

# Q1 2024 Earnings Presentation

May 6, 2024



# Disclaimers

## Forward Looking Statements

This presentation contains forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. These statements are based on the beliefs and assumptions of management. Although the Company believes that its plans, intentions, and expectations reflected in or suggested by these forward-looking statements are reasonable, the Company cannot assure you that it will achieve or realize these plans, intentions, or expectations. Forward-looking statements are inherently subject to risks, uncertainties, and assumptions. Generally, statements that are not historical facts, including statements concerning the Company's possible or assumed future actions, business strategies, events, or results of operations, are forward-looking statements. In some instances, these statements may be preceded by, followed by or include the words "believes," "estimates," "expects," "projects," "forecasts," "may," "will," "should," "seeks," "plans," "scheduled," "anticipates" or "intends" or the negatives of these terms or variations of them or similar terminology. Forward-looking statements are not guarantees of performance. You should not put undue reliance on these statements which speak only as of the date hereof. You should understand that the following important factors, among others, could affect the Company's future results and could cause those results or other outcomes to differ materially from those expressed or implied in the Company's forward-looking statements: the ability of the Company to grow and manage growth profitably, maintain relationships with customers, compete within its industry and retain its key employees; the possibility that the Company may be adversely impacted by global economic, business, competitive and/or other factors; the outcome of any legal proceedings that may be instituted against the Company or others; future exchange and interest rates; and other risks and uncertainties indicated in this report, including those under "Risk Factors" in filings that have been made or will be made with the SEC. The Company undertakes no obligations to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures that are not prepared in accordance with accounting principles generally accepted in the United States ("GAAP") and that may be different from non-GAAP financial measures used by other companies. The Company believes EBITDA, Adjusted EBITDA, Adjusted Net Income, and Adjusted EPS are useful to investors in evaluating the Company's financial performance. The Company uses these measures internally to establish forecasts, budgets and operational goals to manage and monitor its business, as well as evaluate its underlying historical performance and/or to measure incentive compensation, as we believe that these non-GAAP financial measures depict the true performance of the business by encompassing only relevant and controllable events, enabling the Company to evaluate and plan more effectively for the future. Due to the forward-looking nature of the financial guidance included below, specific quantification of the charges excluded from the non-GAAP financial measures included in such financial guidance, including with respect to depreciation, amortization, interest, and taxes, that would be required to reconcile the non GAAP financial measures included in such financial guidance to GAAP measures are not available, so it is not feasible to provide accurate forecasted non-GAAP reconciliations without unreasonable effort. Consequently, no disclosure of estimated comparable GAAP measures is included, and no reconciliation of the forward-looking non-GAAP financial measures is included. In addition, the Company's debt agreements contain covenants that use a variation of these measures for purposes of determining debt covenant compliance. The Company believes that investors should have access to the same set of tools that its management uses in analyzing operating results. EBITDA, Adjusted EBITDA, Adjusted Net Income, and Adjusted EPS should not be considered as measures of financial performance under U.S. GAAP, and the items excluded from EBITDA, Adjusted EBITDA, Adjusted Net Income, and Adjusted EPS are significant components in understanding and assessing the Company's financial performance. Accordingly, these key business metrics have limitations as an analytical tool. They should not be considered as an alternative to net income or any other performance measures derived in accordance with U.S. GAAP or as an alternative to cash flows from operating activities as a measure of the Company's liquidity and may be different from similarly titled non-GAAP measures used by other companies. Please refer to the tables below for the reconciliation of net income to EBITDA, Adjusted EBITDA, Adjusted Net Income, and Adjusted EPS.

## Industry and Market Information

Statements in this presentation concerning our industry and the markets in which we operate, including our general expectations and competitive position, business opportunity and market size, growth and share, are based on information from independent industry organizations and other third-party sources, data from our internal research and management estimates. Management estimates are derived from publicly available information and the information and data referred to above and are based on assumptions and calculations made by us based upon our interpretation of such information and data. The information and data referred to above are imprecise and may prove to be inaccurate because the information cannot always be verified with complete certainty due to the limitations on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. As a result, please be aware that the data and statistical information in this presentation may differ from information provided by our competitors or from information found in current or future studies conducted by market research institutes, consultancy firms or independent sources.



# Summary

Net Sales: Q1 '24 vs. Q1 '23 increased 9% to a record \$104mm compared to \$95mm driven by strongest domestic quarter ever offset by lower international net sales

Adjusted EBITDA<sup>1</sup>: Q1 '24 vs. Q1 '23 increased 6% to \$38mm compared to \$35mm driven by higher net sales

High-profile customer card programs launched this quarter including limited edition American Express Delta Reserve, Robinhood Gold Card, and variety of fintechs and international banks

Card issuers reported growth in Q1 '24 and have maintained a positive outlook for the year ahead, indicating continued investments in customer acquisition and retention due to sustained consumer demand

Given strong cash generation, the Board of Directors declared a special cash dividend of \$0.30 per share reflecting commitment to delivering value to stockholders as well as confidence in continuing to generate strong free cash flow

