marucci as Reported | Marucci Pro Forma Adjustments | |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 64,737 | \$ (180) | \$ 170,800 (1a) | \$ 235,357 |
| Accounts receivable, net | 349,839 | (29,018) | — | 320,821 |
| Inventories | 801,887 | (39,704) | — | 762,183 |
| Prepaid expenses and other current assets | 98,974 | (2,057) | — | 96,917 |
| Total current assets | 1,315,437 | (70,959) | 170,800 | 1,415,278 |
| Property, plant and equipment, net | 203,512 | (17,126) | — | 186,386 |
| Goodwill | 1,041,469 | (83,833) | — | 957,636 |
| Intangible assets, net | 1,069,995 | (124,539) | — | 945,456 |
| Other non-current assets | 180,399 | (4,010) | — | 176,389 |
| Total assets | \$ 3,810,812 | \$ (300,467) | \$ 170,800 | \$ 3,681,145 |
| Liabilities and stockholders' equity | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 100,226 | \$ (8,596) | \$ — | \$ 91,630 |
| Accrued expenses | 191,068 | (13,963) | 38,900 (1b) | 216,005 |
| Due to related party | 17,230 | — | — | 17,230 |
| Current portion, long-term debt | 10,000 | — | — | 10,000 |
| Other current liabilities | 35,795 | (1,816) | — | 33,979 |
| Total current liabilities | 354,319 | (24,375) | 38,900 | 368,844 |
| Deferred income taxes | 133,118 | (3,930) | — | 129,188 |
| Long-term debt | 1,775,776 | — | (312,000) (1c) | 1,463,776 |
| Other non-current liabilities | 157,850 | (1,573) | — | 156,277 |
| Total liabilities | 2,421,063 | (29,878) | (273,100) | 2,118,085 |
| Stockholders' equity | | | | |
| Stockholders' equity | 1,139,580 | — | 200,300 (1b) | 1,339,880 |
| Noncontrolling interest | 250,169 | (26,989) | — | 223,180 |
| Total stockholders' equity | 1,389,749 | (26,989) | 200,300 | 1,563,060 |
| Total liabilities and stockholders' equity | \$ 3,810,812 | \$ (56,867) | \$ (72,800) | \$ 3,681,145 |

Compass Diversified Holdings
Condensed Consolidated Pro Forma Statement of Operations
for the nine months ended September 30, 2023
(unaudited)

| | Compass Diversified Holdings as Reported | Marucci Disposition | | Pro Forma Consolidated Compass Diversified Holdings |
|--|---|------------------------------|-------------------------------------|---|
| | | Less: Marucci as Reported | Marucci Pro Forma Adjustments | |
| <i>(in thousands, except per share data)</i> | | | | |
| Net sales | \$ 1,635,952 | \$ 144,065 | \$ — | \$ 1,491,887 |
| Cost of sales | 907,013 | 62,142 | — | 844,871 |
| Gross profit | 728,939 | 81,923 | — | 647,016 |
| Operating expenses: | | | | |
| Selling, general and administrative expense | 442,345 | 45,382 | — | 396,963 |
| Management fees | 51,911 | — | (1,929) (1d) | 49,982 |
| Amortization expense | 79,708 | 7,802 | — | 71,906 |
| Impairment expense | 32,568 | — | — | 32,568 |
| Operating income | 122,407 | 28,739 | 1,929 | 95,597 |
| Other income (expense): | | | | |
| Interest expense, net | (80,355) | (2) | 17,331 (1e) | (63,022) |
| Amortization of debt issuance costs | (3,034) | — | — | (3,034) |
| Other expense, net | 2,069 | (31) | — | 2,100 |
| Income from continuing operations before income taxes | 41,087 | 28,706 | 19,260 | 31,641 |
| Provision for income taxes | 20,227 | 5,150 | — | 15,077 |
| Income from continuing operations | 20,860 | 23,556 | 19,260 | 16,564 |
| Less: Net income from continuing operations attributable to noncontrolling interest | 14,892 | 1,502 | — | 13,390 |
| Net income from continuing operations attributable to Holdings | \$ 5,968 | \$ 22,054 | \$ 19,260 | \$ 3,174 |
| Earnings per share - Basic and Fully Diluted | | | | |
| Net income from continuing operations attributable to Holdings | \$ 5,968 | | | \$ 3,174 |
| Less: Distributions paid - Allocation Interests | 26,475 | | | 26,475 |
| Less: Distributions paid - Preferred Shares | 18,136 | | | 18,136 |
| Less: Accrued Distributions - Preferred Shares | 2,869 | | | 2,869 |
| Less: Effect of contribution based profit - Holding Event | 11,609 | | (2,084) (1f) | 9,525 |
| Net loss from continuing operations attributable to common shares of Holdings | \$ (53,121) | | | \$ (53,831) |
| Basic and diluted weighted average shares outstanding | 71,996 | | | 71,996 |
| Basic and fully diluted loss per share attributable to Holdings - continuing operations | \$ (0.74) | | | \$ (0.75) |

