

Compass Diversified NYSE:CODI

FQ1 2026 Earnings Call Transcripts

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S&P Global Market Intelligence Estimates

	-FQ4 2025-			-FQ1 2026-	-FY 2025-			-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.13	NA	NA	(0.07)	(0.70)	NA	NA	(0.13)
Revenue (mm)	486.17	NA	NA	437.75	1867.53	NA	NA	1763.07

Currency: USD

Consensus as of Apr-08-2026 10:22 AM GMT

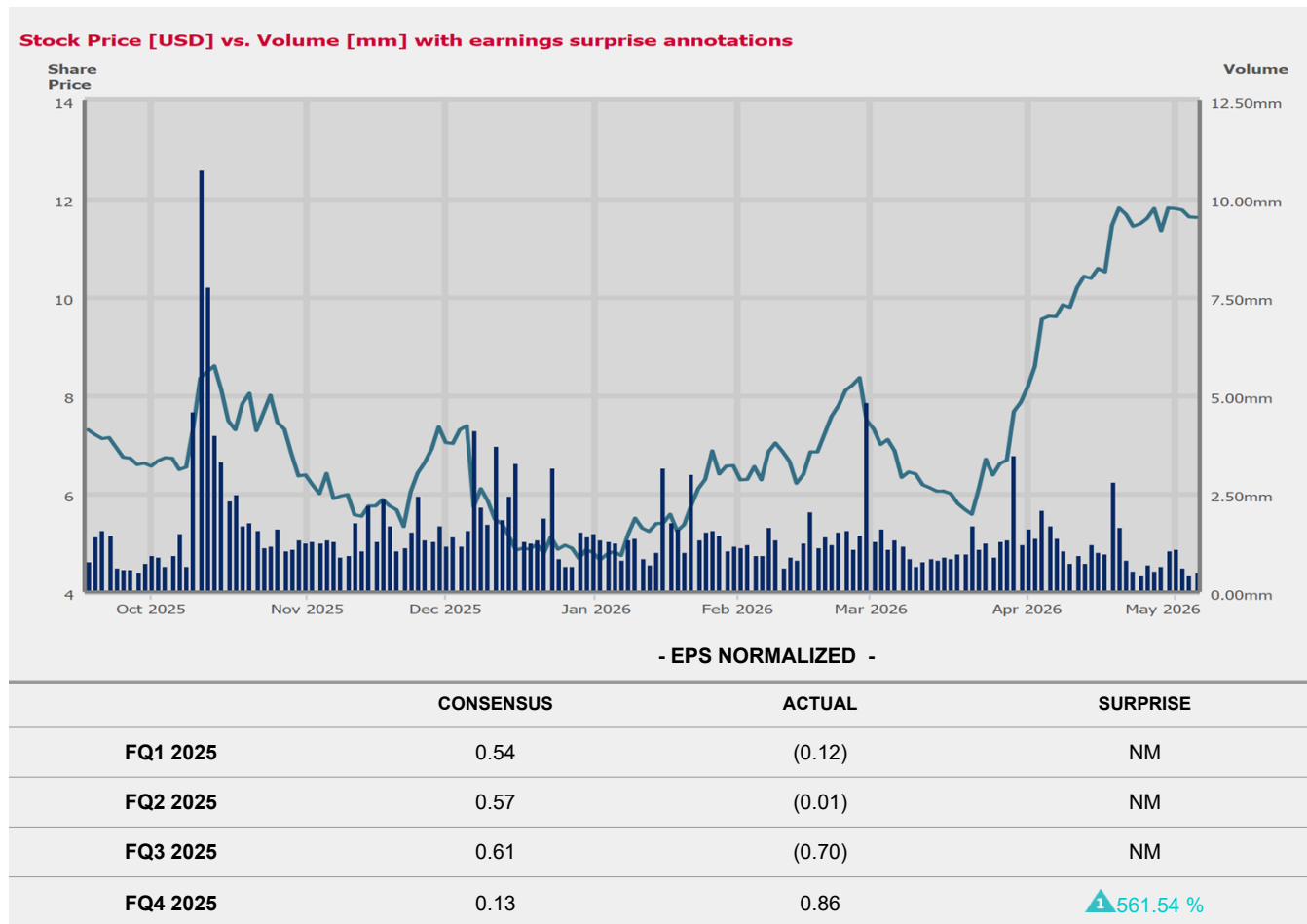


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Call Participants

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Matthew Butler Koranda

*ROTH Capital Partners, LLC, Research
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Presentation

Operator

Good afternoon, and welcome to Compass Diversified Fiscal 2026 First Quarter Conference Call.