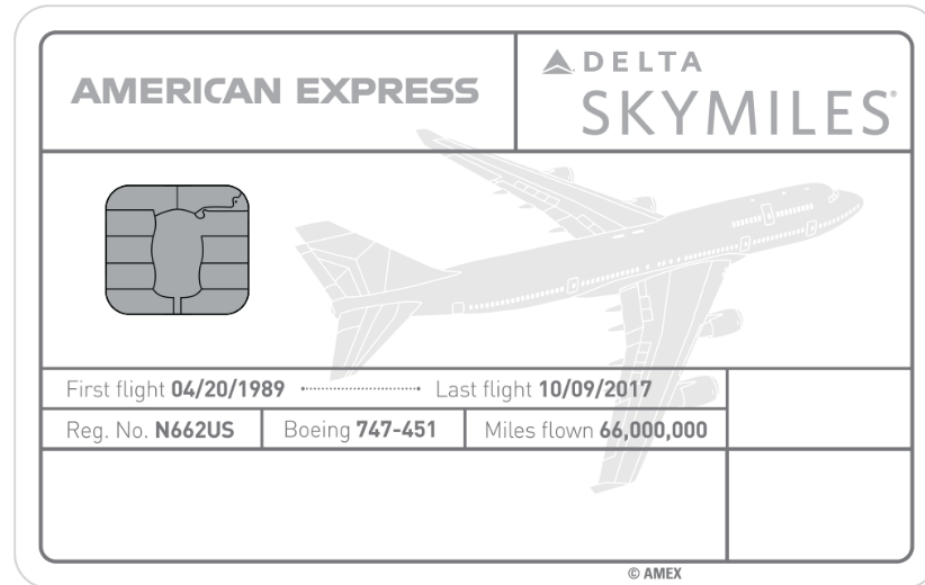
Reiterating guidance for full year 2024 net sales expected to be in the range of \$408mm to \$428mm and adjusted EBITDA of \$147mm to \$157mm

<sup>1</sup>Adjusted EBITDA is a non-GAAP financial measure. For reconciliation of Adjusted EBITDA to the most directly comparable measure prepared in accordance with GAAP, please see the Appendix





