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

Form 10-Q

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

For the quarterly period ended September 30, 2024

Or

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

For the transition period from __________ to __________

COMPASS DIVERSIFIED HOLDINGS

(Exact name of registrant as specified in its charter)

Delaware	**001-34927**	**57-6218917**
(State or other jurisdiction of incorporation or organization)	**(Commission file number)**	**(I.R.S. employer identification number)**

COMPASS GROUP DIVERSIFIED HOLDINGS LLC

(Exact name of registrant as specified in its charter)

Delaware	**001-34926**	**20-3812051**
(State or other jurisdiction of incorporation or organization)	**(Commission file number)**	**(I.R.S. employer identification number)**

301 Riverside Avenue, Second Floor, Westport, CT 06880
(203) 221-1703
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Shares representing beneficial interests in Compass Diversified Holdings	CODI	New York Stock Exchange
Series A Preferred Shares representing beneficial interests in Compass Diversified Holdings	CODI PR A	New York Stock Exchange
Series B Preferred Shares representing beneficial interests in Compass Diversified Holdings	CODI PR B	New York Stock Exchange
Series C Preferred Shares representing beneficial interests in Compass Diversified Holdings	CODI PR C	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

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

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

As of October 25, 2024, there were 75,652,286 Trust common shares of Compass Diversified Holdings outstanding.

COMPASS DIVERSIFIED HOLDINGS

QUARTERLY REPORT ON FORM 10-Q
For the period ended September 30, 2024

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NOTE TO READER

In reading this Quarterly Report on Form 10-Q, references to:

- the “Trust” and “Holdings” refer to Compass Diversified Holdings;
- the “LLC” refer to Compass Group Diversified Holdings LLC;
- the "Company" refer to Compass Diversified Holdings and Compass Group Diversified Holdings LLC, collectively;
- “businesses”, “operating segments”, “subsidiaries” and “reporting units” all refer to, collectively, the businesses controlled by the Company;
- the “Manager” refer to Compass Group Management LLC (“CGM”);
- the "Trust Agreement" refer to the Third Amended and Restated Trust Agreement of the Trust dated as of August 3, 2021, as further amended;
- the "2022 Credit Facility" refer to the third amended and restated credit agreement entered into on July 12, 2022 among the LLC, the lenders from time to time party thereto, Bank of America, N.A., as Administrative Agent, Swing Line Lender and letter of credit issuer (the "agent")
- the "2022 Revolving Credit Facility" refers to the $600 million in revolving loans, swing line loans and letters of credit provided by the 2022 Credit Facility that matures in 2027;
- the "2022 Term Loan" refer to the $400 million term loan provided by the 2022 Credit Facility;
- the "LLC Agreement" refer to the Sixth Amended and Restated Operating Agreement of the Company dated as of August 3, 2021, as further amended; and
- "we," "us" and "our" refer to the Trust, the Company and the businesses together.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, contains both historical and forward-looking statements. We may, in some cases, use words such as "project," "predict," "believe," "anticipate," "plan," "expect," "estimate," "intend," "should," "would," "could," "potentially," "may," or other words that convey uncertainty of future events or outcomes to identify these forward-looking statements. All statements other than statements of historical or current fact are “forward-looking statements” for purposes of federal and state securities laws. Forward looking statements include, among other things, (i) statements as to our future performance or liquidity, such as expectations for our results of operation, net income, adjusted EBITDA, adjusted earnings, and ability to make quarterly distributions and (ii) our plans, strategies and objectives for future operations, including our business outlook and planned capital expenditures. Forward-looking statements in this Quarterly Report on Form 10-Q are subject to a number of risks and uncertainties, such as those disclosed or incorporated by reference in our filings with the SEC, including, but not limited to, those described under the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the United States Securities and Exchange Commission (“SEC”) on February 28, 2024, as such factors may be updated from time to time in our filings with the SEC. Many of these risks and uncertainties are beyond our control. Important factors that could cause our actual results, performance and achievements to differ materially from those estimates or projections contained in our forward-looking statements include, among other things:

- changes in general economic, political or business conditions or economic, political or demographic trends in the United States and other countries in which we have a presence, including changes in interest rates and inflation;
- disruption in the global supply chain, labor shortages and high labor costs;
- difficulties and delays in integrating, or business disruptions following, acquisitions or an inability to fully realize cost savings and other benefit related thereto;
- our ability to successfully operate our subsidiary businesses on a combined basis, and to effectively integrate and improve future acquisitions;
- our ability to maintain our credit facilities or incur additional borrowings on terms we deem attractive;
- our ability to remove CGM and CGM’s right to resign;
- our organizational structure, which may limit our ability to meet our dividend and distribution policy;
- our ability to service and comply with the terms of our indebtedness;
- our ability to make distributions in the future to our shareholders;
- our ability to pay the management fee and profit allocation if and when due;
- our ability to make and finance future acquisitions;
- our ability to implement our acquisition and management strategies;
- the legal and regulatory environment in which our subsidiaries operate;
- trends in the industries in which our subsidiaries operate;
- future changes in laws or regulations (including the interpretation of these laws and regulations by regulatory authorities);
- risks associated with possible disruption in operations or the economy generally due to terrorism or natural disaster or social, civil or political unrest;
- environmental risks affecting the business or operations of our subsidiaries;
- our and CGM’s ability to retain or replace qualified employees of our subsidiaries and CGM;
- the impact of the tax reclassifications of the Trust;
- costs and effects of legal and administrative proceedings, settlements, investigations and claims; and
- extraordinary or force majeure events affecting the business or operations of our subsidiary businesses.

Our actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which we are not currently aware or which we currently deem immaterial could also cause our actual results to differ.

In light of these risks, uncertainties and assumptions, you should not place undue reliance on any forward-looking statements. The forward-looking events discussed in this Quarterly Report on Form 10-Q may not occur. These forward-looking statements are made as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances, whether as a result of new information, future events or otherwise, except as required by law.

PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

COMPASS DIVERSIFIED HOLDINGS
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)	September 30, 2024 (Unaudited)	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 71,948	$ 450,477
Accounts receivable, net	412,688	318,241
Inventories, net	939,361	740,387
Prepaid expenses and other current assets	100,550	94,715
Total current assets	1,524,547	1,603,820
Property, plant and equipment, net	186,555	192,562
Goodwill	1,004,084	901,428
Intangible assets, net	1,062,425	923,905
Other non-current assets	183,803	195,266
Total assets	$ 3,961,414	$ 3,816,981
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 95,782	$ 93,412
Accrued expenses	197,485	157,456
Due to related parties (refer to Note P)	18,116	16,025
Current portion, long-term debt	12,500	10,000
Other current liabilities	37,337	35,465
Total current liabilities	361,220	312,358
Deferred income taxes	135,777	120,131
Long-term debt	1,763,687	1,661,879
Other non-current liabilities	198,849	203,232
Total liabilities	2,459,533	2,297,600
Commitments and contingencies (refer to Note O)		
Stockholders' equity		
Trust preferred shares, 50,000 authorized; 13,725 shares issued and outstanding at September 30, 2024 and 12,600 shares issued and outstanding at December 31, 2023		
Series A preferred shares, no par value; 4,159 shares issued and outstanding at September 30, 2024 and 4,000 shares issued and outstanding at December 31, 2023	100,174	96,417
Series B preferred shares, no par value; 4,437 shares issued and outstanding at September 30, 2024 and and 4,000 shares issued and outstanding at December 31, 2023	107,003	96,504
Series C preferred shares, no par value; 5,129 shares issued and outstanding at September 30, 2024 and 4,600 shares issued and outstanding at December 31, 2023	123,685	110,997
Trust common shares, no par value, 500,000 authorized; 76,135 shares issued and 75,652 shares outstanding at September 30, 2024 and 75,753 issued and 75,270 outstanding at December 31, 2023	1,289,348	1,281,303
Treasury shares, at cost	(9,339)	(9,339)
Accumulated other comprehensive income (loss)	(1,541)	111
Accumulated deficit	(372,365)	(249,243)
Total stockholders' equity attributable to Holdings	1,236,965	1,326,750
Noncontrolling interest	264,916	192,631
Total stockholders' equity	1,501,881	1,519,381
Total liabilities and stockholders' equity	$ 3,961,414	$ 3,816,981

See notes to condensed consolidated financial statements.

COMPASS DIVERSIFIED HOLDINGS
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share data)	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Net revenues	$ 582,623	$ 521,065	$ 1,649,508	$ 1,491,887
Cost of revenues	308,045	295,754	873,989	844,871
Gross profit	274,578	225,311	775,519	647,016
Operating expenses:				
Selling, general and administrative expense	158,754	132,944	460,914	396,963
Management fees	18,758	18,471	55,689	51,536
Amortization expense	26,798	23,955	80,547	71,906
Impairment expense	—	32,568	8,182	32,568
Operating income	70,268	17,373	170,187	94,043
Other income (expense):				
Interest expense, net	(27,358)	(27,560)	(77,494)	(80,353)
Amortization of debt issuance costs	(1,005)	(1,005)	(3,014)	(3,034)
Gain (loss) on sale of Crosman (refer to Note C)	388	—	(24,218)	—
Other income (expense), net	(78)	1,045	(4,327)	2,100
Income (loss) from continuing operations before income taxes	42,215	(10,147)	61,134	12,756
Provision for income taxes	10,754	3,837	40,960	15,077
Income (loss) from continuing operations	31,461	(13,984)	20,174	(2,321)
Income from discontinued operations, net of income taxes	—	8,950	—	21,790
Gain on sale of discontinued operations, net of income taxes	—	1,274	3,345	103,495
Net income (loss)	31,461	(3,760)	23,519	122,964
Less: Net income from continuing operations attributable to noncontrolling interest	9,397	5,721	22,632	13,390
Less: Net income from discontinued operations attributable to noncontrolling interest	—	673	—	725
Net income (loss) attributable to Holdings	$ 22,064	$ (10,154)	$ 887	$ 108,849
Amounts attributable to Holdings				
Income (loss) from continuing operations	$ 22,064	$ (19,705)	$ (2,458)	$ (15,711)
Income from discontinued operations, net of income tax	—	8,277	—	21,065
Gain on sale of discontinued operations, net of income tax	—	1,274	3,345	103,495
Net income (loss) attributable to Holdings	$ 22,064	$ (10,154)	$ 887	$ 108,849
Basic income (loss) per common share attributable to Holdings (refer to Note J)				
Continuing operations	$ 0.08	$ (0.45)	$ (1.18)	$ (1.00)
Discontinued operations	—	0.12	0.04	1.69
Basic income (loss) per common share attributable to Holdings (refer to Note J)	$ 0.08	$ (0.33)	$ (1.14)	$ 0.69
Basic weighted average number of shares of common shares outstanding	75,645	71,881	75,437	71,996
Cash distributions declared per Trust common share (refer to Note J)	$ 0.25	$ 0.25	$ 0.75	$ 0.75

See notes to condensed consolidated financial statements.

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

(in thousands)	Three months ended September 30, 2024	Three months ended September 30, 2023	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Net income (loss)	$ 31,461	$ (3,760)	$ 23,519	$ 122,964
Other comprehensive income (loss)				
Foreign currency translation adjustments	2,201	(1,114)	(347)	742
Pension benefit liability, net	761	(354)	(1,305)	(792)
Other comprehensive income (loss)	2,962	(1,468)	(1,652)	(50)
Total comprehensive income (loss), net of tax	$ 34,423	$ (5,228)	21,867	122,914
Less: Net income attributable to noncontrolling interests	9,397	6,394	22,632	14,115
Less: Other comprehensive income (loss) attributable to noncontrolling interests	499	(22)	401	14
Total comprehensive income (loss) attributable to Holdings, net of tax	$ 24,527	$ (11,600)	$ (1,166)	$ 108,785

See notes to condensed consolidated financial statements.

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

(in thousands)	Trust Preferred Shares										
	Series A	Series B	Series C	Trust Common Shares	Treasury Shares	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity Attributable to Holdings	Non-Controlling Interest	Non-Controlling Interest Attributable to Disc. Ops.	Total Stockholders' Equity
Balance — July 1, 2023	$ 96,417	$ 96,504	$ 110,997	$ 1,206,953	$ (5,856)	$ (328,507)	$ 282	$ 1,176,790	$ 214,923	$ 25,892	$ 1,417,605
Net income (loss)	—	—	—	—	—	(10,154)	—	$ (10,154)	5,721	673	(3,760)
Total other comprehensive loss, net	—	—	—	—	—	—	(1,468)	$ (1,468)	—	—	(1,468)
Issuance of Trust common shares	—	—	—	(36)	—	—	—	$ (36)	—	—	(36)
Purchase of Trust common shares for treasury	—	—	—	—	(1,533)	—	—	$ (1,533)	—	—	(1,533)
Option activity attributable to noncontrolling shareholders	—	—	—	—	—	—	—	$ —	2,750	424	3,174
Effect of subsidiary stock option exercise	—	—	—	—	—	—	—	$ —	293	—	293
Purchase of noncontrolling interest	—	—	—	—	—	—	—	$ —	(507)	—	(507)
Distributions paid - Trust Common Shares	—	—	—	—	—	(17,974)	—	$ (17,974)	—	—	(17,974)
Distributions paid - Trust Preferred Shares	—	—	—	—	—	(6,045)	—	$ (6,045)	—	—	(6,045)
Balance — September 30, 2023	$ 96,417	$ 96,504	$ 110,997	$ 1,206,917	$ (7,389)	$ (362,680)	$ (1,186)	$ 1,139,580	$ 223,180	$ 26,989	$ 1,389,749
Balance — July 1, 2024	$ 97,453	$ 99,558	$ 116,710	$ 1,285,796	$ (9,339)	$ (369,171)	$ (4,503)	$ 1,216,504	$ 252,248	$ —	$ 1,468,752
Net income	—	—	—	—	—	22,064	—	22,064	9,397	—	31,461
Total other comprehensive income, net	—	—	—	—	—	—	2,962	2,962	—	—	2,962
Issuance of Trust common shares	—	—	—	3,552	—	—	—	3,552	—	—	3,552
Issuance of Trust preferred shares	2,721	7,445	6,975	—	—	—	—	17,141	—	—	17,141
Option activity attributable to noncontrolling shareholders	—	—	—	—	—	—	—	—	4,769	—	4,769
Effect of subsidiary stock option exercise	—	—	—	—	—	—	—	—	49	—	49
Purchase of noncontrolling interest	—	—	—	—	—	—	—	—	(1,468)	—	(1,468)
Reclassification of noncontrolling shareholder interest to liability	—	—	—	—	—	—	—	—	(79)	—	(79)
Distributions paid - Trust Common Shares	—	—	—	—	—	(18,913)	—	(18,913)	—	—	(18,913)
Distributions paid - Trust Preferred Shares	—	—	—	—	—	(6,345)	—	(6,345)	—	—	(6,345)
Balance — September 30, 2024	$ 100,174	$ 107,003	$ 123,685	$ 1,289,348	$ (9,339)	$ (372,365)	$ (1,541)	$ 1,236,965	$ 264,916	$ —	$ 1,501,881

(in thousands)	Trust Preferred Shares			Trust Common Shares	Treasury Shares	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Stockholders' Equity Attributable to Holdings	Non-Controlling Interest	Non-Controlling Interest Attributable to Disc. Ops.	Total Stockholders' Equity
	Series A	Series B	Series C								
Balance — January 1, 2023	$ 96,417	$ 96,504	$ 110,997	$ 1,207,044	$ —	$ (372,906)	$ (1,136)	$ 1,136,920	$ 203,464	$ 21,578	$ 1,361,962
Net income	—	—	—	—	—	108,849	—	108,849	13,390	725	122,964
Total other comprehensive loss, net	—	—	—	—	—	—	(50)	(50)	—	—	(50)
Issuance of Trust common shares	—	—	—	(127)	—	—	—	(127)	—	—	(127)
Purchase of Trust common shares for treasury	—	—	—	—	(7,389)	—	—	(7,389)	—	—	(7,389)
Option activity attributable to noncontrolling shareholders	—	—	—	—	—	—	—	—	7,598	2,260	9,858
Effect of subsidiary stock option exercise	—	—	—	—	—	—	—	—	350	—	350
Purchase of noncontrolling interest	—	—	—	—	—	—	—	—	(1,622)	—	(1,622)
Disposition of ACI	—	—	—	—	—	—	—	—	—	(1,729)	(1,729)
Acquisition of noncontrolling interest	—	—	—	—	—	—	—	—	—	4,155	4,155
Distributions paid - Allocation Interests (refer to Note J)	—	—	—	—	—	(26,475)	—	(26,475)	—	—	(26,475)
Distributions paid - Trust Common Shares	—	—	—	—	—	(54,012)	—	(54,012)	—	—	(54,012)
Distributions paid - Trust Preferred Shares	—	—	—	—	—	(18,136)	—	(18,136)	—	—	(18,136)
Balance — September 30, 2023	$ 96,417	$ 96,504	$ 110,997	$ 1,206,917	$ (7,389)	$ (362,680)	$ (1,186)	$ 1,139,580	$ 223,180	$ 26,989	$ 1,389,749

(in thousands)	Trust Preferred Shares										
	Series A	**Series B**	**Series C**	**Trust Common Shares**	**Treasury Shares**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Stockholders' Equity Attributable to Holdings**	**Non-Controlling Interest**	**Non-Controlling Interest Attributable to Disc. Ops.**	**Total Stockholders' Equity**
Balance — January 1, 2024	$ 96,417	$ 96,504	$ 110,997	$ 1,281,303	$ (9,339)	$ (249,243)	$ 111	$ 1,326,750	$ 192,631	$ —	$ 1,519,381
Net income	—	—		—	—	887	—	887	22,632	—	23,519
Total other comprehensive loss, net	—	—		—	—	—	(1,652)	(1,652)	—	—	(1,652)
Issuance of Trust common shares	—	—	—	8,045	—	—	—	8,045	—	—	8,045
Issuance of Trust preferred shares	3,757	10,499	12,688	—	—	—	—	26,944	—	—	26,944
Option activity attributable to noncontrolling shareholders	—	—	—	—	—	—	—	—	13,026	—	13,026
Effect of subsidiary stock option exercise	—	—	—	—	—	—	—	—	55	—	55
Purchase of noncontrolling interest	—	—	—	—	—	—	—	—	(4,327)	—	(4,327)
Reclassification of noncontrolling shareholder interest to liability	—	—	—	—	—	—	—	—	(775)	—	(775)
Acquisition of THP	—	—	—	—	—	—	—	—	41,674	—	41,674
Distributions paid - Allocation Interests (refer to Note J)	—	—	—	—	—	(48,941)	—	(48,941)	—	—	(48,941)
Distributions paid - Trust Common Shares	—	—	—	—	—	(56,577)	—	(56,577)	—	—	(56,577)
Distributions paid - Trust Preferred Shares	—	—	—	—	—	(18,491)	—	(18,491)	—	—	(18,491)
Balance — September 30, 2024	$ 100,174	$ 107,003	$ 123,685	$ 1,289,348	$ (9,339)	$ (372,365)	$ (1,541)	$ 1,236,965	$ 264,916	$ —	$ 1,501,881

COMPASS DIVERSIFIED HOLDINGS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Nine months ended September 30,	
(in thousands)	**2024**	**2023**
Cash flows from operating activities:		
Net income	$ 23,519	$ 122,964
Income from discontinued operations	—	21,790
Gain on sale of discontinued operations	3,345	103,495
Income (loss) from continuing operations	20,174	(2,321)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	31,763	35,256
Amortization expense - intangibles	80,547	71,906
Amortization expense - inventory step-up	4,006	1,175
Amortization of debt issuance costs	3,014	3,034
Impairment expense	8,182	32,568
Loss on sale of Crosman	24,218	—
Noncontrolling stockholder stock based compensation	13,026	7,598
Provision for receivable and inventory reserves	(6,712)	(241)
Deferred taxes	(2,861)	(12,698)
Other	935	831
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(90,997)	(24,841)
Inventories	(203,514)	(81,221)
Other current and non-current assets	4,227	(1,513)
Accounts payable and accrued expenses	36,382	(21,345)
Cash (used in) provided by operating activities - continuing operations	(77,610)	8,188
Cash provided by operating activities - discontinued operations	—	48,764
Cash (used in) provided by operating activities	(77,610)	56,952
Cash flows from investing activities:		
Acquisitions, net of cash acquired	(380,049)	—
Purchases of property and equipment	(34,507)	(38,537)
Proceeds from sale of businesses	65,216	105,123
Other investing activities	(2,910)	(1,653)
Cash (used in) provided by investing activities - continuing operations	(352,250)	64,933
Cash provided by investing activities - discontinued operations	—	39,358
Cash (used in) provided by investing activities	(352,250)	104,291

COMPASS DIVERSIFIED HOLDINGS

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)	Nine months ended September 30, 2024	2023
Cash flows from financing activities:		
Proceeds and expenses from issuance of Trust common shares, net	8,045	(127)
Proceeds and expenses from issuance of Trust preferred shares, net	26,944	—
Purchase of treasury shares, net	—	(7,389)
Borrowings under credit facility	349,000	287,000
Repayments under credit facility	(239,000)	(330,000)
Principal payments - term loan	(7,500)	(7,500)
Distributions paid - common shares	(56,577)	(54,012)
Distributions paid - preferred shares	(18,491)	(18,136)
Distributions paid - allocation interests	(48,941)	(26,475)
Net proceeds provided by noncontrolling shareholders	55	350
Net proceeds provided by noncontrolling shareholders - acquisitions	41,674	—
Purchase of noncontrolling interest	(4,327)	(1,622)
Other	—	(16)
Net cash provided by (used in) financing activities	50,882	(157,927)
Foreign currency impact on cash	449	150
Net (decrease) increase in cash and cash equivalents	(378,529)	3,466
Cash and cash equivalents — beginning of period [1]	450,477	61,271
Cash and cash equivalents — end of period [2]	$ 71,948	$ 64,737

[1] Includes cash from discontinued operations of $4.7 million at January 1, 2023.

[2] Includes cash from discontinued operations of $0.2 million at September 30, 2023.

See notes to condensed consolidated financial statements.

Note A - Presentation and Principles of Consolidation

Compass Diversified Holdings, a Delaware statutory trust (the "Trust") and Compass Group Diversified Holdings LLC, a Delaware limited liability company (the "LLC"), were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. Collectively, Compass Diversified Holdings and Compass Group Diversified Holdings, LLC are referred to as the "Company". In accordance with the Third Amended and Restated Trust Agreement, dated as of August 3, 2021 (as amended and restated, the "Trust Agreement"), the Trust is sole owner of 100% of the Trust Interests (as defined in the Company's Sixth Amended and Restated Operating Agreement, dated as of August 3, 2021 (as amended and restated, the "LLC Agreement")) of the LLC and, pursuant to the LLC Agreement, the LLC has, outstanding, the identical number of Trust Interests as the number of outstanding common shares of the Trust. The LLC is the operating entity with a board of directors and other corporate governance responsibilities, similar to that of a Delaware corporation.

The LLC is a controlling owner of ten businesses, or operating segments, at September 30, 2024. The segments are as follows: 5.11 Acquisition Corp. ("5.11"), Boa Holdings Inc. ("BOA"), The Ergo Baby Carrier, Inc. ("Ergobaby"), Lugano Holdings, Inc. ("Lugano Diamonds" or "Lugano"), Relentless Topco, Inc. ("PrimaLoft"), THP Topco, Inc. ("The Honey Pot Co." or "THP"), CBCP Products, LLC ("Velocity Outdoor" or "Velocity"), AMTAC Holdings LLC ("Arnold"), FFI Compass, Inc. ("Altor Solutions" or "Altor"), and SternoCandleLamp Holdings, Inc. ("Sterno"). The segments are referred to interchangeably as "businesses", "operating segments" or "subsidiaries" throughout the financial statements. Refer to Note E - "Operating Segment Data" for further discussion of the operating segments. Compass Group Management LLC, a Delaware limited liability Company ("CGM" or the "Manager"), manages the day to day operations of the LLC and oversees the management and operations of our businesses pursuant to a management services agreement (the "Management Services Agreement" or "MSA").

Basis of Presentation

The condensed consolidated financial statements for the three and nine month periods ended September 30, 2024 and September 30, 2023 are unaudited, and in the opinion of management, contain all adjustments necessary for a fair presentation of the condensed consolidated financial statements. Such adjustments consist solely of normal recurring items. Interim results are not necessarily indicative of results for a full year or any subsequent interim period. The condensed consolidated financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP" or "GAAP") and presented as permitted by Form 10-Q and do not contain certain information included in the annual consolidated financial statements and accompanying notes of the Company. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Consolidation

The condensed consolidated financial statements include the accounts of the Company, as well as the businesses acquired as of their respective acquisition date. All significant intercompany accounts and transactions have been eliminated in consolidation. Discontinued operating entities are reflected as discontinued operations in the Company's results of operations and statements of financial position.

Discontinued Operations

The Company completed the sale of Wheelhouse Holdings, Inc. ("Marucci") during the fourth quarter of 2023 and Compass AC Holdings, Inc. ("Advanced Circuits or "ACI") during the first quarter of 2023. The results of operations of ACI are reported as discontinued operations in the condensed consolidated statements of operations for the nine months ended September 30, 2023, and the results of operations of Marucci are reported as discontinued operations in the three and nine months ended September 30, 2023. Refer to Note C - "Dispositions" for additional information. Unless otherwise indicated, the disclosures accompanying the condensed consolidated financial statements reflect the Company's continuing operations.

Seasonality

Earnings of certain of our operating segments are seasonal in nature due to various recurring events, holidays and seasonal weather patterns, as well as the timing of our acquisitions during a given year. Historically, the third and fourth quarter have produced the highest net sales in our fiscal year, however, due to various acquisitions in the last three years, there is generally less seasonality in our net sales on a consolidated basis than there has been historically.

Recently Issued Accounting Pronouncements

Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This guidance will require, among other things, the following: (i) enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included in a segment's reported measure of profit or loss; (ii) disclosure of the amount and description of the composition of other segment items, as defined in ASU 2023-07, by reportable segment; and (iii) reporting the disclosures about each reportable segment's profit or loss and assets on an annual and interim basis. The guidance will be effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 and early adoption is permitted. The Company is currently evaluating the impact that this ASU will have when adopted and anticipates the ASU will likely result in additional disclosures in our condensed consolidated financial statements.

Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This guidance will require, among other things, the following for public business entities: (i) enhanced disclosures of specific categories of reconciling items included in the rate reconciliation, as well as additional information for any of these items meeting certain qualitative and quantitative thresholds; (ii) disclosure of the judgment used in categorizing them if not otherwise evident; and (iii) enhanced disclosures for income taxes paid, which includes federal, state, and foreign taxes, as well as for individual jurisdictions over a certain quantitative threshold. The amendments in ASU 2023-09 eliminate the requirement to disclose the nature and estimate of the range of the reasonably possible change in unrecognized tax benefits for the 12 months after the balance sheet date. The guidance will be effective for annual periods beginning after December 15, 2024 and early adoption is permitted. The Company is currently evaluating the impact that this ASU will have when adopted and anticipates the ASU will likely result in additional disclosures in our condensed consolidated financial statements.

Note B — Acquisitions

The acquisitions of our businesses are accounted for under the acquisition method of accounting. For each platform acquisition, the Company typically structures the transaction so that a newly created holding company acquires 100% of the equity interests in the acquired business. The entirety of the purchase consideration is paid by the newly created holding company to the selling shareholders. The total purchase consideration is the amount paid to the selling shareholders and we will, from time to time, allow the selling shareholder to reinvest a portion of their proceeds alongside the Company at the same price per share, into the holding company that acquires the target business. Once the acquisition is complete, the selling shareholders no longer hold equity interests in the acquired company, but rather hold noncontrolling interest in the holding company that acquired the target business. Because the selling shareholders are investing in the transaction alongside the Company at the same price per share as the Company and are not retaining their existing equity in the acquired business, the Company includes the amount provided by noncontrolling shareholders in the total purchase consideration.