Compass Diversified Holdings
Condensed Consolidated Pro Forma Statement of Operations
for the year ended December 31, 2022
(unaudited)

| | Marucci Disposition | | | | | Pro Forma Consolidated Compass Diversified Holdings |
|--|---|--|---|---------------------------------|-------------------------------------|---|
| | Compass Diversified Holdings as Reported | Less: Advanced Circuits as Reported | Compass Diversified Holdings as Adjusted | Less: Marucci as Reported | Marucci Pro Forma Adjustments | |
| <i>(in thousands, except per share data)</i> | | | | | | |
| Net sales | \$ 2,264,044 | \$ (89,503) | \$ 2,174,541 | \$ (165,411) | \$ — | \$ 2,009,130 |
| Cost of sales | 1,356,300 | (48,439) | 1,307,861 | (81,783) | — | 1,226,078 |
| Gross profit | 907,744 | (41,064) | 866,680 | (83,628) | — | 783,052 |
| Operating expenses: | | | | | | |
| Selling, general and administrative expense | 553,637 | (16,934) | 536,703 | (52,334) | — | 484,369 |
| Management fees | 63,604 | (500) | 63,104 | — | (3,151) (1d) | 59,953 |
| Amortization expense | 94,383 | (13) | 94,370 | (9,681) | — | 84,689 |
| Impairment expense | 20,552 | — | 20,552 | — | — | 20,552 |
| Operating income | 175,568 | (23,617) | 151,951 | (21,613) | 3,151 | 133,489 |
| Other income (expense): | | | | | | |
| Interest expense, net | (83,506) | — | (83,506) | 14 | 22,837 (1e) | (60,655) |
| Amortization of debt issuance costs | (3,740) | — | (3,740) | — | — | (3,740) |
| Loss on debt extinguishment | (534) | — | (534) | — | — | (534) |
| Other income (expense), net | (714) | 268 | (446) | (1,875) | — | (2,321) |
| Income from continuing operations before income taxes | 87,074 | (23,349) | 63,725 | (23,474) | 25,988 | 66,239 |
| Provision for income taxes | 45,029 | (3,616) | 41,413 | (4,320) | — | 37,093 |
| Income from continuing operations | 42,045 | (19,733) | 22,312 | (19,154) | 25,988 | 29,146 |
| Less: Income from continuing operations attributable to noncontrolling interest | 15,051 | (3,651) | 11,400 | (1,033) | — | 10,367 |
| Net income from continuing operations attributable to Holdings | \$ 26,994 | \$ (16,082) | \$ 20,305 | \$ (18,121) | \$ 25,988 | \$ 18,779 |
| Earnings per share - Basic and Fully Diluted | | | | | | |
| Net income from continuing operations attributable to Holdings | \$ 26,994 | | | | | \$ 18,779 |
| Less: Distributions paid - Preferred Shares | 24,181 | | | | | 24,181 |
| Less: Accrued Distributions - Preferred Shares | 2,869 | | | | | 2,869 |
| Less: Effect of contribution based profit - Holding Event | 16,137 | (2,219) | | | (886) (1f) | 13,032 |
| Net loss from continuing operations attributable to common shares of Holdings | \$ (16,193) | | | | | \$ (21,303) |
| Basic and diluted weighted average shares outstanding | 70,715 | | | | | 70,715 |
| Basic and fully diluted loss per share attributable to Holdings - continuing operations | \$ (0.23) | | | | | \$ (0.30) |

Compass Diversified Holdings
Condensed Consolidated Pro Forma Statement of Operations
for the year ended December 31, 2021
(unaudited)