# Key Highlights – New Metal Card Programs



Delta Reserve (Amex) - US



Robinhood - US



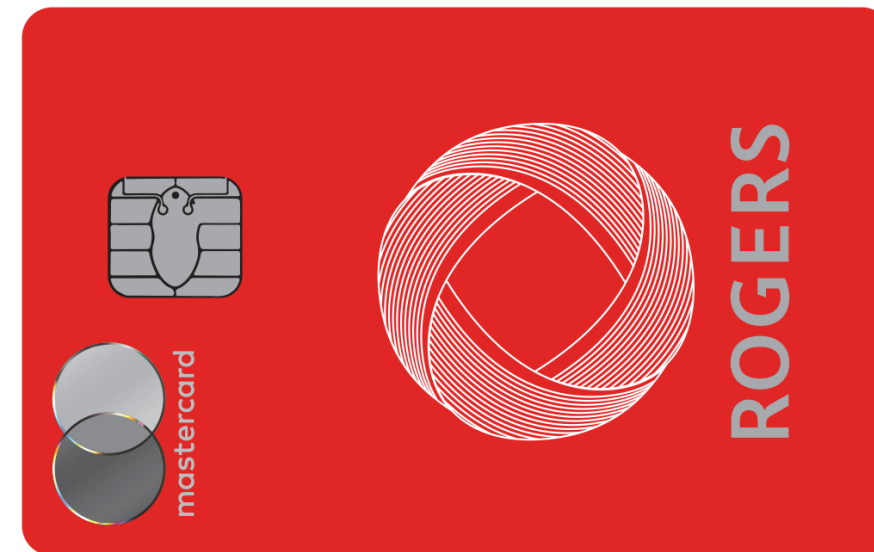
Lloyds Bank - UK



Citibanamex - Mexico



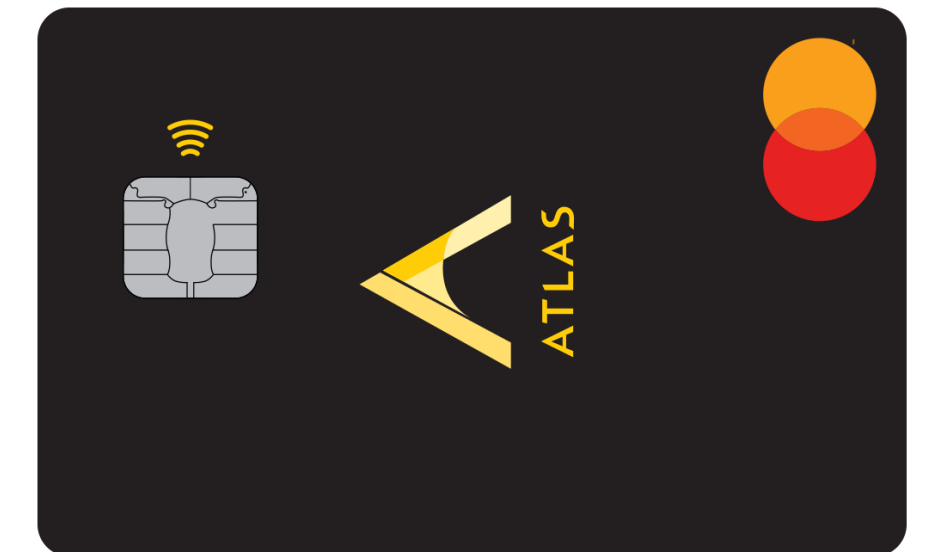
TP Bank - Vietnam



Rogers Bank - Canada



Bradesco (Amex) - Brazil



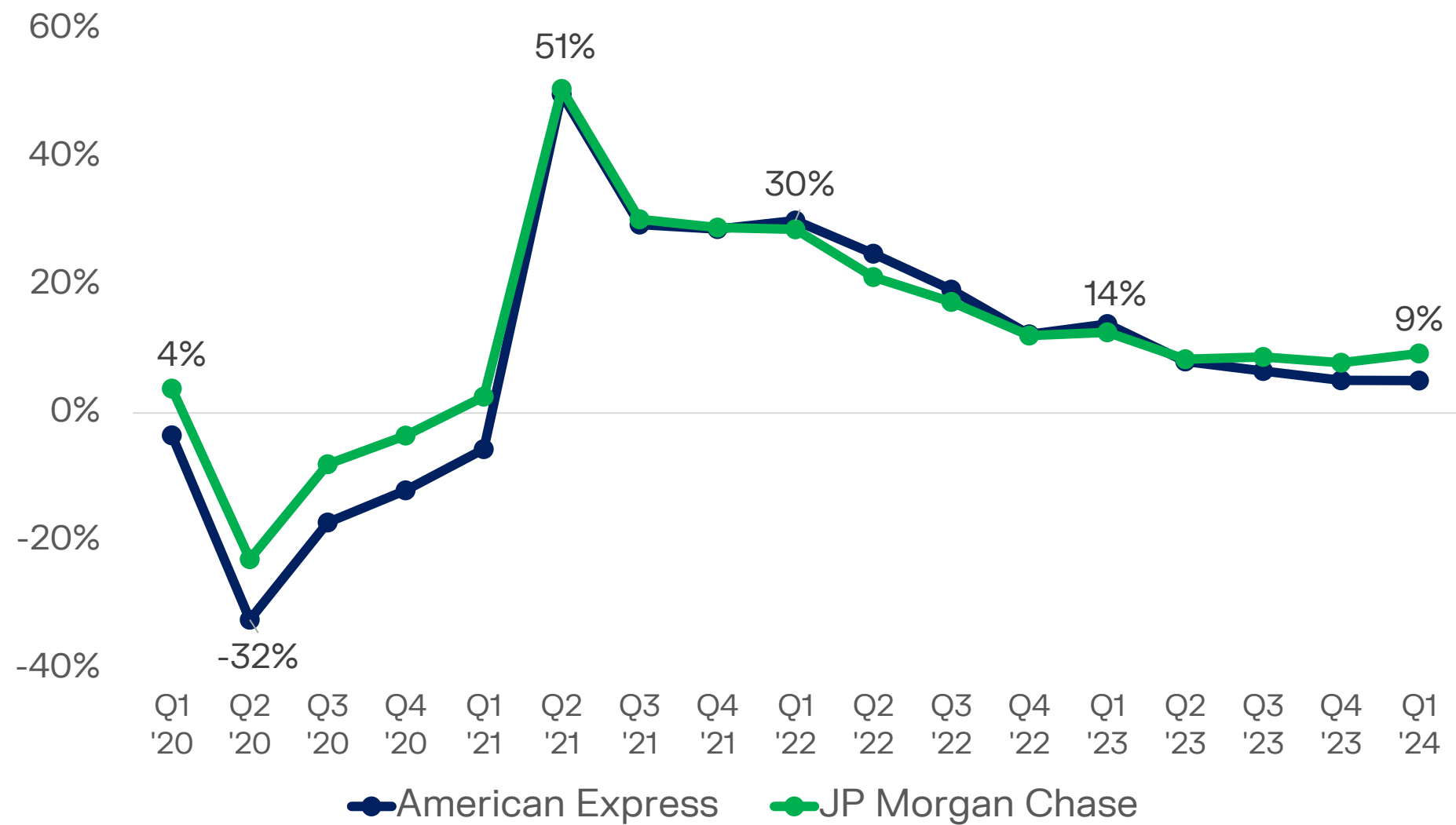
Atlas – US



# Recent Trends across Payment Cards

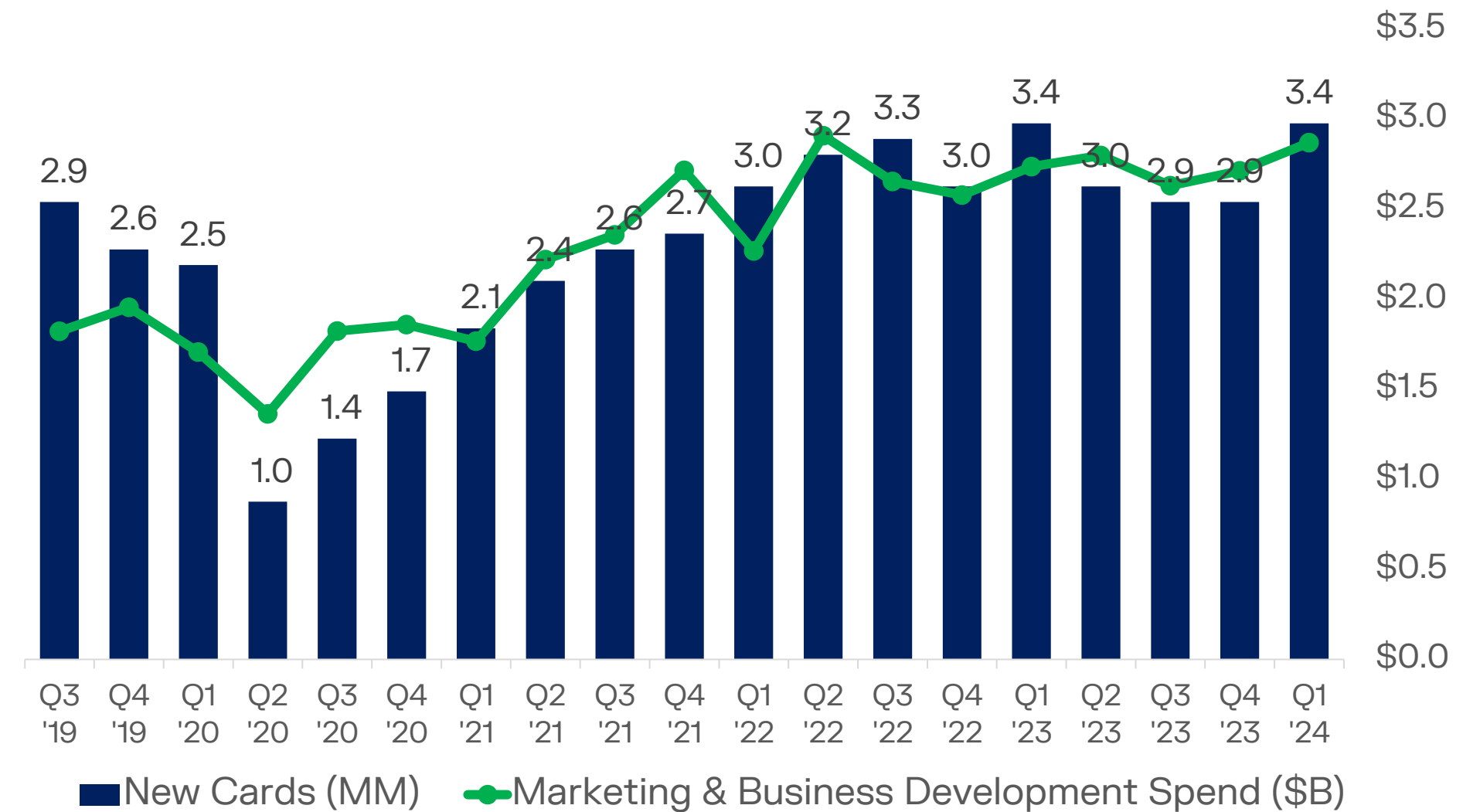
CompoSecure's Largest Customers Report Continued Purchase Volume Growth vs. Prior Year

Year over Year Purchase Volume Growth<sup>1</sup>



American Express Hit 3.4mm New Cards in Q1 '24 Behind Robust Investments

New Card Acquisitions & Investment<sup>2</sup>



<sup>1</sup>American Express & JP Morgan Chase Earnings Presentations  
<sup>2</sup>American Express Earnings Presentations



# Card Issuer and Payment Network Sentiment



“We are pleased with this growth and continue to expect to exit the year with some further momentum reflecting our cycle of product refreshes. In the quarter, we acquired 3.4 million new cards, demonstrating the demand we are seeing for our products and the investments we've made. Importantly, acquisition of our premium fee-based products accounted for around 70% of new accounts and the spend revenue and credit profiles of our new card members continue to look strong.

On the marketing line, we increased investments to \$1.5 billion in the first quarter. We continue to be pleased with the strong, high-quality customer acquisition and engagement we see as a result of these actions, and we are on track to increase marketing spend in 2024 versus last year.” – *Christophe Le Caillec (CFO)*<sup>1</sup>