A component of our acquisition financing strategy that we utilize in acquiring the businesses we own and manage is to provide both equity capital and debt capital, raised at the parent level, typically through our existing credit facility. The debt capital is in the form of “intercompany loans” made by the LLC to the newly created holding company and the acquired business and are due from the newly created holding company and the acquired business, and payable to the LLC by the newly created holding company and the acquired business. The selling shareholders of the acquired businesses are not a party to the intercompany loan agreements nor do they have any obligation to repay the intercompany loans. These intercompany loans eliminate in consolidation and are not reflected on the Company's consolidated balance sheets.

Acquisition of The Honey Pot Co.

On January 31, 2024 (the "Closing Date"), the LLC, through its newly formed acquisition subsidiaries, THP Topco, Inc., a Delaware corporation (“THP Topco”) and THP Intermediate, Inc., a Delaware corporation (“THP Buyer”), acquired The Honey Pot Company Holdings, LLC (“THP”) and certain of its affiliated entities pursuant to a Merger and Stock Purchase Agreement (the “THP Purchase Agreement”) dated January 14, 2024 by and among THP Buyer, THP, VMG Honey Pot Blocker, Inc. (“Blocker I”), NVB1, Inc. (“Blocker II”), VMG Tax-Exempt IV, L.P., New Voices Fund, LP, THP Merger Sub, LLC (“THP Merger Sub”), VMG Honey Pot Holdings, LLC, as the Sellers’ Representative, and certain remaining equity holders of THP. Pursuant to the THP Purchase Agreement, subsequent to certain internal reorganizations, THP Buyer acquired all of the issued and outstanding equity of Blocker I and Blocker II and, thereafter, THP Merger Sub merged with and into THP (the “THP Merger”), with THP surviving such that the separate existence of THP Merger Sub ceased, with THP surviving the Merger as a wholly-owned, indirect subsidiary of the THP Topco. THP is the parent company of The Honey Pot Company (DE), LLC (“The Honey Pot Co.”).

The Company acquired THP for a total purchase price, including proceeds from noncontrolling shareholders, of approximately $380 million (the “THP Purchase Price”), before working capital and certain other adjustments, at the Closing Date. The Company funded the THP Purchase Price with cash on hand. Certain equity holders of THP invested in the transaction along with the Company, representing 15% of the initial equity interest in THP Topco. The Company directly owns approximately 85% of THP Topco, which in turn indirectly owns all of the issued and outstanding equity interests of THP and The Honey Pot Co. Concurrent with the Closing Date, the Company provided a credit facility to THP Buyer, THP and The Honey Pot Co., as borrowers (the “THP Credit Agreement”), pursuant to which a secured revolving loan commitment and secured term loans were made available to Buyer, THP and The Honey Pot Co. (collectively, the “Borrowers”). The initial amount outstanding under these facilities on the Closing Date was approximately $110 million.

The Honey Pot Co. is a feminine care brand that offers an extensive range of holistic wellness products across feminine hygiene, menstrual, consumer health, and sexual wellness categories. The Honey Pot Co.’s mission is to educate, support, and provide consumers around the world with the tools and resources that promote menstrual health and vaginal wellness.

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

(in thousands)	Preliminary Purchase Price Allocation	Measurement Period Adjustments	Final Purchase Price Allocation
Purchase Consideration	$ 380,121	$ (2,796)	$ 377,325
Fair value of identifiable assets acquired:			
Cash	$ 4,076	$ (3,320)	$ 756
Accounts receivable [1]	16,361	—	16,361
Inventory	18,986	—	18,986
Property, plant and equipment	1,888	—	1,888
Intangible assets	247,000	24,300	271,300
Other current and noncurrent assets	3,958	—	3,958
Total identifiable assets	292,269	20,980	313,249
Fair value of liabilities assumed:			
Current liabilities	10,957	—	10,957
Other liabilities	1,480	—	1,480
Deferred tax liabilities	27,846	2,680	30,526
Total liabilities	40,283	2,680	42,963
Net identifiable assets acquired	251,986	18,300	270,286
Goodwill	$ 128,135	$ (21,096)	$ 107,039

Acquisition consideration			
Purchase price	$ 380,000	$ —	$ 380,000
Estimated cash acquired	4,375	(3,320)	1,055
Net working capital adjustment	(3,126)	524	(2,602)
Other adjustments	(1,128)	—	(1,128)
Total purchase consideration	$ 380,121	$ (2,796)	$ 377,325

[1] The fair value of accounts receivable approximates book value acquired.

The purchase allocation presented above is based upon management's estimate of the fair values using valuation techniques including income, cost and market approaches. In estimating the fair value of the identifiable acquired assets and assumed liabilities, the fair value estimates are based on, but not limited to, expected future revenue and cash flows, expected future growth rates and estimated discount rates. Current and noncurrent assets, property, plant and equipment and current and other liabilities are estimated at their historical carrying values, which approximates fair value. Inventory is recognized at fair value, with finished goods stated at selling price less an estimated cost to sell. Property, plant and equipment will be depreciated on a straight-line basis over the remaining useful lives of the assets. Goodwill is calculated as the excess of the consideration transferred over the fair value of the identifiable net assets and represents the future economic benefits expected to arise from other intangible assets acquired that do not qualify for separate recognition, including assembled workforce and non-contractual relationships, as well as expected future synergies. The goodwill of $107.0 million reflects the strategic fit of The Honey Pot Co. in the Company's branded consumer business and is not expected to be deductible for income tax purposes.

In the second quarter of 2024, the purchase price allocation for The Honey Pot Co. was adjusted to reflect certain measurement period adjustments due to updated intangible asset valuation and an adjustment to deferred tax liabilities. Customer relationships was increased $24.3 million, with a corresponding decrease to goodwill. Deferred income tax liability increased $2.7 million, with a corresponding decrease to goodwill. In the third quarter of 2024, the purchase price of The Honey Pot Co. was adjusted to reflect the working capital settlement, additional purchase consideration of $0.5 million, and the related tax effect. The purchase price allocation for The Honey Pot Co. is final as of September 30, 2024.

The intangible assets recorded related to The Honey Pot Co. acquisition are as follows (in thousands):

Intangible Assets		Fair Value	Estimated Useful Lives
Tradename	$	225,000	18 years
Customer relationships		46,300	13 years
	$	271,300	

The tradename was considered the primary intangible asset and was valued at $225.0 million using a multi-period excess earnings method. The customer relationships were valued at $46.3 million using a multi-period excess earnings method. The multi-period excess earnings method assumes an asset has value to the extent that it enables its owners to earn a return in excess of the other assets utilized in the business.

Unaudited proforma information

The following unaudited proforma data for the nine months ended September 30, 2024 and the three and nine months ended September 30, 2023 gives effect to the acquisition of The Honey Pot Co., as described above, and the dispositions of ACI and Marucci, as if these transactions had been completed as of January 1, 2023. The proforma data gives effect to historical operating results with adjustments to interest expense, amortization expense, management fees and related tax effects. The information is provided for illustrative purposes only and is not necessarily indicative of the operating results that would have occurred if the transaction had been consummated on the date indicated, nor is it necessarily indicative of future operating results of the consolidated companies, and should not be construed as representing results for any future period.

(in thousands, except per share data)	Three months ended September 30, 2023		Nine months ended September 30, 2024		Nine months ended September 30, 2023	
Net sales	$	546,625	$	1,660,179	$	1,574,334
Gross profit	$	239,322	$	781,853	$	694,724
Operating income	$	16,087	$	170,496	$	95,565
Net income (loss) from continuing operations	$	(15,357)	$	20,002	$	(2,390)
Net income (loss) from continuing operations attributable to Holdings	$	(21,117)	$	(2,851)	$	(16,507)
Basic and fully diluted net loss per share attributable to Holdings	$	(0.48)	$	(1.18)	$	(1.02)

Note C — Dispositions

Sale of Marucci

On November 1, 2023, the LLC, solely in its capacity as the representative of the holders of stock and options of Marucci, a majority owned subsidiary of the LLC, entered into a definitive Agreement and Plan of Merger with Fox Factory, Inc. (“Marucci Purchaser”), Marucci Merger Sub, Inc. (“Marucci Merger Sub”) and Wheelhouse, pursuant to which Marucci Purchaser agreed to acquire all of the issued and outstanding securities of Wheelhouse, the parent company of the operating entity, Marucci Sports, LLC, through a merger of Marucci Merger Sub with and into Wheelhouse, with Wheelhouse surviving the merger and becoming a wholly owned subsidiary of Marucci Purchaser. On November 14, 2023, the parties completed the Merger. 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 equity holders and the payment of transaction expenses, CODI received approximately $484.0 million of total proceeds at closing of which $87.3 million related to the repayment of intercompany loans with the Company. The Company recorded a pre-tax gain on sale of Marucci of $241.4 million in the year ended December 31, 2023. In the first quarter of 2024, the LLC received a net working capital settlement of approximately $3.3 million related to Marucci, which was recognized as an additional gain on sale of discontinued operations, net of taxes, in the accompanying condensed consolidated statement of operations. The proceeds from the Marucci sale were used to pay down outstanding debt under the Company’s 2022 Credit Facility, as well as, to fund a subsequent acquisition by Company. The sale of Marucci has been accounted for as a discontinued operation in the accompanying financial statements.

Summarized results of operations of Marucci for the three and nine months ended September 30, 2023 are as follows (in thousands):

	Three months ended September 30, 2023		Nine months ended September 30, 2023	
Net sales	$	48,500	$	144,065
Gross profit	$	28,907	$	81,923
Operating income	$	11,062	$	28,364
Income from continuing operations before income taxes (1)	$	11,060	$	28,331
Provision for income taxes	$	2,110	$	5,150
Income from discontinued operations (1)	$	8,950	$	23,181

(1) The results of operations for the three and nine months ended September 30, 2023 excludes $2.3 million and $7.1 million of intercompany interest expense, respectively.

Sale of Advanced Circuits

On January 10, 2023, the LLC, solely in its capacity as the representative of the holders of stock and options of Compass AC Holdings, Inc., a majority owned subsidiary of the LLC, entered into a definitive Agreement and Plan of Merger with APCT Inc. (“ACI Purchaser”), Circuit Merger Sub, Inc. (“ACI Merger Sub”) and Advanced Circuits, pursuant to which ACI Purchaser agreed to acquire all of the issued and outstanding securities of Advanced Circuits, the parent company of the operating entity, Advanced Circuits, Inc., through a merger of ACI Merger Sub with and into Advanced Circuits, with Advanced Circuits surviving the merger and becoming a wholly owned subsidiary of ACI Purchaser (the “ACI Merger”). The ACI Merger was completed on February 14, 2023. The sale price of Advanced Circuits was based on an enterprise value of $220 million, subject to certain adjustments based on matters such as the working capital and cash and debt balances of Advanced Circuits at the time of the closing. After the allocation of the sales price to Advanced Circuits non-controlling equity holders and the payment of transaction expenses, the Company received approximately $170.9 million of total proceeds at closing, of which $66.9 million related to the repayment of intercompany loans with the Company. The Company recorded a pre-tax gain on sale of $106.9 million on the sale of Advanced Circuits in the year ended December 31, 2023. The sale of Advanced Circuits has been accounted for as a discontinued operation in the accompanying financial statements.

Summarized results of operations of ACI for the period of January 1, 2023 through the date of disposition are as follows (in thousands):

	For the period January 1, 2023 through disposition	
Net sales	$	8,829
Gross profit	$	3,663
Operating income	$	1,058
Income (loss) from continuing operations before income taxes (1)	$	(2,464)
Provision (benefit) for income taxes	$	(1,073)
Income (loss) from discontinued operations (1)	$	(1,391)

(1) The results of operations for the period from January 1, 2023 through disposition excludes $1.4 million of intercompany interest expense.

Disposition of Crosman

On April 30, 2024, Velocity Outdoor entered into a stock purchase agreement to sell Crosman Corporation ("Crosman"), its airgun product division, to Daisy Manufacturing Company, for an enterprise value of approximately $63 million. The sale was completed on the same day. The Company recorded a loss of $24.6 million on the sale of Crosman in the quarter ended June 30, 2024, and a gain of $0.4 million in the third quarter of 2024 related to the working capital settlement. Velocity received net proceeds of approximately $61.9 million related to the sale of Crosman, which was used to repay amounts outstanding under its intercompany credit agreement. The results of operation of Crosman are included in the accompanying financial statements through the date of sale.

Note D — Revenue

The Company recognizes revenue when a customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these goods or services, and excludes any sales incentives or taxes collected from customers which are subsequently remitted to government authorities.

Disaggregated Revenue - The Company disaggregates revenue by operating segment and by geography for each strategic business unit which are categories that depict how the nature, amount and uncertainty of revenue and cash flows are affected by economic factors. The disaggregation in the tables below reflects where revenue is earned based on the shipping address of our customers unless otherwise noted. This disaggregation also represents how the Company evaluates its financial performance, as well as how the Company communicates its financial performance to the investors and other users of its financial statements. Each strategic business unit represents the Company's reportable segments and offers different products and services.

The following tables provide disaggregation of revenue by reportable segment geography for the three and nine months ended September 30, 2024 and 2023 (in thousands):

	Three months ended September 30, 2024					
	United States	Mexico	Europe	Asia Pacific	Other International	Total
5.11	$ 104,696	$ 11,515	$ 5,517	$ 4,617	$ 12,873	$ 139,218
BOA [(1)]	11,898	14	18,307	15,329	59	45,607
Ergobaby	9,138	3	6,950	3,743	1,921	21,755
Lugano	117,863	—	196	18	507	118,584
PrimaLoft [(1)]	182	—	677	12,733	94	13,686
The Honey Pot Co.	31,532	—	—	—	13	31,545
Velocity Outdoor	28,413	2	(98)	11	481	28,809
Altor	45,344	6,785	—	—	—	52,129
Arnold	31,772	99	10,841	2,714	677	46,103
Sterno	80,611	290	2,288	55	1,943	85,187
	$ 461,449	$ 18,708	$ 44,678	$ 39,220	$ 18,568	$ 582,623

	Three months ended September 30, 2023					
	United States	Mexico	Europe	Asia Pacific	Other International	Total
5.11	$ 107,456	$ 7,660	$ 8,954	$ 4,703	$ 6,440	$ 135,213
BOA [(1)]	8,899	6	13,272	15,047	57	37,281
Ergobaby	8,316	15	7,301	6,097	1,489	23,218
Lugano	78,732	—	3	—	—	78,735
PrimaLoft [(1)]	361	34	1,238	9,193	104	10,930
Velocity Outdoor	49,840	470	1,153	169	2,837	54,469
Altor	50,173	9,042	—	—	—	59,215
Arnold	28,838	73	9,972	1,738	1,198	41,819
Sterno	77,344	—	600	12	2,229	80,185
	$ 409,959	$ 17,300	$ 42,493	$ 36,959	$ 14,354	$ 521,065

	Nine months ended September 30, 2024					
	United States	Mexico	Europe	Asia Pacific	Other International	Total
5.11	$ 298,348	$ 26,676	$ 22,079	$ 12,860	$ 27,430	$ 387,393
BOA [(1)]	37,764	36	58,323	46,275	272	142,670
Ergobaby	28,770	18	20,796	15,399	6,547	71,530
Lugano	318,626	158	245	510	1,442	320,981
PrimaLoft [(1)]	445	—	3,225	57,506	342	61,518
The Honey Pot Co.	75,788	—	—	—	104	75,892
Velocity Outdoor	71,487	463	944	321	4,204	77,419
Altor	137,538	20,208	—	—	—	157,746
Arnold	89,684	341	32,106	5,980	2,434	130,545
Sterno	214,322	290	3,351	56	5,795	223,814
	$ 1,272,772	$ 48,190	$ 141,069	$ 138,907	$ 48,570	$ 1,649,508

	Nine months ended September 30, 2023					
	United States	Mexico	Europe	Asia Pacific	Other International	Total
5.11	$ 306,610	$ 19,135	$ 24,926	$ 12,701	$ 22,323	$ 385,695
BOA [(1)]	30,576	21	42,725	39,610	458	113,390
Ergobaby	27,158	64	20,296	19,281	4,986	71,785
Lugano	203,568	—	3	—	—	203,571
PrimaLoft [(1)]	674	101	3,157	53,225	462	57,619
Velocity Outdoor	113,986	907	3,526	429	7,500	126,348
Altor	156,505	25,108	—	—	—	181,613
Arnold	83,393	319	30,061	4,582	3,692	122,047
Sterno	221,316	—	2,422	13	6,068	229,819
	$ 1,143,786	$ 45,655	$ 127,116	$ 129,841	$ 45,489	$ 1,491,887

[(1)] For BOA and PrimaLoft, revenue reflects the location of the Brand Partners of each business.

Note E — Operating Segment Data

At September 30, 2024, the Company had ten reportable operating segments. Each operating segment represents a platform acquisition. The Company's operating segments are strategic business units that offer different products and services. While each is actively managed by the Company, they are managed separately because each business requires different technology and marketing strategies. A description of each of the reportable segments and the types of products from which each segment derives its revenues is as follows:

- 5.11 is a leading provider of purpose-built technical apparel and gear for law enforcement, firefighters, EMS, and military special operations as well as outdoor and adventure enthusiasts. 5.11 is a brand known for innovation and authenticity, and works directly with end users to create purpose-built apparel and gear designed to enhance the safety, accuracy, speed and performance of tactical professionals and enthusiasts worldwide. Headquartered in Costa Mesa, California, 5.11 operates sales offices and distribution centers globally, and 5.11 products are widely distributed in uniform stores, military exchanges, outdoor retail stores, its own retail stores and on 511tactical.com.
- BOA, creator of the revolutionary, award-winning, patented BOA Fit System, partners with market-leading brands to make the best gear even better. Delivering fit solutions purpose-built for performance, the BOA Fit System is featured in footwear across snow sports, cycling, outdoor, athletic, workwear as well as performance headwear and bracing. The system consists of three integral parts: a micro-adjustable dial, high-tensile lightweight laces, and low friction lace guides creating a superior alternative to laces, buckles, Velcro, and other traditional closure mechanisms. Each unique BOA configuration is designed with brand partners to

deliver superior fit and performance for athletes, is engineered to perform in the toughest conditions and is backed by The BOA Lifetime Guarantee. BOA is headquartered in Denver, Colorado and has offices in Austria, Greater China, South Korea, and Japan.

- Ergobaby, headquartered in Torrance, California, is a designer, marketer and distributor of wearable baby carriers and accessories, blankets and swaddlers, nursing pillows, strollers, bouncers and related products. Ergobaby primarily sells its Ergobaby and Baby Tula branded products through brick-and-mortar retailers, national chain stores, online retailers, its own websites and distributors and derives more than 50% of its sales from outside of the United States.

- Lugano Diamonds is a leading designer, manufacturer and marketer of high-end, one-of-a-kind jewelry sought after by some of the world's most discerning clientele. Lugano conducts sales via its own retail salons as well as pop-up showrooms at Lugano-hosted or sponsored events in partnership with influential organizations in the equestrian, art and philanthropic community. Lugano is headquartered in Newport Beach, California.

- PrimaLoft is a leading provider of branded, high-performance synthetic insulation and materials used primarily in consumer outerwear, and accessories. The portfolio of PrimaLoft synthetic insulations offers products that can both mimic natural down aesthetics and provide the freedom to design garments ranging from stylish puffers to lightweight performance apparel. PrimaLoft insulations also offer superior economics to the brand partner and enable better sustainability characteristics through the use of recycled, low-carbon inputs. PrimaLoft is headquartered in Latham, New York.

- The Honey Pot Co. is a leading "better-for-you" feminine care brand, powered by plant-derived ingredients and clinically tested formulas. Founded in 2012 by CEO Beatrice Dixon, The Honey Pot Co. is rooted in the belief that all products should be made with healthy and efficacious ingredients that are kind to and safe for skin. The company offers an extensive range of holistic wellness products across the feminine hygiene, menstrual, personal care, and sexual wellness categories. The Honey Pot Co.'s mission is to educate, support, and provide consumers around the world with tools and resources that promote menstrual health and vaginal wellness. Its products can be found in more than 33,000 stores across the U.S. through mass merchants, drug and grocery retail chains, and online. The Honey Pot Co. is headquartered in Atlanta, Georgia.

- Velocity Outdoor is a leading designer, manufacturer, and marketer of archery products, hunting apparel and related accessories. The archery product category consists of products including Ravin crossbows and CenterPoint archery products, and the apparel category offers high-performance, feature rich hunting and casual apparel under the King's Camo brand, utilizing King's own proprietary camo patterns. Velocity Outdoor offers its products through national retail chains and dealer and distributor networks. Velocity Outdoor is headquartered in Rochester, New York. On April 30, 2024, Velocity Outdoor sold the Crosman airgun product division. The results of operation for Crosman are included in the accompanying financial statements through the date of sale.

- Altor Solutions is a designer and manufacturer of custom molded protective foam solutions and original equipment manufacturer components made from expanded polystyrene and expanded polypropylene. Altor provides products to a variety of end markets, including appliances and electronics, pharmaceuticals, health and wellness, automotive, building and other products. Altor is headquartered in Scottsdale, Arizona and operates 15 molding and fabricating facilities across North America.

- Arnold is a global solutions provider and manufacturer of engineered solutions for a wide range of specialty applications and end-markets, including aerospace and defense, general industrial, motorsport/transportation, oil and gas, medical, energy, reprographics and advertising specialties. Arnold engineers solutions for and produces high performance permanent magnets (PMAG), stators, rotors and full electric motors ("Ramco"), precision foil products (Precision Thin Metals or "PTM"), and flexible magnets (Flexmag™) that are mission critical in motors, generators, sensors and other systems and components. Based on its long-term relationships, Arnold has built a diverse and blue-chip customer base totaling more than 2,000 customers and leading systems-integrators worldwide with a focus on North America, Europe, and Asia. Arnold has built a preferred rare earth supply chain and has leading rare earth and other permanent magnet production capabilities. Arnold is headquartered in Rochester, New York.

- Sterno is a leading manufacturer and marketer of portable food warming systems, creative indoor and outdoor lighting, and home fragrance solutions for the consumer markets. Sterno offers a broad range of wick and gel chafing systems, butane stoves and accessories, liquid and traditional wax candles, catering equipment and lamps through Sterno Products, as well as scented wax cubes, warmer products, outdoor lighting and essential oils used for home decor and fragrance systems through Rimports. Sterno is headquartered in Plano, Texas.

The tabular information that follows shows data for each of the operating segments reconciled to amounts reflected in the consolidated financial statements. The operations of each of the operating segments are included in consolidated operating results as of their respective dates of acquisition. Segment profit is determined based on internal performance measures used by the Manager to assess the performance of each business. Corporate consists of corporate overhead and management fees that are not allocated to any of the Company's reportable segments. There were no significant inter-segment transactions.

Summary of Operating Segments

Net Revenues	**Three months ended September 30,**		**Nine months ended September 30,**	
(in thousands)	**2024**	**2023**	**2024**	**2023**
5.11	$ 139,218	$ 135,213	$ 387,393	$ 385,695
BOA	45,607	37,281	142,670	113,390
Ergobaby	21,755	23,218	71,530	71,785
Lugano	118,584	78,735	320,981	203,571
PrimaLoft	13,686	10,930	61,518	57,619
The Honey Pot Co.	31,545	—	75,892	—
Velocity Outdoor	28,809	54,469	77,419	126,348
Altor Solutions	52,129	59,215	157,746	181,613
Arnold	46,103	41,819	130,545	122,047
Sterno	85,187	80,185	223,814	229,819
Total segment revenue	582,623	521,065	1,649,508	1,491,887
Corporate	—	—	—	—
Total consolidated revenues	$ 582,623	$ 521,065	$ 1,649,508	$ 1,491,887

Segment Profit (Loss)	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2024	2023	2024	2023
5.11	$ 14,937	$ 13,400	$ 33,803	$ 31,652
BOA	10,364	6,684	36,490	22,685
Ergobaby	(935)	1,288	629	4,202
Lugano	47,975	27,963	120,490	64,872
PrimaLoft	(2,039)	(2,756)	6,760	5,082
The Honey Pot Co.	2,818	—	(2,362)	—
Velocity Outdoor	1,486	(28,581)	(12,873)	(33,467)
Altor Solutions	6,003	8,749	17,787	24,906
Arnold	5,425	4,739	14,905	15,390
Sterno	6,971	6,438	19,626	18,019
Total segment operating income	93,005	37,924	235,255	153,341
Corporate [1]	(22,737)	(20,551)	(65,068)	(59,298)
Total consolidated operating income	70,268	17,373	170,187	94,043
Reconciliation of segment operating income (loss) to consolidated income from continuing operations before income taxes:				
Interest expense, net	(27,358)	(27,560)	(77,494)	(80,353)
Amortization of debt issuance costs	(1,005)	(1,005)	(3,014)	(3,034)
Loss on sale of Crosman	388	—	(24,218)	—
Other income (expense), net	(78)	1,045	(4,327)	2,100
Total consolidated income (loss) from continuing operations before income taxes	$ 42,215	$ (10,147)	$ 61,134	$ 12,756

[1] Corporate operating loss is comprised of management fees paid to CGM and corporate overhead expenses.

Depreciation and Amortization Expense	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	2024	2023	2024	2023
5.11	$ 5,543	$ 6,494	$ 16,977	$ 19,645
BOA	5,203	5,875	15,651	17,267
Ergobaby	2,028	2,009	6,353	6,038
Lugano	2,352	1,913	6,708	6,522
PrimaLoft	5,258	5,281	15,751	15,841
The Honey Pot Co.	4,096	—	14,614	—
Velocity Outdoor	1,392	3,267	6,665	9,846
Altor Solutions	4,018	4,154	12,065	12,374
Arnold	2,328	2,085	6,725	6,126
Sterno	4,946	4,872	14,807	14,678
Total	37,164	35,950	116,316	108,337
Reconciliation of segment to consolidated total:				
Amortization of debt issuance costs	1,005	1,005	3,014	3,034
Consolidated total	$ 38,169	$ 36,955	$ 119,330	$ 111,371

(in thousands)	Accounts Receivable September 30, 2024	Accounts Receivable December 31, 2023	Identifiable Assets September 30, 2024 [1]	Identifiable Assets December 31, 2023 [1]
5.11	$ 60,522	$ 50,452	$ 404,240	$ 398,050
BOA	1,692	1,368	228,741	243,243
Ergobaby	12,261	12,018	70,325	73,660
Lugano	184,222	124,776	714,975	510,484
PrimaLoft	987	1,381	275,628	288,212
The Honey Pot Co.	19,365	—	286,604	—
Velocity Outdoor	21,416	24,458	98,027	207,609
Altor Solutions	35,776	35,232	168,742	186,683
Arnold	30,211	25,977	125,885	110,883
Sterno	54,559	51,740	155,649	174,166
Sales allowance accounts	(8,323)	(9,161)	—	—
Total	412,688	318,241	2,528,816	2,192,990
Reconciliation of segment to consolidated totals:				
Corporate and other identifiable assets	—	—	15,826	404,322
Total	$ 412,688	$ 318,241	$ 2,544,642	$ 2,597,312

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

Note F — Property, Plant and Equipment and Inventory

Property, plant and equipment

Property, plant and equipment is comprised of the following at September 30, 2024 and December 31, 2023 *(in thousands)*:

	September 30, 2024	December 31, 2023
Machinery and equipment	$ 238,105	$ 238,168
Furniture, fixtures and other	71,495	67,652
Leasehold improvements	102,378	95,530
Buildings and land	11,216	12,816
Construction in process	15,696	15,197
	438,890	429,363
Less: accumulated depreciation	(252,335)	(236,801)
Total	$ 186,555	$ 192,562

Depreciation expense was $10.4 million and $31.8 million for the three and nine months ended September 30, 2024, respectively and $12.0 million and $35.3 million for the three and nine months ended September 30, 2023, respectively.