Today's call is being recorded. [Operator Instructions]

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

Ben Avenia-Tapper

Vice President of Investor Relations

Thank you, and welcome to Compass Diversified's First Quarter 2026 Conference Call. Representing the company today are Elias Sabo, CODI's Chief Executive Officer; and Stephen Keller, CODI's Chief Financial Officer.

Before we begin, I'd like to remind everyone that during the course of this call, CODI will make certain forward-looking statements, including discussions of forecasts and targets, future business plans, future performance of CODI and its subsidiaries, and other forward-looking statements regarding CODI and its financial results. Words such as believes, expects, anticipates, plans, projects, should and future, or similar expressions, are intended to identify forward-looking statements.

These forward-looking statements are subject to many risks and uncertainties in predicting future results and conditions. Certain factors could cause actual results to differ on a material basis from those projected in these forward-looking statements. And some of these factors are enumerated in the risk factor discussion in the company's Form 10-K as filed with the SEC on February 27, 2026, as well as in other SEC filings and press releases. Except as required by law, CODI undertakes no obligation to publicly update or revise any forward-looking statements, whether because of new information, future events or otherwise.

During the call, we will refer to certain non-GAAP financial measures. The Q1 2026 press release, including the financial tables and non-GAAP financial measure reconciliations for adjusted EBITDA, subsidiary adjusted EBITDA, pro forma net sales and financial results excluding Lugano, are available at the Investor Relations section on the company's website at www.compassdiversified.com.

Please note that references to EBITDA in the following discussions refer to adjusted EBITDA as reconciled to net income or loss from continuing operations in CODI's press release and SEC filings. The company does not provide a reconciliation of its full year expected 2026 subsidiary adjusted EBITDA because certain significant reconciling information is not available without unreasonable efforts.

Throughout this call, we will refer to Compass Diversified as CODI or the company. At this time, I would like to turn the call over to Elias Sabo. Elias?

Elias Joseph Sabo

CEO & Director

Thank you, Ben, and good afternoon to everyone. We started 2026 committed to a clear plan, and we are delivering against it.

Specifically, we sold Sterno's food service business at an attractive valuation despite a muted M&A environment. We completed a sale leaseback at Altor and applied the proceeds directly to debt reduction. We delivered solid subsidiary adjusted EBITDA growth, highlighted by double-digit growth in our Consumer businesses despite uncertainty in the global economy. And collectively, our subsidiaries generated strong operating cash flow in the quarter, a hallmark of the CODI model.

Incorporating our current view of the operating environment and reflecting the sale of Sterno's food service business, we are updating our full year guidance. Before Stephen walks through the financials and our updated guidance, I would like to provide additional color on both our strategic focus and operational performance. Let me start with the sale of Sterno's food service business.

Throughout this process, we've been asked whether the broader environment, including geopolitical uncertainty in the Middle East, tighter private credit markets and other macro factors, would limit our ability to monetize our businesses at attractive values. From the outset, our answer was straightforward. First, there is almost always a market for high-quality businesses. And second, we have an experienced team with a track record of maximizing value across market cycles. We believe the outcome here speaks for itself.

We view this as an initial step towards the goals we've established, not the final stop. Our leverage ratio remains above our target range and our shares continue to trade at what we believe is a discount to intrinsic value. Our work is not done. We will continue to pursue deleveraging and value creation, both organically and inorganically, with the same urgency and discipline we have

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demonstrated so far. And once leverage is within our target range, we will accelerate work to address the gap to intrinsic value, including through the efficient return of capital to shareholders.

Alongside our deleveraging efforts, we have initiated a review of our management services agreement. We are actively evaluating our MSA for opportunities to further align incentives and drive incremental shareholder value. The process is underway and we expect to provide further updates in the coming months.

Turning to operational performance. Against the backdrop of continued macro uncertainty, our subsidiaries collectively outperformed in the first quarter. Let me walk through a few highlights.