## JPMORGAN CHASE & CO.

“Consumers remain financially healthy, supported by a resilient labor market. While cash buffers have largely normalized, balances are still above pre-pandemic levels and wages are keeping pace with inflation. When looking at a stable cohort of customers, overall spend is in line with the prior year.” – *Jeremy Barnum (CFO)*<sup>1</sup>



“Total company marketing expense of about \$1 billion for the quarter was up 13% year over year. Total company marketing drives growth and builds franchise in our Domestic Card and Consumer Banking businesses and builds and leverages the value of our brand. Our choices in Domestic Card are the biggest driver of total company marketing. We continue to see attractive growth opportunities in our Domestic Card business. Our opportunities are enhanced by our technology transformation. Our marketing continues to deliver strong new account growth across the domestic Card business...We continue to lean into marketing to drive resilient growth and enhance our Domestic Card franchise.” – *Rich Fairbank (CEO)*<sup>1</sup>



“There is a very long runway ahead and I remain excited about Visa’s future growth opportunity in consumer payments. We continue to capture that growth by delivering innovative and secure payment solutions for buyers and sellers, including new credentials and issuance, tap-to-pay and e-commerce.” – *Ryan McInerney (CEO)*<sup>1</sup>





# Arculus Capabilities

The Arculus Cold Storage wallet has recently launched multi-card/wallet support allowing customers to split assets among multiple cards

## Arculus Authenticate



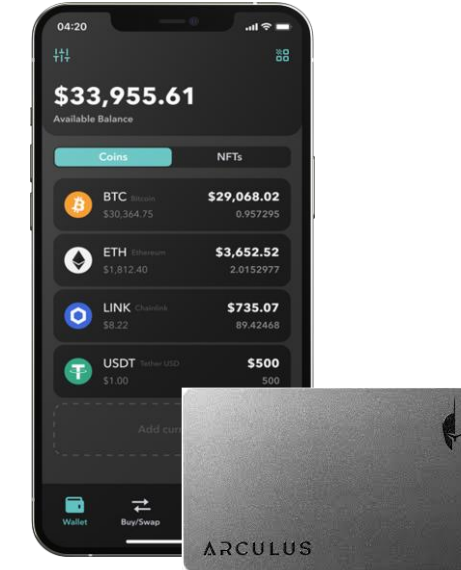
Hardware-bound PassKey authenticator

- Secure login on any iPhone, Android phone, or platform enabled with FIDO2 technology
- New device authentication (on-boarding new phone)
- Customer support authentication to call center
- Step-up authentication for high-risk transactions