Inventory

Inventory is comprised of the following at September 30, 2024 and December 31, 2023 *(in thousands)*:

	September 30, 2024	December 31, 2023
Raw materials	$ 115,964	$ 97,209
Work-in-process	66,557	25,516
Finished goods	778,777	646,406
Less: obsolescence reserve	(21,937)	(28,744)
Total	$ 939,361	$ 740,387

Note G — Goodwill and Other Intangible Assets

As a result of acquisitions of various businesses, the Company has significant intangible assets on its balance sheet that include goodwill and indefinite-lived intangibles. The Company's goodwill and indefinite-lived intangibles are tested and reviewed for impairment annually as of March 31st or more frequently if facts and circumstances warrant by comparing the fair value of each reporting unit to its carrying value. Each of the Company's businesses represent a reporting unit.

Goodwill

Annual Impairment Testing

The Company uses a qualitative approach to test goodwill and indefinite lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform quantitative goodwill impairment testing.

2024 Annual Impairment Testing

For the Company's annual impairment testing at March 31, 2024, the Company performed a qualitative assessment of our reporting units. The results of the qualitative analysis indicated that it was more-likely-than-not that the fair value of each of our reporting units except Velocity exceeded their carrying value. Based on our analysis, the Company determined that the Velocity operating segment required quantitative testing because we could not conclude that the fair value of this reporting unit significantly exceeded the carrying value based on qualitative factors alone. The Company performed a quantitative test of Velocity and the results of the testing indicated that the fair value of Velocity did not exceed the carrying value, resulting in goodwill impairment expense of $8.2 million as of March 31, 2024.

2023 Annual Impairment Testing

The Company determined that the Velocity reporting unit required additional quantitative testing because we could not conclude that the fair value of the reporting unit exceeded its carrying value based on qualitative factors alone. For the reporting units that were tested only on a qualitative basis for the 2023 annual impairment testing, the results of the qualitative analysis indicated that it is more likely than not that the fair value exceeded the carrying value of these reporting units.

The quantitative test of Velocity was performed using an income approach to determine the fair value of the reporting unit. The discount rate used in the income approach was 15% and the results of the quantitative impairment testing indicated that the fair value of the Velocity reporting unit exceeded the carrying value by 21%.

Interim Impairment Testing

2023 Interim Impairment Testing

PrimaLoft - The Company performed an interim impairment test of goodwill at PrimaLoft as of December 31, 2023. As a result of operating results that were below forecast amounts that were used as the basis for the purchase price allocation performed when PrimaLoft was acquired as well as the failure of certain financial covenants in the intercompany credit agreement as of December 31, 2023, the Company determined that a triggering event had occurred. The Company performed the quantitative impairment test using both an income approach and a market approach. The prospective information used in the income approach considers macroeconomic data, industry and reporting unit specific facts and circumstances and is our best estimate of operational results and cash flows for the PrimaLoft reporting unit as of the date of our impairment testing. The discount rate used in the income approach was 11.3%. The results of the quantitative impairment testing indicated that the fair value of the PrimaLoft reporting unit did not exceed its carrying value, resulting in goodwill impairment expense of $57.8 million in the year ended December 31, 2023.

Velocity Outdoor - The Company performed interim quantitative impairment testing of goodwill at Velocity at August 31, 2023. As a result of operating results that were below the forecast that we used in the quantitative impairment test of Velocity Outdoor at March 31, 2023, the Company determined that a triggering event had occurred at Velocity in the third quarter of 2023 and performed an interim impairment test as of August 31, 2023. The Company used an income approach for the impairment test, whereby we estimate the fair value of the reporting unit based on the present value of future cash flows. Cash flow projections are based on management's estimate of revenue growth rates and operating margins, and take into consideration industry and market conditions as well as company specific economic factors. The Company used a weighted average cost of capital of 17% in the income approach. The discount rate used was based on the weighted average cost of capital adjusted for the relevant risk associated with business specific characteristics and Velocity's ability to execute on projected cash flows. Based on the results of the impairment test, the fair value of Velocity did not exceed its carrying value. The Company recorded goodwill impairment of $31.6 million during the year ended December 31, 2023.

The following is a summary of the net carrying amount of goodwill at September 30, 2024 and December 31, 2023, is as follows *(in thousands)*:

	September 30, 2024	December 31, 2023
Goodwill - gross carrying amount	$ 1,179,963	$ 1,069,125
Accumulated impairment losses [1]	(175,879)	(167,697)
Goodwill - net carrying amount	$ 1,004,084	$ 901,428

[1] Includes accumulated goodwill impairment expense of $20.6 million recorded at Ergobaby, $72.7 million at Velocity, $24.9 million at Arnold and $57.8 million at PrimaLoft. During the three months ended March 31, 2024, the Company recorded $8.2 million of goodwill impairment expense at Velocity. In the year ended December 31, 2023, the Company recorded $31.6 million of goodwill impairment expense at Velocity and $57.8 million of goodwill impairment expense at PrimaLoft.

The following is a reconciliation of the change in the carrying value of goodwill for the nine months ended September 30, 2024 by operating segment *(in thousands)*:

	Balance at January 1, 2024	Acquisitions/Measurement Period Adjustments	Goodwill Impairment	Balance at September 30, 2024
5.11	$ 92,966	$ —	$ —	$ 92,966
BOA	254,153	—	—	254,153
Ergobaby	41,521	177	—	41,698
Lugano	86,337	—	—	86,337
PrimaLoft	232,536	—	—	232,536
The Honey Pot Co.	—	107,039	—	107,039
Velocity Outdoor	8,182	—	(8,182)	—
Altor	91,130	3,622	—	94,752
Arnold	39,267	—	—	39,267
Sterno	55,336	—	—	55,336
Total	$ 901,428	$ 110,838	$ (8,182)	$ 1,004,084

Long lived assets

Annual indefinite lived impairment testing

The Company used a qualitative approach to test indefinite lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of an indefinite lived intangible asset is impaired as a basis for determining whether it is necessary to perform quantitative impairment testing. The Company evaluated the qualitative factors of each indefinite lived intangible asset in connection with the annual impairment testing for 2024 and 2023. Results of the qualitative analysis indicate that it is more likely than not that the fair value of the reporting units that maintain indefinite lived intangible assets exceeded the carrying value.

Other intangible assets are comprised of the following at September 30, 2024 and December 31, 2023 *(in thousands)*:

	September 30, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$ 790,287	$ (325,845)	$ 464,442	$ 772,423	$ (294,628)	$ 477,795
Technology and patents	199,805	(75,678)	124,127	202,898	(66,035)	136,863
Trade names, subject to amortization	546,269	(130,464)	415,805	375,507	(124,648)	250,859
Non-compete agreements	4,638	(4,269)	369	4,638	(4,082)	556
Other contractual intangible assets	1,960	(1,743)	217	1,960	(1,593)	367
Total	1,542,959	(537,999)	1,004,960	1,357,426	(490,986)	866,440
Trade names, not subject to amortization	56,965	—	56,965	56,965	—	56,965
In-process research and development [1]	500	—	500	500	—	500
Total intangibles, net	$ 1,600,424	$ (537,999)	$ 1,062,425	$ 1,414,891	$ (490,986)	$ 923,905

[1] In-process research and development is considered indefinite lived until the underlying technology becomes viable, at which point the intangible asset will be amortized over the expected useful life.

Amortization expense related to intangible assets was $26.8 million and $80.5 million for the three and nine months ended September 30, 2024, respectively and $24.0 million and $71.9 million for the three and nine months ended September 30, 2023, respectively.

Estimated charges to amortization expense of intangible assets for the remainder of 2024 and the next four years, is as follows *(in thousands)*:

2024	2025	2026	2027	2028
$ 26,390	$ 100,366	$ 94,068	$ 83,334	$ 81,202

Note H — Warranties

The Company’s Ergobaby, BOA and Velocity Outdoor operating segments estimate their exposure to warranty claims based on both current and historical product sales data and warranty costs incurred. The Company assesses the adequacy of its recorded warranty liability quarterly and adjusts the amount as necessary. Warranty liability is included in accrued expenses in the accompanying consolidated balance sheets. A reconciliation of the change in the carrying value of the Company’s warranty liability for the nine months ended September 30, 2024 and the year ended December 31, 2023 is as follows (*in thousands*):

Warranty liability	Nine months ended September 30, 2024	Year ended December 31, 2023
Beginning balance	$ 1,375	$ 1,530
Provision for warranties issued during the period	2,341	3,489
Fulfillment of warranty obligations	(1,783)	(3,644)
Other [(1)]	(199)	—
Ending balance	$ 1,734	$ 1,375

[(1)] Represents warranty liability of disposed businesses.

Note I — Debt

2022 Credit Facility

On July 12, 2022, the LLC entered into the Third Amended and Restated Credit Agreement (the "2022 Credit Facility") to amend and restate the Second Amended and Restated Credit Agreement (the "2021 Credit Facility"). The 2022 Credit Facility provides for revolving loans, swing line loans and letters of credit ("the 2022 Revolving Credit Facility") up to a maximum aggregate amount of $600 million ("the 2022 Revolving Loan Commitment") and a $400 million term loan (the “2022 Term Loan”). The 2022 Term Loan requires quarterly payments ranging from $2.5 million to $7.5 million, commencing September 30, 2022, with a final payment of all remaining principal and interest due on July 12, 2027, which is the 2022 Term Loan’s maturity date. All amounts outstanding under the 2022 Revolving Credit Facility will become due on July 12, 2027, which is the termination date of the 2022 Revolving Loan Commitment. The 2022 Credit Facility also permits the LLC, prior to the applicable maturity date, to increase the Revolving Loan Commitment and/or obtain additional term loans in an aggregate amount of up to $250 million, subject to certain restrictions and conditions. On the closing date for the 2022 Credit Facility, the 2022 Term Loan was advanced in full and the initial borrowings outstanding under the 2022 Revolving Line of Credit were $115 million. The Company used the initial proceeds from the 2022 Credit Facility to pay all amounts outstanding under the 2021 Credit Facility, pay fees and expenses incurred in connection with the 2022 Credit Facility and fund the acquisition of PrimaLoft.

The LLC may borrow, prepay and reborrow principal under the 2022 Revolving Credit Facility from time to time during its term. Advances under the 2022 Revolving Credit Facility can be either term Secured Overnight Financing Rate ("SOFR") loans or base rate loans. Term SOFR revolving loans bear interest on the outstanding principal amount thereof for each interest period at a rate per annum based on the applicable SOFR as administered by the Federal Reserve Bank of New York (or a successor administrator), as adjusted, plus a margin ranging from 1.50% to 2.50%, based on the ratio of consolidated net indebtedness to adjusted consolidated earnings before interest expense, tax expense, and depreciation and amortization expenses for such period (the “Consolidated Total Leverage Ratio”). Base rate revolving loans bear interest on the outstanding principal amount thereof at a rate per annum equal to the highest of (i) Federal Funds rate plus 0.50%, (ii) the “prime rate”, and (iii) the applicable SOFR plus 1.0% (the “Base Rate”), plus a margin ranging from 0.50% to 1.50%, based on the Company's Consolidated Total Leverage Ratio.

Advances under the 2022 Term Loan can be either term SOFR loans or base rate loans. The 2022 Term Loan was advanced in full on the closing date for the 2022 Credit Facility as a Term SOFR loan with an interest period of one month. On the last day of an interest period, Term SOFR loans may be converted to Term SOFR loans of a different interest period or to Base Rate loans. Term SOFR term loans bear interest on the outstanding principal amount thereof for each interest period at a rate per annum based on the Term SOFR for such interest period plus a margin ranging from 1.50% to 2.50%, based on the Consolidated Total Leverage Ratio. Base rate term loans bear interest on the outstanding principal amount thereof from the applicable borrowing date at a rate per annum equal to the Base Rate plus a margin ranging from 0.50% to 1.50%, based on the Consolidated Total Leverage Ratio.

Under the 2022 Revolving Credit Facility, an aggregate amount of up to $100 million in letters of credit may be issued, as well as swing line loans of up to $25 million outstanding at one time. The issuance of such letters of credit and the making of any swing line loan would reduce the amount available under the 2022 Revolving Credit Facility.

Net availability under the 2022 Revolving Credit Facility was approximately $486.6 million at September 30, 2024. Letters of credit outstanding at September 30, 2024 totaled approximately $3.5 million. At September 30, 2024, the Company was in compliance with all covenants as defined in the 2022 Credit Facility.

The 2022 Revolving Credit Facility is secured by all of the assets of the Company, including all of its equity interests in, and loans to, its subsidiaries.

Senior Notes

2032 Senior Notes

On November 17, 2021, the Company consummated the issuance and sale of $300 million aggregate principal amount of our 5.000% Senior Notes due 2032 (the “2032 Notes” or "2032 Senior Notes") offered pursuant to a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933 (the "Securities Act"), and to non-U.S. persons under Regulation S under the Securities Act. The 2032 Notes were issued pursuant to an indenture, dated as of November 17, 2021 (the “2032 Notes Indenture”), between the Company and U.S. Bank National Association, as trustee (the “Trustee”). The 2032 Notes bear interest at the rate of 5.000% per annum and will mature on January 15, 2032. Interest on the 2032 Notes is payable in cash on January 15 and July 15 of each year, beginning on July 15, 2022.

The proceeds from the sale of the 2032 Notes was used to repay a portion of our debt outstanding under the 2021 Revolving Credit Facility.

2029 Senior Notes

On March 23, 2021, we consummated the issuance and sale of $1,000 million aggregate principal amount of our 5.250% Senior Notes due 2029 (the "2029 Notes" or "2029 Senior Notes") offered pursuant to a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act, and to non-U.S. persons under Regulation S under the Securities Act. The 2029 Notes were issued pursuant to an indenture, dated as of March 23, 2021 (the “2029 Notes Indenture”), between the Company and U.S. Bank National Association, as trustee (the "Trustee"). The 2029 Notes bear interest at the rate of 5.250% per annum and will mature on April 15, 2029. Interest on the 2029 Notes is payable in cash on April 15th and October 15th of each year. The first interest payment date on the 2029 Senior Notes was October 15, 2021. The 2029 Notes are general unsecured obligations of the Company and are not guaranteed by our subsidiaries.

The following table provides the Company's outstanding long-term debt and effective interest rates at September 30, 2024 and December 31, 2023 *(in thousands)*:

	September 30, 2024			December 31, 2023		
	Effective Interest Rate		Amount	Effective Interest Rate		Amount
2029 Senior Notes	5.25 %	$	1,000,000	5.25 %	$	1,000,000
2032 Senior Notes	5.00 %		300,000	5.00 %		300,000
2022 Term Loan	7.69 %		377,500	7.50 %		385,000
2022 Revolving Credit Facility	8.07 %		110,000	— %		—
Less: Unamortized debt issuance costs			(11,313)			(13,121)
Total debt		$	1,776,187		$	1,671,879
Less: Current Portion, term loan facilities			(12,500)			(10,000)
Long-term debt		$	1,763,687		$	1,661,879

Annual maturities of the Company's debt obligations are as follows (in thousands):

Remainder of 2024	$	2,500
2025		15,000
2026		25,000
2027		445,000
2028		—
2029 and thereafter		1,300,000
	$	1,787,500

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

	Maturity Date	Rate	Fair Value Hierarchy Level	September 30, 2024			
					Carrying Value		Fair Value
2032 Senior Notes	January 15, 2032	5.000 %	2	$	300,000	$	274,500
2029 Senior Notes	April 15, 2029	5.250 %	2	$	1,000,000	$	960,000

<u>Debt Issuance Costs</u>

Deferred debt issuance costs represent the costs associated with the issuance of the Company's financing arrangements. Since the Company can borrow, repay and reborrow principal under the 2022 Revolving Credit Facility, the debt issuance costs associated with the 2022 Revolving Credit Facility have been classified as other non-current assets in the accompanying condensed consolidated balance sheet. The debt issuance costs associated with the 2022 Term Loan and Senior Notes are classified as a reduction of long-term debt in the accompanying condensed consolidated balance sheets.

The following table summarizes debt issuance costs at September 30, 2024 and December 31, 2023, and the balance sheet classification in each of the periods presented (*in thousands*):

	September 30, 2024	December 31, 2023
Deferred debt issuance costs	$ 32,526	$ 32,526
Accumulated amortization	(16,793)	(13,779)
Deferred debt issuance costs, net	$ 15,733	$ 18,747
Balance sheet classification:		
Other noncurrent assets	$ 4,420	$ 5,626
Long-term debt	11,313	13,121
	$ 15,733	$ 18,747

Note J — Stockholders' Equity

Trust Common Shares

The Trust is authorized to issue 500,000,000 Trust common shares and the LLC is authorized to issue a corresponding number of LLC interests. The Company will at all times have the identical number of LLC interests outstanding as Trust shares. Each Trust share represents an undivided beneficial interest in the Trust, and each Trust share is entitled to one vote per share on any matter with respect to which members of the LLC are entitled to vote.

Private Placement

On December 15, 2023, the Company completed the sale of 3,550,000 common shares in a private placement to Allspring Special Small Cap Value Fund for consideration per share equal to $21.18 per share, or an aggregate sale price of approximately $75.2 million. In connection with the issuance of the shares, we paid a commission equal to 1% of the aggregate sales price, or approximately $0.8 million. The sale of the common shares was made pursuant to a subscription agreement pursuant to which the buyer agreed not to dispose of the common shares for a period of six months following the date of the private placement.

At-the-market equity offering program - common shares

On September 5, 2024, the Company refreshed its at-the-market program for the common shares of the Trust, which was initially established on September 7, 2021, by filing a prospectus supplement pursuant to which the Company may, but has no obligation to, issue and sell up to $500 million common shares of the Trust in amounts and at times to be determined by the Company. Actual sales will depend on a variety of factors to be determined by us from time to time, including, market conditions, the trading price of Trust common shares and determinations by us regarding appropriate sources of funding.

In connection with refreshing the program, the Company entered into an Amended and Restated At Market Issuance Sales Agreement (the "Amended Common Sales Agreement") with B. Riley Securities, Inc. ("B. Riley Securities"), Goldman Sachs & Co. LLC ("Goldman") and TD Securities (USA) LLC (each a "Common Sales Agent" and, collectively, the "Common Sales Agents"). The Amended Common Sales Agreement provides that the Company may offer and sell Trust common shares from time to time through or to the Common Sales Agents, as sales agent or principal, up to $500 million, in amounts and at times to be determined by the Company. Pursuant to the Amended Common Sales Agreement, the shares may be offered and sold through each Sales Agent, acting separately, in ordinary brokers' transactions, to or through a market maker, on or through the New York Stock Exchange or any other market venue where the securities may be traded, in the over-the-counter market, in privately negotiated transactions, in transactions that are deemed to be "at the market offerings" as defined in Rule 415 under the Securities Act or through a combination of any such methods of sale. The Amended Common Sales Agreement amended and restated in its entirety the At Market Issuance Sales Agreement (collectively with the Amended Common Sales Agreement, the "Common Sales Agreement"), dated September 7, 2021, between the Company, B. Riley Securities and Goldman, which provided for the offer and sale of Trust common shares up to $500 million under the terms substantially same as those under the Amended Common Sales Agreement.

During the three and nine months ended September 30, 2024, the Company sold 176,377 and 381,957 Trust common shares under the Common Sales Agreement, respectively. During the same periods, the Company received total net proceeds of approximately $3.8 million and $8.4 million, respectively, from these sales. The Company incurred approximately $0.1 million and $0.2 million in commissions paid to the Common Sales Agents during the three and nine months ended September 30, 2024, respectively.

During the three and nine months ended September 30, 2023, there were no sales of Trust common shares under the Common Sales Agreement as the at-the-market program is not active when the share repurchase program is active.

The Company incurred approximately $0.2 million and $0.4 million in total costs related to the ATM programs during the three and nine months ended September 30, 2024, respectively. The Company incurred approximately $0.1 million in total costs related to the ATM program during both the three and nine months ended September 30, 2023.

Share repurchase program

In January 2023, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase, through December 31, 2023, up to $50 million of its outstanding common shares.

The Company repurchased 75,600 shares for approximately $1.5 million and 382,400 shares for approximately $7.4 million during the three and nine months ended September 30, 2023, respectively. The share repurchase program expired on December 31, 2023.

Trust Preferred Shares

The Trust is authorized to issue up to 50,000,000 Trust preferred shares and the Company is authorized to issue a corresponding number of Trust interests.

At-the-market equity offering program - preferred shares

On September 5, 2024, the Company refreshed its at-the-market program for certain preferred shares of the Trust, which was initially established in the first quarter of 2024, by filing a prospectus supplement pursuant to which the Company may, but has no obligation to, issue and sell up to $200 million of the Trust's 7.250% Series A Preferred Shares (the “Series A Preferred Shares”), 7.875% Series B Preferred Shares (the “Series B Preferred Shares”), and 7.875% Series C Preferred Shares (the “Series C Preferred Shares” and together with the Series A Preferred Shares, the Series B Preferred Shares, and the Series C Preferred Shares, the “Preferred Shares”), each representing beneficial interests in the Trust.

In connection with refreshing the program, the Company entered into an Amended and Restated At Market Issuance Sales Agreement (the “Amended Preferred Sales Agreement”) with B. Riley Securities, Inc. (the “Preferred Sales Agent”). The Amended Preferred Sales Agreement provides that the Company may offer and sell Trust preferred shares from time to time through or to the Preferred Sales Agent, as sales agent or principal, up to $200 million, in amounts and at times to be determined by the Company. Pursuant to the Amended Preferred Sales Agreement, the shares may be offered and sold through the Preferred Sales Agent in ordinary brokers' transactions, to or through a market maker, on or through the New York Stock Exchange or any other market venue where the securities may be traded, in the over-the-counter market, in privately negotiated transactions, in transactions that are deemed to be “at the market offerings” as defined in Rule 415 under the Securities Act or through a combination of any such methods of sale. The Amended Preferred Sales Agreement amended and restated in its entirety the At Market Issuance Sales Agreement (collectively with the Amended Preferred Sales Agreement, the “Preferred Sales Agreement”), dated March 20, 2024, between the Company and B. Riley Securities, which provided for the offer and sale of Trust preferred shares up to $100 million under the terms substantially same as those under the Amended Preferred Sales Agreement.

The following table reflects the activity in the preferred share ATM program during the three and nine months ended September 30, 2024 *(in thousands, except share data)*:

	Three Months Ended September 30, 2024			Nine Months Ended September 30, 2024		
	Number of Shares Sold	Net Proceeds	Commissions Paid	Number of Shares Sold	Net Proceeds	Commissions Paid
Series A Preferred Shares	113,707	$ 2,736	$ 56	159,065	$ 3,838	$ 78
Series B Preferred Shares	309,316	7,450	162	437,383	10,570	226
Series C Preferred Shares	290,792	6,989	143	528,696	12,770	260
Total	713,815	$ 17,175	$ 361	1,125,144	$ 27,178	$ 564

The Company incurred approximately $0.1 million and $0.2 million in total costs related to the preferred share ATM program during the three and nine months ended September 30, 2024, respectively.

Series C Preferred Shares

On November 20, 2019, the Trust issued 4,000,000 7.875% Series C Preferred Shares (the "Series C Preferred Shares") with a liquidation preference of $25.00 per share, and on December 2, 2019, the Trust issued 600,000 of the Series C Preferred Shares which were sold pursuant to an option to purchase additional shares by the underwriters. Total proceeds from the issuance of the Series C Preferred Shares were $115.0 million, or $111.0 million net of underwriters' discount and issuance costs. Distributions on the Series C Preferred Shares will be payable quarterly in arrears, when and as declared by the Company's board of directors on January 30, April 30, July 30, and October 30 of each year, beginning on January 30, 2020, at a rate per annum of 7.875%. Distributions on the Series C Preferred Shares are cumulative and at September 30, 2024, $1.5 million of Series C distributions are accumulated and unpaid. Unless full cumulative distributions on the Series C Preferred Shares have been or contemporaneously are declared and set apart for payment of the Series C Preferred Shares for all past distribution periods, no distribution may be declared or paid for payment on the Trust common shares. The Series C Preferred Shares are not convertible into Trust common shares and have no voting rights, except in limited circumstances as provided for in the share designation for the Series C Preferred Shares. The Series C Preferred Shares may be redeemed at the Company's option, in whole or in part, at any time after January 30, 2025, at a price of $25.00 per share, plus any accumulated and unpaid distributions (thereon whether authorized or declared) to, but excluding, the redemption date. Holders of Series C Preferred Shares will have no right to require the redemption of the Series C Preferred Shares and there is no maturity date.

Series B Preferred Shares

On March 13, 2018, the Trust issued 4,000,000 7.875% Series B Preferred Shares (the "Series B Preferred Shares") with a liquidation preference of $25.00 per share, for gross proceeds of $100.0 million, or $96.5 million net of underwriters' discount and issuance costs. Distributions on the Series B Preferred Shares are payable quarterly in arrears, when and as declared by the Company's board of directors on January 30, April 30, July 30, and October 30 of each year, beginning on July 30, 2018, at a rate per annum of 7.875%. Holders of the Series B Preferred Shares are entitled to receive cumulative cash distributions (i) from and including the date of issuance to, but excluding, April 30, 2028 a rate equal to7.875% per annum and (ii) from and including April 30, 2028, at a floating rate equal to the applicable successor to three-month LIBOR (as determined by a calculation agent) plus a spread of 4.985% per annum. Subsequent to April 30, 2028, the distribution rate will be reset quarterly. At September 30, 2024, $1.3 million of Series B distributions are accumulated and unpaid. Unless full cumulative distributions on the Series B Preferred Shares have been or contemporaneously are declared and set apart for payment of the Series B Preferred Shares for all past distribution periods, no distribution may be declared or paid for payment on the Trust common shares. The Series B Preferred Shares are not convertible into Trust common shares and have no voting rights, except in limited circumstances as provided for in the share designation for the Series B Preferred Shares. The Series B Preferred Shares may be redeemed at the Company's option, in whole or in part, at any time after April 30, 2028, at a price of $25.00 per share, plus any accumulated and unpaid distributions (thereon whether authorized or declared) to, but excluding, the redemption date. Holders of Series B Preferred Shares will have no right to require the redemption of the Series B Preferred Shares and there is no maturity date.

Series A Preferred Shares

On June 28, 2017, the Trust issued 4,000,000 7.250% Series A Preferred Shares (the "Series A Preferred Shares") with a liquidation preference of $25.00 per share, for gross proceeds of $100.0 million, or $96.4 million net of underwriters' discount and issuance costs. When, and if declared by the Company's board of directors, distribution on the Series A Preferred Shares will be payable quarterly on January 30, April 30, July 30, and October 30 of each year, beginning on October 30, 2017, at a rate per annum of 7.250%. Distributions on the Series A Preferred Shares are discretionary and non-cumulative. The Company has no obligation to pay distributions for a quarterly distribution period if the board of directors does not declare the distribution before the scheduled record of date for the period, whether or not distributions are paid for any subsequent distribution periods with respect to the Series A Preferred Shares, or the Trust common shares. If the Company's board of directors does not declare a distribution for the Series A Preferred Shares for a quarterly distribution period, during the remainder of that quarterly distribution period the Company cannot declare or pay distributions on the Trust common shares. The Series A Preferred Shares are not convertible into Trust common shares and have no voting rights, except in limited circumstances as provided for in the share designation for the Series A Preferred Shares.

