

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

FORM 8-K

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

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

CompoSecure, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

309 Pierce Street
Somerset, New Jersey
(Address of Principal Executive Offices)

001-39687
(Commission
File Number)

85-2749902
(IRS Employer
Identification No.)

08873
(Zip Code)

Registrant's telephone number, including area code: 908 518-0500

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.0001 par value	CMPO	Nasdaq Global Market
Redeemable warrants, each whole warrant exercisable for one share of Class A Common Stock	CMPOW	Nasdaq Global Market

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

Emerging growth company

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

Item 2.02 Results of Operation and Financial Condition

On August 14, 2023, CompoSecure, Inc. (the “Company”) issued a press release announcing its financial results for the quarter ended June 30, 2023 and provided an investor presentation to accompany the press release. Copies of the press release and the investor presentation are furnished herewith as Exhibits 99.1 and 99.2, respectively.*

Item 7.01 Regulation FD Disclosure

The information included under Item 2.02 of this Current Report on Form 8-K is incorporated into this Item 7.01 by reference.*

Item 9.01 Exhibits

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release of the Company, dated August 14, 2023
99.2	Investor Presentation, dated August 2023
104	Cover Page Interactive Data File (embedded with the Inline XBRL document)

* The information in Items 2.02 and 7.01 of this Form 8-K shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

SIGNATURE

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

COMPOSECURE, INC.

Date: August 14, 2023

By: /s/Timothy Fitzsimmons
Timothy Fitzsimmons
Chief Financial Officer

**CompoSecure Reports Second Quarter 2023 Financial Results**

– Secures Long-Term Contract Renewal for One of Its Largest Customers –

– Reaffirms 2023 Net Sales and Adjusted EBITDA Guidance –

SOMERSET, N.J., August 14, 2023 -- CompoSecure, Inc. (Nasdaq: CMPO), a leader in metal payment cards, security, and authentication solutions, today announced its financial and operating results for the second quarter ended June 30, 2023.

“We continue to demonstrate the performance and consistency of our business as our second quarter results were in-line with our expectations despite continued macroeconomic uncertainties,” said Jon Wilk, President and CEO of CompoSecure. “General sentiment from our customers around the premium payment card market remained positive during the quarter. We are poised to continue to drive growth and cash flow generation for the remainder of the year, delivering new and innovative products to market while executing on our sales and profitability objectives.”

“We are also pleased to announce a five-year contract extension through December 2028 as the exclusive provider of metal cards for one of our largest customers that was set to expire at the end of this year (see filed 8-K). We have now signed long-term renewals with our top two customers.”

“Throughout our 20 year history, our company has been driven by delivering unmatched value and business impact as well as innovation, while establishing long-term partnerships across the market, and I am proud that we continue to demonstrate that unique value proposition.”

Q2 2023 Financial Highlights (vs. Q2 2022)

- **Net Sales:** Net Sales increased 1% to \$98.5 million compared to \$97.2 million, with the increase primarily driven by continued domestic growth in the Company’s metal payment card business, which was up 11%. This was partially offset by lower international sales, which is a more variable market due to customer mix and a smaller sales base. International sales remained in-line with the Company’s targeted revenue mix of approximately 20%.
 - **Gross Profit:** Gross Profit was \$53.9 million or 54.7% of Net Sales, compared to \$58.9 million or 60.5%. The decrease was primarily due to higher material costs resulting from inflationary pressures and product mix. Gross margin was in-line with the Company’s previously stated mid-50% target.
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- **Net Income/EPS:** Net Income was \$32.7 million compared to \$60.7 million. The decrease was primarily driven by a \$25.4 million change in non-cash mark to market adjustments related to the fair value of warrant liabilities, earnout consideration liability and derivative liability. Net Income per share attributable to class A common stockholders was \$0.31 (Basic) and \$0.29 (Diluted), compared to \$0.56 (Basic) and \$0.52 (Diluted) in the year-ago period.
- **Adjusted Net Income/Adjusted EPS:** Adjusted Net Income (a non-GAAP measure) was \$22.9 million compared to \$25.3 million in the year-ago period. Adjusted EPS (a non-GAAP measure), which includes both class A and class B shares, was \$0.29 (Basic) and \$0.25 (Diluted) compared to \$0.33 (Basic) and \$0.29 (Diluted) in the year-ago period (see reconciliation of non-GAAP measures shown in table below).
- **Adjusted EBITDA:** Adjusted EBITDA (a non-GAAP measure) was \$36.9 million compared to \$39.7 million, with the decrease primarily driven by lower gross margin.

Recent Operational Highlights

- Continued metal payment card momentum including Barclays UK, Citizen's Bank, [Mars \(a Turkish based Fintech\)](#), and Step Financial.
- Signed new Arculus customers for the quarter including Plug Wallet, an online crypto wallet, and Radix DeFi, a decentralized network, among others.
- Arculus was nominated for the [Pay Tech Awards, Tech of the Future – Fighting Fraud & Financial Crime award](#).
- Named a New Jersey Top Workplace by [NJ.com](#) for the fourth year in a row.

2023 Financial Outlook

The Company is reaffirming its guidance for full year 2023 results, with net sales expected to be in the range of \$400-\$425 million and adjusted EBITDA in the range of \$145-\$155 million.

Conference Call

The Company will host a conference call and live audio webcast today at 5:00 p.m. Eastern time to discuss its financial and operational results, followed by a question-and-answer period.