Our Consumer businesses led the way, with double-digit adjusted EBITDA growth driven by strength across these businesses. The Honey Pot continued its exceptional momentum in the first quarter, with revenue growth of nearly 25% and EBITDA growth of over 40% compared to the prior period. We continue to see the brand gain share across the feminine care category, reflecting the strength of the product portfolio, expanded distribution and growing consumer adoption as the brand continues to extend beyond its origin into the broader period care category. The Honey Pot is now firmly established as a leading better-for-you brand in the feminine care, and we believe it has significant runway for continued growth.

BOA delivered another strong quarter, with revenue growth of 6.5% and EBITDA growth of 11% compared to the prior-year period. We believe the performance of the BOA Fit System is unmatched. And that technical edge continues to drive category-leading adoption across snow sports, cycling, workwear and more. The company's focus on differentiated solutions and operational efficiency supports their category-leading margins. And with continued innovation and expansion into new performance applications, we see meaningful opportunity for growth ahead.

5.11 Tactical delivered solid margin performance and strong cash flow in the quarter, despite some modest top line pressure. The business continues to generate durable cash flow from its core professional customer base, and we are encouraged by the steps the team is taking to expand 5.11's appeal to the broader adventure-oriented consumer. This includes a recent grand opening of its next-generation retail format in Seattle, which significantly outperformed the chain average on opening weekend. Early customer response has been strong and we are seeing encouraging traction. While this is an early signal, it reinforces our belief that 5.11 has meaningful runway to broaden the brand's reach over time.

And finally, within our Consumer businesses, a new leadership team is getting up to speed at PrimaLoft. It's only month 3, but we are pleased with management's progress, laying the groundwork to accelerate future growth while remaining a highly profitable, low working capital business. Much more to come in future quarters.

Turning to our Industrial businesses. Arnold delivered a standout quarter with adjusted EBITDA nearly doubling year-over-year, despite ongoing geopolitical dynamics around rare earth supply including continued export restrictions out of China. While these dynamics create near-term headwinds, they also reinforce the long-term tailwinds for the business.

Demand for geopolitically secure rare earth magnet supply continues to build as customers increasingly prioritize reliable non-China sources. Arnold's Thailand facility is ramping up, adding capacity and supply chain redundancy. We believe this uniquely positions Arnold to serve aerospace, defense and industrial customers who prioritize supply chain security and performance reliability.

Altor remains a work in progress. The business faced a challenging first quarter, reflecting competitive pressure in the cold chain market and continued consumer headwinds in the appliance market. The team is focused on execution, optimizing the combined platform following the Lifoam acquisition and driving commercial progress. And we remain confident in Altor's long-term positioning even as near-term results continue to reflect current market conditions.

Finally, let me turn to Rimports, which is the business we retained following the sale of the Sterno food service business. Rimports is a home fragrance platform, supplying scented wax, wax warmers and essential oils under a range of in-house and private-label brands to many of the nation's largest retailers.

We want to be clear about what to expect. The balance of 2026 will be a transition period. Rimports will absorb some stranded costs from the separation of the food service business during the year, and we are working through an updated commercial relationship with a large customer. Both of these factors will weigh on near-term results, but are expected to improve in 2027. We have confidence in the leadership team and believe the long-term opportunity remains attractive as the team focuses on the go-forward business.

Before I hand the call over to Stephen, I want to underscore that the actions this quarter are part of a disciplined, sequenced plan. Our path is clear: deleverage, drive continued operational performance, further align management incentives, and over time, close the gap between our share price and intrinsic value. That is the priority we are executing against.

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

Stephen Keller
Executive VP & CFO

Thanks, Elias. As a reminder, our prior-year GAAP results include Lugano, which has since been deconsolidated following its bankruptcy filing last November. With that context, I will discuss our GAAP results first, followed by our non-GAAP results that exclude Lugano, to better facilitate year-over-year comparisons.

For the first quarter, GAAP net revenues were \$427 million, down 5.9% year-over-year due to the inclusion of Lugano in the prior period. GAAP net loss from continuing operations was \$30.8 million, an improvement of approximately \$19 million year-over-year, primarily reflecting the absence of Lugano's losses in the current period.