- Secure account and prevent hackers from gaining access to banking or social media app

- White-labeled or co-branded solution sold through businesses for usage by their customer base

## Arculus Cold Storage



Crypto and NFT hardware cold storage wallet

- Advanced three-factor authentication (biometric, PIN, and tapping card)
- Securely store, send, and receive digital assets via user-friendly mobile application
- Secure element with NFC connectivity (no battery or charging required)

- Generate, store, and secure keys for digital assets such as Bitcoin, Ethereum, Cardano, Solano, and many more

- White-labeled or co-branded solution sold through businesses for usage by their customer base
- Direct to consumer

Capability

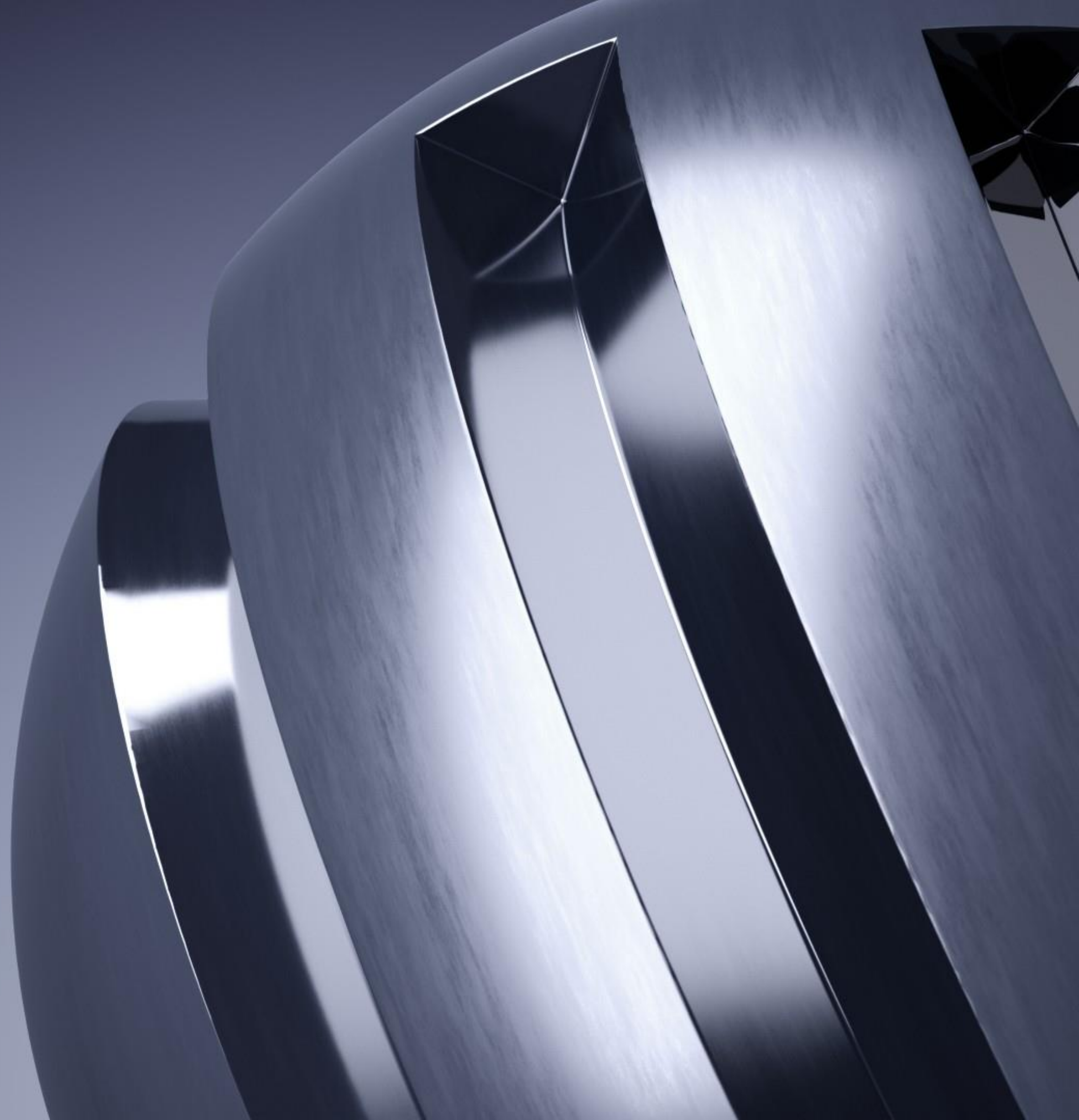
Use Cases

Example

Distribution Channels



# Financial Overview





# Q1 2024 Results

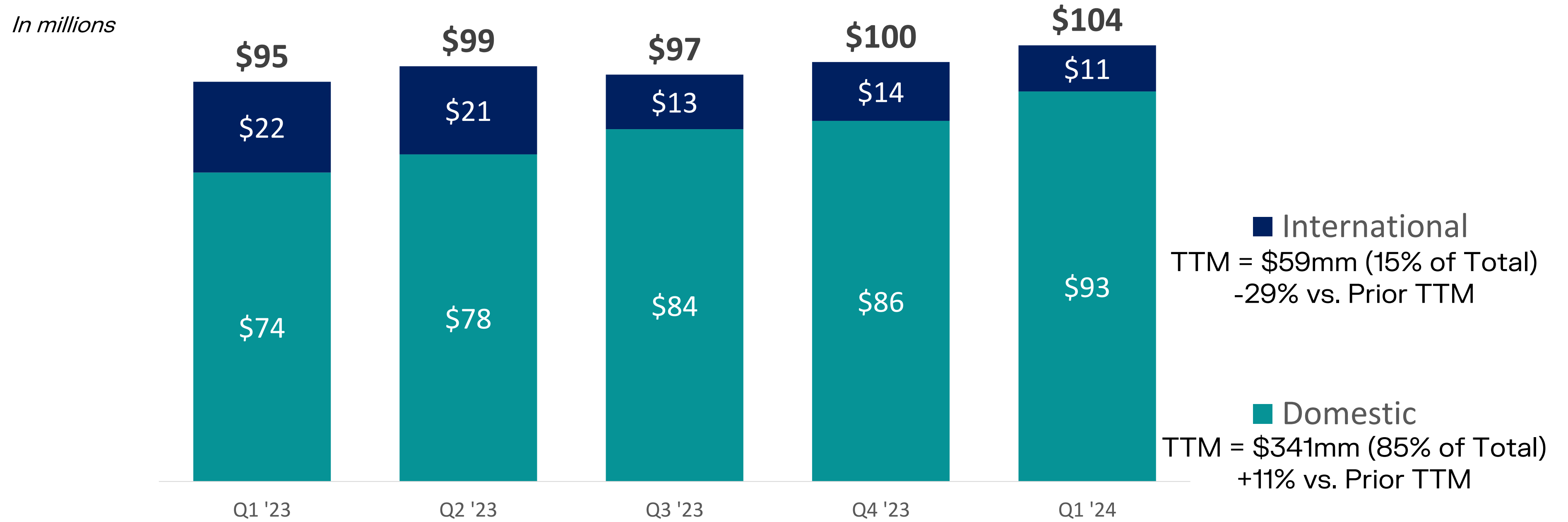
	Q1 '24	Q1 '23	% Change	Commentary
Net Sales	\$104.0mm	\$95.3mm	9%	Record domestic quarter offset by lower international sales
Gross Margin	53.1%	56.0%	(289 bps)	The decrease was primarily due to inflationary pressure on wages as well as product mix
Net Income	\$17.1mm	\$10.7mm	59%	Includes \$4.3mm positive benefit when comparing Q1 '24 vs. Q1 '23 from re-valuation of warrant, earnout consideration, & derivatives liability driven by change in stock price
Adjusted EBITDA <sup>1</sup>	\$37.8mm	\$35.5mm	6%	Excludes net change from re-valuation of earnout & warrants  Q1 '24 includes (\$1.8mm) net impact from Arculus investment
Adjusted EBITDA Margin <sup>1</sup>	36.3%	37.2%	(92 bps)	

<sup>1</sup>Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial metrics. For a reconciliation of Adjusted EBITDA to the most-comparable GAAP metric, please see the Appendix to this presentation



# Net Sales Trend

International mix for the trailing 12 months was 15% of total net sales, but is expected to increase in the balance of year to be more in line with long range view of business of approximately 20%



International	23%	21%	13%	14%	11%
Domestic	77%	79%	87%	86%	89%



# Balance Sheet

(Unaudited)

(\$mm)	Q1 2024A	Q4 2023A
<b>Assets</b>		
<b>Current Assets</b>		