Date: Wednesday, August 14, 2023

Time: 5:00 p.m. Eastern time

Dial-in registration link: [here](#)

Live webcast registration link: [here](#)

If you have any difficulty registering or connecting with the conference call, please contact Elevate IR at (720) 330-2829.

A live webcast and replay of the conference call will be available on the investor relations section of the Company's website at <https://ir.composesecure.com/news-events/events>.

About CompoSecure

Founded in 2000, CompoSecure (Nasdaq: CMPO) is a technology partner to market leaders, fintechs and consumers enabling trust for millions of people around the globe. The company combines elegance, simplicity and security to deliver exceptional experiences and peace of mind in the physical and digital world. CompoSecure's innovative payment card technology and metal cards with Arculus security and authentication capabilities deliver unique, premium branded experiences, enable people to access and use their financial and digital assets, and ensure trust at the point of a transaction. For more information, please visit www.CompoSecure.com and www.GetArculus.com.

Forward-Looking Statements

This press release 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 other economic, business, and/or competitive 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, including those under "Risk Factors" in filings that have been made or will be made with the Securities and Exchange Commission. 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.

Use of Non-GAAP Financial Measures

This press release 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 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 above, 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 GAAP measures to these non-GAAP measures for the quarter ended June 30, 2023.

Corporate Contact

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Investor Relations Contact

Sean Mansouri, CFA
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CompoSecure, Inc.
Consolidated Statements of Operations
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net sales	\$ 98,527	\$ 97,199	\$ 193,843	\$ 181,382
Operating expenses:				
Cost of sales	44,590	38,347	86,552	73,771
Selling, General and administrative	23,588	24,433	47,532	43,209
Total operating expenses	68,178	62,780	134,084	116,980
Income from operations	30,349	34,419	59,759	64,402
Total other income (expense), net	3,331	29,041	(16,605)	26,509
Income before income taxes	33,680	63,460	43,154	90,911
Income tax (expense) benefit	(970)	(2,802)	293	(3,345)
Net income	32,710	60,658	43,447	87,566
Net income attributable to non-controlling interests	26,973	52,184	35,347	75,628
Net income attributable to CompoSecure, Inc	\$ 5,737	\$ 8,474	\$ 8,100	\$ 11,938
Net income per share attributable to Class A common stockholders -basic	\$ 0.31	\$ 0.56	\$ 0.45	\$ 0.80
Net income per share attributable to Class A common stockholders - diluted	\$ 0.29	\$ 0.52	\$ 0.41	\$ 0.75
Weighted average shares used to compute net income per share attributable to Class A common stockholders - basic (in thousands)	18,537	15,052	18,087	14,993
Weighted average shares used to compute net income per share attributable to Class A common stockholders - diluted (in thousands)	35,528	32,363	35,155	32,341

CompoSecure, Inc.
Condensed Consolidated Balance Sheet Data
(in thousands)

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
	<u>(unaudited)</u>	
ASSETS		
Cash and cash equivalents	\$ 22,614	\$ 13,642
Accounts Receivable, net	36,534	37,272
Inventories, net	48,889	42,374
Prepaid expenses and other current assets	4,096	3,824
Property and equipment, net	24,182	22,655
Right of use assets operating, net	8,427	8,932
Deferred tax asset	27,968	25,569
Derivative asset - interest rate swap	8,329	8,651
Deposits and other assets	24	24
TOTAL ASSETS	<u>\$ 181,063</u>	<u>\$ 162,943</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current portion of long-term debt	\$ 18,750	\$ 14,372
Current portion of lease liabilities	1,892	1,846
Current portion of tax receivable agreement liability	1,668	2,367
Accounts payable	6,635	7,127
Accrued expenses	10,766	10,154
Commission payable	5,361	3,317
Bonus payable	5,779	8,177
Long-term debt, net of deferred finance costs	207,343	216,276
Convertible notes, net of debt discount	127,586	127,348
Derivative liability - convertible notes	798	285
Warrant liability	24,309	16,341
Earnout consideration liability	10,869	15,090
Lease liabilities	7,257	7,766
Tax receivable agreement liability	23,952	24,475
Total stockholders' (deficit)	(271,902)	(291,998)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 181,063</u>	<u>\$ 162,943</u>

CompoSecure, Inc.
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 43,447	\$ 87,566
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	4,171	4,567
Stock-based compensation expense	8,415	4,020
Amortization of deferred finance costs	700	1,252
Change in fair value of earnout consideration liability	(4,221)	(19,041)
Revaluation of warrant liability	7,968	(18,041)
Change in fair value of derivative liability	513	61
Deferred tax (benefit) expense	(1,770)	3,094
Changes in assets and liabilities		
Accounts receivable	738	(17,282)
Inventories	(6,515)	(2,938)
Prepaid expenses and other assets	(272)	(1,144)
Accounts payable	(492)	(201)
Accrued expenses	612	10,262
Other liabilities	(313)	(784)
Net cash provided by operating activities	52,981	51,391
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(5,697)	(3,504)
Net cash used in investing activities	(5,697)	(3,504)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from employee stock purchase plan and exercise of equity awards	389	-
Payments for taxes related to net share settlement of equity awards	(2,483)	-
Proceeds from line of credit	-	10,000
Payment of Tax receivable agreement liability	(2,193)	-
Payment of term loan	(5,017)	(16,878)
Distributions	(29,008)	(25,729)
Payment of issuance cost related to business combination	-	(23,833)
Net cash used in financing activities	(38,312)	(56,440)
Net increase (decrease) in cash and cash equivalents	8,972	(8,553)
Cash and cash equivalents, beginning of period	13,642	21,944
Cash and cash equivalents, end of period	<u>\$ 22,614</u>	<u>\$ 13,391</u>
Supplementary disclosure of cash flow information		
Cash paid for interest expense	\$ 13,626	\$ 9,638
Supplemental disclosure of non-cash financing activity:		
Derivative asset - interest rate swap	\$ 8,329	\$ 5,590