| | Marucci Disposition | | | | | Pro Forma Consolidated Compass Diversified Holdings |
|--|--|-------------------------|--|---------------------------|-------------------------------|---|
| | Compass Diversified Holdings as Reported | Less: Advanced Circuits | Compass Diversified Holdings as Adjusted | Less: Marucci as Reported | Marucci Pro Forma Adjustments | |
| <i>(in thousands, except per share data)</i> | | | | | | |
| Net sales | \$ 1,932,155 | \$ (90,487) | \$ 1,841,668 | \$ (118,166) | \$ — | \$ 1,723,502 |
| Cost of sales | 1,165,149 | (49,438) | 1,115,711 | (53,789) | — | 1,061,922 |
| Gross profit | 767,006 | (41,049) | 725,957 | (64,377) | — | 661,580 |
| Operating expenses: | | | | | | |
| Selling, general and administrative expense | 474,481 | (15,278) | 459,203 | (40,825) | — | 418,378 |
| Management fees | 47,443 | (500) | 46,943 | — | 4,546 (1d) | 51,489 |
| Amortization expense | 80,347 | (39) | 80,308 | (6,633) | — | 73,675 |
| Operating income | 164,735 | (25,232) | 139,503 | (16,919) | (4,546) | 118,038 |
| Other income (expense): | | | | | | |
| Interest expense, net | (58,839) | — | (58,839) | 5 | — (1e) | (58,834) |
| Amortization of debt issuance costs | (2,979) | — | (2,979) | — | — | (2,979) |
| Loss on sale of investment | (33,305) | — | (33,305) | — | — | (33,305) |
| Other income, net | (1,482) | 299 | (1,183) | (119) | — | (1,302) |
| Income from continuing operations before income taxes | 68,130 | (24,933) | 43,197 | (17,033) | (4,546) | 21,618 |
| Provision for income taxes | 21,756 | (3,419) | 18,337 | (3,070) | — | 15,267 |
| Income from continuing operations | 46,374 | (21,514) | 24,860 | (13,963) | (4,546) | 6,351 |
| Less: Income from continuing operations attributable to noncontrolling interest | 11,735 | (3,995) | 7,740 | (802) | — | 6,938 |
| Net income (loss) from continuing operations attributable to Holdings | \$ 34,639 | \$ (17,519) | \$ 17,120 | \$ (13,161) | \$ (4,546) | \$ (587) |
| Earnings per share - Basic and Fully Diluted | | | | | | |
| Net income (loss) from continuing operations attributable to Holdings | \$ 34,639 | | | | | \$ (587) |
| Less: Distributions paid - Allocation Interests | 24,181 | | | | | 24,181 |
| Less: Distributions paid - Preferred Shares | 34,058 | | | | | 34,058 |
| Less: Accrued Distributions - Preferred Shares | 2,869 | | | | | 2,869 |
| Less: Effect of contribution based profit - Holding Event | 5,361 | | | | (13) (1f) | 5,348 |
| Net loss from continuing operations attributable to common shares of Holdings | \$ (31,830) | | | | | \$ (67,043) |
| Basic and diluted weighted average shares outstanding | 65,362 | | | | | 65,362 |
| Basic and fully diluted loss per share attributable to Holdings - continuing operations | \$ (0.50) | | | | | \$ (1.03) |

Compass Diversified Holdings
Condensed Consolidated Pro Forma Statement of Operations
for the year ended December 31, 2020
(unaudited)

| | Marucci Disposition | | | | | Pro Forma Consolidated Compass Diversified Holdings |
|--|---|-------------------------------|---|---------------------------------|-------------------------------------|---|
| | Compass Diversified Holdings as Reported | Less: Advanced Circuits | Compass Diversified Holdings as Adjusted | Less: Marucci as Reported | Marucci Pro Forma Adjustments | |
| <i>(in thousands, except per share data)</i> | | | | | | |
| Net sales | \$ 1,447,642 | \$ (88,075) | \$ 1,359,567 | \$ (43,442) | \$ — | \$ 1,316,125 |
| Cost of sales | 913,839 | (49,237) | 864,602 | (22,098) | — | 842,504 |
| Gross profit | 533,803 | (38,838) | 494,965 | (21,344) | — | 473,621 |
| Operating expenses: | | | | | | |
| Selling, general and administrative expense | 359,612 | (15,194) | 344,418 | (20,578) | — | 323,840 |
| Management fees | 34,249 | (500) | 33,749 | — | (437) (1d) | 33,312 |
| Amortization expense | 61,935 | (253) | 61,682 | (4,691) | — | 56,991 |
| Operating income | 78,007 | (22,891) | 55,116 | 3,925 | 437 | 59,478 |
| Other income (expense): | | | | | | |
| Interest expense, net | (45,768) | — | (45,768) | 7 | 4,315 (1e) | (41,446) |
| Amortization of debt issuance costs | (2,454) | — | (2,454) | — | — | (2,454) |
| Other income, net | (2,613) | 154 | (2,459) | (42) | — | (2,501) |
| Income from continuing operations before income taxes | 27,172 | (22,737) | 4,435 | 3,890 | 4,752 | 13,077 |
| Provision for income taxes | 13,606 | (3,431) | 10,175 | 1,390 | — | 11,565 |
| Income (loss) from continuing operations | 13,566 | (19,306) | (5,740) | 2,500 | 4,752 | 1,512 |
| Less: Income (loss) from continuing operations attributable to noncontrolling interest | 3,546 | (4,026) | (480) | 375 | — | (105) |
| Net income from continuing operations attributable to Holdings | \$ 10,020 | \$ (15,280) | \$ (5,260) | \$ 2,125 | \$ 4,752 | \$ 1,617 |
| Earnings per share - Basic and Fully Diluted | | | | | | |
| Net income from continuing operations attributable to Holdings | \$ 10,020 | | | | | \$ 1,617 |
| Less: Distributions paid - Allocation Interests | 9,087 | | | | | 9,087 |
| Less: Distributions paid - Preferred Shares | 23,678 | | | | | 23,678 |
| Less: Accrued Distributions - Preferred Shares | 2,869 | | | | | 2,869 |
| Less: Effect of contribution based profit - Holding Event | 7,070 | (2,096) | | | — (1f) | 4,974 |
| Net loss from continuing operations attributable to common shares of Holdings | \$ (32,684) | | | | | \$ (38,991) |
| Basic and diluted weighted average shares outstanding | 63,151 | | | | | 63,151 |
| Basic and fully diluted loss per share attributable to Holdings - continuing operations | \$ (0.51) | | | | | \$ (0.62) |