Allocation Interests

The Allocation Interests represent the original equity interest in the Company. The holders of the Allocation Interests ("Holders"), through Sostratus LLC, are entitled to receive distributions pursuant to a profit allocation formula upon the occurrence of certain events. The distributions of the profit allocation is paid upon the occurrence of the sale of a material amount of capital stock or assets of one of the Company’s businesses ("Sale Event") or, at the option of the Holders, at each five-year anniversary date of the acquisition of one of the Company’s businesses ("Holding Event"). The Company records distributions of the profit allocation to the Holders upon occurrence of a Sale Event or Holding Event as dividends declared on Allocation Interests to stockholders’ equity when they are approved by the Company’s board of directors.

Sale Event

The sale of Marucci in November 2023 represented a Sale Event and the Company's board of director's approved a distribution of $48.9 million in the first quarter of 2024. This distribution was paid to the Holders of the Allocation Interests in February 2024.

The sale of Advanced Circuits in February 2023 represented a Sale Event and the Company's board of director's approved a distribution of $24.4 million in the second quarter of 2023. In addition, the Company's board of directors approved a distribution of $2.1 million related to various sale proceeds received related to previous Sale Events. These distributions were paid to the Holders of the Allocation Interests in April 2023.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
Net income (loss) from continuing operations attributable to Holdings	$ 22,064	$ (19,705)	$ (2,458)	$ (15,711)
Less: Distributions paid - Allocation Interests	—	—	48,941	26,475
Less: Distributions paid - Preferred Shares	6,345	6,045	18,491	18,136
Less: Accrued distributions - Preferred Shares	3,191	2,869	3,191	2,869
Net income (loss) from continuing operations attributable to common shares of Holdings	$ 12,528	$ (28,619)	$ (73,081)	$ (63,191)

Earnings per share

The Company calculates basic and diluted earnings per share using the two-class method which requires the Company to allocate to participating securities that have rights to earnings that otherwise would have been available only to Trust shareholders as a separate class of securities in calculating earnings per share. The Allocation Interests are considered participating securities that contain participating rights to receive profit allocations upon the occurrence of a Holding Event or Sale Event. The calculation of basic and diluted earnings per share for the three and nine months ended September 30, 2024 and 2023 reflects the incremental increase during the period in the profit allocation distribution to Holders related to Holding Events.

Basic and diluted earnings per share for the three and nine months ended September 30, 2024 and 2023 attributable to the common shares of Holdings is calculated as follows *(in thousands, except per share data)*:

	Three months ended September 30,		Nine months ended September 30,	
	2024	**2023**	**2024**	**2023**
Net income (loss) from continuing operations attributable to common shares of Holdings	$ 12,528	$ (28,619)	$ (73,081)	$ (63,191)
Less: Effect of contribution based profit - Holding Event	6,633	4,290	15,749	9,525
Net income (loss) from continuing operations attributable to common shares of Holdings	$ 5,895	$ (32,909)	$ (88,830)	$ (72,716)
Income from discontinued operations attributable to Holdings	$ —	$ 9,551	$ 3,345	$ 124,560
Less: Effect of contribution based profit - Holding Event	—	874	—	2,084
Income from discontinued operations attributable to common shares of Holdings	$ —	$ 8,677	$ 3,345	$ 122,476
Basic and diluted weighted average common shares outstanding	75,645	71,881	75,437	71,996
Basic and fully diluted income (loss) per common share attributable to Holdings				
Continuing operations	$ 0.08	$ (0.45)	$ (1.18)	$ (1.00)
Discontinued operations	—	0.12	0.04	1.69
	$ 0.08	$ (0.33)	$ (1.14)	$ 0.69

Distributions

The following table summarizes information related to our quarterly cash distributions on our Trust common and preferred shares (in thousands, except per share data):

Period	Cash Distribution per Share		Total Cash Distributions		Record Date	Payment Date
Trust Common Shares:						
July 1, 2024 - September 30, 2024 [(1)]	$	0.25	$	18,913	October 17, 2024	October 24, 2024
April 1, 2024 - June 30, 2024	$	0.25	$	18,913	July 18, 2024	July 25, 2024
January 1, 2024 - March 31, 2024	$	0.25	$	18,846	April 18, 2024	April 25, 2024
October 1, 2023 - December 31, 2023	$	0.25	$	18,818	January 18, 2024	January 25, 2024
July 1, 2023 - September 30, 2023	$	0.25	$	17,955	October 19, 2023	October 26, 2023
April 1, 2023 - June 30, 2023	$	0.25	$	17,974	July 20, 2023	July 27, 2023
January 1, 2023 - March 31, 2023	$	0.25	$	17,987	April 20, 2023	April 27, 2023
Series A Preferred Shares:						
July 30, 2024 - October 29, 2024 [(1)]	$	0.453125	$	1,930	October 15, 2024	October 30, 2024
April 30, 2024 - July 29, 2024	$	0.453125	$	1,852	July 15, 2024	July 30, 2024
January 30, 2024 - April 29, 2024	$	0.453125	$	1,822	April 15, 2024	April 30, 2024
October 30, 2023 - January 29, 2024	$	0.453125	$	1,813	January 15, 2024	January 30, 2024
July 30, 2023 - October 29, 2023	$	0.453125	$	1,813	October 15, 2023	October 30, 2023
April 30, 2023 - July 29, 2023	$	0.453125	$	1,813	July 15, 2023	July 30, 2023
January 30, 2023 - April 29, 2023	$	0.453125	$	1,813	April 15, 2023	April 30, 2023
October 30, 2022 - January 29, 2023	$	0.453125	$	1,813	January 15, 2023	January 30, 2023
Series B Preferred Shares:						
July 30, 2024 - October 29, 2024 [(1)]	$	0.4921875	$	2,347	October 15, 2024	October 30, 2024
April 30, 2024 - July 29, 2024	$	0.4921875	$	2,064	July 15, 2024	July 30, 2024
January 30, 2024 - April 29, 2024	$	0.4921875	$	1,983	April 15, 2024	April 30, 2024
October 30, 2023 - January 29, 2024	$	0.4921875	$	1,969	January 15, 2024	January 30, 2024
July 30, 2023 - October 29, 2023	$	0.4921875	$	1,969	October 15, 2023	October 30, 2023
April 30, 2023 - July 29, 2023	$	0.4921875	$	1,969	July 15, 2023	July 30, 2023
January 30, 2023 - April 29, 2023	$	0.4921875	$	1,969	April 15, 2023	April 30, 2023
October 30, 2022 - January 29, 2023	$	0.4921875	$	1,969	January 15, 2023	January 30, 2023
Series C Preferred Shares:						
July 30, 2024 - October 29, 2024 [(1)]	$	0.4921875	$	2,690	October 15, 2024	October 30, 2024
April 30, 2024 - July 29, 2024	$	0.4921875	$	2,430	July 15, 2024	July 30, 2024
January 30, 2024 - April 29, 2024	$	0.4921875	$	2,295	April 15, 2024	April 30, 2024
October 30, 2023 - January 29, 2024	$	0.4921875	$	2,264	January 15, 2024	January 30, 2024
July 30, 2023 - October 29, 2023	$	0.4921875	$	2,264	October 15, 2023	October 30, 2023
April 30, 2023 - July 29, 2023	$	0.4921875	$	2,264	July 15, 2023	July 30, 2023
January 30, 2023 - April 29, 2023	$	0.4921875	$	2,264	April 15, 2023	April 30, 2023
October 30, 2022 - January 29, 2023	$	0.4921875	$	2,264	January 15, 2023	January 30, 2023

[(1)] This distribution was declared on October 3, 2024.

Note K — Noncontrolling Interest

Noncontrolling interest represents the portion of the Company's majority owned subsidiaries' net income (loss) and equity that is owned by noncontrolling shareholders. The following tables reflect the LLC's ownership percentage of its majority owned operating segments and related noncontrolling interest balances as of September 30, 2024 and December 31, 2023:

	% Ownership [1] September 30, 2024		% Ownership [1] December 31, 2023	
	Primary	Fully Diluted	Primary	Fully Diluted
5.11	97.6	87.0	97.2	88.9
BOA	91.8	82.7	91.8	83.2
Ergobaby	81.6	72.7	81.6	72.8
Lugano	59.9	55.0	59.9	55.5
PrimaLoft	90.7	83.7	90.7	83.1
The Honey Pot Co.	84.8	76.6	—	—
Velocity Outdoor	99.4	90.4	99.4	87.7
Altor	99.3	89.6	99.3	89.8
Arnold	98.0	85.8	98.0	85.5
Sterno	98.5	90.5	99.4	87.6

(1) The principal difference between primary and diluted percentages of our operating segments is due to stock option issuances of operating segment stock to management of the respective businesses.

	Noncontrolling Interest Balances	
(in thousands)	September 30, 2024	December 31, 2023
5.11	$ 14,575	$ 15,350
BOA	13,285	8,316
Ergobaby	16,331	16,756
Lugano	130,855	105,425
PrimaLoft	32,069	30,736
The Honey Pot Co.	41,655	—
Velocity Outdoor	6,986	6,770
Altor	6,135	5,354
Arnold	1,841	1,707
Sterno	1,084	2,117
Allocation Interests	100	100
	$ 264,916	$ 192,631

Note L — Fair Value Measurement

There were no assets or liabilities measured on a recurring basis as of September 30, 2024 or December 31, 2023.

Reconciliations of the change in the carrying value of the Level 3 fair value measurements from January 1, 2023 through September 30, 2024 are as follows (*in thousands*):

		Level 3
Balance at January 1, 2023	$	(1,442)
Termination of put option of noncontrolling shareholder - 5.11 [1]		142
Adjustment to contingent consideration - King's Camo [2]		25
Payment of contingent consideration - King's Camo [2]		1,275
Balance at December 31, 2023	$	—
Balance at September 30, 2024	$	—

(1) Represented a put option issued to a noncontrolling shareholder in connection with the 5.11 acquisition. The put option was terminated during the period ended March 31, 2023.

(2) Velocity entered into a contingent consideration in connection with its purchase of King's Camo in July 2022. The purchase price of King's Camo included a potential earn-out if King's Camo achieved certain financial metrics. The payment of the earn-out occurred in April 2023.

Valuation Techniques

The Company has not changed its valuation techniques in measuring the fair value of any of its other financial assets and liabilities during the period. For details of the Company's fair value measurement policies under the fair value hierarchy, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Nonrecurring Fair Value Measurements

The following table provides the assets and liabilities carried at fair value measured on a non-recurring basis as of September 30, 2024 and December 31, 2023. Refer to "Note G - Goodwill and Intangible Assets", for a description of the valuation techniques used to determine fair value of the assets measured on a non-recurring basis in the table below.

	Fair Value Measurements at September 30, 2024				Expense Nine months ended
(in thousands)	Carrying Value	Level 1	Level 2	Level 3	September 30, 2024
Goodwill - Velocity	$ —	—	—	$ —	$ 8,182

	Fair Value Measurements at December 31, 2023				Expense Year ended
(in thousands)	Carrying Value	Level 1	Level 2	Level 3	December 31, 2023
Goodwill - Velocity	$ 8,182	—	—	$ 8,182	$ 31,590
Goodwill - PrimaLoft	$ 232,536	—	—	$ 232,536	$ 57,810

Note M — Income taxes

The Company estimates its annual effective tax rate each fiscal quarter and applies that estimated rate to its interim pre-tax earnings. In this regard, the Company reflects the full year's estimated tax impact of certain unusual or infrequently occurring items and the effects of changes in tax laws or rates in the interim period in which they occur. The Company's parent, the Trust, is subject to entity-level U.S. federal, state and local corporate income taxes on the Company's earnings that flow through to the Trust.

The computation of the annual estimated effective tax rate for each interim period requires certain assumptions, estimates, and significant judgment, including with respect to the projected operating income for the year, projections of income earned and taxes incurred in various jurisdictions, permanent and temporary differences and the likelihood of recovering deferred tax assets. The accounting estimates used to compute the provision for income taxes may change as new events occur, as additional information is obtained, as our tax structure changes or as the tax laws change. Certain foreign operations are subject to foreign income taxation under existing provisions of the laws of those jurisdictions.

The reconciliation between the Federal Statutory Rate and the effective income tax rate for the nine months ended September 30, 2024 and 2023 is as follows:

	Nine months ended September 30,	
	2024	2023
United States Federal Statutory Rate	21.0 %	21.0 %
State income taxes (net of Federal benefits)	6.9	18.9
Foreign income taxes	7.4	16.8
Impact of subsidiary employee stock options	0.4	0.8
Non-deductible acquisition costs	1.0	—
Utilization of tax credits	(7.0)	(35.3)
Non-recognition of various carryforwards at subsidiaries	44.2	75.2
United States tax on foreign income	(2.5)	(4.5)
Impairment expense	2.3	24.3
Tax effect - loss on sale of Crosman	(8.4)	—
Other	1.7	1.0
Effective income tax rate	67.0 %	118.2 %

Note N — Defined Benefit Plan

In connection with the acquisition of Arnold, the company has a defined benefit plan covering substantially all of Arnold's employees at its Lupfig, Switzerland location. The benefits are based on years of service and the employees' highest average compensation during the specific period.

The unfunded liability of $4.2 million is recognized in the consolidated balance sheet as a component of other non-current liabilities at September 30, 2024. Net periodic benefit cost consists of the following for the three and nine months ended September 30, 2024 and 2023 *(in thousands)*:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Service cost	$ 142	$ 90	$ 406	$ 271
Interest cost	64	60	184	182
Expected return on plan assets	(53)	(54)	(150)	(163)
Amortization of unrecognized loss	(12)	(9)	(34)	(27)
Effect of settlement	30	—	30	(13)
Net periodic benefit cost	$ 171	$ 87	$ 436	$ 250

During the nine months ended September 30, 2024, per the terms of the pension agreement, Arnold contributed approximately $0.5 million to the plan. For the remainder of 2024, the expected contribution to the plan will be approximately $0.1 million.

The plan assets are pooled with assets of other participating employers and are not separable; therefore, the fair values of the pension plan assets at September 30, 2024 were considered Level 3.

Note O - Commitments and Contingencies

In the normal course of business, the Company and its subsidiaries are involved in various claims and legal proceedings. While the ultimate resolution of these matters has yet to be determined, the Company does not believe that any unfavorable outcomes will have a material adverse effect on the Company's consolidated financial position or results of operations.

Leases

The Company and its subsidiaries lease office and manufacturing facilities, computer equipment and software under various arrangements. Certain of the leases are subject to escalation clauses and renewal periods. The Company and its subsidiaries recognize lease expense, including predetermined fixed escalations, on a straight-line basis over the initial term of the lease including reasonably assured renewal periods from the time that the Company and its subsidiaries control the leased property. Leases with an initial term of 12 months or less are not recorded on the balance sheet; we recognize lease expense for these leases on a straight-line basis over the lease term. Certain of our subsidiaries have leases that contain both fixed rent costs and variable rent costs based on achievement of certain operating metrics. The variable lease expense was not a material component of our total lease expense for the three and nine months ended September 30, 2024 and 2023. The Company recognized $13.7 million and $40.3 million in the three and nine months ended September 30, 2024, and $13.5 million and $38.6 million in the three and nine months ended September 30, 2023, respectively, in expense related to operating leases in the condensed consolidated statements of operations.

The maturities of lease liabilities at September 30, 2024 are as follows (*in thousands*):

2024 (excluding nine months ended September 30, 2024)	$	11,764
2025		45,751
2026		44,481
2027		39,215
2028		30,990
Thereafter		77,634
Total undiscounted lease payments	$	249,835
Less: Interest		51,676
Present value of lease liabilities	$	198,159

The calculated amount of the right-of-use assets and lease liabilities are impacted by the length of the lease term and discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. In general, it is not reasonably certain that lease renewals will be exercised at lease commencement and therefore lease renewals are not included in the lease term. As the discount rate is rarely determinable, the Company utilizes the incremental borrowing rate of the subsidiary entering into the lease arrangement, on a collateralized basis, over a similar term as adjusted for any country specific risk.

The weighted average remaining lease terms and discount rates for all of our operating leases were as follows:

Lease Term and Discount Rate	September 30, 2024	September 30, 2023
Weighted-average remaining lease term (years)	6.17	6.18
Weighted-average discount rate	8.69 %	8.05 %

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

	Line Item in the Company's Consolidated Balance Sheet	September 30, 2024		December 31, 2023	
Operating lease right-of-use assets	Other non-current assets	$	172,657	$	177,581
Current portion, operating lease liabilities	Other current liabilities	$	31,718	$	29,228
Operating lease liabilities	Other non-current liabilities	$	166,441	$	173,586

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

	Nine months ended September 30, 2024		Nine months ended September 30, 2023	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$	34,429	$	29,294
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	$	10,976	$	36,639

Note P — Related Party Transactions

Management Services Agreement

The LLC entered into the Management Services Agreement ("MSA") with CGM effective May 16, 2006, as amended. Our Chief Executive Officer is a partner of CGM. The MSA provides for, among other things, CGM to perform services for the LLC in exchange for a management fee paid quarterly and equal to 0.5% of the LLC's adjusted net assets, as defined in the MSA.

During 2022, CGM entered into a waiver of the MSA for the period through June 30, 2023 to receive a 1% annual management fee related to PrimaLoft, rather than the 2% called for under the MSA, which resulted in a lower management fee at during the period of the waiver through June 30, 2023 than would normally have been due.

Integration Services Agreements

Integration service fees are included in selling, general and administrative expense on the subsidiaries' statement of operations in the period in which they are incurred. Under the Integration Services Agreement ("ISA"), CGM provides services for new platform acquisitions to, amongst other things, assist the management at the acquired entities in establishing a corporate governance program, implement compliance and reporting requirements of the Sarbanes-Oxley Act of 2002, as amended, and align the acquired entity's policies and procedures with our other subsidiaries.

The Honey Pot Co., which was acquired in January 2024, entered into an ISA with CGM whereby The Honey Pot Co. will pay CGM a total integration services fee of $3.5 million, payable quarterly over a twelve-month period beginning June 30, 2024. THP paid CGM $0.9 million in integration service fees in the quarters ended June 30, 2024 and September 30, 2024, respectively.

PrimaLoft, which was acquired in July 2022, entered into an ISA with CGM whereby PrimaLoft paid CGM an integration services fee of $4.8 million quarterly over the twelve-month period ended June 30, 2023.

The Company and its businesses have the following significant related party transactions

5.11

Related Party Vendor Purchases - 5.11 purchases inventory from a vendor who is a related party to 5.11 through one of the executive officers of 5.11 via the executive's 40% ownership interest in the vendor. 5.11 purchased approximately $0.4 million and $1.0 million during the three and nine months ended September 30, 2024, respectively and $0.6 million and $1.6 million during the three and nine months ended September 30, 2023, respectively in inventory from the vendor.

BOA

Recapitalization - In December 2023, the Company completed a recapitalization of BOA whereby the LLC entered into an amendment to the intercompany credit agreement with BOA (the "BOA Credit Agreement"). The BOA Credit Agreement was amended to provide for additional term loan borrowings of $165.9 million to fund a distribution to shareholders. The LLC received a distribution of $131.0 million related to its ownership of the outstanding shares of BOA on the date of the distribution. Noncontrolling shareholders received a distribution of $11.7 million, and the remaining amount of the recapitalization was used to repurchase shares owned by employees after the exercise of fully vested employee stock options, and to pay a bonus to employees who held phantom stock options and were not eligible to participate in the distribution to noncontrolling shareholders. BOA recorded compensation expense of $3.1 million related to the bonus paid to employees as part of the recapitalization.

Related Party Vendor Purchases - A contract manufacturer used by BOA as the primary supplier of molded injection parts is a noncontrolling shareholder of BOA. BOA purchased approximately $11.7 million and $35.9 million from this supplier during the three and nine months ended September 30, 2024, respectively and $10.0 million and $30.4 million during the three and nine months ended September 30, 2023, respectively.

Note Q — Subsequent Event

Acquisition of Lifoam

On *Octob*er 1, 2024, Altor Solutions acquired 100% of the outstanding equity interests of Lifoam Industries LLC, a Delaware limited liability company (“Lifoam”) pursuant to a Purchase and Sale Agreement entered into on August 19, 2024 (the “Lifoam Acquisition”). The purchase price was based on an enterprise value of $137 million, excluding working capital and other adjustments to the purchase price. Lifoam is a manufacturer and distributor of temperature-controlled shipping solutions. The Company funded the acquisition through a draw on the 2022 Revolving Credit Facility.

The acquisition occurred subsequent to the end of the third quarter and therefore no amounts were recognized in the consolidated financial statements of the Company for the three and nine months ending September 30, 2024. The acquisition will be accounted for under the acquisition method of accounting and the Company is in the process of completing an intangible asset valuation in which it expects to recognize goodwill and other intangible assets. Due to the limited time since the acquisition of Lifoam, the provisional estimated fair values of acquired assets and assumed liabilities are not yet calculated.

Share Repurchase Program

On October 15, 2024, the Company's Board of Directors approved a share repurchase program authorizing the Company to repurchase, through December 31, 2024, subject to extension by the Board, up to $100 million of its outstanding common shares.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Item 2 contains forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q are subject to a number of risks and uncertainties, some of which are beyond our control. Our actual results, performance, prospects or opportunities could differ materially from those expressed in or implied by the forward-looking statements. Additional risks of which we are not currently aware or which we currently deem immaterial could also cause our actual results to differ, including those discussed in the section entitled "Forward-Looking Statements" included elsewhere in this Quarterly Report on Form 10-Q as well as those risk factors discussed in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 and in the section entitled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q.

Overview

Compass Diversified Holdings ("Holdings", or the "Trust") was incorporated in Delaware on November 18, 2005. Compass Group Diversified Holdings LLC (the "LLC") was also formed on November 18, 2005. Holdings and the LLC (collectively, the "Company") were formed to acquire and manage a group of small and middle-market businesses headquartered in North America. The LLC is a controlling owner of ten businesses, or operating segments, at September 30, 2024. The segments are as follows: 5.11 Acquisition Corp. ("5.11"), Boa Holdings Inc. ("BOA"), The Ergo Baby Carrier, Inc. ("Ergobaby"), Lugano Holdings, Inc. ("Lugano Diamonds" or "Lugano"), Relentless Topco, Inc. ("PrimaLoft"), THP Topco, Inc. ("The Honey Pot Co." or "THP"), CBCP Products, LLC ("Velocity Outdoor" or "Velocity"), AMTAC Holdings LLC ("Arnold"), FFI Compass, Inc. ("Altor Solutions" or "Altor"), and SternoCandleLamp Holdings, Inc. ("Sterno").

We acquired our existing businesses (segments) that we own at September 30, 2024 as follows:

		Ownership Interest - September 30, 2024	
Business	**Acquisition Date**	**Primary**	**Diluted**
Ergobaby	September 16, 2010	81.6%	72.7%
Arnold	March 5, 2012	98.0%	85.8%
Sterno	October 10, 2014	98.5%	90.5%
5.11	August 31, 2016	97.6%	87.0%
Velocity Outdoor	June 2, 2017	99.4%	90.4%
Altor Solutions	February 15, 2018	99.3%	89.6%
BOA	October 16, 2020	91.8%	82.7%
Lugano	September 3, 2021	59.9%	55.0%
PrimaLoft	July 12, 2022	90.7%	83.7%
The Honey Pot Co.	January 31, 2024	84.8%	76.6%

We categorize our subsidiary businesses into two separate groups of businesses: (i) branded consumer businesses, and (ii) industrial businesses. Branded consumer businesses are characterized as those businesses that we believe capitalize on a valuable brand name in their respective market sectors. We believe that our branded consumer businesses are leaders in their respective particular product categories. Industrial businesses are characterized as those businesses that focus on manufacturing and selling particular products and industrial services within a respective specific market sectors. We believe that our industrial businesses are leaders in their specific market sector. We recently announced the launch of our healthcare effort as our third grouping of companies. We believe healthcare has multiple attractive, high-growth segments with strong industry tailwinds, is an acyclical vertical that we expect will bring diversification and stability to the current group of companies, and has strong alignment with the Company's existing subsidiary priorities.

The following is an overview of each of our subsidiary businesses:

Branded Consumer

5.11 - 5.11 is a leading provider of purpose-built technical apparel and gear for law enforcement, firefighters, EMS, and military special operations as well as outdoor and adventure enthusiasts. 5.11 is a brand known for innovation and authenticity, and works directly with end users to create purpose-built apparel and gear designed to enhance the safety, accuracy, speed and performance of tactical professionals and enthusiasts worldwide. Headquartered in Costa Mesa, California, 5.11 operates sales offices and distribution centers globally, and 5.11 products are widely distributed in uniform stores, military exchanges, outdoor retail stores, its own retail stores and on 511tactical.com.

BOA - creator of the revolutionary, award-winning, patented BOA Fit System, partners with market-leading brands to make the best gear even better. Delivering fit solutions purpose-built for performance, the BOA Fit System is featured in footwear across snow sports, cycling, outdoor, athletic, workwear as well as performance headwear and bracing. The system consists of three integral parts: a micro-adjustable dial, high-tensile lightweight laces, and low friction lace guides creating a superior alternative to laces, buckles, Velcro, and other traditional closure mechanisms. Each unique BOA configuration is designed with brand partners to deliver superior fit and performance for athletes, is engineered to perform in the toughest conditions and is backed by The BOA Lifetime Guarantee. BOA is headquartered in Denver, Colorado and has offices in Austria, Greater China, South Korea, and Japan.

Ergobaby - headquartered in Torrance, California, Ergobaby is a designer, marketer and distributor of wearable baby carriers and accessories, blankets and swaddlers, nursing pillows, strollers, bouncers and related products. Ergobaby primarily sells its Ergobaby and Baby Tula branded products through brick-and-mortar retailers, national chain stores, online retailers, its own websites and distributors and derives more than 50% of its sales from outside of the United States.

Lugano - Lugano is a leading designer, manufacturer and marketer of high-end, one-of-a-kind jewelry sought after by some of the world's most discerning clientele. Lugano conducts sales via its own retail salons as well as pop-up showrooms at Lugano-hosted or sponsored events in partnership with influential organizations in the equestrian, art and philanthropic community. Lugano is headquartered in Newport Beach, California.

PrimaLoft - PrimaLoft is a leading provider of branded, high-performance synthetic insulation and materials used primarily in consumer outerwear, and accessories. The portfolio of PrimaLoft synthetic insulations offers products that can both mimic natural down aesthetics and provide the freedom to design garments ranging from stylish puffers to lightweight performance apparel. PrimaLoft insulations also offer superior economics to the brand partner and enable better sustainability characteristics through the use of recycled, low-carbon inputs. PrimaLoft is headquartered in Latham, New York.

The Honey Pot Co.- The Honey Pot Co. is a leading "better-for-you" feminine care brand, powered by plant-derived ingredients and clinically tested formulas. Founded in 2012 by CEO Beatrice Dixon, The Honey Pot Co. is rooted in the belief that all products should be made with healthy and efficacious ingredients that are kind to and safe for skin. The company offers an extensive range of holistic wellness products across the feminine hygiene, menstrual, personal care, and sexual wellness categories. The Honey Pot Co.'s mission is to educate, support, and provide consumers around the world with tools and resources that promote menstrual health and vaginal wellness. Its products can be found in more than 33,000 stores across the U.S. through mass merchants, drug and grocery retail chains, and online. The Honey Pot Co. is headquartered in Atlanta, Georgia.

Velocity Outdoor - is a leading designer, manufacturer, and marketer of archery products, hunting apparel and related accessories. The archery product category consists of products including Ravin crossbows and CenterPoint archery products, and the apparel category offers high-performance, feature rich hunting and casual apparel under the King's Camo brand, utilizing King's own proprietary camo patterns. Velocity Outdoor offers its products through national retail chains and dealer and distributor networks. Velocity Outdoor is headquartered in Rochester, New York.