CompoSecure, Inc.
Non-GAAP Adjusted EBITDA Reconciliation
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income	\$ 32,710	\$ 60,658	\$ 43,447	\$ 87,566
Add (less):				
Depreciation	2,131	2,217	4,171	4,567
Interest expense, net (1)	5,849	5,547	12,345	10,513
Income tax expense (benefit)	970	2,802	(293)	3,345
EBITDA	\$ 41,660	\$ 71,224	\$ 59,670	\$ 105,991
Stock-based compensation	4,393	3,014	8,415	4,020
Mark to market adjustments (2)	(9,180)	(34,586)	4,260	(37,021)
Adjusted EBITDA	\$ 36,873	\$ 39,652	\$ 72,345	\$ 72,990

(1) Includes amortization of deferred financing cost for the three and six months ended June 30, 2023 and 2022, respectively.

(2) Includes the changes in fair value of warrant liability, derivative liabilities and earnout consideration liability for the three and six months ended June 30, 2023 and June 30, 2022.

CompoSecure, Inc.
Non-GAAP Adjusted EPS Reconciliation
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands) except per share amounts			
Basic and Diluted:				
Net income	\$ 32,710	\$ 60,658	\$ 43,447	\$ 87,566
Add (less): provision (benefit) for income taxes	970	2,802	(293)	3,345
Income before Income taxes	33,680	63,460	43,154	90,911
Income tax expense (1)	(6,190)	(6,745)	(11,771)	(12,166)
Adjusted net income before adjustments	27,490	56,715	31,383	78,745
(Less) add: mark-to-market adjustments (2)	(8,985)	(34,399)	3,747	(37,082)
Add: stock-based compensation	4,393	3,014	8,415	4,020
Adjusted net income	\$ 22,898	\$ 25,330	\$ 43,545	\$ 45,683
Common shares outstanding used in computing earnings per share, basic: Class A and Class B common shares (3)	78,496	76,039	78,046	76,105
Common shares outstanding used in computing earnings per share, diluted: Warrants (Public and Private) (4)	8,094	8,094	8,094	8,094
Equity awards	3,991	4,312	4,068	4,349
Total Shares outstanding used in computing adjusted earnings per share - diluted	90,581	88,445	90,208	88,548
Adjusted net income per share- basic	\$ 0.29	\$ 0.33	\$ 0.56	\$ 0.60
Adjusted net income per share- diluted	\$ 0.25	\$ 0.29	\$ 0.48	\$ 0.52

1) Calculated using the Company's blended tax rate.

2) Includes the changes in fair value of warrant liability and earnout consideration liability.

3) Assumes both Class A shares and Class B shares participate in earnings and are outstanding at the end of the period.

4) Assumes treasury stock method, valuation at assumed fair market value of \$18.00.

5) The Company did not include the effect of Exchangeable Notes to its total shares outstanding used in diluted adjusted net income per share.

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Q2 2023 Earnings Presentation

August 14, 2023



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 the Company. Although the Company believes that its plans, intentions, and expectations reflected in or suggested by these forward-looking statements are reasonable, the Company cannot guarantee that it will achieve or realize these plans, intentions, or expectations. Forward-looking statements are inherently subject to risks, uncertainties, and assumptions. Generally, statements of this nature, including statements concerning the Company's possible or assumed future actions, business strategies, events, or results of operations, are forward-looking statements. These statements may be preceded by, followed by or include the words "believes," "estimates," "expects," "projects," "forecasts," "may," "will," "should," "seeks," "plans," "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 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 relationships with customers, compete within its industry and retain its key employees; the possibility that the Company may be adversely impacted by other economic, business, or market 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 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 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 are different from non-GAAP financial measures used by other companies. The Company believes EBITDA, Adjusted EBITDA, Adjusted Net Income and Adjusted EPS are useful measures of the Company's financial performance. The Company uses these measures internally to establish forecasts, budgets and operational goals to manage and monitor its business performance and to measure incentive compensation, as we believe that these non-GAAP financial measures depict the true performance of the business and are 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 in such financial guidance, including with respect to depreciation, amortization, and other non-recurring items, the Company may 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 reconciliations without unreasonable effort. Consequently, no disclosure of estimated comparable GAAP measures is included, and no reconciliation of the forward-looking 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 not intended to be used in understanding and assessing the Company's financial performance. Accordingly, these key business metrics have limitations as an analytical tool. They should not be used as a substitute for 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 performance. The Company's non-GAAP measures may differ 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 opportunities and share, are based on information from independent industry organizations and other third-party sources, data from our internal research and management estimates. Such information and data 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 on 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 independent sources. 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 advised that 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 or consultancy firms or independent sources.