I will now provide our first quarter non-GAAP results, which excludes Lugano from the prior year. Net sales were in line with prior year as strong double-digit growth at the Honey Pot and Arnold were offset by ongoing challenges at Altor due largely to unfavorable macro trends. Across our businesses, our Consumer net sales increased 2.3%, while Industrial net sales declined 3.3% compared to the prior-year period.

Subsidiary adjusted EBITDA was \$83.9 million, an increase of 6.3%, with Consumer up 11.6% and Industrial down 4.5% compared to the prior year period. While Arnold nearly doubled year-over-year, Industrial growth was offset by the top line headwinds at Altor.

Corporate management fees, excluding those paid by subsidiaries, were \$14.4 million for the quarter as reflected on the income statement. Actual cash payments for Q1 fees will be significantly less at around \$7.5 million. As previously discussed, corporate cash management fees paid to the manager are expected to be between \$25 million and \$30 million for the full year as our manager pays back the overpaid management fees related to Lugano restatement.

Public company costs were \$13 million in the quarter, which includes more than \$7 million of onetime costs associated with Lugano, including the cost of ongoing litigation and investigation and corporate governance changes. While these onetime costs were significantly higher than initially anticipated, we did not include any offsets that may be realized through insurance or other proceeds as we move through 2026.

It is important to note that in April, we received our first insurance reimbursement, and we expect to recover additional expenses over the balance of 2026. More importantly, we remain focused on managing and reducing our public company costs, consistent with our efforts to delever and drive long-term value creation.

Cash generation was a highlight of the quarter. We generated \$23.9 million in operating cash flow, a meaningful improvement versus the prior year. Our capital expenditures of \$5.1 million were less than half of the prior-year period, reflecting disciplined capital allocation and a capital-efficient profile of our subsidiary businesses. Together, Q1's operational cash generation demonstrates the strength of our businesses and keeps us on track towards delivering significant free cash flow in 2026.

We ended the quarter with \$65 million in cash and cash equivalents and nearly full availability on our \$100 million revolver. Our leverage ratio for debt covenant purposes at quarter-end was approximately 5.3x, a strong improvement in the quarter.

As we announced earlier this week, the sale of Sterno's food service business has now closed, and we have repaid more than \$280 million of senior secured term loan debt. This reduces our total leverage to approximately 5x and brings our senior secured net leverage to below 1x. Importantly, this allows us to avoid the milestone fees under our senior credit facility that would otherwise have applied beyond June 30.

Reducing leverage has been and remains our top financial priority. Our actions thus far this year put us in a meaningfully stronger position. There is more work to do, and we remain disciplined and focused on the priorities we have laid out to our shareholders.

Turning briefly to Lugano. The Chapter 11 process is advancing as expected, as are our efforts to minimize our liability and maximize our ultimate recovery. We expect to have greater clarity on timing by the end of the second quarter, and we'll update investors as appropriate.

Before turning to our outlook, I'd like to briefly note that while the evolving tariff environment has created significant market uncertainty, we are currently experiencing a tailwind across multiple businesses. Separately, we also expect to receive onetime tariff-related refunds during 2026, though the specific timing and magnitude are difficult to forecast at this time. We will provide more clarity as the year progresses.

I'll now provide an update on our 2026 outlook. For the full year, we expect subsidiary adjusted EBITDA of between \$320 million to \$365 million. This range, adjusted for the impact of the sale of Sterno's food service business, is at or above the expectation we set at the start of the year and reflects the continued strength of our diversified collection of businesses. For our Consumer businesses, this equates to adjusted EBITDA between \$225 million to \$260 million. And for our Industrial businesses, we expect adjusted EBITDA of between \$95 million and \$105 million, which includes some stranded costs associated with the sale of our Sterno business. We expect these costs will decline in 2027.

For modeling purposes, we continue to assume CapEx of between \$30 million to \$40 million for 2026 and we expect corporate cash management fees of between \$25 million and \$30 million. As has been our practice, our outlook does not include the impact of any potential acquisitions or divestitures, except as noted regarding the sale of the Sterno food service business. It also does not include any significant impact positive or negative to the evolving trade environment.

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

Elias Joseph Sabo
CEO & Director

Thanks, Stephen. Let me be clear about where we stand. The first quarter of 2026 was a quarter of execution, solid subsidiary performance, a meaningful divestiture at an attractive valuation and measurable progress on the priorities we laid out.