Industrial

Altor Solutions - Altor Solutions is a designer and manufacturer of custom molded protective foam solutions and original equipment manufacturer components made from expanded polystyrene and expanded polypropylene. Altor provides products to a variety of end markets, including appliances and electronics, pharmaceuticals, health and wellness, automotive, building and other products. Altor is headquartered in Scottsdale, Arizona and operates 15 molding and fabricating facilities across North America.

Arnold - Arnold is a global solutions provider and manufacturer of engineered solutions for a wide range of specialty applications and end-markets, including aerospace and defense, general industrial, motorsport/transportation, oil and gas, medical, energy, reprographics and advertising specialties. Arnold engineers solutions for and produces high performance permanent magnets (PMAG), stators, rotors and full electric motors ("Ramco"), precision foil products (Precision Thin Metals or "PTM"), and flexible magnets (Flexmag™) that are mission critical in motors, generators, sensors and other systems and components. Based on its long-term relationships, Arnold has built a diverse and blue-chip customer base totaling more than 2,000 customers and leading systems-integrators worldwide with a focus on North America, Europe, and Asia. Arnold has built a preferred rare earth supply chain and has leading rare earth and other permanent magnet production capabilities. Arnold is headquartered in Rochester, New York.

Sterno - Sterno is a leading manufacturer and marketer of portable food warming systems, creative indoor and outdoor lighting, and home fragrance solutions for the consumer markets. Sterno offers a broad range of wick and gel chafing systems, butane stoves and accessories, liquid and traditional wax candles, catering equipment and lamps through Sterno Products, as well as scented wax cubes, warmer products, outdoor lighting and essential oils used for home decor and fragrance systems through Rimports. Sterno is headquartered in Plano, Texas.

While our subsidiary businesses have different growth opportunities and potential rates of growth, we actively manage each of our subsidiary businesses to increase the value of, and cash generated by, each business through various initiatives, including making selective capital investments to expand geographic reach, increase capacity or reduce manufacturing costs of our subsidiary businesses; improving and expanding existing sales and marketing programs; and assisting in the acquisition and integration of complementary businesses.

Significant Trends Impacting Our Subsidiary Businesses

Macroeconomic Trends

The macroeconomic environment remains dynamic as global macroeconomic trends, including inflationary pressures and higher interest rates, are impacting consumer spending behavior. We expect uncertainty regarding changing market conditions, inflationary pressures and interest rates to impact consumer spending for the remainder of the year, particularly for discretionary items purchased by low and middle income consumers, even as overall consumer sentiment among other income brackets appears to be improving. While overall inflation has increased at a slower pace domestically in 2024, prices remain significantly elevated as compared to the pre-COVID-19 environment, and inflation rates remain above central banks' targets. We continue to experience modest inflationary cost increases in our materials and rising labor costs, particularly at our businesses where hourly employees comprise a larger part of the workforce. We expect that low unemployment rates and increasing wage and benefit costs will continue to have an impact on margins at our businesses for the remainder of 2024 and into the first part of 2025. Certain locales that our businesses operate in have also significantly increased the minimum wage over the past two years with more increases scheduled in coming years, which adds additional wage pressure to the rates we pay hourly workers in these locales.

Several of our consumer brand businesses experienced a decrease in net revenues in 2023 resulting from higher than anticipated end market inventory levels due to supply chain normalization and a corresponding inventory ordering surge experienced in 2022. During the third quarter of 2024, our businesses began to see increases in freight costs, particularly ocean freight, as logistics costs, which had begun to moderate after remaining relatively high post pandemic, were negatively impacted by the then anticipated port strike on the east coast in the United States, geopolitical conflicts and higher fuel costs. Accordingly, our liquidity and financial results could be impacted in ways that we are not able to predict today.

Business Outlook

The Company anticipates that the areas of focus for 2024, which are generally applicable to each of our businesses, include:

- Pursuing sales growth through a combination of new product development, increasing distribution, new customer acquisitions and international expansion;
- Driving free cash flow through increased net income and effective working capital management, enabling continued investment in our businesses;
- Raising prices, when appropriate, on our goods due to rising input costs to preserve operating margins;

- Taking market share, where possible, in each of our niche market leading companies, generally at the expense of less well capitalized competitors;
- Striving for excellence in supply chain management, manufacturing and technological capabilities;
- Continuing to pursue expense reduction and cost savings in lower margin business lines or in response to lower production volume; and
- Continuing to grow through disciplined, strategic acquisitions and rigorous integration processes.

Recent Events

Disposition of Crosman

On April 30, 2024, Velocity Outdoor entered into a stock purchase agreement to sell Crosman Corporation ("Crosman"), its airgun product division, to Daisy Manufacturing Company, for an enterprise value of approximately $63 million. The sale was completed on the same day. The Company recorded a loss of $24.2 million on the sale of Crosman in the quarter ended June 30, 2024. Velocity received net proceeds of approximately $61.9 million related to the sale of Crosman, which was used to repay amounts outstanding under its intercompany credit agreement. The results of operation of Crosman are included in the accompanying financial statements through the date of sale.

Acquisition of The Honey Pot Co.

On January 31, 2024 (the "Closing Date"), the LLC, through its newly formed acquisition subsidiaries, THP Topco, Inc., a Delaware corporation (“THP Topco”) and THP Intermediate, Inc., a Delaware corporation (“THP Buyer”), acquired The Honey Pot Company Holdings, LLC (“THP”) and certain of its affiliated entities pursuant to a Merger and Stock Purchase Agreement (the “THP Purchase Agreement”) dated January 14, 2024 by and among THP Buyer, THP, VMG Honey Pot Blocker, Inc. (“Blocker I”), NVB1, Inc. (“Blocker II”), VMG Tax-Exempt IV, L.P., New Voices Fund, LP, THP Merger Sub, LLC (“THP Merger Sub”), VMG Honey Pot Holdings, LLC, as the Sellers’ Representative, and certain remaining equity holders of THP. Pursuant to the THP Purchase Agreement, subsequent to certain internal reorganizations, THP Buyer acquired all of the issued and outstanding equity of Blocker I and Blocker II and, thereafter, THP Merger Sub merged with and into THP (the “THP Merger”), such that the separate existence of THP Merger Sub ceased, with THP surviving the THP Merger as a wholly-owned, indirect subsidiary of the THP Topco. THP is the parent company of The Honey Pot Company (DE), LLC (“The Honey Pot Co.”).

The Company purchased The Honey Pot for a total enterprise value of $380 million, before working capital and certain other adjustments (the “THP Purchase Price”). The Company funded the THP Purchase Price with cash on hand. Certain minority equity holders of THP executed agreements pursuant to which they contributed a portion of their THP equity (the “THP Rollover Equity”) to THP Topco in exchange for THP Topco common stock. THP Topco contributed the THP Rollover Equity to THP Buyer. Certain other members of The Honey Pot Co. management team also contributed cash in exchange for equity in THP Topco. The Company directly owns approximately 85% of THP Topco, which in turn indirectly owns all of the issued and outstanding equity interests of THP and The Honey Pot Co. Concurrent with the Closing, the Company provided a credit facility to THP Buyer, THP and The Honey Pot Co., as borrowers (the “THP Credit Agreement”), pursuant to which a secured revolving loan commitment and secured term loans were made available to Buyer, THP and The Honey Pot Co. (collectively, the “Borrowers”). The initial amount outstanding under these facilities on the Closing Date was approximately $110 million.

Non-GAAP Financial Measures

"U.S. GAAP" or "GAAP" refer to generally accepted accounting principles in the United States. A non-GAAP financial measure is a numerical measure of historical or future performance, financial position or cash flow that excludes amounts, or is subject to adjustments that effectively exclude amounts, included in the most directly comparable measure calculated and presented in accordance with GAAP in our financial statements, and vice versa for measures that include amounts, or are subject to adjustments that effectively include amounts, that are excluded from the most directly comparable measure as calculated and presented.

See “Reconciliation of Non-GAAP Financial Measures” for further discussion of our non-GAAP financial measures and related reconciliations.

Results of Operations

The following discussion reflects a comparison of the historical results of operations of our consolidated business for the three and nine months ended September 30, 2024 and September 30, 2023, and components of the results of operations as well as those components presented as a percent of net revenues, for each of our subsidiary businesses on a stand-alone basis.

In the following results of operations, we provide (i) our actual Consolidated Results of Operations for the three and nine months ended September 30, 2024 and 2023, which includes the historical results of operations of each of our businesses (operating segments) from the date of acquisition in accordance with US GAAP, and (ii) comparative historical components of the results of operations for each of our businesses on a stand-alone basis for the three and nine months ended September 30, 2024 and 2023, where all periods presented include relevant pro forma adjustments for pre-acquisition periods and explanations where applicable. For the acquisition of The Honey Pot Co. in January 2024, the pro forma results of operations for The Honey Pot Co. business segment has been prepared as if we purchased this business on January 1, 2023. We believe this is the most meaningful comparison for the operating results of acquired business segments. The following results of operations at each of our businesses are not necessarily indicative of the results to be expected for a full year.

All dollar amounts in the financial tables are presented in thousands. Certain amounts and percentages may not sum or recalculate due to the presentation of rounded numbers. Amounts discussed within the supporting narrative are calculated based on unrounded numbers and consequently the sum of the components may not agree to totals using the rounded numbers provided. References in the financial tables to percentage changes that are not meaningful are denoted by "NM."

Results of Operations - Consolidated

The following table sets forth our unaudited results of operations for the three and nine months ended September 30, 2024 and 2023:

	Three months ended		Nine months ended	
(in thousands)	**September 30, 2024**	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Net revenues	$ 582,623	$ 521,065	$ 1,649,508	$ 1,491,887
Cost of revenues	308,045	295,754	873,989	844,871
Gross profit	274,578	225,311	775,519	647,016
Selling, general and administrative expense	158,754	132,944	460,914	396,963
Fees to manager	18,758	18,471	55,689	51,536
Amortization of intangibles	26,798	23,955	80,547	71,906
Impairment expense	—	32,568	8,182	32,568
Operating income	70,268	17,373	170,187	94,043
Interest expense	(27,358)	(27,560)	(77,494)	(80,353)
Amortization of debt issuance costs	(1,005)	(1,005)	(3,014)	(3,034)
Gain (loss) on sale of Crosman	388	—	(24,218)	—
Other income (expense)	(78)	1,045	(4,327)	2,100
Income (loss) from continuing operations before income taxes	42,215	(10,147)	61,134	12,756
Provision for income taxes	10,754	3,837	40,960	15,077
Net income (loss) from continuing operations	$ 31,461	$ (13,984)	$ 20,174	$ (2,321)

Three months ended September 30, 2024 compared to three months ended September 30, 2023

<u>Net revenues</u>

Consolidated net revenues for the three months ended September 30, 2024 increased by approximately $61.6 million, or 11.8%, compared to the corresponding period in 2023. During the three months ended September 30, 2024 compared to 2023, we saw notable increases in net revenues at 5.11 ($4.0 million increase) BOA ($8.3 million increase), Lugano ($39.8 million increase), Arnold ($4.3 million increase) and Sterno ($5.0 million increase), offset by decreases in net revenue at Velocity ($25.7 million decrease, primarily as a result of the sale of Crosman) and Altor Solutions ($7.1 million decrease). The Honey Pot Co., which we acquired on January 31, 2024, contributed

$31.5 million in net revenues in the third quarter of 2024. Refer to "Results of Operations - Business Segments" for a more detailed analysis of net revenues by subsidiary business segment.

We do not generate any revenues apart from those generated by our subsidiaries. We may generate interest income on the investment of available funds, but expect such earnings to be minimal. We make loans from the Company to our subsidiary businesses and also hold equity interests in those businesses. Cash flows coming to the Trust and the LLC are the result of interest payments on those loans, amortization of those loans and additional principal payments on those loans. However, on a consolidated basis, these items will be eliminated.

Cost of revenues

On a consolidated basis, cost of revenues increased approximately $12.3 million during the three months ended September 30, 2024 compared to the corresponding period in 2023. We saw notable increases in cost of revenues at Lugano ($13.3 million increase) and Sterno ($3.6 million increase) that correlates with the increase in net revenue in the third quarter of 2024. We saw notable decreases in cost of revenues at Velocity ($18.7 million decrease, primarily as a result of the sale of Crosman) and Altor ($4.7 million decrease) that corresponded to the decrease in net revenue noted above. The Honey Pot Co. had cost of revenue of $14.6 million in the third quarter of 2024. Gross profit as a percentage of net revenues was approximately 47.1% in the three months ended September 30, 2024 compared to 43.2% in the three months ended September 30, 2023. The increase in gross profit as a percentage of net revenue in the quarter ended September 30, 2024 as compared to the quarter ended September 30, 2023 is driven by the mix of products sold, with increases in net revenue at our higher margin businesses, particularly Lugano. Our branded consumer businesses had gross profit as a percentage of net revenues of 56.0% in the third quarter of 2024 as compared to 51.6% in the third quarter of 2023, while our industrial businesses had gross profit as a percentage of net revenues of 27.8% in the third quarter of 2024 as compared to 27.7% in the third quarter of 2023. Refer to "Results of Operations - Business Segments" for a more detailed analysis of gross profit by subsidiary business segment.

Selling, general and administrative expense

Consolidated selling, general and administrative expense increased approximately $25.8 million during the three months ended September 30, 2024, compared to the corresponding period in 2023. We saw increases in selling, general and administrative expenses at several of our consumer brands due to increased investment in marketing and headcount, increases in employee compensation and increases in fulfillment costs. We saw notable increase in selling, general and administrative expenses at 5.11 ($2.8 million of the increase), BOA ($3.0 million of the increase), and Lugano ($6.5 million of the increase). The Honey Pot Co. had selling, general and administrative expense of $9.8 million in the third quarter of 2024, of which $0.9 million was integration service fees associated with the Company's acquisition. Refer to "Results of Operations - Business Segments" for a more detailed analysis of selling, general and administrative expense by subsidiary business segment. At the corporate level, general and administrative expense was $5.9 million in the third quarter of 2024 and $3.7 million in the third quarter of 2023. The increase in general and administrative expense in the third quarter of 2024 related to severance paid to our former chief financial officer, who departed during the third quarter, and professional fees associated with the recruitment of our new chief financial officer.

Fees to manager

Pursuant to the Management Services Agreement ("MSA"), we pay CGM a quarterly management fee equal to 0.5% (2.0% annually) of our consolidated adjusted net assets. We accrue for the management fee on a quarterly basis. For the three months ended September 30, 2024, we incurred approximately $18.8 million in management fees as compared to $18.5 million in fees in the three months ended September 30, 2023. The increase in management fees is primarily attributable to our acquisition of The Honey Pot Co. in January 2024.

Amortization expense

Amortization expense for the three months ended September 30, 2024 increased $2.8 million as compared to the three months ended September 30, 2023 as a result of the amortization expense associated with the intangibles that were recognized in conjunction with the purchase price allocation for The Honey Pot Co., which was acquired in January 2024, partially offset by the reduction in amortization expense at Velocity related to the intangible assets that were included in the sale of Crosman.

Impairment expense

In the prior year, Velocity performed an interim impairment test of their goodwill during the quarter ended September 30, 2023 as a result of operating results that were below the forecast that we used in the quantitative annual impairment test of Velocity Outdoor at March 31, 2023. The impairment test resulted in Velocity recording impairment expense of $32.6 million in the quarter ended September 30, 2023.

Interest expense

We recorded interest expense totaling $27.4 million for the three months ended September 30, 2024 compared to $27.6 million for the comparable period in 2023. There was an average of $125 million outstanding on the revolving credit facility in the third quarter of 2024 and $131 million outstanding in the third quarter of 2023, but the effective interest rate on the amounts outstanding in the third quarter of 2024 on the revolving credit facility was higher than in the comparable quarter in the prior year, resulting in higher interest expense.

Loss on sale of Crosman

On April 30, 2024, Velocity Outdoor sold Crosman Corporation ("Crosman"), its airgun product division. Velocity recorded a loss on the sale of Crosman in the quarter ending June 30, 2024 of $24.6 million, and a gain on the sale in the third quarter of $0.4 million related to proceeds received from the working capital settlement.

Other income (expense)

For the quarter ended September 30, 2024, we recorded $0.1 million in other expense as compared to $1.0 million in other income in the quarter ended September 30, 2023, an increase in expense of $1.1 million. Other income (expense) typically reflects the movement in foreign currency at our subsidiary businesses with international operations, gains or (losses) realized on the sale of property, plant and equipment, and expenses incurred or income earned that are not considered a part of our operations.

Income taxes

We had an income tax provision of $10.8 million during the three months ended September 30, 2024 compared to an income tax provision of $3.8 million during the same period in 2023, an increase of $6.9 million due to the increase in income from continuing operation before income taxes. Our effective tax rate in the quarter ended September 30, 2024 was 25.5%, compared to an effective income tax rate of (37.8)% during the same period in 2023. Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. In addition to state income taxes, the items with the most significant impact on the difference between our statutory U.S. federal income tax rate of 21% and our effective income tax rate in the third quarter was the limitations on the net operating loss carryforwards and utilization of tax credits at our subsidiaries.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

Net revenues

Consolidated net revenues for the nine months ended September 30, 2024 increased by approximately $157.6 million, or 10.6%, compared to the corresponding period in 2023. During the nine months ended September 30, 2024 compared to 2023, we saw notable increases in net revenues at BOA ($29.3 million increase), Lugano ($117.4 million increase), PrimaLoft ($3.9 million increase) and Arnold ($8.5 million increase), offset by decreases in net revenue at Velocity ($48.9 million decrease, primarily due to the sale of Crosman in April 2024), Altor Solutions ($23.9 million decrease) and Sterno ($6.0 million decrease). The Honey Pot Co., which we acquired on January 31, 2024, contributed $75.9 million in net revenues in 2024 post-acquisition in January 2024. Refer to "Results of Operations - Business Segments" for a more detailed analysis of net revenues by subsidiary business segment.

We do not generate any revenues apart from those generated by our subsidiaries. We may generate interest income on the investment of available funds, but expect such earnings to be minimal. We make loans from the Company to our subsidiary businesses and also hold equity interests in those businesses. Cash flows coming to the Trust and the LLC are the result of interest payments on those loans, amortization of those loans and additional principal payments on those loans. However, on a consolidated basis, these items will be eliminated.

Cost of revenues

On a consolidated basis, cost of revenues increased approximately $29.1 million during the nine months ended September 30, 2024 compared to the corresponding period in 2023. We saw notable increases in cost of revenues at BOA ($7.9 million increase) and Lugano ($39.2 million increase) that correlates with the increase in net revenue in the first nine months of 2024. We saw notable decreases in cost of revenues at Velocity ($36.1 million decrease), Altor ($16.4 million decrease), and Sterno ($9.0 million decrease) that corresponded to the decrease in net revenue noted above. The Honey Pot Co. had cost of revenues of $39.1 million in 2024 post-acquisition. Gross profit as a percentage of net revenues was approximately 47.0% in the nine months ended September 30, 2024 compared to 43.4% in the nine months ended September 30, 2023. The increase in gross profit as a percentage of net revenues in the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023 is driven by the mix of products sold, with increases in net revenue at our higher margin businesses, particularly Lugano. Our branded consumer businesses had gross profit as a percentage of net revenues of 55.5% in the first nine months of 2024 as compared to 52.2% in the first nine months of 2023, while our industrial businesses had gross profit as a percentage of net revenues of 28.1% in the first nine months of 2024 as compared to 27.5% in the first nine months of 2023. Refer to "Results of Operations - Business Segments" for a more detailed analysis of gross profit by subsidiary business segment.

Selling, general and administrative expense

Consolidated selling, general and administrative expense increased approximately $64.0 million during the nine months ended September 30, 2024, compared to the corresponding period in 2023. We saw increases in selling, general and administrative expenses at several of our consumer brands due to increased investment in marketing and headcount, increases in employee compensation and increases in fulfillment costs. We saw notable increases in selling, general and administrative expenses at 5.11 ($2.8 million increase), BOA ($7.6 million of the increase), Ergobaby ($3.9 million of the increase) and Lugano ($22.6 million of the increase). The Honey Pot Co. had selling, general and administrative expense of $28.0 million in the 2024 post-acquisition period, of which $3.5 million was transaction costs and $1.8 million was integration service fees associated with the acquisition. The increase in selling, general and administrative expense was offset by a decrease in expense at Velocity of $7.1 million resulting from the sale of the Crosman division. Refer to "Results of Operations - Business Segments" for a more detailed analysis of selling, general and administrative expense by subsidiary business segment. At the corporate level, general and administrative expense was $14.4 million in the nine months ended September 30, 2024 and $12.6 million the nine months ended September 30, 2023. The increase in general and administrative expense related to severance paid to our former chief financial officer, who departed during the third quarter, and professional fees associated with the recruitment of our new chief financial officer.

Fees to manager

Pursuant to the Management Services Agreement ("MSA"), we pay CGM a quarterly management fee equal to 0.5% (2.0% annually) of our consolidated adjusted net assets. We accrue for the management fee on a quarterly basis. For the nine months ended September 30, 2024, we incurred approximately $55.7 million in management fees as compared to $51.5 million in fees in the nine months ended September 30, 2023. The increase in management fees is primarily attributable to our acquisition of The Honey Pot Co. in January 2024.

CGM entered into a waiver of the MSA for a period through June 30, 2023 to receive a 1% annual management fee related to PrimaLoft, rather than the 2% called for under the MSA, which resulted in a lower management fee paid in the first six months of 2023 than would have normally been due. PrimaLoft was acquired in July 2022.

Amortization expense

Amortization expense for the nine months ended September 30, 2024 increased $8.6 million as compared to the nine months ended September 30, 2023 as a result of the amortization expense associated with the intangibles that were recognized in conjunction with the purchase price allocation for The Honey Pot Co., which was acquired in January 2024, partially offset by the reduction in amortization expense at Velocity related to the intangible assets that were included in the sale of Crosman.

Impairment expense

In connection with our annual goodwill impairment test, we tested the goodwill at the Velocity reporting unit quantitatively. The impairment test resulted in Velocity recording impairment expense of $8.2 million in the nine months ended September 30, 2024. In the prior year, Velocity performed an interim impairment test of their goodwill during the quarter ended September 30, 2023 as a result of operating results that were below the forecast that we used in the quantitative annual impairment test of Velocity Outdoor at March 31, 2023. The impairment test resulted in Velocity recording impairment expense of $32.6 million in the quarter ended September 30, 2023.

Interest expense

We recorded interest expense totaling $77.5 million for the nine months ended September 30, 2024 compared to $80.4 million for the comparable period in 2023, a decrease in expense of $2.9 million. We received $1.8 million in interest income on our cash balances at the LLC during the nine months ended September 30, 2024 related to the proceeds from our sale of Marucci, prior to using these funds for our acquisition of The Honey Pot in January 2024. The remaining decrease in interest expense in the current period reflects the lower average amount outstanding under our 2022 Revolving Credit Facility in the first nine months of 2024 as compared to the first nine months of 2023. There was an average of $81 million outstanding on the revolving credit facility in the nine month ended September 30, 2024 and $114 million outstanding in the nine months ended September 30, 2023. The amount outstanding on the revolving credit facility in the last year was impacted by the timing of our dispositions and acquisitions in the past year, with the proceeds from the sale of Advanced Circuits in February 2023 used to pay down outstanding balances on the facility, and the proceeds from the sale of Marucci in November 2023 used to pay for the acquisition of The Honey Pot Co. rather than using the availability under the Revolving Credit Facility.

Loss on sale of Crosman

On April 30, 2024, Velocity Outdoor sold Crosman Corporation ("Crosman"), its airgun product division. Velocity recorded a loss on the sale of Crosman in the quarter ending June 30, 2024 of $24.6 million, and an offsetting gain on sale of $0.4 million in the quarter ended September 30, 2024 related to the working capital settlement.

Other income (expense)

For the nine months ended September 30, 2024, we recorded $4.3 million in other expense as compared to $2.1 million in other income in the nine months ended September 30, 2023, an increase in expense of $6.4 million. Other income (expense) typically reflects the movement in foreign currency at our subsidiary businesses with international operations, gains or (losses) realized on the sale of property, plant and equipment, and expenses incurred or income earned that are not considered a part of our operations. In the nine months ended September 30, 2024, the other expense reflects a loss on an equity method investment at Altor Solutions and the accrual of a legal settlement at the corporate level.

Income taxes

We had an income tax provision of $41.0 million during the nine months ended September 30, 2024 compared to an income tax provision of $15.1 million during the same period in 2023, an increase of $25.9 million. Our effective tax rate in the nine months ended September 30, 2024 was 67.0%, compared to an effective income tax rate of 118.2% during the same period in 2023. Our tax rate is affected by recurring items, such as tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions. It is also affected by discrete items that may occur in any given year but are not consistent from year to year. In addition to state income taxes, the items with the most significant impact on the difference between our statutory U.S. federal income tax rate of 21% and our effective income tax rate in 2024 was the limitations on the net operating loss carryforwards and utilization of tax credits at our subsidiaries, the impairment expense recognized at Velocity in the first quarter of 2024 and the third quarter of 2023, and the loss on the sale of Crosman in the second quarter of 2024.

Results of Operations - Business Segments

Branded Consumer Businesses

5.11

	Three months ended				Nine months ended			
	September 30, 2024		September 30, 2023		September 30, 2024		September 30, 2023	
Net sales	$ 139,218	100.0 %	$ 135,213	100.0 %	$ 387,393	100.0 %	$ 385,695	100.0 %
Gross profit	$ 74,725	53.7 %	$ 70,363	52.0 %	$ 208,137	53.7 %	$ 203,199	52.7 %
SG&A	$ 57,366	41.2 %	$ 54,535	40.3 %	$ 167,070	43.1 %	$ 164,236	42.6 %
Segment operating income	$ 14,937	10.7 %	$ 13,400	9.9 %	$ 33,803	8.7 %	$ 31,652	8.2 %

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Net sales

Net sales for the three months ended September 30, 2024 were $139.2 million as compared to net sales of $135.2 million for the three months ended September 30, 2023, an increase of $4.0 million, or 3.0%. This increase was driven by a $5.5 million increase in international sales growth from strong demand, a $1.3 million increase in direct-to-agency sales due to the fulfillment of large contracts, and a $0.7 million increase in domestic wholesale sales due to increased inventory availability, which were offset by a $3.0 million decrease in direct-to-consumer sales due to less promotional sales and lower off price selling early in the quarter.

Gross profit

Gross profit was $74.7 million in the three months ended September 30, 2024 as compared to $70.4 million in the three months ended September 30, 2023, an increase of $4.4 million. Gross profit as a percentage of net sales was 53.7% in the third quarter of 2024 as compared to 52.0% in the third quarter of 2023. Gross profit as a percentage of net sales was favorably impacted by a non-recurring increase in inventory reserves for aged raw materials for the three months ended September 30, 2023, as well as less promotional sales and lower off price selling in the current year quarter versus the prior year quarter.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2024 was $57.4 million, or 41.2% of net sales as compared to $54.5 million, or 40.3% of net sales for the comparable period in 2023. The increase in selling, general and administrative expense was driven by an increase in sales and marketing expense, bonus and stock compensation expenses, as well as slight increases payroll costs associated with retail stores from September 30, 2023, which were offset by a decrease in bad debt expense.