Summary

Announces five-year contract extension as the exclusive provider of metal payment cards for one of its largest customers

Net Sales: Q2 '23 vs. Q2 '22 increased 1% to \$99mm compared to \$97mm driven by strong domestic growth in the company's premium payment card business which was up 11%; YTD up 7% to \$194mm compared to \$181mm

Adjusted EBITDA¹: Q2 '23 vs. Q2 '22 decreased 7% to \$37mm compared to \$40mm due to decrease in growth in the company's premium payment card business; YTD down 1% to \$72mm compared to \$73mm prior year

Card issuers reported strong growth and have positive outlook while maintaining investment in customer acquisition and rewards despite the macroeconomic challenges

Continued focus on driving growth for payment card and Arculus product offerings including expanding sales and marketing team, continuing trade shows and partnership opportunities, and ramping up B2B marketing activity

Reaffirming full year 2023 guidance of \$400mm to \$425mm in Net Sales and \$145mm to \$155mm in Adjusted EBITDA



¹Adjusted 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

Customer & Conference News

- Announced a five-year contract extension through December 2028 as the exclusive provider of metal cards for our largest customers that was set to expire at the end of this year (see filed 8-K). We have now signed long-term contracts with both of our top two customers
- Launching new metal card programs with top global issuers, Citizens Bank and Barclays UK
- Strong presence at Bitcoin 2023 (May) & Money 20/20 Europe (June); planning for Finovate Fall (Sept), Money 20/20 Asia (Oct) & Singapore FinTech Festival (Nov)

Awards & Recognition

- CompoSecure named a “New Jersey Top Workplace” by NJ.com for the fourth year in a row
- President and CEO, Jon Wilk, recognized with “Large Business Leadership Award” by NJ.com
- Chief Revenue Officer, Amanda Gourbault, named winner of “Woman in PayTech – Spearheading Growth” category at Futures PayTech Awards 2023
- Chief Product and Innovation Officer, Adam Lowe, finalist in “Innovator of the Year” category by Finovate



Large Issuers and Payment Networks Confident in C



"We also remain focused on achieving our growth plan aspirations of annual revenue growth in excess of 10% and mid-teens EPS growth in 2024 and beyond in a steady-state macro environment. **I continue to feel very good about our ability to achieve these long-term aspirations.**...It all starts with our premium customer base, which is built on our trusted brand. We have a global scale that's unmatched in the industry and leadership positions with a diverse range of high-quality customers. We build long-term relationships through our unique membership model which we constantly evolve to attract new customers and grow with them over time." – *Steve Squeri (Chairman & CEO)*



"Our choices in Domestic Card are the biggest driver of total company marketing, and we continue to see attractive growth opportunities in our Domestic Card business. Our opportunities are enhanced by our technology transformation. We continue to lean into marketing to drive resilient growth and enhance our Domestic Card franchise. And as always, we're keeping a close eye on competitor actions and potential marketplace risks. We're seeing the success of our marketing and strong growth in Domestic Card new accounts, purchase volume, and loans across our card business. And strong momentum in our decade-long focus on building a franchise with heavy spenders at the top of the marketplace continues." – *Richard Fairbank (Chairman & CEO)*



"**Growth in domestic payments volumes remains strong globally.** As we said last quarter, the recovery is now for domestic volume. Post the Omicron wave in January and February, U.S. domestic volume ticked down in March, driven by the factors we believe that some of these factors will persist this quarter. As such, we are assuming March and April will continue in the U.S. for the rest of the quarter. We expect the international growth trajectory to remain unchanged from the second quarter." – *Vasanth Kumar (CFO)*



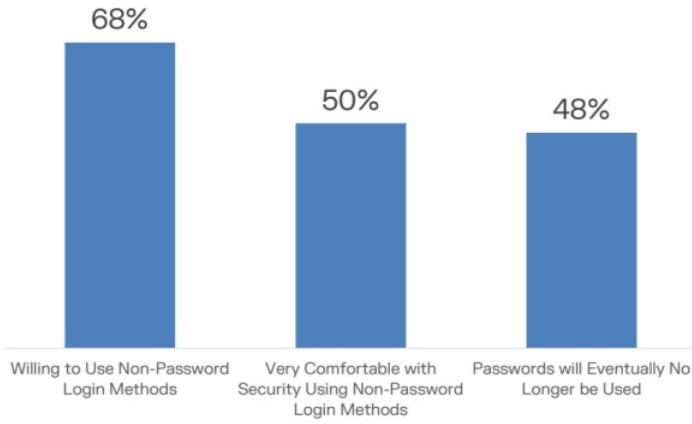
Source: Q2 '23 Earnings Transcripts

Secure Authentication Market Demand

As life becomes more digitally connected, consumers increasingly expect that online transactions be secure, simple, and convenient

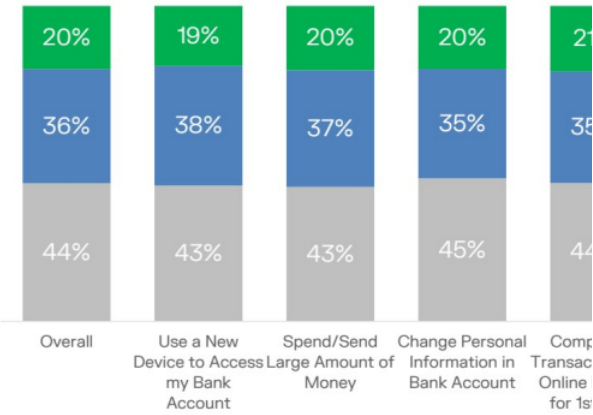
Login Comfort¹

Consumers are Ready to Transition Away from Password Login Methods



Infrequent Transactions

For Higher Risk/Infrequent Transactions than Half of Respondents want their Accounts to Require More Security Measures