Notes to Pro Forma Condensed Consolidated Financial Statements (Unaudited)

Pro forma information is intended to reflect the impact of the Marucci Disposition on the Company's historical financial position and results of operations, as adjusted for the disposition of Advanced Circuits, which occurred in February 2023, through adjustments that are directly attributable to the transaction, that are factually supportable and, with respect to the pro forma statements of operations, that are expected to have a continuing impact. In order to accomplish this, the Company eliminated the historical results of Marucci from the Company's historical financial position and results of operations, as adjusted for the disposition of Advanced Circuits. Marucci's historical operations, for the current and prior period, including the gain on sale, will be presented as discontinued operations for financial reporting purposes beginning with the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

The information in Note 1 provides a description of the pro forma adjustments from each line item in the pro forma condensed financial statements together with information explaining how the amounts were derived or calculated.

Note 1 - Pro Forma Adjustments

Balance Sheet

The following adjustments correspond to those included in the unaudited condensed consolidated pro forma balance sheet as of September 30, 2023:

(1a) This adjustment reflects the cash proceeds from the Marucci Disposition, net of the assumed debt payoff as discussed in footnote **(1c)** below.

(1b) This adjustment reflects the estimated gain on the Marucci Disposition as if the sale had occurred on September 30, 2023 and includes the estimated potential income tax effect. This gain may not be representative of what will actually be recorded during the year ended December 31, 2023, and the estimated tax effect has been calculated based on the sale of Marucci as a discrete item and does not consider the effect of other income tax items during the current year.

(1c) This adjustment represents the payoff of all debt outstanding under our revolving credit facility and the repayment of \$200 million of our term debt that was outstanding at September 30, 2023 and December 31, 2022. The term debt was not outstanding at December 31, 2021 and 2020. The repayment of debt reflected in the pro forma financial statements is based on the amounts outstanding in the periods presented and may not be reflective of the amounts that will be repaid.

Statement of Operations

The following adjustments correspond to those included in the unaudited condensed consolidated pro forma statement of operations for the nine months ended September 30, 2023 and the years ended December 31, 2022, 2021 and 2020:

(1d) This adjustment reflects the effect of the Marucci Disposition and repayment of the revolving credit facility and a partial repayment of the Company's term debt on the Management fee paid to our Manager during each of the periods presented, as applicable.

(1e) This adjustment reflects the repayment of the revolving credit facility and a partial repayment of the Company's term debt during each of the periods presented, as applicable, using proceeds from the Marucci Disposition. The effect of paying off all revolver debt and a portion of the term debt in each of the periods presented, as applicable, was to reduce interest expense on the revolver debt for the periods presented and increase commitment (unused) fees associated with the revolver debt, and reduce interest expense on the term debt for the nine months ended September 30, 2023 and the year ended December 31, 2022. The term debt was issued in July 2022 and was not outstanding in the years ended December 2021 and 2020. Additionally, there was no amount outstanding under the revolving credit facility at December 31, 2021. Therefore, the year ended December 31, 2021 does not reflect a reduction in interest expense.

Earnings per Share

(1f) The Company uses the two-class method to compute basic and fully diluted earnings per share. The two-class method requires companies to allocate participating securities that have rights to earnings that otherwise would have been available only to common shareholders as a separate class of securities in calculating earnings per share. The following is a summary of the effect of the Advanced Circuits Contribution Based Profit and the Marucci Contribution Based Profit from a Holding Event that is reflected as an adjustment to the calculation of earnings per share:

| | <u>Nine months ended September 30, 2023</u> | <u>December 31, 2022</u> | <u>Years ended December 31, 2021</u> | <u>December 31, 2020</u> |
|--|---|--------------------------|--|--------------------------|
| Less: Effect of contribution based profit - Advanced Circuits Holding Event | N/a | 2,219 | — | 2,096 |
| Less: Effect of contribution based profit - Marucci Holding Event | 2,084 | 886 | 13 | — |