But a single quarter does not make a turnaround and we've by no means reached the finish line. We will continue to pursue our stated objective to create long-term shareholder value and close the gap to intrinsic value. That means in the near term pursuing strategic divestitures at attractive valuations and returning capital to shareholders where appropriate. Trust is earned through consistent execution, and that is what shareholders should expect from us every quarter going forward.

The sale of Sterno's food service business is an important signal of what is possible. We transacted at an attractive value, on an accelerated time line, in an otherwise softer M&A environment. That outcome reflects both the quality of the business and the capability of our team to run disciplined processes and maximize value for shareholders. Beyond the proof point, it is an important first step.

We believe in the CODI model. We take a permanent capital approach to acquire great businesses, partner with strong management teams and actively manage growing category leaders over the long term. That model has generated value for shareholders for nearly 2 decades. We are confident in the model and committed to demonstrating its value through execution.

Thank you as always for your support. Stephen and I will now take your questions. Operator, please open the lines.

Question and Answer

Operator

[Operator Instructions] Your first question is from Larry Solow of CJS Securities.

Lawrence Scott Solow
CJS Securities, Inc.

Great. I guess, can you just clarify the guidance? So net, you're down \$25 million, and obviously, you're up \$5 million in Branded. So that's separate from the sale, the divestiture of Sterno. But then obviously, Sterno's a -- it sounds like there's some moving parts, right, for Sterno, maybe more than we would have thought the impact on the sale. You said some kind of stranded or lagging costs there. But then maybe there's still another adjustment. Are you reducing maybe Altor Solutions a little lower too, or anything else in there?

Stephen Keller
Executive VP & CFO

Larry, no, the main thing is actually, is just adjusting for -- the Industrial just adjusting for the sale of Sterno, specifically related to the lost EBITDA, the stranded costs, and as well as what Elias mentioned in the prepared remarks, which is we do have a couple of negotiations with some long-term -- with some large customers in that particular business that we think will be a little bit of a headwind for the year. So it's -- yes.

Lawrence Scott Solow
CJS Securities, Inc.

So basically the RemainCo of Sterno, which is Rimports, will be somewhat lower this year than last year.

Stephen Keller
Executive VP & CFO

Yes. I want to be clear, we're not -- we won't be fully -- we're selling Sterno, we're not deconsolidating it out of business. So you will have the first quarter of Sterno will be included in our full year EBITDA. And then the next 3 quarters will just be Rimports.

Lawrence Scott Solow
CJS Securities, Inc.

Right. And is there like -- is there a short term, like your corporate costs are too much because you kind of carved out Sterno but you still have Rimports, or could you maybe bulk up infrastructure maybe where it actually impacts you? Yes, go ahead.

Stephen Keller
Executive VP & CFO

As we mentioned I think in our original press release, we are retaining the management team in the Rimports -- the Sterno management team is staying with Rimports. And so that is something that we need to work through. We think -- we actually really think this is the right team to help kind of -- help accelerate Rimports growth, but it is a little -- we do have to make some adjustments to overall cost levels as we go forward.

Lawrence Scott Solow
CJS Securities, Inc.

Got you. And the stranded costs, I imagine those, you kind of have pretty good visibility will not repeat next year. Your customer negotiations with the one -- I think I know one large customer, that we don't know the outcome yet. But the stranded costs, obviously, you have pretty good confidence those won't repeat, right, I guess. Is that fair?

Stephen Keller
Executive VP & CFO

Yes. I mean it's -- we have to address the stranded costs. The stranded costs are costs that existed last year, that will continue to exist in the business, but we need to work them down over time as appropriate for a small -- what is now a smaller business.

Lawrence Scott Solow

CJS Securities, Inc.

Right. Okay. That's what I thought. So you need to downsize sort of the corporate structure there. That makes sense.

And just curious, so a couple of quickies. In general, Elias, maybe just on the Branded piece, it sounds like a lot of moving parts. But in general, just your Consumer, the confidence you have, anything really changed over the last 6 months? Obviously, that encompasses the start of the Iran conflict or whatever you want to call it, higher -- more inflationary pressures back or a lot higher. So any visibility or any -- have you seen any impact at any of your businesses because of this? Or are you contemplating that in your guidance? Any thoughts there?