¹ "The Future of Authentication" - June 2022
² "Consumer Authentication Preferences" - January 2023



Arculus Capabilities

The Arculus premium metal card can combine functionality of both a credit/debit payment card, an authentication token or cold storage wallet

	Arculus Authenticate™	Arculus Cold Storage
Capability	FIDO2 passwordless hardware authenticator	Crypto and NFT hardware wallet
Use Cases	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Advanced three-factor authentication (PIN, and tapping card) Securely store, send, and receive crypto assets using a user-friendly mobile application Secure element with NFC contactless payments (no charging required)
Example	<ul style="list-style-type: none"> Secure account and prevent hackers from gaining access to banking or social media app 	<ul style="list-style-type: none"> Generate, store, and secure keys for digital assets such as Bitcoin, Ethereum, Cardano, and many more
Distribution Channels	<ul style="list-style-type: none"> White-labeled or co-branded solution sold through businesses for usage by their customer base 	<ul style="list-style-type: none"> White-labeled or co-branded solution sold through businesses for usage by their customer base Direct to consumer



Financial Overview



Q2 2023 Results

	Q2 '23	Q2 '22	% Change	Comments
Net Sales	\$98.5mm	\$97.2mm	1%	Strong sales execution demand for metal card
Gross Margin	54.7%	60.5%	(580 bps)	Higher materials, labor mix; in-line with previous the mid-50s
Net Income	\$32.7mm	\$60.7mm	(46%)	Includes \$25.4mm negative re-valuation of warrant consideration, & derivative by stock price improvement comparing Q2 '23 vs. Q2 '22
Adjusted EBITDA ¹	\$36.9mm	\$39.7mm	(7%)	Excludes \$25.4mm net valuation of earnout & investment
Adjusted EBITDA Margin ¹	37.4%	40.8%	(337 bps)	

¹Adjusted 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



YTD June 2023 Results

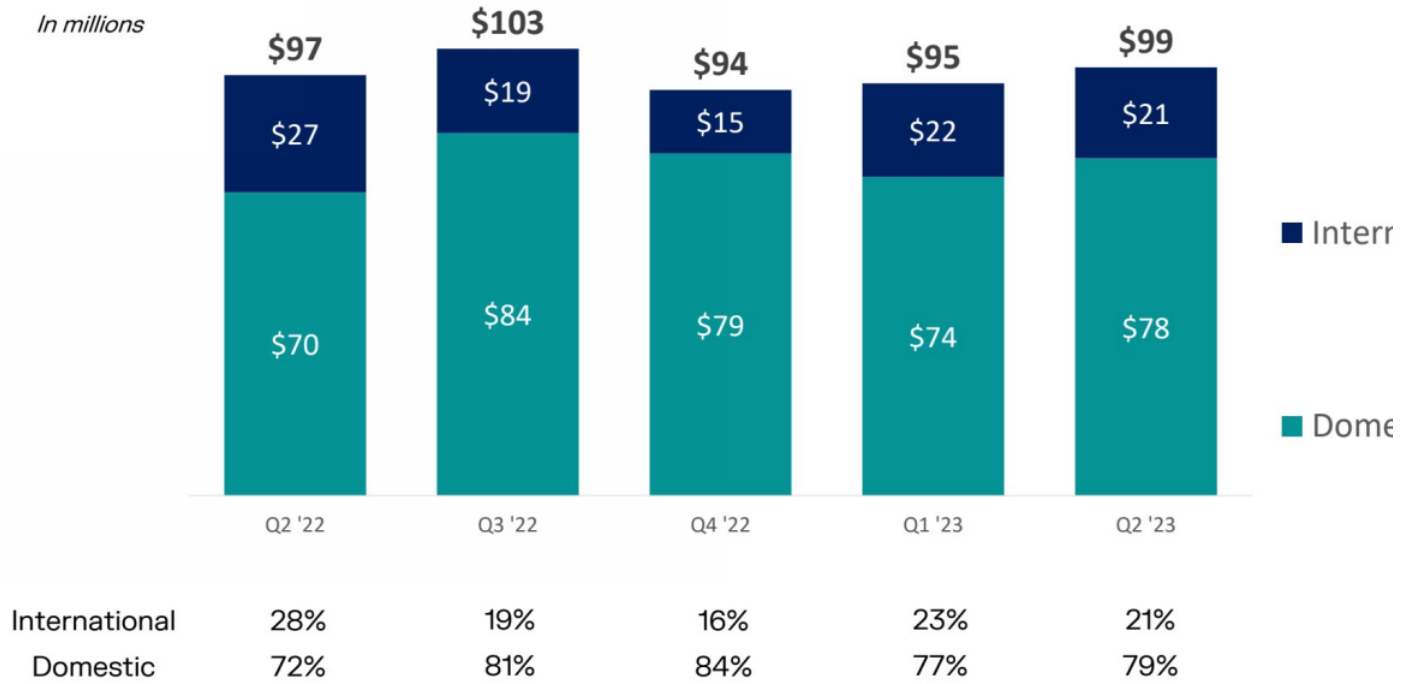
	YTD Jun '23	YTD Jun '22	% Change	Comments
Net Sales	\$193.8mm	\$181.4mm	7%	Strong sales execution demand for metal card
Gross Margin	55.3%	59.3%	(398 bps)	Higher materials, labor mix; in-line with previous the mid-50s
Net Income	\$43.4mm	\$87.6mm	(50%)	Includes \$41.3mm negative valuation of warrant, exchange & derivatives liability driven improvement when compared '23 vs. YTD June '22
Adjusted EBITDA ¹	\$72.3mm	\$73.0mm	(1%)	Excludes \$41.3mm net valuation of earnout & YTD June '23 includes impact from Arculus in
Adjusted EBITDA Margin ¹	37.3%	40.2%	(292 bps)	