Cash & cash equivalents	\$55	\$41
Accounts receivable, net	35	40
Inventories	55	53
Prepaid expenses and other Current assets	5	5
<b>Total Current Assets</b>	<b>150</b>	<b>139</b>
Property and equipment, net	25	25
Deferred tax assets	26	24
Other assets	13	13
<b>Total assets</b>	<b>\$214</b>	<b>\$201</b>
<b>Liabilities and Members' Equity</b>		
<b>Current Liabilities</b>		
Accounts payable	\$5	\$5
Accrued expenses	13	12
Other current liabilities	12	14
Current portion of long-term debt	12	10
<b>Total current liabilities</b>	<b>42</b>	<b>41</b>
Long-term debt, net of deferred finance costs	192	198
Convertible Debt, net of debt discount	128	128
Other liabilities	49	40
<b>Total liabilities</b>	<b>\$411</b>	<b>\$407</b>
Members' Equity	(197)	(206)
<b>Total liabilities and members' equity</b>	<b>\$214</b>	<b>\$201</b>





# Statement of Cash Flows

(Unaudited)

(\$mm)	Q1 2024A	Q1 2023A
<b>Cash flows from operating activities</b>		
<b>Net income</b>	<b>17</b>	<b>11</b>
Depreciation	2	2
Equity based compensation	4	4
Amortization of deferred finance costs	1	1
Change in fair value of earnout, warrant and derivative	9	13
Accounts receivable	5	(2)
Accounts payable	0	8
Inventories	(3)	(9)
Prepaid expenses and other assets	0	0
Deferred tax expense (benefit)	(2)	(2)
Other liabilities	(1)	(3)
Accrued expenses	2	2
<b>Net cash provided by operating activities</b>	<b>34</b>	<b>25</b>
<b>Cash flow from investing activities</b>		
Acquisition of property and equipment	(2)	(4)
<b>Net cash used in investing activities</b>	<b>(2)</b>	<b>(4)</b>
<b>Cash flow from financing activities</b>		
Proceeds from employee stock purchase plan and exercise of equity awards	0	0
Payments for taxes related to net share settlement of equity awards	(3)	(2)
Payment of term loan	(5)	0
Tax distribution to members	(10)	(10)
<b>Net cash used in financing activities</b>	<b>(18)</b>	<b>(12)</b>
<b>Net increase in cash and cash equivalents</b>	<b>14</b>	<b>9</b>
Cash and cash equivalents, beginning of year	\$41	\$14
Cash and cash equivalents, end of year	\$55	\$23
<b>Supplementary disclosure of cash flow information</b>		
Cash paid during the year for interest	4	5
Non-cash, Derivative asset - interest rate swap	1	(2)