Elias Joseph Sabo
CEO & Director

Yes, Larry. We, I would say, have seen our Consumer businesses performing extremely well. First quarter was above what our expectations were. And I would say coming into the second quarter and as a lot of these companies worked on backlog, I would say they're set up to perform better in the second quarter than expectations as well. And that's clearly in the face of the Iran war starting.

Now I think where it gets a little bit harder to dissect is whether customers are accelerating some orders because of the war and worries about longer-term inflation and kind of oil going through -- kind of global oil supply. That's a little bit more to be determined. But I would say right now, what we can analyze, the business on the Consumer side looks very strong and better than anticipation. And currently, and I know this sounds odd to say, unaffected by the global macro events that we see kind of around us on a daily basis.

Lawrence Scott Solow
CJS Securities, Inc.

Okay. And BOA really had a nice quarter. Anything outstanding there? I know -- I think you had -- you sold the footwear business, I know. So maybe -- so you reported 11% EBITDA growth, but I imagine it was even better ex that. So any extra color there?

Elias Joseph Sabo
CEO & Director

No. BOA is a great business. We say over and over how awesome this company is, its competitive positioning, strategic outlook. It has one of the best management teams, if not the best management team, that I've ever worked with. And so I think those are all the ingredients to propel the company forward on a consistent basis. As you know, Larry, it's got a great IP position.

So it's just -- it's so well positioned. And I think we went through a lot of kind of turbulence. Obviously, it had huge growth during the supply chain shock, and then we had some softness that came from that. And then more recently, we had a customer in Asia on our kids line that, from price competitive reasons, we walked away from. And so there's been a little bit of noise.

And I think right now, the business is in a much better spot based on where the industry is in kind of its inventory positioning, and where we are in terms of the customer mix and durability and then all the growth that it has ahead of it. So I would say where there's been some extraneous sort of kind of choppy things that have happened here, this business now, we think, is sort of in a smoother set of waters and should produce the kind of double-digit kind of growth rates that we saw in the first quarter on a continuing basis.

Lawrence Scott Solow
CJS Securities, Inc.

Great. Last question, Elias. You did announce that you completed a nice divestiture. I know you said you'd look and probably do more. Are you pretty confident you'll complete at least 1 more this calendar year?

Elias Joseph Sabo
CEO & Director

I mean that is our plan. The M&A markets I referred to are a bit choppy. They're weaker than where they've been in the past. But they ebb and flow, as you know. We own really great-quality assets, Larry. And as I mentioned in my opening remarks, there's always the market to transact for a great company or great companies. And so we do feel confident we'll be able to transact.

Now against that, there's still a war in Iran going on and \$100 oil prices and lots of uncertainty. Private credit markets have really tightened, I think we see that kind of in the public stock prices of a lot of these private credit providers. So that is clearly a headwind for being able to transact.

But it is what our focus -- it's where our focus is. We understand we need to get our leverage down, and that is kind of the #1, 2 and 3 goals right now, to get back into a position where we can be allocating capital again. And as we said in our opening remarks, looking to close the intrinsic value discount once we get there. So we remain confident we'll be able to execute against that, although I want to caution the markets continue to remain -- the M&A markets continue to remain choppy.

Operator

Our next question will come from Timothy D'Agostino from B. Riley Securities.

Timothy Egan D'Agostino

B. Riley Securities, Inc., Research Division

Regarding leverage, could you remind us again what your long-term goal is? Where do you want leverage to be? As well, given the sale of Sterno food services, how does that impact kind of your time line and your path in order -- getting to that leverage target?

And then lastly on that, given where the stock is today and, let's say, looking into the future getting to your leverage target, when would share buybacks become part of the equation for you all? And at these levels, is it attractive? Understanding you still have more deleveraging to do.

Stephen Keller

Executive VP & CFO

Long term, we've always said we'd like to be around 3x to 3.5x levered. That would be like our long-term goal if things were in a more normal situation. I would say our current focus is now to get under 4x levered, as a key milestone for us. Once we got under 4x, we would start to think, given where the stock is trading and discount to intrinsic value, we would start thinking it would make sense to look to return capital to shareholders potentially through a share buyback.

And so I think long term, 3x, 3.5x. But I think the next milestone for us is to get below 4x, which just allows us to be a little bit more -- think a little bit about returning capital.