¹Adjusted 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

Net Sales Trend

International mix is ~20 percent of total net sales, in line with long range view of business



Q2 Earnings per Share: GAAP

	Three months ended 6/30/23		Three months ended 6/30/22	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$32.7mm	\$32.7mm	\$60.7mm	\$60.7mm
Net Income used in EPS	\$5.7mm ¹	\$10.1mm ²	\$8.5mm ³	\$16.7mm ⁴
Total Shares used in EPS	18.5mm	35.5mm	15.1mm	32.4mm
Earnings per Share	\$0.31	\$0.29	\$0.56	\$0.52

Source: Company Financials

¹23.8% of Net Income of operating entities of \$35.4mm less 100% of C-Corp Costs of \$2.7mm

²23.8% of Net Income of operating entities of \$35.4mm less 100% of C-Corp Costs of \$2.7mm plus equity awards and exchangeable notes of \$4.4mm

³19.9% of Net Income of operating entities of \$65.1mm less 100% of C-Corp Costs of \$4.5mm

⁴19.9% of Net Income of operating entities of \$65.1mm less 100% of C-Corp Costs of \$4.5mm plus equity awards and exchangeable notes of \$8.2mm



YTD Earnings per Share: GAAP

	Six months ended 6/30/23		Six months ended 6/30/22	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$43.4mm	\$43.4mm	\$87.6mm	\$87.6mm
Net Income used in EPS	\$8.1mm ¹	\$14.2mm ²	\$11.9mm ³	\$24.2mm ⁴
Total Shares used in EPS	18.1mm	35.2mm	15.0mm	32.3mm
Earnings per Share	\$0.45	\$0.41	\$0.80	\$0.75

Source: Company Financials

¹23.8% of Net Income of operating entities of \$46.4mm less 100% of C-Corp Costs of \$2.9mm

²23.8% of Net Income of operating entities of \$46.4mm less 100% of C-Corp Costs of \$2.9mm plus equity awards and exchangeable notes of \$6.1mm

³19.9% of Net Income of operating entities of \$94.4mm less 100% of C-Corp Costs of \$6.8mm

⁴19.9% of Net Income of operating entities of \$94.4mm less 100% of C-Corp Costs of \$6.8mm plus equity awards and exchangeable notes of \$12.3mm



Q2 Adjusted Earnings per Share

	Three months ended 6/30/23		Three months ended 6/30/22	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$32.7mm	\$32.7mm	\$60.7mm	\$60.7mm
Adjusted Net Income	\$22.9mm ¹	\$22.9mm ¹	\$25.3mm ²	\$25.3mm ²
Total Shares used in EPS	78.5mm ³	90.6mm ⁴	76.0mm ³	88.4mm ⁵
Adjusted EPS ⁶	\$0.29	\$0.25	\$0.33	\$0.29

Source: Company Financials

¹ GAAP Net Income of \$32.7mm less Additional Tax Provision of \$5.2mm less Fair Value Mark to Market Change for Warrants and Earnout and Equity Awards Adjustment of \$4.6mm

² GAAP Net Income of \$60.7mm less Additional Tax Provision of \$3.9mm less Fair Value Mark to Market Change for Warrants and Earnout and Equity Awards Adjustment of \$31.4mm

³ Outstanding Class A plus Class B Shares

⁴ Outstanding Class A plus Class B Shares plus 8.1mm Public and Private Warrants (Converted Using Treasury Stock Method) and 4.0mm Equity Awards

⁵ Outstanding Class A plus Class B Shares plus 8.1mm Public and Private Warrants (Converted Using Treasury Stock Method) and 4.3mm Equity Awards

⁶ 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



YTD Adjusted Earnings per Share

	Six months ended 6/30/23		Six months ended 6/30/22	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$43.4mm	\$43.4mm	\$87.6mm	\$87.6mm
Adjusted Net Income	\$43.5mm ¹	\$43.5mm ¹	\$45.7mm ²	\$45.7mm ²
Total Shares used in EPS	78.0mm ³	90.2mm ⁴	76.1mm ³	88.5mm ⁵
Adjusted EPS ⁶	\$0.56	\$0.48	\$0.60	\$0.52

Source: Company Financials

¹ GAAP Net Income of \$43.4mm less Additional Tax Provision of \$12.1mm add Fair Value Mark to Market Change for Warrants and Earnout and Equity Awards Adjustment of \$12.2mm

² GAAP Net Income of \$87.6mm less Additional Tax Provision of \$8.8mm less Fair Value Mark to Market Change for Warrants and Earnout and Equity Awards Adjustment of \$33.1mm