Source: Company financials

Note: Cash flows have been derived from CompoSecure's consolidated financial statements for the three months ended March 31, 2024 and 2023 respectively



# Q1 Earnings per Share: GAAP

	Three months ended 3/31/24		Three months ended 3/31/23	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$17.1mm	\$17.1mm	\$10.7mm	\$10.7mm
Net Income used in EPS	\$4.0mm <sup>1</sup>	\$16.0mm <sup>2</sup>	\$2.3mm	\$10.7mm
Total Shares used in EPS	20.6mm <sup>3</sup>	96.2mm <sup>4</sup>	17.6mm	94.7mm
Earnings per Share	\$0.20	\$0.17	\$0.13	\$0.11

Source: Company Financials

<sup>1</sup> 25.6% of net income of \$17.5mm of operating entities plus 100% of C-Corp net loss of \$0.5mm.

<sup>2</sup> 25.6% of net income of \$17.5mm of operating entities plus 100% of C-Corp net loss of \$0.5mm. plus exchangeable notes, equity awards and Class B shares of \$12.0mm

<sup>3</sup> Weighted-average outstanding Class A Shares.

<sup>4</sup> Outstanding Class A Shares 20.6mm plus equity awards 2.7mm, exchangeable notes 13.0mm and Class B units of 59.9mm



# Q1 Adjusted Earnings per Share

	Three months ended 3/31/24		Three months ended 3/31/23	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$17.1mm	\$17.1mm	\$10.7mm	\$10.7mm
Adjusted Net Income	\$23.1mm <sup>1</sup>	\$23.1mm <sup>1</sup>	\$20.6mm <sup>2</sup>	\$20.6mm <sup>2</sup>
Total Shares used in EPS	80.5mm <sup>3</sup>	91.3mm <sup>4</sup>	77.6mm <sup>3</sup>	89.8mm <sup>5</sup>
Adjusted EPS <sup>6</sup>	\$0.29	\$0.25	\$0.27	\$0.23

Source: Company Financials

<sup>1</sup> GAAP Net Income of \$17.1mm less Additional Tax Provision of \$7.2mm plus Fair Value/Mark to Market Changes for Warrants and Earnouts and Equity Awards Adjustment of \$13.2mm.

<sup>2</sup> GAAP Net Income of \$10.7mm less Additional Tax Provision of \$6.9mm plus Fair Value/Mark to Market Changes for Warrants and Earnouts and Equity Awards Adjustment of \$16.8mm.

<sup>3</sup> Outstanding Class A plus Class B Shares.

<sup>4</sup> Outstanding Class A plus Class B Shares plus 8.1mm Public Warrants (Converted Using Treasury Stock Method) and 2.7mm Equity Awards.

<sup>5</sup> Outstanding Class A plus Class B Shares plus 8.1mm Public Warrants (Converted Using Treasury Stock Method) and 4.1mm Equity Awards

<sup>6</sup> Adjusted Net Income and Adjusted EPS are non-GAAP financial measures. For reconciliation of these non-GAAP measures to the most directly comparable measures prepared in accordance with GAAP, please see the Appendix





# 2024 Guidance

Reaffirming full year net sales and adjusted EBITDA guidance

	2024F	2023A
<b>Net Sales</b>	\$408mm - \$428mm	\$391mm
<i>B/(W) vs. '23</i>	<i>+4% / +10%</i>	
<b>Adjusted EBITDA<sup>1</sup></b>	\$147mm - \$157mm	\$145mm
<i>B/(W) vs. '23</i>	<i>+1% / +8%</i>	

<sup>1</sup>Adjusted EBITDA is a non-GAAP financial metric. For a reconciliation of Adjusted EBITDA to the most-comparable GAAP metric, please see the Appendix to this presentation



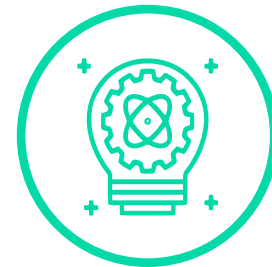
# 2024 Company Objectives

## 1 Grow Metal Payment Cards



Grow and diversify metal payment cards while delivering exceptional quality to our customers

## 2 Innovate Across Functions



Innovate across products, processes and platforms to differentiate from competition and continue emphasis on environmental impact

## 3 Demonstrate Arculus Success



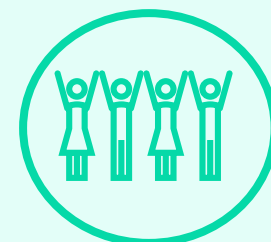
Drive Arculus Authenticate and Cold Storage by demonstrating to our customers the value proposition of both hardware and software solutions

## 4 Enhance Efficiency



Maintain margins through improved quality, production efficiency, sourcing optimization, and automation

## 5 Focus On Our People



Continue to evolve as a world-class organization, innovator, and employer of choice to deliver unparalleled customer and shareholder value



# Investor Relations Contact

[ir.composesecure.com](http://ir.composesecure.com)

Sean Mansouri

720-330-2829

[ir@composesecure.com](mailto:ir@composesecure.com)