Timothy Egan D'Agostino

B. Riley Securities, Inc., Research Division

Okay. Great. And then with, I guess, with an additional sale of a full subsidiary, do you think you can get to that 4x by year-end? Or do you think it's going to take a little bit more work? Just understanding the impact of the next sale might have, in your opinion.

Stephen Keller

Executive VP & CFO

Yes. I think -- so the way I would think about, if you think about it organically, I think the rest of the year, we kind of get -- you kind of have another step-down probably to around 4.5x somewhere, a little bit higher than that, but somewhere around there. And then you start talking about the kind of inorganic activities, which would include recovery from Lugano, which would be straight deleveraging. And then you would have a sale of a subsidiary. And that, obviously, it just depends on which subsidiary. There's obviously a little bit of a circular reference there where you get rid of EBITDA, but you -- and you get how much -- you get the multiple on it.

And so we think with the sale of another company and organic work and the work from Lugano recoveries, I think we would anticipate being below 4x. But again, it is dependent on the specific subsidiary and the multiple that we get for it.

Timothy Egan D'Agostino

B. Riley Securities, Inc., Research Division

Okay. Great. That's super helpful color. And if I could just sneak a final quick one in there. I may have missed it earlier, I apologize. On SG&A, lower this quarter and, on my model, a lower percentage of revenue. I guess, is there anything to flag there on why SG&A was lower in the quarter? Again, I might have missed it, so apologies if I did.

Stephen Keller

Executive VP & CFO

You mean collectively across the business or are you talking about corporate? Corporate costs are higher, right, as we talked about in the prepared remarks. In terms of the overall business, and if you're looking at collectively SG&A on the GAAP accounts line, I think it's nothing specific to call out. It's nothing, just normal prudent management within the teams.

As I think we talked about at the last call, 5.11 has made some significant strides in using AI to reduce overhead costs in all of their businesses. As prudent managers do, they look to reduce SG&A costs, especially at a time when there's a little bit more macro uncertainty.

Operator

Our next question will come from Matt Koranda from ROTH Capital.

Matthew Butler Koranda

ROTH Capital Partners, LLC, Research Division

I guess one fundamental one on segment and then maybe a couple of housekeeping things. But on Honey Pot, maybe can you just unpack a little bit more about what's driving the really substantial growth there? And I guess just north of 30% EBITDA margins in that segment, how sustainable do you view that level as? And how should we be thinking about sort of a normalized level going forward?

Elias Joseph Sabo

CEO & Director

Yes, Matt. What's driving the growth is market share gains in the category. If you recall, when we acquired the company, it was principally in the hygiene side, the washes and wipes side of the business. That is a very small percentage of the overall addressable market. Only about 5% of the potential population of candidates use washes and wipes as -- instead of regular soap.

And so the big opportunity with this company was, one, to increase that percentage, which we've been doing. But secondly, to extend the brand into other adjacent categories. We've had really good success extending into the period care market. That is a market that is kind of 20x bigger than the original market that we started out with, and our brand has shown the elasticity to be able to move into that.

Remember, we stand for better-for-you, which is something that resonates especially with the younger consumer. And our goal is to win that younger consumer as they're coming into the category. And so the strategy is working extremely well. I would say growth in period care can continue to drive really dramatic growth because we are relatively small in an enormous market right now with a differentiated proposition to the customer.

In terms of margin, the company is in a category where it can generate higher margins. I mean these are better-for-you products. The positioning and brand association is all around better-for-you. And as a result, consumers are willing to pay up for that. Now I will say the company also had some benefits. And we've had Stephen mention, from tariff rulings here. There were huge tariff costs that were incurred as part of Liberation Day last year, and now with the IEEPA ruling, some of those costs have significantly come down. That is aiding margin, without question.

I think if your view is those tariffs creep back in some other way, then there'll be some give-back of margin naturally. I think if your view is tariffs are going to be sort of where they are right now at this temporary level, then you should view those margins as being stable.

But there's nothing from a pricing standpoint that we look at that says we aren't able to maintain these margins. And I think if you see the growth rate of mid-20s top line growth, it's indicative of a very healthy brand, that price is not the reason that people are not buying. So we plan -- we believe we can hold that.