³ Outstanding Class A plus Class B Shares

⁴ Outstanding Class A plus Class B Shares plus 8.1mm Public and Private Warrants (Converted Using Treasury Stock Method) and 4.1mm Equity Awards

⁵ Outstanding Class A plus Class B Shares plus 8.1mm Public and Private Warrants (Converted Using Treasury Stock Method) and 4.3mm Equity Awards

⁶ 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



2023 Guidance

Reaffirming full year net sales and adjusted EBITDA guidance

	2023E	2022
Net Sales	\$400mm - \$425mm	\$378mm
<i>B/(W) vs. '22</i>	<i>+6% / +12%</i>	
Adjusted EBITDA¹	\$145mm - \$155mm	\$136mm
<i>B/(W) vs. '22</i>	<i>+7% / +14%</i>	



¹Adjusted 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

Strategic Priorities

A leader in Metal Payment Cards, Security, Storage, and Authentication Technology

Drive premium payment card sales through continued domestic growth, international expansion, and FinTech

Deliver innovative new card constructs and leverage our scale and existing relationships

Enhance Arculus capabilities (blockchain support, payment card integration, & channel expansion) to drive across key B2B verticals given demand for multi-factor authentication security solutions

Optimize investment in product lines across advertising initiatives, talent, software development, and part accelerate growth

Focus on process efficiencies, materials procurement, and upsell opportunities to maintain strong margins



Investor Relations Contact

ir.composesecure.com

Sean Mansouri

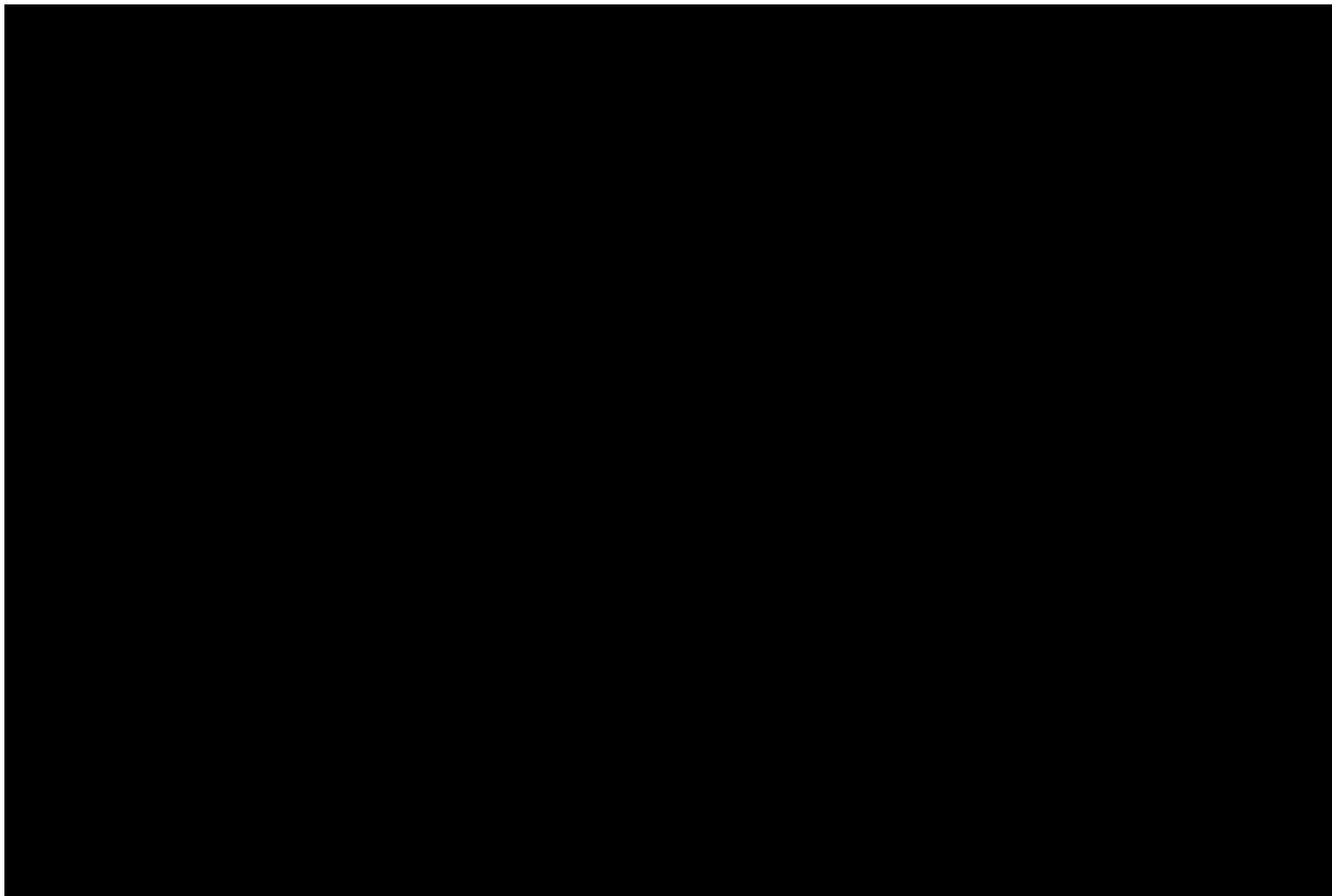
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Appendix





Balance Sheet

(Unaudited)