Segment operating income

Segment operating income for the three months ended September 30, 2024 was $14.9 million, an increase of $1.5 million when compared to segment operating income of $13.4 million for the same period in 2023, based on the factors described above.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

Net sales

Net sales for the nine months ended September 30, 2024 were $387.4 million as compared to net sales of $385.7 million for the nine months ended September 30, 2023, an increase of $1.7 million, or 0.4%. This increase was driven by a $8.5 million increase in international sales from strong demand and a $1.5 million increase in direct-to-agency sales due to the fulfillment of large contracts. These increases were offset by a $7.9 million decrease in direct-to-consumer sales due to less promotional sales and lower off-price selling, as well as a $0.3 million decrease in domestic wholesale sales due to inventory availability.

Gross profit

Gross profit was $208.1 million in the nine months ended September 30, 2024 as compared to $203.2 million in the nine months ended September 30, 2023, an increase of $4.9 million. Gross profit as a percentage of net sales was 53.7% in the first nine months of 2024 as compared to 52.7% in the first nine months of 2023. Gross profit as a percentage of net sales was favorably impacted by a non-recurring increase in inventory reserves for aged raw materials during the nine months ended September 30, 2023, as well as less promotional sales and lower off price selling in the current year period versus the comparable period in the prior year.

Selling, general and administrative expense

Selling, general and administrative expense was $167.1 million for the nine months ended September 30, 2024, representing 43.1% of net sales, and $164.2 million in the nine months ended September 30, 2023, representing 42.6% of net sales for the comparable period in 2023. The increase in selling, general and administrative expense was due to an increase in payroll costs associated with retail stores, as well as an increase in sales, marketing, travel and stock compensation expenses. These increases were partially offset by decreases in bonus related expenses.

Segment operating income

Segment operating income for the nine months ended September 30, 2024 was $33.8 million, an increase of $2.2 million when compared to segment operating income of $31.7 million for the same period in 2023, based on the factors described above.

BOA

	Three months ended						Nine months ended					
	September 30, 2024			September 30, 2023			September 30, 2024			September 30, 2023		
Net sales	$	45,607	100.0%	$	37,281	100.0%	$	142,670	100.0%	$	113,390	100.0%
Gross profit	$	28,666	62.9%	$	21,961	58.9%	$	88,951	62.3%	$	67,559	59.6%
SG&A	$	14,120	31.0%	$	11,099	29.8%	$	39,904	28.0%	$	32,332	28.5%
Segment operating income	$	10,364	22.7%	$	6,684	17.9%	$	36,490	25.6%	$	22,685	20.0%

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Net sales

Net sales for the three months ended September 30, 2024 were $45.6 million as compared to net sales of $37.3 million for the three months ended September 30, 2023, an increase of $8.3 million, or 22.3%. The increase was reflected across key industries including Cycling, Athletic, Workwear, Outdoor and Snow Sports. The increase in sales was a result of the improvement of end market inventory levels, coupled with market share gains in many of our key industries.

Gross profit

Gross profit was $28.7 million for the three months ended September 30, 2024 as compared to $22.0 million for the three months ended September 30, 2023, an increase of $6.7 million. Gross profit as a percentage of net sales was 62.9% for the three months ended September 30, 2024 as compared to 58.9% for the three months ended September 30, 2023. The increase in gross profit as a percentage of net sales was driven by manufacturing overhead leverage as well as product mix.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2024 was $14.1 million, or 31.0% of net sales compared to $11.1 million, or 29.8% of net sales for the comparable period in 2023. The increase in selling, general, and administrative expense is primarily due to increased employee costs related to BOA's bonus plan and equity program.

Segment operating income

Segment operating income for the three months ended September 30, 2024 was $10.4 million, an increase of $3.7 million when compared to segment operating income of $6.7 million for the same period in 2023, based on the factors described above.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

Net sales

Net sales for the nine months ended September 30, 2024 were $142.7 million as compared to net sales of $113.4 million for the nine months ended September 30, 2023, an increase of $29.3 million, or 25.8%. The increase was reflected across key industries including Cycling, Athletic, Workwear, Outdoor and Snow Sports. The increase in sales was a result of the improvement of end market inventory levels, coupled with market share gains in many of our key industries.

Gross profit

Gross profit was $89.0 million for the nine months ended September 30, 2024 as compared to $67.6 million for the nine months ended September 30, 2023, an increase of $21.4 million. Gross Profit as a percentage of net sales was 62.3% for the nine months ended September 30, 2024 as compared to 59.6% for the nine months ended September 30, 2023. The increase in gross profit as a percentage of net sales was driven by manufacturing overhead leverage as well as product mix.

Selling, general and administrative expense

Selling, general and administrative expense for the nine months ended September 30, 2024 was $39.9 million, or 28.0% of net sales compared to $32.3 million, or 28.5% of net sales for the comparable period in 2023. The increase in selling, general, and administrative expense is primarily due to increased employee costs related to BOA's bonus plan and equity program.

Segment operating income

Segment operating income for the nine months ended September 30, 2024 was $36.5 million, an increase of $13.8 million when compared to segment operating income of $22.7 million for the same period in 2023, based on the factors described above.

Ergobaby

	Three months ended				Nine months ended			
	September 30, 2024		September 30, 2023		September 30, 2024		September 30, 2023	
Net sales	$ 21,755	100.0 %	$ 23,218	100.0 %	$ 71,530	100.0 %	$ 71,785	100.0 %
Gross profit	$ 13,825	63.5 %	$ 15,037	64.8 %	$ 46,176	64.6 %	$ 45,956	64.0 %
SG&A	$ 12,793	58.8 %	$ 11,758	50.6 %	$ 39,649	55.4 %	$ 35,781	49.8 %
Segment operating income (loss)	$ (935)	(4.3)%	$ 1,288	5.5 %	$ 629	0.9 %	$ 4,202	5.9 %

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Net sales

Net sales for the three months ended September 30, 2024 were $21.8 million, a decrease of $1.5 million, or 6.3%, compared to the same period in 2023. During the three months ended September 30, 2024, international sales were approximately $12.6 million, representing a decrease of $2.3 million over the corresponding period in 2023, primarily as a result of decreased distributor sales. Domestic sales were $9.2 million in the third quarter of 2024, reflecting an increase of $0.9 million compared to the corresponding period in 2023. The increase in domestic sales was primarily due to increases from key accounts.

Gross profit

Gross profit as a percentage of net sales was 63.5% for the three months ended September 30, 2024, as compared to 64.8% for the three months ended September 30, 2023. The decrease in gross profit as a percentage of sales was due to shifts in channel mix.

Selling, general and administrative expense

Selling, general and administrative expense increased $1.0 million quarter over quarter, with expense of $12.8 million, or 58.8% of net sales for the three months ended September 30, 2024 as compared to $11.8 million or 50.6% of net sales for the same period of 2023. The increase in selling, general and administrative expense in the three months ended September 30, 2024 as compared to the comparable period in the prior year is due to increased outbound freight, warehousing and marketing expenses, as well as increased legal fees.

Segment operating income (loss)

Ergobaby had segment operating loss of approximately $0.9 million for the three months ended September 30, 2024, and segment operating income of $1.3 million for the three months ended September 30, 2023, a decrease of $2.2 million based on the factors noted above.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

Net sales

Net sales for the nine months ended September 30, 2024 were $71.5 million, an decrease of $0.3 million, or 0.4%, compared to the same period in 2023. During the nine months ended September 30, 2024, international sales were approximately $42.8 million, representing a decrease of $1.9 million over the corresponding period in 2023, primarily as a result of decreased distributor sales. Domestic sales were $28.8 million in the first nine months of 2024, reflecting an increase of $1.6 million compared to the corresponding period in 2023. The increase in domestic sales was primarily due to increases from online channels.

Gross profit

Gross profit as a percentage of net sales was 64.6% for the nine months ended September 30, 2024, as compared to 64.0% for the nine months ended September 30, 2023. The increase in gross profit as a percentage of sales was due to shifts in channel mix and reduced costs.

Selling, general and administrative expense

Selling, general and administrative expense increased $3.9 million year over year, with expense of $39.6 million, or 55.4% of net sales for the nine months ended September 30, 2024 as compared to $35.8 million or 49.8% of net sales for the same period of 2023. The increase in selling, general and administrative expense in the nine months ended September 30, 2024 as compared to the comparable period in the prior year is due to increased outbound freight, warehousing and marketing expenses, as well as increased legal fees.

Segment operating income

Ergobaby had segment operating income of $0.6 million for the nine months ended September 30, 2024, a decrease of $3.6 million compared to the same period in 2023, based on the factors noted above.

Lugano

	Three months ended				Nine months ended			
	September 30, 2024		September 30, 2023		September 30, 2024		September 30, 2023	
Net sales	$ 118,584	100.0 %	$ 78,735	100.0 %	$ 320,981	100.0 %	$ 203,571	100.0 %
Gross profit	$ 72,055	60.8 %	$ 45,460	57.7 %	$ 191,681	59.7 %	$ 113,435	55.7 %
SG&A	$ 22,585	19.0 %	$ 16,070	20.4 %	$ 66,842	20.8 %	$ 44,281	21.8 %
Segment operating income	$ 47,975	40.5 %	$ 27,963	35.5 %	$ 120,490	37.5 %	$ 64,872	31.9 %

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Net sales

Net sales for the quarter ended September 30, 2024 increased approximately $39.8 million, or 50.6%, to $118.6 million, compared to the corresponding quarter ended September 30, 2023. Lugano sells high-end jewelry primarily through retail salons in California, Florida, Texas, Washington D.C., Colorado, Connecticut, and London, England, as well as via pop-up showrooms at multiple equestrian, social and charitable functions each year. In the current year period, Lugano has experienced strong same store sales growth as it has invested in building out its inventory as well as its sales, marketing and event staff, while increasing the number of social and charitable functions it has attended. Lugano opened its Greenwich, Connecticut location in September 2023, and its London, England salon in the second quarter of 2024, and expects to open more retail locations in the near term to further expand sales opportunities.

Gross profit

Gross profit as a percentage of net sales totaled approximately 60.8% and 57.7% for the quarters ended September 30, 2024 and September 30, 2023, respectively. Lugano has an extensive network of suppliers through which it procures diamonds and gemstones, which make up a significant percentage of the cost of sales. The increase in margins is attributable to pricing and product mix, especially in its higher priced jewelry pieces, as well as a decrease in wholesaler sales, which have lower margins.

Selling, general and administrative expense

Selling, general and administrative expense was $22.6 million for the three months ended September 30, 2024 as compared to $16.1 million in selling, general and administrative expense in the three months ended September 30, 2023. Selling, general and administrative expense represented 19.0% of net sales for the three months ended September 30, 2024 and 20.4% of net sales for the same period of 2023. The increase in selling, general and administrative expense is primarily due to overhead expenses from newly opened locations, increased marketing spend and personnel costs, and variable costs that correlate to the increase in revenue. Lugano continues to increase its head count as it invests in additional professionals to support its growth and geographic expansion.

Segment operating income

Segment operating income increased during the three months ended September 30, 2024 to $48.0 million, as compared to $28.0 million in the corresponding period in 2023. This increase was a result of the factors noted above.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

Net sales

Net sales for the nine months ended September 30, 2024 increased approximately $117.4 million, or 57.7%, to $321.0 million, compared to the corresponding nine months ended September 30, 2023. Lugano sells high-end jewelry primarily through retail salons in California, Florida, Texas, Washington D.C., Colorado, Connecticut, and London, England, as well as via pop-up showrooms at multiple equestrian, social and charitable functions each year. In the current year period, Lugano has experienced strong same store sales growth as it has invested in building out its inventory as well as its sales, marketing and event staff, while increasing the number of social and charitable functions it has attended. Lugano opened its Greenwich, Connecticut location in September 2023, and its London, England salon in the second quarter of 2024, and expects to open more retail locations in the near term to further expand sales opportunities.

Gross profit

Gross profit as a percentage of net sales totaled approximately 59.7% and 55.7% for the nine months ended September 30, 2024 and September 30, 2023, respectively. Lugano has an extensive network of suppliers through which they procure high quality diamonds and gemstones, which make up a significant percentage of the cost of sales. The increase in margins is attributable to pricing and product mix, especially in its higher priced jewelry pieces.

Selling, general and administrative expense

Selling, general and administrative expense was $66.8 million for the nine months ended September 30, 2024 as compared to $44.3 million in selling, general and administrative expense in the nine months ended September 30, 2023. Selling, general and administrative expense represented 20.8% of net sales in the nine months ended September 30, 2024 and 21.8% of net sales for the same period of 2023. The increase in selling, general and administrative expense is primarily due to overhead expenses from newly opened locations, increased marketing spend and personnel costs, and variable costs that correlate to the increase in revenue. Lugano continues to increase its head count as it invests in additional professionals to support its growth and geographic expansion.

Segment operating income

Segment operating income increased during the nine months ended September 30, 2024 to $120.5 million, as compared to $64.9 million in the corresponding period in 2023. This increase was a result of the factors noted above.

PrimaLoft

	Three months ended				Nine months ended			
	September 30, 2024		September 30, 2023		September 30, 2024		September 30, 2023	
Net sales	$ 13,686	100.0 %	$ 10,930	100.0 %	$61,518	100.0 %	$ 57,619	100.0 %
Gross profit	$ 8,646	63.2 %	$ 6,539	59.8 %	$38,738	63.0 %	$ 36,096	62.6 %
SG&A	$ 5,232	38.2 %	$ 3,842	35.2 %	$15,618	25.4 %	$ 14,654	25.4 %
Segment operating income (loss)	$ (2,039)	(14.9)%	$ (2,756)	(25.2)%	$6,760	11.0 %	$ 5,082	8.8 %

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Net sales

Net sales for the three months ended September 30, 2024 were $13.7 million, an increase of $2.8 million as compared to net sales of $10.9 million for the three months ended September 30, 2023. The increase in net sales in the current quarter versus the quarter ended September 30, 2023 is attributable to inventory levels in the retail market normalizing, which has resulted in an increase in orders from retailers with brand partners. The excess inventory in the retail market during 2023 impacted orders during the comparable period in 2023.

Gross profit

Gross profit for the quarter ended September 30, 2024 increased $2.1 million as compared to the three months ended September 30, 2023. Gross profit as a percentage of net sales for the three months ended September 30, 2024 was 63.2%, as compared to gross profit as a percentage of sales of 59.8% for the three months ended September 30, 2023. The increase in gross profit as a percentage of net sales in the quarter ended September 30, 2024 as compared to the quarter ended September 30, 2023 is due to product mix shift.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2024 was $5.2 million, or 38.2% of net sales compared to $3.8 million, or 35.2% of net sales for the three months ended September 30, 2023. The increase in selling, general and administrative expense was due primarily to increased marketing spend and bonus expense versus the prior year comparable period..

Segment operating loss

Segment operating loss for the three months ended September 30, 2024 was $2.0 million, an increase of $0.7 million when compared to segment operating loss of $2.8 million for the same period in 2023, as a result of the factors noted above.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

Net sales

Net sales for the nine months ended September 30, 2024 were $61.5 million, an increase of $3.9 million as compared to net sales of $57.6 million for the nine months ended September 30, 2023. The increase in net sales in the current period versus the nine months ended September 30, 2023 is attributable to inventory levels in the retail market normalizing, which has resulted in an increase in orders from retailers with brand partners.

Gross profit

Gross profit for the nine months ended September 30, 2024 increased $2.6 million as compared to the nine months ended September 30, 2023. Gross profit as a percentage of net sales for the nine months ended September 30, 2024 was 63.0%, as compared to gross profit as a percentage of sales of 62.6% for the nine months ended September 30, 2023. The increase in gross profit as a percentage of net sales in the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023 is due to product mix shift.

Selling, general and administrative expense

Selling, general and administrative expense for the nine months ended September 30, 2024 was $15.6 million, or 25.4% of net sales compared to $14.7 million, or 25.4% of net sales for the nine months ended September 30, 2023. Selling, general and administrative expense in the prior period included $2.4 million in integration services fees associated with the Company's acquisition of PrimaLoft. Excluding the integration service fee, selling, general and administrative expense increased approximately $3.3 million due to the increase in headcount as PrimaLoft continues to focus on future growth.

Segment operating income

Segment operating income for the nine months ended September 30, 2024 was $6.8 million, an increase of $1.7 million when compared to segment operating income of $5.1 million for the same period in 2023, as a result of the factors noted above.

The Honey Pot Co.

In the following results of operations, we provide comparative proforma results of operations for The Honey Pot Co. for the three and nine months ended September 30, 2024 and September 30, 2023 as if we had acquired the business on January 1, 2023. The results of operations that follow include relevant proforma adjustments for pre-acquisition periods and explanations where applicable. The operating results for The Honey Pot Co. have been included in the consolidated results of operation from the date of acquisition in January 2024.

	Three months ended				Nine months ended			
	September 30, 2024		September 30, 2023		September 30, 2024		September 30, 2023	
			Proforma		Proforma		Proforma	
Net sales	$ 31,545	100.0 %	$ 25,560	100.0 %	$ 86,563	100.0 %	$ 82,447	100.0 %
Gross profit	$ 16,897	53.6 %	$ 14,011	54.8 %	$ 43,139	49.8 %	$ 47,709	57.9 %
SG&A	$ 9,814	31.1 %	$ 9,382	36.7 %	$ 30,746	35.5 %	$ 28,440	34.5 %
Segment operating (loss) income	$ 2,818	8.9 %	$ 364	1.4 %	$ (403)	(0.5)%	$ 6,473	7.9 %

Proforma results of operations include the following proforma adjustments as if we had acquired The Honey Pot Co. on January 1, 2023:

- Incremental stock compensation expense of $0.3 million for the nine months ended September 30, 2024 and $0.3 million and $1.1 million, respectively, for the three and nine months ended September 30, 2023. This amount is included in SG&A above and reduces segment operating income.
- Amortization expense associated with the intangible assets recorded in connection with the purchase price allocation for THP of $1.3 million for the nine months ended September 30, 2024 and $4.0 and $12.0, respectively, for the three and nine months ended September 30, 2023. This amount reduces segment operating income.
- Management fees that would have been payable to the Manager during each period. THP will pay a management fee of $1.0 million per year ($0.25 million per quarter) to CGM. This amount reduces segment operating income.

Three months ended September 30, 2024 compared to proforma three months ended September 30, 2023

Net sales

Net sales for the three months ended September 30, 2024 were $31.5 million, an increase of $6.0 million or 23.4% from net sales of $25.6 million for the three months ended September 30, 2023. The increase in net sales is primarily due to strong volume growth due to market share gain in our Period Care product line.

Gross profit

Gross profit for the quarter ended September 30, 2024 increased $2.9 million as compared to the three months ended September 30, 2023. Gross profit as a percentage of net sales for the three months ended September 30, 2024 was 53.6%, as compared to gross profit as a percentage of sales of 54.8% for the three months ended September 30, 2023. The decline in gross profit as a percentage of net sales in the quarter ended September 30, 2024 as compared to the quarter ended September 30, 2023 is attributable to channel mix shift and higher fixed costs due to the replacement of regional third-party distribution facilities with a larger dedicated distribution center to support future growth and that will benefit from scale efficiencies over time.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2024 was $9.8 million, or 31.1% of net sales compared to $9.4 million, or 36.7% of net sales for the three months ended September 30, 2023. Selling, general and administrative expense for the three months ended September 30, 2024 includes $0.9 million in integrations services fees paid to CGM during the quarter. Excluding the integration services fee, selling, general and administrative expense decreased $0.3 million versus the comparable quarter in the prior year. The decrease in selling, general and administrative expense in the three months ended September 30, 2024 as compared to the three months ended September 30, 2023 was due to changes in bonus and compensation plans.

Segment operating income

Segment operating income for the three months ended September 30, 2024 was $2.8 million, an increase of $2.5 million when compared to segment operating income of $0.4 million for the same period in 2023, as a result of the factors noted above.

Proforma nine months ended September 30, 2024 compared to proforma nine months ended September 30, 2023

Net sales

Net sales for the nine months ended September 30, 2024 were $86.6 million, an increase of $4.1 million or 5.0% from net sales of $82.4 million for the nine months ended September 30, 2023. The increase in net sales is primarily due to volume growth and market share gains in the Period Care product line, particularly in the online, drugstore, and grocery channels.

Gross profit

Gross profit for the nine months ended September 30, 2024 decreased $4.6 million as compared to the nine months ended September 30, 2023. Gross profit as a percentage of net sales for the nine months ended September 30, 2024 was 49.8%, as compared to gross profit as a percentage of sales of 57.9% for the nine months ended September 30, 2023. Cost of sales in the nine months ended September 30, 2024 includes $3.8 million in amortization of the inventory step-up resulting from the acquisition purchase allocation. Excluding the effect of the step-up amortization, gross profit as a percentage of net sales for the nine months ended 2024 was 54.1%. The decline in gross profit as a percentage of net sales in the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023 is attributable to channel mix shift and higher fixed costs due to the replacement of 3PL distribution with a larger dedicated distribution center to support future growth and that will benefit from scale efficiencies over time.

Selling, general and administrative expense

Selling, general and administrative expense for the nine months ended September 30, 2024 was $30.7 million, or 35.5% of net sales compared to $28.4 million, or 34.5% of net sales for the nine months ended September 30, 2023. Selling, general and administrative expense in the current period includes $3.5 million in transaction costs associated with the Company's acquisition of The Honey Pot Co. and $2.4 million in integration services fees paid to CGM.

Segment operating income (loss)

Segment operating loss for the nine months ended September 30, 2024 was $0.4 million, a decrease of $6.9 million when compared to segment operating income of $6.5 million for the same period in 2023, as a result of the factors noted above.

Velocity Outdoor

On April 30, 2024, Velocity Outdoor sold its Crosman airgun product division. The results of operations for the nine months ended September 30, 2024 and the three and nine months ended September 30, 2023 presented below include the results from the Crosman airgun product division through the date of sale.

	Three months ended						Nine months ended					
	September 30, 2024			September 30, 2023			September 30, 2024			September 30, 2023		
Net sales	$	28,809	100.0 %	$	54,469	100.0 %	$	77,419	100.0 %	$	126,348	100.0 %
Gross profit	$	8,859	30.8 %	$	15,843	29.1 %	$	20,984	27.1 %	$	33,859	26.8 %
SG&A	$	6,063	21.0 %	$	9,336	17.1 %	$	20,130	26.0 %	$	27,196	21.5 %
Impairment expense	$	—	— %	$	32,568	59.8 %	$	8,182	10.6 %	$	32,568	25.8 %
Segment operating income (loss)	$	1,486	5.2 %	$	(28,581)	(52.5)%	$	(12,873)	(16.6)%	$	(33,467)	(26.5)%

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Net sales

Net sales for the three months ended September 30, 2024 were $28.8 million, a decrease of $25.7 million or 47.1%, compared to the same period in 2023. The decrease in net sales for the three months ended September 30, 2024 is driven by the divestiture of Crosman. The remaining product categories, which consist of the archery and hunting apparel product categories decreased 8.4% compared to the same period in 2023 due to softness in the overall Hunting and Fishing market as well as retailers reducing levels of inventory on hand.

Gross profit

Gross profit for the quarter ended September 30, 2024 decreased $7.0 million as compared to the quarter ended September 30, 2023. Gross profit as a percentage of net sales increased to 30.8% for the three months ended September 30, 2024 as compared to 29.1% in the three months ended September 30, 2023 due to the divestiture of Crosman. The archery and hunting apparel product categories have higher margins than the airgun product category due to differences in the sales channels and the premium nature of the products sold in these categories. In the quarter ended September 30, 2024, the gross profit for the remaining Velocity business decreased 5.3% compared to the prior year comparable quarter driven by the decrease in volume and absorption of fixed overhead costs.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2024 was $6.1 million, or 21.0% of net sales compared to $9.3 million, or 17.1% of net sales for the three months ended September 30, 2023. Selling, general and administrative expense decreased $3.3 million in the quarter ended September 30, 2024 as compared to the prior period. Expenses for the remaining Velocity business decreased $0.2 million compared to the previous year quarter.

Impairment expense

Velocity performed an interim impairment test of their goodwill during the quarter ended September 30, 2023 as a result of operating results that were below forecast amounts that were used in quantitative impairment testing performed in March 2023. The impairment test resulted in Velocity recording impairment expense of $32.6 million in the quarter ended September 30, 2023.

Segment operating income (loss)

Segment operating income for the three months ended September 30, 2024 was $1.5 million compared to segment operating loss of $28.6 million for the same period in 2023. The loss in the prior year was driven primarily by the goodwill impairment expense.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

Net sales

Net sales for the nine months ended September 30, 2024 were $77.4 million, a decrease of $48.9 million or 38.7%, compared to the same period in 2023. The decrease in net sales for the nine months ended September 30, 2024 is driven by the divestiture of Crosman. The remaining product categories, which consist of the archery and hunting apparel product categories decreased approximately $4.5 million compared to the same period in 2023 due to softness in the overall Hunting and Fishing market as well as retailers reducing levels of inventory on hand.

Gross profit

Gross profit for the nine months ended September 30, 2024 decreased $12.9 million as compared to the nine months ended September 30, 2023. Gross profit as a percentage of net sales increased to 27.1% for the nine months ended September 30, 2024 as compared to 26.8% in the nine months ended September 30, 2023 due to product mix and the absorption of overhead expense on reduced sales.

Selling, general and administrative expense

Selling, general and administrative expense for the nine months ended September 30, 2024 was $20.1 million, or 26.0% of net sales compared to $27.2 million, or 21.5% of net sales for the nine months ended September 30, 2023. Selling, general and administrative expense decreased $7.1 million in the nine months ended September 30, 2024 as compared to the prior period but increased as a percentage of net sales due to the decrease in revenue noted above.

Impairment expense

The Velocity reporting unit was tested quantitatively in connection with the company's annual goodwill impairment testing in March 2024. The impairment test resulted in Velocity recording impairment expense of $8.2 million in the nine months ended September 30, 2024 after the fair value of the reporting unit did not exceed the carrying value. In the prior year, Velocity performed an interim impairment test of their goodwill during the quarter ended September 30, 2023 as a result of operating results that were below forecast amounts that were used in quantitative impairment testing performed in March 2023. The impairment test resulted in Velocity recording impairment expense of $32.6 million in the quarter ended September 30, 2023.

Segment operating loss

Segment operating loss for the nine months ended September 30, 2024 was $12.9 million, a decrease in loss of $20.6 million when compared to segment operating loss of $33.5 million for the same period in 2023 based on the factors noted above.

Industrial Businesses

Altor Solutions

	Three months ended				Nine months ended			
	September 30, 2024		September 30, 2023		September 30, 2024		September 30, 2023	
Net sales	$ 52,130	100.0 %	$ 59,215	100.0 %	$ 157,746	100.0 %	$ 181,613	100.0 %
Gross profit	$ 16,079	30.8 %	$ 18,462	31.2 %	$ 47,280	30.0 %	$ 54,733	30.1 %
SG&A	$ 7,482	14.4 %	$ 7,117	12.0 %	$ 21,711	13.8 %	$ 22,038	12.1 %
Segment operating income	$ 6,003	11.5 %	$ 8,749	14.8 %	$ 17,787	11.3 %	$ 24,906	13.7 %

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Net sales

Net sales for the quarter ended September 30, 2024 were $52.1 million, a decrease of $7.1 million, or 12.0%, compared to the quarter ended September 30, 2023. The decrease in net sales during the quarter was due to shifting market conditions of the food delivery and other cold chain markets, which represent one of Altor's largest customer segments. Altor is strategically repositioning itself to adapt to these changes, including with the acquisition of Lifoam in October 2024, but anticipates continued sales pressure for the remainder of 2024.

Gross profit

Gross profit as a percentage of net sales was 30.8% and 31.2% for the three months ended September 30, 2024 and 2023, respectively. The decrease in gross profit as a percentage of net sales in the quarter ended September 30, 2024, was primarily due to fixed cost absorption on a lower sales base due to the decrease in net sales.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2024 was $7.5 million as compared to $7.1 million for the three months ended September 30, 2023, an increase of $0.4 million. The increase in selling, general and administrative expense in the third quarter of 2024 was due to higher marketing investment in the current year quarter.