# Appendix



# CompoSecure, Inc. (Nasdaq: CMPO)

## Summary Equity Capitalization Table (with net exercise model)

As of March 31, 2024

<u> Holders </u>	<u> # of Shares Issued &amp; Outstanding </u>	<u> # of Shares Issued &amp; Outstanding </u>
Public Shareholders: Class A	20.6mm	20.6mm
Historic CompoSecure Owners: Class B	60.0mm	60.0mm
<b>Subtotal</b>	<b>80.6mm</b>	<b>80.6mm</b>
<u> Holders </u>	<u> # of Shares Reserved for Immediately Exercisable In-The-Money Options </u>	<u> # of Shares Reserved for Immediately Exercisable In-The-Money Options (assuming net exercise)<sup>1</sup> </u>
Merger Rollover Options	3.3mm	2.6mm
<b>Subtotal</b>	<b>83.9mm</b>	<b>83.2mm</b>
<u> Convertible Instruments </u>	<u> # of Shares Reserved for Conversion </u>	<u> # of Shares Reserved for Conversion (assuming net exercise) </u>
Public Warrants <sup>2</sup>	22.4mm	8.1mm
Exchangeable Notes <sup>3</sup>	11.3mm	11.3mm
<b>Grand Total</b>	<b>117.6mm</b>	<b>102.6mm</b>

Notes: The table above excludes shares which may be issued in the future for contingent "earnout", equity incentive plan, employee stock purchase plan, and 401K plan

<sup>1</sup> Assumes exercise net of strike price, valuation at assumed FMV of \$10.00

<sup>2</sup> Assumes treasury stock method, \$11.50 strike price, & valuation at assumed FMV of \$18.00

<sup>3</sup> Assumes \$11.50 strike price with redemption (at company's discretion) after three years if FMV exceeds \$14.95



# Statement of Operations

(Unaudited)

(\$mm)	Q1 2024A	Q1 2023A	FY 2023A	FY 2022A
Revenue				
<b>Net Sales</b>	<b>\$104</b>	<b>\$95</b>	<b>\$391</b>	<b>\$378</b>
Cost of Sales	(49)	(42)	(182)	(159)
<b>Gross Profit</b>	<b>\$55</b>	<b>\$53</b>	<b>\$209</b>	<b>\$220</b>
Operating Expenses				
Selling, general and administrative	(24)	(24)	(90)	(105)
<b>Income from operations</b>	<b>\$31</b>	<b>\$29</b>	<b>\$119</b>	<b>\$115</b>
Other expense				
Other income (expense), net <sup>1</sup>	14	(18)	(6)	17
<b>Net Income</b>	<b>\$17</b>	<b>\$11</b>	<b>\$113</b>	<b>\$132</b>

Source: Company financials

Note: Operating results have been derived from CompoSecure's consolidated financial statements for the three months ended March 31, 2024 and 2023 and twelve months ended December 31, 2023 and 2022 respectively

Note: Totals may not sum due to rounding

<sup>1</sup> Includes other income (expense) and income tax (expense) benefit as presented in annual and interim financial statements



# Non-GAAP Adjusted EBITDA Reconciliation

(Unaudited)

\$mm	Q1 2024A	Q1 2023A	FY 2023A	FY 2022A
Net Income	\$17.1	\$10.7	\$112.5	\$131.8
Interest Expense	5.7	6.5	24.1	22.5
Depreciation and Amortization	2.2	2.0	8.4	8.5
Tax benefit	(0.8)	(1.2)	4.6	4.4
<b>Unadjusted EBITDA</b>	<b>\$24.2</b>	<b>\$18.0</b>	<b>\$149.6</b>	<b>\$167.2</b>
① Non-Cash Stock Comp Expense	4.4	4.0	17.5	11.5
② Mark-to-market Adjustments	9.2	13.4	(22.1)	(42.5)
<b>Total EBITDA Adjustments</b>	<b>13.6</b>	<b>17.4</b>	<b>(\$4.6)</b>	<b>(\$31.0)</b>
<b>Adjusted EBITDA</b>	<b>\$37.8</b>	<b>\$35.5</b>	<b>\$145.0</b>	<b>\$136.2</b>
Adjusted EBITDA %	36.3%	37.2%	37.1%	35.9%

① **Non-Cash Equity Awards:**  
Equity based expenses related to the equity incentive plan

② **Non-Cash Mark-to-Market Adjustments:**  
Related to changes in fair value of liabilities for warrants, earnouts and derivatives assets.





# Non-GAAP EPS Reconciliation

(Unaudited)

(\$mm)	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
	BASIC	DILUTED	BASIC	DILUTED
GAAP Net Income	\$17.1	\$17.1	\$10.7	\$10.7
Adjust for tax (benefit) expense	(0.8)	(0.8)	(1.2)	(1.2)
Tax Provision	(6.4)	(6.4)	(5.6)	(5.6)
Tax Adjusted Net Income	\$9.8	\$9.8	\$3.9	\$3.9
Stock Based Compensation and Fair Value Adjustment	\$13.2	\$13.2	\$16.7	\$16.7
Total Adjusted Net Income	\$23.1	\$23.1	\$20.6	\$20.6
Class A + Class B Shares	80.5	80.5	77.6	77.6
Public & Private Warrants <sup>1</sup>	-	8.1	-	8.1
Equity Awards <sup>2</sup>	-	2.7	-	4.1
Total Shares	80.5	91.3	77.6	89.8
EPS	\$0.29	\$0.25	\$0.27	\$0.23

Source: Company financials

<sup>1</sup> Assumes treasury stock method, valuation at assumed FMV of \$18.00

<sup>2</sup> Includes options, RSUs, and ESPP shares