(\$mm)	Q2 2023A	Q4 2022A
Assets		
Current Assets		
Cash & cash equivalents	\$23	\$14
Accounts receivable, net	37	37
Inventories	49	42
Prepaid expenses and other Current assets	4	4
Total Current Assets	112	97
Property and equipment, net	24	23
Deferred tax assets	28	26
Other assets	17	18
Total assets	\$181	\$163
Liabilities and Members' Equity		
Current Liabilities		
Accounts payable	\$7	\$7
Accrued expenses	11	10
Other current liabilities	15	16
Current portion of long-term debt	19	14
Total current liabilities	52	47
Long-term debt, net of deferred finance costs	207	216
Line of credit	0	0
Convertible Debt, net of debt discount	128	128
Other liabilities	66	64
Total liabilities	\$453	\$455
Members' Equity	(272)	(292)
Total liabilities and members' equity	\$181	\$163

Source: Company financials

Note: Financial position has been derived from CompoSecure's consolidated financial statements for the quarters ended June 30, 2023 and December 31, 2022 respectively.



Statement of Operations

(Unaudited)

(\$mm)	Q2 2023A	Q2 2022A	YTD Jun 2023A	YTD Ju
Revenue				
Net Sales	\$99	\$97	\$194	\$1
Cost of Sales	(45)	(38)	(87)	(
Gross Profit	\$54	\$59	\$107	\$
Operating Expenses				
Selling, general and administrative	(24)	(24)	(48)	(
Income from operations	\$30	\$34	\$60	\$
Other expense				
Other income (expense), net	2	26	(16)	:
Net Income	\$33	\$61	\$43	\$



Source: Company financials
 Note: Operating results have been derived from CompoSecure's consolidated financial statements for the three and six months ended June 30, 2023 and 2022 respectively

Statement of Cash Flows

(Unaudited)

(\$mm)	YTD Jun 2023A	YTD Jun 2022A
Cash flows from operating activities		
Net income	\$43	\$88
Depreciation	4	5
Equity compensation expense	8	4
Amortization of deferred finance costs	1	1
Change in fair value of earnout, warrant and derivative	4	(37)
Accounts receivable	1	(17)
Accounts payable	(0)	(0)
Inventories	(7)	(3)
Prepaid expenses and other assets	(0)	(1)
Deferred tax expense (benefit)	(2)	3
Other liabilities	(0)	(1)
Accrued expenses	1	10
Net cash provided by operating activities	\$53	\$51
Cash flows from investing activities		
Acquisition of property and equipment	(6)	(4)
Net cash used in investing activities	(\$6)	(\$4)
Cash flows from financing activities		
Proceeds from term loan	0	10
Payment of Tax receivable agreement liability	(2)	0
Payments for taxes related to net share settlement of equity awards	(2)	0
Payment of term loan	(5)	(17)
Issuance cost related to business combination	0	(24)
Tax Distribution to members	(29)	(26)
Net cash used in financing activities	(\$38)	(\$56)
Net increase (decrease) cash, cash equivalents and restricted cash	9	(9)
Cash, cash equivalents and restricted cash, beginning of year	\$14	\$22
Cash, cash equivalents and restricted cash, end of year	\$23	\$13
Supplementary disclosure of cash flow information		
Cash paid during the year for interest	14	10
Issuance costs payable	0	0
Derivative asset - interest rate swap	8	6

Source: Company financials

Note: Cash flows have been derived from CompoSecure's consolidated financial statements for the six months ended June 30, 2023 and 2022 respectively



Non-GAAP Adjusted EBITDA Reconciliation

(Unaudited)

\$mm	Q2 2023A	Q2 2022A	YTD Jun 2023A	YTD Jun 2022A	
Net Income	\$33	\$61	\$43	\$88	1 Non-Cash Equity Awards Expense Equity based compensation and equity incentive
Interest Expense	6	6	12	11	
Depreciation and Amortization	2	2	4	5	
Taxes	1	3	0	3	
Unadjusted EBITDA	\$42	\$71	\$60	\$106	2 Non-Cash Mark-to-market Adjustments Related to changes in value for warrants, convertible preferred stock, and other assets.
1 Non-Cash Equity Awards Expense	4	3	8	4	
2 Mark-to-market Adjustments	-9	-35	4	-37	
Total EBITDA Adjustments	(\$5)	(\$32)	\$13	(\$33)	
Adjusted EBITDA	\$37	\$40	\$72	\$73	
Adjusted EBITDA %	37%	41%	37%	40%	



Source: Company financials

Non-GAAP EPS Reconciliation

(Unaudited)

(\$mm)	Three months ended 6/30/2023		Six months ended
	BASIC	DILUTED	BASIC
GAAP Net Income	\$32.7	\$32.7	\$43.4
Adjust for tax provision	1.0	1.0	-0.3
Tax Provision	-6.2	-6.2	-11.8
Tax Adjusted Net Income	\$27.5	\$27.5	\$31.4
Fair Value and Stock Based Compensation Adjustment	-\$4.6	-\$4.6	\$12.2
Total Adjusted Net Income	\$22.9	\$22.9	\$43.5
Class A + Class B Shares	78.5	78.5	78.0
Public & Private Warrants ¹	-	8.1	-
Equity Awards ²	-	4.0	-
Total Shares	78.5	90.6	78.0
EPS	\$0.29	\$0.25	\$0.56



Source: Company financials

¹ Assumes treasury stock method, valuation at assumed FMV of \$18.00

² Includes options, RSUs, and ESPP shares