Segment operating income

Segment operating income was $6.0 million in the three months ended September 30, 2024, a decrease of $2.7 million as compared to the three months ended September 30, 2023, based on the factors noted above.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

Net sales

Net sales for the nine months ended September 30, 2024 were $157.7 million, a decrease of $23.9 million, or 13.1%, compared to the nine months ended September 30, 2023. The decrease in net sales during the period was due to shifting market conditions of the food delivery and other cold chain markets, which represent one of Altor's largest customer segments, and supplier diversification initiatives. Altor is strategically repositioning itself to adapt to these changes, including with the acquisition of Lifoam in October 2024, but anticipates continued sales pressure for the remainder of 2024.

Gross profit

Gross profit as a percentage of net sales was consistent period over period, at 30.0% and 30.1% for the nine months ended September 30, 2024 and 2023, respectively.

Selling, general and administrative expense

Selling, general and administrative expense for the nine months ended September 30, 2024 was $21.7 million as compared to $22.0 million for the nine months ended September 30, 2023, a decrease of $0.3 million. The decrease in selling, general and administrative expense in the first nine months of 2024 was due to lower incentive compensation as a result of the decrease in revenue.

Segment operating income

Segment operating income was $17.8 million in the nine months ended September 30, 2024, a decrease of $7.1 million as compared to the nine months ended September 30, 2023, based on the factors noted above.

Arnold

	Three months ended				Nine months ended			
	September 30, 2024		September 30, 2023		September 30, 2024		September 30, 2023	
Net sales	$ 46,103	100.0 %	$ 41,819	100.0 %	$ 130,545	100.0 %	$ 122,047	100.0 %
Gross profit	$ 13,703	29.7 %	$ 11,898	28.5 %	$ 37,954	29.1 %	$ 36,392	29.8 %
SG&A	$ 7,529	16.3 %	$ 6,409	15.3 %	$ 20,800	15.9 %	$ 18,751	15.4 %
Segment operating income	$ 5,425	11.8 %	$ 4,739	11.3 %	$ 14,905	11.4 %	$ 15,390	12.6 %

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Net sales

Net sales for the three months ended September 30, 2024 were approximately $46.1 million, an increase of $4.3 million compared to the same period in 2023. International sales were $14.3 million in the three months ended September 30, 2024 and $13.0 million in the three months ended September 30, 2023, an increase of 10.4%. The increase in net sales is primarily a result of increased demand in several markets including aerospace and defense, oil and gas and energy, partially offset by lower demand in the transportation market.

Gross profit

Gross profit for the three months ended September 30, 2024 was approximately $13.7 million compared to approximately $11.9 million in the same period of 2023. Gross profit as a percentage of net sales increased to 29.7% for the quarter ended September 30, 2024 from 28.5% in the quarter ended September 30, 2023 principally due to favorable product mix, partially offset by higher staffing related costs.

Selling, general and administrative expense

Selling, general and administrative expense in the three months ended September 30, 2024 was $7.5 million, an increase in expense of approximately $1.1 million compared to $6.4 million for the three months ended September 30, 2023 due to non-recurring move related expenses of two of our facilities in the United States and staffing related costs. Selling, general and administrative expense was 16.3% of net sales in the three months ended September 30, 2024 and 15.3% in the three months ended September 30, 2023.

Segment operating income

Segment operating income for the three months ended September 30, 2024 was approximately $5.4 million, an increase of $0.7 million when compared to the same period in 2023, as a result of the factors noted above.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

Net sales

Net sales for the nine months ended September 30, 2024 were approximately $130.5 million, an increase of $8.5 million compared to the same period in 2023. International sales were $40.9 million in the nine months ended September 30, 2024 and $38.7 million the nine months ended September 30, 2023, an increase of 5.7%. The increase in net sales is primarily a result of increased demand in several markets including aerospace and defense, and oil and gas, partially offset by lower demand in the industrial and transportation markets.

Gross profit

Gross profit for the nine months ended September 30, 2024 was approximately $38.0 million compared to approximately $36.4 million in the same period of 2023. Gross profit as a percentage of net sales decreased to 29.1% for the nine months ended September 30, 2024 from 29.8% in the nine months ended September 30, 2023 principally due to higher staffing related costs partially offset by favorable product mix.

Selling, general and administrative expense

Selling, general and administrative expense in the nine months ended September 30, 2024 was $20.8 million, an increase in expense of approximately $2.0 million compared to $18.8 million for the nine months ended September 30, 2023 due to non-recurring move related expenses of two of our facilities in the United States and increases in information technology and legal expenses during the current period. Selling, general and administrative expense was 15.9% of net sales in the nine months ended September 30, 2024 and 15.4% in the nine months ended September 30, 2023.

Segment operating income

Segment operating income for the nine months ended September 30, 2024 was approximately $14.9 million, a decrease of $0.5 million when compared to the same period in 2023, as a result of the factors noted above.

Sterno

	Three months ended				Nine months ended			
	September 30, 2024		September 30, 2023		September 30, 2024		September 30, 2023	
Net sales	$ 85,187	100.0 %	$ 80,185	100.0 %	$ 223,814	100.0 %	$ 229,819	100.0 %
Gross profit	$ 21,124	24.8 %	$ 19,749	24.6 %	$ 58,813	26.3 %	$ 55,788	24.3 %
SG&A	$ 9,915	11.6 %	$ 9,073	11.3 %	$ 26,475	11.8 %	$ 25,057	10.9 %
Segment operating income	$ 6,971	8.2 %	$ 6,438	8.0 %	$ 19,626	8.8 %	$ 18,019	7.8 %

Three months ended September 30, 2024 compared to three months ended September 30, 2023

Net sales

Net sales for the three months ended September 30, 2024 were approximately $85.2 million, an increase of $5.0 million, or 6.2%, compared to the same period in 2023. The net sales variance reflects higher sales volume at Rimports driven by strong retail consumption.

Gross profit

Gross profit as a percentage of net sales increased from 24.6% for the three months ended September 30, 2023 to 24.8% for the three months ended September 30, 2024. The increase in gross profit percentage in the third quarter of 2024 as compared to the third quarter of 2023 was primarily attributable to favorable direct materials, labor and freight costs across both divisions of the company.

Selling, general and administrative expense

Selling, general and administrative expense for the three months ended September 30, 2024 was approximately $9.9 million as compared to $9.1 million for the three months ended September 30, 2023, an increase of $0.8 million reflecting higher salaries and benefits, professional fees, marketing expenses, and commissions for both divisions of the company. Selling, general and administrative expense represented 11.6% of net sales for the three months ended September 30, 2024 and 11.3% for the three months ended September 30, 2023.

Segment operating income

Segment operating income for the three months ended September 30, 2024 was approximately $7.0 million, an increase of $0.5 million compared to the three months ended September 30, 2023 based on the factors noted above.

Nine months ended September 30, 2024 compared to nine months ended September 30, 2023

Net sales

Net sales for the nine months ended September 30, 2024 were approximately $223.8 million, a decrease of $6.0 million, or 2.6%, compared to the same period in 2023. The net sales variance reflects lower sales due to changes in consumer discretionary buying behaviors as a result of inflationary pressures.

Gross profit

Gross profit as a percentage of net sales increased from 24.3% for the nine months ended September 30, 2023 to 26.3% for the nine months ended September 30, 2024. The increase in gross profit percentage in the nine months ended September 30, 2024 as compared to the same period in 2023 was primarily attributable to favorable direct materials, labor and freight costs across both divisions of the company.

Selling, general and administrative expense

Selling, general and administrative expense for the nine months ended September 30, 2024 was approximately $26.5 million as compared to $25.1 million for the nine months ended September 30, 2023, an increase of $1.4 million reflecting an increase in sales and marketing related salaries and promotional activity for both divisions of the company in the current period. Selling, general and administrative expense represented 11.8% of net sales for the nine months ended September 30, 2024 and 10.9% for the nine months ended September 30, 2023.

Segment operating income

Segment operating income for the nine months ended September 30, 2024 was approximately $19.6 million, an increase of $1.6 million compared to the nine months ended September 30, 2023 based on the factors noted above.

Liquidity and Capital Resources

We generate cash primarily from the operations of our subsidiaries, and we have the ability to borrow under our 2022 Credit Facility to fund our operating, investing and financing activities. On September 5, 2024, we refreshed our at-the-market program for the common shares of the Trust, which was initially established in 2021, by filing a prospectus supplement pursuant to which we may, but we have no obligation to, issue and sell up to $500 million of the common shares of the Trust in amounts and at times to be determined by us. Also on September 5, 2024, we refreshed our at-the-market program for certain preferred shares of the Trust, which was initially established in the first quarter of 2024, we filed a prospectus supplement pursuant to which we may, but we have no obligation to, issue and sell up to $200 million of the Series A, Series B and Series C preferred shares of the Trust in amounts and at times to be determined by us. Actual sales will depend on a variety of factors to be determined by us from time to time, including, market conditions, the trading price of Trust common and preferred shares and determinations by us regarding appropriate sources of funding.

Our liquidity requirements primarily relate to our debt service requirements, payments of our common and preferred share distributions, management fees paid to our Manager, working capital needs and purchase commitments at our subsidiaries. As of September 30, 2024, we had $1,000.0 million of indebtedness associated with our 5.250% 2029 Notes, $300.0 million of indebtedness associated with our 5.000% 2032 Notes, $377.5 million outstanding on our 2022 Term Loan, and $110.0 million outstanding on our 2022 Revolving Credit Facility. Only our 2022 Term Loan has required principal payments. Long-term debt liquidity requirements consist of the payment in full of our Notes upon their respective maturity dates, amounts outstanding under our 2022 Revolving Credit Facility upon its maturity date, and principal payments under our 2022 Term Loan. The 2022 Term Loan requires quarterly payments ranging from $2.5 million to $7.5 million, commencing September 30, 2022, with a final payment of all remaining principal and interest due on July 12, 2027, which is the 2022 Term Loan's maturity date. At September 30, 2024, approximately 27% of our outstanding debt was subject to interest rate changes.

At September 30, 2024, we had approximately $71.9 million of cash and cash equivalents on hand, a decrease of $378.5 million as compared to the year ended December 31, 2023. In November 2023, we sold our Marucci subsidiary, receiving approximately $484.0 million of total proceeds at closing. A portion of the proceeds from the Marucci sale were used to pay down outstanding debt under the Company's 2022 Revolving Credit Facility and the remaining amount was held in short term investment and savings accounts at December 31, 2023. On January 31, 2024, the Company completed the acquisition of The Honey Pot Co. using cash held on our balance sheet. The majority of our cash is in non-interest bearing checking accounts or invested in short-term money market accounts and is maintained in accordance with the Company's investment policy, which identifies allowable investments and specifies credit quality standards. Our availability under our 2022 Revolving Credit Facility at September 30, 2024 was $486.6 million. Subsequent to the end of third quarter on October 1, 2024, we drew $140 million on our 2022 Revolving Credit Facility to finance the Altor acquisition of Lifoam. The change in cash and cash equivalents for the nine months ended September 30, 2024 and 2023 is as follows:

Operating Activities:

(in thousands)	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Cash provided by (used in) operating activities	$ (77,610)	$ 56,952

For the nine months ended September 30, 2024, cash flows used in operating activities totaled approximately $77.6 million, which represents a $134.6 million increase in cash use compared to cash provided by operating activities of $57.0 million during the nine-month period ended September 30, 2023. Cash used in operating activities for working capital for the nine months ended September 30, 2024 was $253.9 million, as compared to cash used in operating activities for working capital of $128.9 million for the nine months ended September 30, 2023. We typically have a higher usage of cash for working capital in the first half of the year as most of our subsidiaries will build up inventories after the fourth quarter of the prior year. In the prior year, several of our businesses were working through higher levels of inventory that that were increased to combat supply chain issues during 2022 given longer lead times, resulting in lower cash outflows in the comparable period of 2023. In the current year, the increase in the cash used in operations is primarily attributable to our Lugano subsidiary, which has experienced significant revenue growth in 2024.

Lugano has used significant cash to build inventory to support its sales growth strategy, with net inventory build of $200.8 million in the first three quarters of 2024 and $121.6 million in the first three quarters of 2023. We expect Lugano to continue to use working capital to support its growth, particularly as Lugano opens new salons, each of which requires a minimum level of new inventory prior to opening.

Investing Activities:

(in thousands)	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Cash provided by (used in) investing activities	$ (352,250)	$ 104,291

Cash flows used in investing activities for the nine months ended September 30, 2024 totaled $352.3 million, compared to cash provided by investing activities of $104.3 million in the same period of 2023. In the current year, cash used in investing activities reflects our acquisition of The Honey Pot Co. in January 2024, and the proceeds of $61.9 million from the sale of the Crosman division of Velocity Outdoor, while in the prior year, investing activities reflects the sale of Advanced Circuits and the proceeds received related to the sale. Capital expenditures spend decreased $4.0 million during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, with $34.5 million in capital expenditures in 2024 and $38.5 million in capital expenditures in 2023. The decrease in capital expenditures is primarily due to a lower investment at 5.11 as they reduced the number of retail stores they plan to open in the current year as compared to the prior year, partially offset by increased capital expenditures at Lugano related to their salon expansion and overall growth, and Arnold, related to the relocation of one of their facilities in the United States. We expect capital expenditures for the full year of 2024 to be between approximately $55 million to $65 million.

Financing Activities:

(in thousands)	Nine months ended September 30, 2024	Nine months ended September 30, 2023
Cash provided by (used in) financing activities	$ 50,882	$ (157,927)

Cash flows provided by financing activities totaled approximately $50.9 million during the nine months ended September 30, 2024 compared to cash flows used in financing activities of $157.9 million during the nine months ended September 30, 2023. Financing activities in the current year reflects $35.0 million in Trust common and preferred shares issued under our at-the-market share offering programs while financing activities in the first nine months of 2023 reflects $7.4 million of purchases under our share repurchase program. In the current year, we borrowed $110 million, net, against our 2022 Revolving Credit Facility, while in the prior year, we used the proceeds from our sale of Advanced Circuits to repay amounts outstanding under our revolving credit facility, resulting in net borrowings in the comparable period in 2023 of $43 million under our 2022 Revolving Credit Facility. The current year cash provided by financing activities also reflects the amount of equity investment made by noncontrolling shareholders related to the acquisition of The Honey Pot Co. ($41.7 million). Financing activities in both periods reflect the payment of our common and preferred share distributions, and current period financing cash flows includes the payment of the profit allocation from the sale of Marucci to the Allocation Interest Holders of $48.9 million.

Intercompany Debt

A component of our acquisition financing strategy that we utilize in acquiring the subsidiary businesses we own and manage is to provide both equity capital and debt capital, raised at the parent level through our existing credit facility. Our strategy of providing intercompany debt financing within the capital structure of our subsidiaries allows us the ability to distribute cash to the parent company through monthly interest payments and amortization of the principal on these intercompany loans. Each loan to our subsidiary businesses has a scheduled maturity and each subsidiary business is entitled to repay all or a portion of the principal amount of the outstanding loans, without penalty, prior to maturity. Certain of our subsidiaries have paid down their respective intercompany debt balances through the cash flow generated by these subsidiaries and we have recapitalized, and expect to continue to recapitalize, these subsidiaries in the normal course of our business. The recapitalization process involves funding the intercompany debt using either cash on hand at the parent or our applicable credit facility, and serves the purpose of optimizing the capital structure at our subsidiaries and providing the noncontrolling shareholders with a distribution on their ownership interest in a cash flow positive business.

We will from time to time, amend the intercompany credit agreements to reflect changes in the business or funding needs of our businesses. The following amendments have been made in the time period indicated:

We have made several amendments to the Lugano intercompany credit agreement to allow Lugano to continue to expand its operations and build inventory to support its salon expansion. Amendments were made to the Lugano intercompany credit agreement in the first, second and third quarter of 2024, and the second, third and fourth quarter of 2023. We expect to continue to fund Lugano to support profitable sales growth.

In the first quarter of 2024, we amended the PrimaLoft intercompany credit agreement to amend the fixed charge ratio and leverage ratio covenants contained within its intercompany credit agreement.

In the second quarter of 2024, we amended the Velocity intercompany credit agreement to reflect the sale of the Crosman division. The amendment revises the principal payments due under the credit facility and waives the fixed charge coverage covenant for the quarters ended June 30, 2024 and September 30, 2024.

In the third quarter of 2024, we amended the Arnold intercompany credit agreement to increase the amount of the term loan outstanding under the credit agreement. Arnold is in the process of relocating two of their product divisions to a new facility and expects to incur approximately $10 million in capital expenditures and $7 - $8 million in expenses during the next two quarters, with a majority of the spend in the fourth quarter of 2024.

Subsequent to the end of the third quarter of 2024, we amended the Altor intercompany credit agreement to increase the amount of the term loan to finance the acquisition of Lifoam on October 1, 2024, and extended the term of the intercompany credit agreement by an additional three years.

In the second quarter of 2023, we amended the Velocity intercompany credit agreement to extend the term of the facility and to increase the borrowing availability under the facility.

In the fourth quarter of 2023, we amended the Ergo Credit Agreement to permit the fixed charge coverage ratio to remain at the September 30, 2023 level through the period ending December 31, 2024.

In December 2023, we completed a recapitalization at BOA whereby the LLC entered into an amendment to the intercompany loan agreement with BOA (the "BOA Credit Agreement"). The BOA Credit Agreement was amended to provide for additional term loan borrowings of $165.9 million to fund a distribution to shareholders. The LLC received a distribution of $131.0 million related to its ownership of the outstanding shares of BOA on the date of the distribution. Noncontrolling shareholders received a distribution of $11.7 million, and the remaining amount of the recapitalization was used to repurchase employee stock options and to pay a bonus to employees who held phantom stock options and were not eligible to participate in the distribution to noncontrolling shareholders.

At September 30, 2024, Arnold was not in compliance with the capital expenditures and fixed charge covenant ratio in the Arnold inter-company credit agreement after exceeding the permitted level of capital expenditures in the trailing-twelve month period. The Company issued a waiver related to this covenant as of September 30, 2024. All of our other subsidiaries were in compliance with the financial covenants included within their intercompany credit arrangements at September 30, 2024.

All intercompany loans eliminate in consolidation and are not reflected in the consolidated balance sheet. As of September 30, 2024, we had the following outstanding loans due from each of our subsidiary businesses (*in thousands*):

Subsidiary		**Intercompany loan**
5.11	$	125,330
BOA		178,551
Ergobaby		82,025
Lugano		589,228
PrimaLoft		156,800
The Honey Pot Co.		102,000
Velocity Outdoor		65,259
Altor		61,309
Arnold		69,377
Sterno		93,949
Total intercompany debt	$	1,523,828
Corporate and eliminations		(1,523,828)
Total	$	—

Our primary source of cash is from the receipt of interest and principal on the outstanding loans to our subsidiaries. Accordingly, we are dependent upon the earnings of and cash flow from these businesses, which are available for (i) operating expenses; (ii) payment of principal and interest under our applicable credit facility and interest on our Senior Notes; (iii) payments to CGM due pursuant to the MSA and the LLC Agreement; (iv) cash distributions to our shareholders; and (v) investments in future acquisitions. Payments made under (iii) above are required to be paid before distributions to shareholders and may be significant and exceed the funds held by us, which may require us to dispose of assets or incur debt to fund such expenditures.

Financing Arrangements

2022 Credit Facility

On July 12, 2022, we entered into the Third Amended and Restated Credit Agreement (the "2022 Credit Facility"). The 2022 Credit Facility provides for revolving loans, swing line loans and letters of credit up to a maximum aggregate amount of $600 million (the "2022 Revolving Credit Facility") and also permits the LLC, prior to the applicable maturity date, to increase the revolving loan commitment and/or obtain term loans in an aggregate amount of up to $250 million, subject to certain restrictions and conditions. All amounts outstanding under the 2022 Revolving Credit Facility will become due on July 12, 2027, which is the maturity date of loans advanced under the 2022 Revolving Credit Facility. The 2022 Credit Facility also provides for a $400 million term loan (the “2022 Term Loan”). The 2022 Term Loan requires quarterly payments ranging from $2.5 million to $7.5 million, commencing September 30, 2022, with a final payment of all remaining principal and interest due on July 12, 2027, which is the 2022 Term Loan’s maturity date.

We had $486.6 million in net availability under the 2022 Revolving Credit Facility at September 30, 2024. The outstanding borrowings under the 2022 Revolving Credit Facility include $3.5 million of outstanding letters of credit at September 30, 2024, which are not reflected on our balance sheet.

Senior Notes

2032 Notes

On November 17, 2021, we consummated the issuance and sale of $300 million aggregate principal amount of our 5.000% Senior Notes due 2032 (the "2032 Notes") offered pursuant to a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act of 1933 (the "Securities Act"), and to non-U.S. persons under Regulation S under the Securities Act. The 2032 Notes were issued pursuant to an indenture, dated as of November 17, 2021 (the “2032 Notes Indenture”), between the LLC and U.S. Bank National Association, as trustee. The 2032 Notes bear interest at the rate of 5.000% per annum and will mature on January 15, 2032. Interest on the 2032 Notes is payable in cash on July 15th and January 15th of each year. The 2032 Notes are general unsecured obligations of the LLC and are not guaranteed by our subsidiaries.

2029 Notes

On March 23, 2021, we consummated the issuance and sale of $1,000 million aggregate principal amount of our 5.250% Senior Notes due 2029 (the “2029 Notes”) offered pursuant to a private offering to qualified institutional buyers in accordance with Rule 144A under the Securities Act, and to non-U.S. persons under Regulation S under the Securities Act. The 2029 Notes were issued pursuant to an indenture, dated as of March 23, 2021 (the “2029 Notes Indenture”), between the LLC and U.S. Bank National Association, as trustee. The 2029 Notes bear interest at the rate of 5.250% per annum and will mature on April 15, 2029. Interest on the 2029 Notes is payable in cash on April 15th and October 15th of each year. The 2029 Notes are general unsecured obligations of the LLC and are not guaranteed by our subsidiaries.

The following table reflects required and actual financial ratios as of September 30, 2024 included as part of the affirmative covenants in our 2022 Credit Facility.

Description of Required Covenant Ratio	Covenant Ratio Requirement	Actual Ratio
Consolidated Fixed Charge Coverage Ratio	Greater than or equal to 1.50:1.0	3.15:1.0
Consolidated Senior Secured Leverage Ratio	Less than or equal to 3.50:1.0	0.94:1.0
Consolidated Total Leverage Ratio	Less than or equal to 5.00:1.0	3.68:1.0

Interest Expense

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

	Nine months ended September 30,	
	2024	2023
Interest on credit facilities	$ 26,978	$ 28,031
Interest on Senior Notes	50,625	50,625
Unused fee on Revolving Credit Facility	1,516	1,467
Other interest expense	274	253
Interest income	(1,899)	(23)
Interest expense, net	$ 77,494	$ 80,353

The following table provides the effective interest rate of the Company’s outstanding debt at September 30, 2024 and December 31, 2023 *(in thousands)*:

	September 30, 2024		December 31, 2023	
	Effective Interest Rate	Amount	Effective Interest Rate	Amount
2029 Senior Notes	5.25%	$ 1,000,000	5.25%	$ 1,000,000
2032 Senior Notes	5.00%	300,000	5.00%	300,000
2022 Term Loan	7.69%	377,500	7.50%	385,000
2022 Revolving Credit Facility	8.07%	110,000	—%	—
Unamortized debt issuance costs		(11,313)		(13,121)
Total debt outstanding		$ 1,776,187		$ 1,671,879

Reconciliation of Non-GAAP Financial Measures

GAAP or U.S. GAAP refer to generally accepted accounting principles in the United States. From time to time we may publicly disclose certain “non-GAAP” financial measures in the course of our investor presentations, earnings releases, earnings conference calls or other venues. A non-GAAP financial measure is a numerical measure of historical or future performance, financial position or cash flow that excludes amounts, or is subject to adjustments that effectively exclude amounts, included in the most directly comparable measure calculated and presented in accordance with GAAP in our financial statements, and vice versa for measures that include amounts, or are subject to adjustments that effectively include amounts, that are excluded from the most directly comparable measure as calculated and presented.

Non-GAAP financial measures are provided as additional information to investors in order to provide them with an alternative method for assessing our financial condition and operating results. These measures are not intended to replace the presentation of financial results in accordance with U.S. GAAP, and may be different from or otherwise inconsistent with non-GAAP financial measures used by other companies. The presentation of these non-GAAP financial measures supplements other metrics we use to internally evaluate our subsidiary businesses and facilitate the comparison of past and present operations.

The tables below reconcile the most directly comparable GAAP financial measures to Adjusted earnings before Interest, Income Taxes, Depreciation and Amortization ("Adjusted EBITDA") and Adjusted Earnings.

Adjusted EBITDA – EBITDA is calculated as net income (loss) from continuing operations before interest expense, income tax expense (benefit), depreciation expense and amortization expense. Amortization expenses consist of amortization of intangibles, amortization of inventory step-up associated with purchase price allocations of our acquisitions, and debt charges, including debt issuance costs. Adjusted EBITDA is calculated utilizing the same calculation as described in arriving at EBITDA further adjusted by: (i) non-controlling stockholder compensation, which generally consists of non-cash stock option expense; (ii) successful acquisition costs, which consist of transaction costs (legal, accounting, due diligence, etc.) incurred in connection with the successful acquisition of a business expensed during the period in compliance with ASC 805; (iii) impairment charges, which reflect write downs to goodwill or other intangible assets; (iv) changes in the fair value of contingent consideration subsequent to initial purchase accounting, (v) integration service fees, which reflect fees paid by newly acquired companies to the Manager for integration services performed during the first year of ownership; and (vi) items of other income or expense that are material to a subsidiary and non-recurring in nature.

Adjusted Earnings — Adjusted earnings is calculated as net income (loss) adjusted to include the cost of the distributions to preferred shareholders, and adjusted to exclude the impact of certain costs, expenses, gains and losses and other specified items the exclusion of which management believes provides insight regarding our ongoing operating performance. Depending on the period presented, these adjusted measures exclude the impact of certain of the following items: gains (losses) and income (loss) from discontinued operations, income (loss) from noncontrolling interest, amortization expense, subsidiary stock compensation expense, acquisition-related expenses and items of other income or expense that may be material to a subsidiary and non-recurring in nature.

Adjusted EBITDA and Adjusted Earnings are non-GAAP measures used by the Company to assess its performance. We believe that Adjusted EBITDA and Adjusted Earnings provide useful information to investors and reflect important financial measures that are used by management in the monthly analysis of our operating results and in preparation of our annual budgets. We believe that investors’ understanding of our performance is enhanced by disclosing these performance measures as this presentation allows investors to view the performance of our businesses in a manner similar to the methods used by us and the management of our subsidiary businesses, provides additional insight into our operating results and provides a measure for evaluating targeted businesses for acquisition.

Adjusted EBITDA and Adjusted Earnings exclude the effects of items which reflect the impact of long-term investment decisions, rather than the performance of near-term operations. When compared to net income (loss) and net income (loss) from continuing operations, Adjusted Earnings and Adjusted EBITDA, respectively, are each limited in that they do not reflect the periodic costs of certain capital assets used in generating revenues of our subsidiary businesses or the non-cash charges associated with impairments, as well as certain cash charges. The presentation of Adjusted Earnings provides insight into our operating results. Adjusted EBITDA and Adjusted Earnings are not meant to be a substitute for GAAP, and may be different from or otherwise inconsistent with non-GAAP financial measures used by other companies.