Matthew Butler Koranda

ROTH Capital Partners, LLC, Research Division

Okay. And I guess maybe this is a broader question for all the segments. But on tariff recoveries, I just want to make sure there were none within the first quarter that benefited margins. So just clarify that for us. But also as you get recoveries throughout the year, how will those flow through the financial statements, just so we're clear on sort of how it shows up?

Stephen Keller

Executive VP & CFO

Yes. So there was no onetime recovery of last year's tariffs in our Q1. As Elias mentioned, we did have some benefits of not having -- having lower tariffs than we had maybe in Q4 of last year, if that makes sense.

To the extent that we -- when we do get onetime historical refunds on tariffs, that would just be a -- it would just be a positive in the P&L, and we will be sure to call that out for everyone for modeling purposes. But any margin that you see right now is not related to onetime tariff benefits. It's more related to current -- on the current tariff environment that we're in today.

Matthew Butler Koranda

ROTH Capital Partners, LLC, Research Division

Okay. Got it. And then maybe just one more, if I could. You mentioned kind of a revisiting or a review of the MSA. Are you willing to share any preliminary thoughts on that front in terms of what some of the changes could be or the changes you're contemplating maybe based around either, I guess, the asset-based management fee or allocation interest and how those are calculated?

Elias Joseph Sabo

CEO & Director

We are not in a position yet to start to discuss that. What we wanted to convey to the market is that there are discussions that are ongoing now between the manager and the Compensation Committee to the Board of Directors. And we anticipate MSA changes to come in the next couple, few months, and we just were really conveying that. But it would be premature, Matt, at this point to start talking about the flavor of what those changes will look like.

Operator

[Operator Instructions] And at this time, we have -- our next question is from Heli Sheth of Raymond James.

Heli Sheth

Raymond James & Associates, Inc., Research Division

Congrats on the sale. So now that you've completed this and kind of gotten your senior leverage down below 1x, is there any urgency with other sales processes, especially with a muted M&A market?

Elias Joseph Sabo

CEO & Director

Yes. I would say, Heli, there's urgency because leverage at 5x is too high. And there's urgency because our shares trading at these prices, in our opinion, don't reflect intrinsic value. And so the urgency really becomes getting our leverage down and getting back into a position where we have capital allocation availability. And there was a direct question earlier, and we said it would include potential share buybacks as part of that capital allocation. And so I think that creates urgency.

Now it is a fair question, and we have to juxtapose kind of that urgency against the conditions that exist in the M&A markets. And they are somewhat muted. But we transacted in an equally difficult M&A market on Sterno, and I think there is the ability to do that with another asset here over the course of the year, and we're taking it with a sense of urgency.

I do want to be clear though, to the extent the markets would significantly undervalue an asset in an M&A market, by doing the Sterno deal, it's taken the pressure off to do something that would be a necessity. We will transact to the extent it can create additional shareholder value. But if the market conditions were so weak that it didn't create additional shareholder value, we have bought time to be able to kind of have other strategic alternatives we could consider.

But that would be not our central case. Our central case is the markets, although they're not extremely strong, they're also not extremely weak. They kind of are a bit muted. And we believe the appropriate thing is continued deleveraging through divestitures.

Heli Sheth

Raymond James & Associates, Inc., Research Division

Got it. And then if I can squeeze another quick one in here. On the tariffs, I know you mentioned that there's not much clarity right now on the timing or the magnitude of tariff refund. What does the process look like for that? And any clarity on whether there would be an inflection point at which you would have a better idea of the magnitude or the timing?

Stephen Keller

Executive VP & CFO

Yes. I mean it was just a couple of weeks ago or whatever where the government set up the website to actually start the process. And so each of our companies is going through the process. We really just do not have clarity. We will be sure to provide -- as soon as this happens, we will provide clarity.

Again, we will call it -- on future earnings reports, when we have it, we will call it out as a onetime benefit. But at this point, we do not -- it's just really hard to predict. And we expect -- I think we'd expect that it will be a little bit choppy. We'll get some back, we'll probably have to fight some. Each company will be a little bit different.

Operator

And at this time, I'm showing no further questions. I would like to turn it back to Elias Sabo for closing remarks.

Elias Joseph Sabo
CEO & Director

Thank you, everyone, for your time today. We look forward to seeing you and talking to you on our next conference call.

Operator

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

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