Reconciliation of Net income (loss) from continuing operations to Adjusted EBITDA

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

Adjusted EBITDA
Nine months ended September 30, 2024

	Corporate	5.11	BOA	Ergobaby	Lugano	PrimaLoft	THP	Velocity Outdoor	Altor	Arnold	Sterno	Consolidated
Net income (loss) from continuing operations	$ (21,151)	$ 18,594	16,248	$ (6,337)	$ 59,257	$ (5,261)	$ (7,764)	$ (53,368)	$ 6,076	$ 6,169	$ 7,711	$ 20,174
Adjusted for:												
Provision (benefit) for income taxes	—	4,792	3,920	516	20,010	(1,731)	(2,589)	7,074	3,192	3,182	2,594	40,960
Interest expense, net	77,280	(3)	(16)	—	3	(15)	(28)	53	—	220	—	77,494
Intercompany interest	(122,209)	10,114	15,716	6,364	40,417	13,526	7,827	7,620	5,612	5,313	9,700	—
Depreciation and amortization	552	17,198	16,251	6,427	7,571	15,987	14,811	6,679	12,250	6,754	14,850	119,330
EBITDA	(65,528)	50,695	52,119	6,970	127,258	22,506	12,257	(31,942)	27,130	21,638	34,855	257,958
Other (income) expense	462	86	22	12	(61)	5	(5)	25,734	2,722	(9)	(423)	28,545
Noncontrolling shareholder compensation	—	1,630	4,352	738	1,662	1,823	1,157	556	741	13	354	13,026
Impairment expense	—	—	—	—	—	—	—	8,182	—	—	—	8,182
Acquisition expenses	—	—	—	—	—	—	3,479	—	—	—	—	3,479
Integration services fee	—	—	—	—	—	—	1,750	—	—	—	—	1,750
Other [(1)]	—	—	—	—	—	—	90	—	—	880	398	1,368
Adjusted EBITDA	$ (65,066)	$ 52,411	$ 56,493	$ 7,720	$128,859	$ 24,334	$ 18,728	$ 2,530	$ 30,593	$ 22,522	$ 35,184	$ 314,308

[(1)] Other represents non-recurring operating expenses that are included by management in the calculation of Adjusted EBITDA when analyzing monthly operating results of our subsidiaries. In the current year, the calculation of Adjusted EBITDA for Arnold includes the add-back of certain expenses that have been incurred related to the relocation of one of Arnold's facilities in the United States.

Adjusted EBITDA
Nine months ended September 30, 2023

	Corporate	5.11	BOA	Ergobaby	Lugano	PrimaLoft	Velocity Outdoor	Altor	Arnold	Sterno	Consolidated
Net income (loss) from continuing operations	$ (40,914)	$ 11,850	$ 15,151	$ (1,114)	$ 31,468	$ (5,500)	$ (36,862)	$ 12,244	$ 6,911	$ 4,445	$ (2,321)
Adjusted for:											
Provision (benefit) for income taxes	—	3,990	2,224	(1,272)	10,295	(3,125)	(5,905)	4,094	3,264	1,512	15,077
Interest expense, net	80,123	(4)	(9)	—	4	(9)	232	—	16	—	80,353
Intercompany interest	(99,433)	15,698	5,032	6,484	22,660	13,343	10,070	8,183	5,078	12,885	—
Depreciation and amortization	1,056	19,866	17,436	6,112	6,971	16,084	10,023	12,558	6,248	15,016	111,370
EBITDA	(59,168)	51,400	39,834	10,210	71,398	20,793	(22,442)	37,079	21,517	33,858	204,479
Other (income) expense	(128)	(103)	117	29	(5)	130	(1,179)	201	(1)	(1,161)	(2,100)
Noncontrolling shareholder compensation	—	988	2,069	936	1,312	219	686	800	26	562	7,598
Impairment expense	—	—	—	—	—	—	32,568	—	—	—	32,568
Integration services fee	—	—	—	—	—	2,375	—	—	—	—	2,375
Other	—	—	—	—	—	—	—	—	—	1,129	1,129
Adjusted EBITDA [(1)]	$ (59,296)	$ 52,285	$ 42,020	$ 11,175	$ 72,705	$ 23,517	$ 9,633	$ 38,080	$ 21,542	$ 34,388	$ 246,049

[(1)] As a result of the sale of Marucci in November 2023, Adjusted EBITDA does not include $39.8 million that was previously included in the nine months ended September 30, 2023.

Reconciliation of Net income (loss) to Adjusted Earnings and Adjusted EBITDA

The following table reconciles Adjusted Earnings to Net income (loss), which we consider the most comparable GAAP financial measure, and Adjusted Earnings to Adjusted EBITDA (*in thousands*):

	Nine months ended September 30,	
	2024	**2023**
Net income	$ 23,519	$ 122,964
Income from discontinued operations, net of tax	—	21,790
Gain on sale of discontinued operations, net of tax	3,345	103,495
Net income (loss) from continuing operations	$ 20,174	$ (2,321)
Less: income from continuing operations attributable to noncontrolling interest	22,632	13,390
Net loss attributable to Holdings - continuing operations	$ (2,458)	$ (15,711)
Adjustments:		
Distributions paid - preferred shares	(18,491)	(18,136)
Amortization expense - intangibles and inventory step-up	84,553	73,081
Impairment expense	8,182	32,568
Tax effect - impairment expense	—	(4,308)
Loss on sale of Crosman	24,218	—
Tax effect - loss on sale of Crosman	7,254	—
Stock compensation	13,026	7,598
Acquisition expenses	3,479	—
Integration Services Fee	1,750	2,375
Other	1,368	1,129
Adjusted Earnings	$ 122,881	$ 78,596
Plus (less):		
Depreciation expense	31,763	35,255
Income tax provision	40,960	15,077
Interest expense	77,494	80,353
Amortization of debt issuance costs	3,014	3,034
Tax effect - impairment expense	—	4,308
Tax effect - loss on sale of Crosman	(7,254)	—
Income from continuing operations attributable to noncontrolling interest	22,632	13,390
Distributions paid - preferred shares	18,491	18,136
Other (income) expense	4,327	(2,100)
Adjusted EBITDA	$ 314,308	$ 246,049

Seasonality

Earnings of certain of our operating segments are seasonal in nature due to various recurring events, holidays and seasonal weather patterns, as well as the timing of our acquisitions during a given year. Historically, the third and fourth quarter have produced the highest net sales in our fiscal year, however, due to various acquisitions in the last three years, there is generally less seasonality in our net sales on a consolidated basis than there has been historically.

Related Party Transactions

Management Services Agreement

We entered into the MSA with CGM effective May 16, 2006. The MSA provides for, among other things, CGM to perform services for the LLC in exchange for a management fee paid quarterly and equal to 0.5% of the Company's adjusted net assets, as defined in the MSA. Our Chief Executive Officer is a partner of CGM.

During 2022, CGM entered into a waiver of the MSA for the period through June 30, 2023 to receive a 1% annual management fee related to PrimaLoft, rather than the 2% called for under the MSA, which resulted in a lower management fee at March 31, and June 30, 2023 than would normally have been due.

For the three and nine months ended September 30, 2024 and 2023, the Company incurred the following management fees to CGM, by entity:

	Three months ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
5.11	$ 250	$ 250	$ 750	$ 750
BOA	250	250	750	750
Ergobaby	125	125	375	375
Lugano	188	188	563	563
PrimaLoft	250	250	750	750
The Honey Pot Co.	250	—	500	—
Velocity	125	125	375	375
Altor	188	188	563	563
Arnold Magnetics	125	125	375	375
Sterno	125	125	375	375
Corporate	16,882	16,845	50,313	46,660
	$ 18,758	$ 18,471	$ 55,689	$ 51,536

Integration Services Agreements

Integration services represent fees paid by newly acquired companies to the Manager for integration services performed during the first year of ownership. Under the Integration Services Agreement ("ISA"), CGM provides services for new platform acquisitions to, amongst other things, assist the management at the acquired entities in establishing a corporate governance program, implement compliance and reporting requirements of the Sarbanes-Oxley Act of 2002, as amended, and align the acquired entity's policies and procedures with our other subsidiaries. Integration services fees are recorded as selling, general and administrative expense in the consolidated statement of operations.

The Honey Pot Co., which was acquired in January 2024, entered into an ISA with CGM whereby The Honey Pot Co. will pay CGM a total integration services fee of $3.5 million, payable quarterly over a twelve-month period beginning June 30, 2024. THP paid CGM $0.9 million in integration service fees in the quarter ended June 30, 2024 and the quarter ended September 30, 2024, respectively.

PrimaLoft, which was acquired in July 2022, entered into an ISA with CGM whereby PrimaLoft paid CGM a total integration services fee of $4.8 million, payable quarterly over a twelve-month period ended June 30, 2023.

Allocation Interests

The Allocation Interests represent the original equity interest in the Company. The holders of the Allocation Interests (“Holders”), through Sostratus LLC, are entitled to receive distributions pursuant to a profit allocation formula upon the occurrence of certain events. The distributions of the profit allocation are paid upon the occurrence of the sale of a material amount of capital stock or assets of one of the Company’s businesses (“Sale Event”) or, at the option of the Holders, at each five year anniversary date of the acquisition of one of the Company’s businesses (“Holding Event”). The Company records distributions of the profit allocation to the Holders upon occurrence of a Sale Event or Holding Event as dividends declared on Allocation Interests to stockholders’ equity when they are approved by the Company’s board of directors.

The sale of Advanced Circuits in February 2023 represented a Sale Event and the Company's board of director's approved a distribution of $24.4 million in April 2023, subsequent to the end of the first quarter. In addition, the Company's board of directors approved a distribution of $2.1 million related to various sale proceeds received related to previous Sale Events. These distributions were paid to the Holders of the Allocation Interests in April 2023.

The sale of Marucci in November 2023 represented a Sale Event and the Company's board of director's approved a distribution of $48.9 million in the first quarter of 2024. This distribution was paid to the Holders of the Allocation Interests in February 2024.

_5.11_

Related Party Vendor Purchases - 5.11 purchases inventory from a vendor who is a related party to 5.11 through one of the executive officers of 5.11 via the executive's 40% ownership interest in the vendor. 5.11 purchased approximately $0.4 million and $1.0 million during the three and nine months ended September 30, 2024 respectively and $0.6 million and $1.6 million during the three and nine months ended September 30, 2023, respectively in inventory from the vendor.

BOA

Recapitalization - In December 2023, the Company completed a recapitalization of BOA whereby the LLC entered into an amendment to the intercompany credit agreement with BOA (the "BOA Credit Agreement"). The BOA Credit Agreement was amended to provide for additional term loan borrowings of $165.9 million to fund a distribution to shareholders. The LLC received a distribution of $131.0 million related to its ownership of the outstanding shares of BOA on the date of the distribution. Noncontrolling shareholders received a distribution of $11.7 million, and the remaining amount of the recapitalization was used to repurchase shares owned by employees after the exercise of fully vested employee stock options, and to pay a bonus to employees who held phantom stock options and were not eligible to participate in the distribution to noncontrolling shareholders. BOA recorded compensation expense of $3.1 million related to the bonus paid to employees as part of the recapitalization.

Related Party Vendor Purchases - A contract manufacturer used by BOA as the primary supplier of molded injection parts is a noncontrolling shareholder of BOA. BOA purchased approximately $11.7 million and $35.9 million from this supplier during the three and nine months ended September 30, 2024, respectively and $10.0 million and $30.4 million during the three and nine months ended September 30, 2023, respectively.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with GAAP requires management to adopt accounting policies and make estimates and judgments that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates under different assumptions and judgments and uncertainties, and potentially could result in materially different results under different conditions. These critical accounting policies and estimates are reviewed periodically by our independent auditors and the audit committee of our board of directors.

Except as set forth below, our critical accounting estimates have not changed materially from those disclosed in Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K, for the year ended December 31, 2023, as filed with the SEC on February 28, 2024.

Goodwill and Indefinite-lived Intangible Asset Impairment Testing

Goodwill represents the excess amount of the purchase price over the fair value of the assets acquired. Our goodwill and indefinite lived intangible assets are tested for impairment on an annual basis as of March 31st, and if current events or circumstances require, on an interim basis. Goodwill is allocated to various reporting units, which are generally an operating segment. Each of our subsidiary businesses represents a reporting unit.

We use a qualitative approach to test goodwill for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment testing. The qualitative factors we consider include, in part, the general macroeconomic environment, industry and market specific conditions for each reporting unit, financial performance including actual versus planned results and results of relevant prior periods, operating costs and cost impacts, as well as issues or events specific to the reporting unit. If qualitative factors are not sufficient to determine that the fair value of a reporting unit is more likely than not to exceed its carrying value, we will perform a quantitative test of the reporting unit whereby we estimate the fair value of the reporting unit using an income approach or market approach, or a weighting of the two methods. Under the income approach, we estimate the fair value of our reporting unit based on the present value of future cash flows. Cash flow projections are based on management's estimate of revenue growth rates and operating margins and take into consideration industry and market conditions as well as company specific economic factors. The discount rate used is based on the weighted average cost of capital adjusted for the relevant risk associated with the business and the uncertainty associated with the reporting unit's ability to execute on the projected cash flows. Under the market approach, we estimate fair value based on market multiples of revenue and earnings derived from comparable public companies with operating characteristics that are similar to the reporting unit. When market comparables are not meaningful or available, we estimate the fair value of the reporting unit using only the income approach. The valuation approaches are subject to key judgments and assumptions that are sensitive to change such as judgments and assumptions about appropriate sales growth rates, operating margins, weighted average cost of capital, and comparable company market multiples. When developing these key judgments and assumptions, we consider economic, operational and market conditions that could impact the fair value of the reporting unit. Estimates are inherently uncertain and represent only management’s reasonable expectations regarding future developments. These estimates and the judgments and assumptions upon which the estimates are based will most likely differ from actual future results.

Annual Impairment Testing

2024 Annual Impairment Testing

For our annual impairment testing at March 31, 2024, we performed a qualitative assessment of our reporting units. The results of the qualitative analysis indicated that it was more-likely-than-not that the fair value of each of our reporting units except Velocity exceeded their carrying value. Based on our analysis, we determined that the Velocity operating segment required quantitative testing because we could not conclude that the fair value of this reporting unit significantly exceeded the carrying value based on qualitative factors alone. We performed a quantitative test of Velocity and the results of the testing indicated that the fair value of Velocity did not exceed the carrying value, resulting in goodwill impairment expense of $8.2 million as of March 31, 2024, which represented the remaining balance of goodwill at Velocity.

2023 Annual Impairment Testing

For our annual impairment testing at March 31, 2023, we performed a qualitative assessment of our reporting units. The results of the qualitative analysis indicated that it was more-likely-than-not that the fair value of each of our reporting units except Velocity exceeded their carrying value. Based on our analysis, we determined that the Velocity operating segment required quantitative testing because we could not conclude that the fair value of this reporting unit significantly exceeded the carrying value based on qualitative factors alone. We performed the quantitative test of Velocity using an income approach to determine the fair value of the reporting unit. In developing the prospective financial information used in the income approach, we considered recent market conditions, taking into consideration the uncertainty associated with the current economic environment. The prospective financial information considers reporting unit specific facts and circumstances and is our best estimate of operational results and cash flows for the Velocity reporting unit as of the date of our impairment testing. The discount rate used in the income approach was 15.0%, and the results of the quantitative impairment testing indicated that the fair value of the Velocity reporting unit exceeded the carrying value by approximately 21%. The prospective financial information that is used to determine the fair values of the Velocity reporting unit requires us to make assumptions regarding future operational results including revenue growth rates and gross margins. If we do not achieve the forecasted revenue growth rates and gross margins, the results of the quantitative testing could change, potentially leading to additional testing and impairment at the reporting unit that was tested quantitatively.

Interim Impairment Testing

2023 Interim goodwill impairment testing

PrimaLoft - The Company performed an interim impairment test of goodwill at PrimaLoft as of December 31, 2023. As a result of operating results that were below forecast amounts that were used as the basis for the purchase price allocation performed when PrimaLoft was acquired as well as the failure of certain financial covenants in the intercompany credit agreement as of December 31, 2023, the Company determined that a triggering event had occurred. The Company performed the quantitative impairment test using both an income approach and a market approach. The prospective information used in the income approach considers macroeconomic data, industry and reporting unit specific facts and circumstances and is our best estimate of operational results and cash flows for the PrimaLoft reporting unit as of the date of our impairment testing. The discount rate used in the income approach was 11.3%. The results of the quantitative impairment testing indicated that the fair value of the PrimaLoft reporting unit did not exceed its carrying value, resulting in goodwill impairment expense of $57.8 million in the year ended December 31, 2023.

Velocity Outdoor - The Company performed interim quantitative impairment testing of goodwill at Velocity at August 31, 2023. As a result of operating results that were below the forecast that we used in the quantitative impairment test of Velocity Outdoor at March 31, 2023, the Company determined that a triggering event had occurred at Velocity in the third quarter of 2023 and performed an interim impairment test as of August 31, 2023. The Company used an income approach for the impairment test, whereby we estimate the fair value of the reporting unit based on the present value of future cash flows. Cash flow projections are based on management's estimate of revenue growth rates and operating margins, and take into consideration industry and market conditions as well as company specific economic factors. The Company used a weighted average cost of capital of 17% in the income approach. The discount rate used was based on the weighted average cost of capital adjusted for the relevant risk associated with business specific characteristics and Velocity's ability to execute on projected cash flows. Based on the results of the impairment test, the fair value of Velocity did not exceed its carrying value. The Company recorded goodwill impairment of $31.6 million during the year ended December 31, 2023.

Indefinite-lived intangible assets

We use a qualitative approach to test indefinite lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform quantitative impairment testing. Our indefinite-lived intangible assets consist of trade names with a carrying value of approximately $57.0 million. The results of the qualitative analysis of our reporting unit's indefinite-lived intangible assets, which we completed as of March 31, 2024, indicated that the fair value of the indefinite lived intangible assets exceeded their carrying value.

Recent Accounting Pronouncements

Refer to Note A - "Presentation and Principles of Consolidation" of the condensed consolidated financial statements for a discussion of recent accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes to our market risk since December 31, 2023. For a further discussion of our exposure to market risk, refer to the section entitled "Quantitative and Qualitative Disclosures about Market Risk" that was disclosed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on February 28, 2024.

ITEM 4. CONTROLS AND PROCEDURES

As required by Securities Exchange Act of 1934, as amended (the "Exchange Act") Rule 13a-15(b), the Trust's Regular Trustees and the LLC’s management, including the Chief Executive Officer and Chief Financial Officer of the LLC, conducted an evaluation of the effectiveness of the Trust's and the LLC’s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), as of September 30, 2024. Based on that evaluation, the Trust's Regular Trustees and the Chief Executive Officer and Chief Financial Officer of the LLC concluded that the Trust's and the LLC’s disclosure controls and procedures were effective as of September 30, 2024.

There have been no material changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during our most recently completed fiscal quarter, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no material changes to those legal proceedings associated with the Company’s business together with legal proceedings for the businesses discussed in the section entitled "Legal Proceedings" that was disclosed in Part I, Item 3 of our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on February 28, 2024.

ITEM 1A. RISK FACTORS

The risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 should be considered together with information included in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2024 and should not be considered the only risks to which we are exposed. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial also may impair our business, including our results of operations, liquidity and financial condition. We believe there have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Third Amended and Restated Trust Agreement of the Trust (incorporated by reference to Exhibit 3.1 of the Form 8-K filed on August 4, 2021 (File No. 001-34927)).
3.2	First amendment to Third Amended and Restated Trust Agreement of the Trust (incorporated by reference to Exhibit 3.1 of the Form 8-K filed on September 3, 2024 (File No. 001-34926)).
3.3	Sixth Amended and Restated Operating Agreement of the Company (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on August 4, 2021 (File No. 001-34927)).
3.4	First Amendment to the Sixth Amended and Restated Operating Agreement of the Company (incorporated by reference to Exhibit 3.1 of the Form 8-K filed on February 14, 2022 (File No. 001-34927)).
3.5	Second Amendment to the Sixth Amended and Restated Trust agreement of the Trust (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on September 3, 2024 (File No. 001-34926)).
3.6	Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series A Preferred Shares (incorporated by reference to Exhibit 3.3 of the Form 8-K filed on August 4, 2021 (File No. 001-34927))
3.7	Compass Group Diversified Holdings LLC Trust Interest Designation of Series A Trust Preferred Interests (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on June 28, 2017 (File No. 001-34927)).
3.8	Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series B Preferred Shares (incorporated by reference to Exhibit 3.4 of the Form 8-K filed on August 4, 2021 (File No. 001-34927)).
3.9	Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series B Trust Preferred Interests (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on March 13, 2018 (File No. 001-34927)).
3.10	Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series C Preferred Shares (incorporated by reference to Exhibit 3.5 of the Form 8-K filed on August 4, 2021 (File No. 001-34927)).
3.11	Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series C Trust Preferred Interests (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on November 20, 2019 (File No. 001-34927)).
3.12	First Amendment to Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series A Preferred Shares (incorporated by reference to Exhibit 3.1 of the Form 8-K filed on March 20, 2024 (File No. 001-34926)).
3.13	Second Amendment to Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series A Preferred Shares (incorporated by reference Exhibit 4.11 of the Form S-3 filed on September 4, 2024 (File No. 333-281931)).
3.14	First Amendment to Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series B Preferred Shares (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on March 20, 2024 (File No. 001-34926)).
3.15	Second Amendment to Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series B Preferred Shares (incorporated by reference Exhibit 4.17 of the Form S-3 filed on September 4, 2024 (File No. 333-281931)).
3.16	First Amendment to Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series C Preferred Shares (incorporated by reference to Exhibit 3.3 of the Form 8-K filed on March 20, 2024(File No. 001-34926)).
3.17	Second Amendment to Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series C Preferred Shares (incorporated by reference Exhibit 4.23 of the Form S-3 filed on September 4, 2024 (File No. 333-281931)).

3.18	First Amendment to Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series A Trust Preferred Interests (incorporated by reference to Exhibit 3.4 of the Form 8-K filed on March 20, 2024 (File No. 001-34926)).
3.19	Second Amendment to Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series A Trust Preferred Interests (incorporated by reference Exhibit 4.14 of the Form S-3 filed on September 4, 2024 (File No. 333-281931)).
3.20	First Amendment to Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series B Trust Preferred Interests (incorporated by reference to Exhibit 3.5 of the Form 8-K filed on March 20, 2024 (File No. 001-34926)).
3.21	Second Amendment to Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series B Trust Preferred Interests (incorporated by reference Exhibit 4.20 of the Form S-3 filed on September 4, 2024 (File No. 333-281931)).
3.22	First Amendment to Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series C Trust Preferred Interests (incorporated by reference to Exhibit 3.6 of the Form 8-K filed on March 20, 2024 (File No. 001-34926)).
3.23	Second Amendment to Trust Interest Designation of Compass Group Diversified Holdings LLC with respect to Series C Trust Preferred Interests (incorporated by reference Exhibit 4.26 of the Form S-3 filed on September 4, 2024 (File No. 333-281931)).
10.1	At Market Issuance Sales Agreement, dated September 4, 2024, among the Company, the Trust, Compass Group Management LLC, and B. Riley Securities, Inc. (incorporated by reference to Exhibit 1.1 of the Form 8-K, filed on September 5, 2024 (File No.001-34926).
10.2	At Market Issuance Sales Agreement, dated September 4, 2024, among the Company, the Trust, Compass Group Management LLC, B. Riley Securities, Inc., Goldman Sachs & Co. LLC and TD Securities (USA) LLC (incorporated by reference to Exhibit 1.2 of the Form 8-K, filed on September 5, 2024 (File No.001-34926).
10.3	Employment Agreement, effective August 31, 2024 between Compass Group Management LLC and Stephen Keller (incorporated by reference to Exhibit 10.1 of the Form 8-K, filed with the SEC on August 26, 2024 (File No. 001-34927)).
10.4	Separation Agreement and General Release, dated September 12, 2024 between the Compass Group Management and Ryan Faulkingham (incorporated by reference to Exhibit 10.1 of the Form 8-K, filed on September 17, 2024 (File No. 001-34927)).
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Registrant
31.2*	Rule 13a-14(a)/15d-14(a) Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Registrant
32.1*+	Certification of Chief Executive Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*+	Certification of Chief Financial Officer of Registrant pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document

101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover page formatted as Inline XBRL and contained in Exhibit 101

* Filed herewith.

\+ In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

SIGNATURES

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

Date: October 30, 2024	COMPASS DIVERSIFIED HOLDINGS
	By: /s/ Stephen Keller
	Stephen Keller
	Regular Trustee

SIGNATURES

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

Date: October 30, 2024	COMPASS GROUP DIVERSIFIED HOLDINGS LLC
	By: /s/ Stephen Keller
	Stephen Keller
	Chief Financial Officer
	(Principal Financial and Accounting Officer)

EXHIBIT INDEX

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3.7	Compass Group Diversified Holdings LLC Trust Interest Designation of Series A Trust Preferred Interests (incorporated by reference to Exhibit 3.2 of the Form 8-K filed on June 28, 2017 (File No. 001-34927)).
3.8	Amended and Restated Share Designation of Compass Diversified Holdings with respect to Series B Preferred Shares (incorporated by reference to Exhibit 3.4 of the Form 8-K filed on August 4, 2021 (File No. 001-34927)).
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101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document

104	Cover page formatted as Inline XBRL and contained in Exhibit 101

* Filed herewith.

\+ In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.

Exhibit 31.1

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

I, Elias J. Sabo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Compass Group Diversified Holdings LLC (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

October 30, 2024

/s/ Elias J. Sabo

Elias J. Sabo
Chief Executive Officer of
Compass Group Diversified Holdings LLC
(Principal Executive Officer)

Exhibit 31.2

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

I, Stephen Keller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Compass Diversified Holdings and Compass Group Diversified Holdings LLC (each, the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

October 30, 2024

/s/ Stephen Keller

Stephen Keller
Regular Trustee of Compass Diversified Holdings and Chief Financial Officer of
Compass Group Diversified Holdings LLC
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of COMPASS GROUP DIVERSIFIED HOLDINGS LLC on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Elias J. Sabo, Chief Executive Officer of Compass Group Diversified Holdings LLC, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Compass Group Diversified Holdings LLC.

Dated: October 30, 2024

/s/ Elias J. Sabo
Elias J. Sabo
Chief Executive Officer,
Compass Group Diversified Holdings LLC

The foregoing certification is being furnished to accompany Compass Group Diversified Holdings LLC’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Compass Group Diversified Holdings LLC that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Compass Group Diversified Holdings LLC and will be retained by Compass Group Diversified Holdings LLC and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of COMPASS DIVERSIFIED HOLDINGS and COMPASS GROUP DIVERSIFIED HOLDINGS LLC on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen Keller, Regular Trustee of Compass Diversified Holdings and Chief Financial Officer of Compass Group Diversified Holdings LLC, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Compass Diversified Holdings and Compass Group Diversified Holdings LLC.

Dated: October 30, 2024

/s/ Stephen Keller
Stephen Keller
Regular Trustee, Compass Diversified Holdings and
Chief Financial Officer,
Compass Group Diversified Holdings LLC

The foregoing certification is being furnished to accompany Compass Diversified Holdings’ and Compass Group Diversified Holdings LLC’s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed as part of the Report or as a separate disclosure document and shall not be deemed incorporated by reference into any other filing of Compass Diversified Holdings and Compass Group Diversified Holdings LLC that incorporates the Report by reference. A signed original of this written certification required by Section 906 has been provided to Compass Diversified Holdings and Compass Group Diversified Holdings LLC and will be retained by Compass Diversified Holdings and Compass Group Diversified Holdings LLC and furnished to the Securities and Exchange Commission or its staff upon request.