

Q1 2023 Earnings Presentation

May 3, 2023



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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.



Key Highlights

Q1 '23 vs. Q1 '22: Net Sales increased 13% to \$95.3mm compared to \$84.2mm driven by strong sales execution and demand from traditional financial institutions and FinTechs. Adjusted EBITDA¹ increased 6% to \$35.5mm compared to \$33.3mm

The company extended its contract through July 2026 with one of its largest customers, American Express, to continue manufacturing its premium metal payment cards

Card issuers continue to report strong growth and have positive outlook while maintaining investment in strong value propositions/rewards for prospects and customers despite the macroeconomic challenges

Expanded Arculus technology capabilities and drove awareness of B2B and B2C product offerings highlighted by recent product launches, expanded cold storage wallet token support, international expansion, and industry trade show presence

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

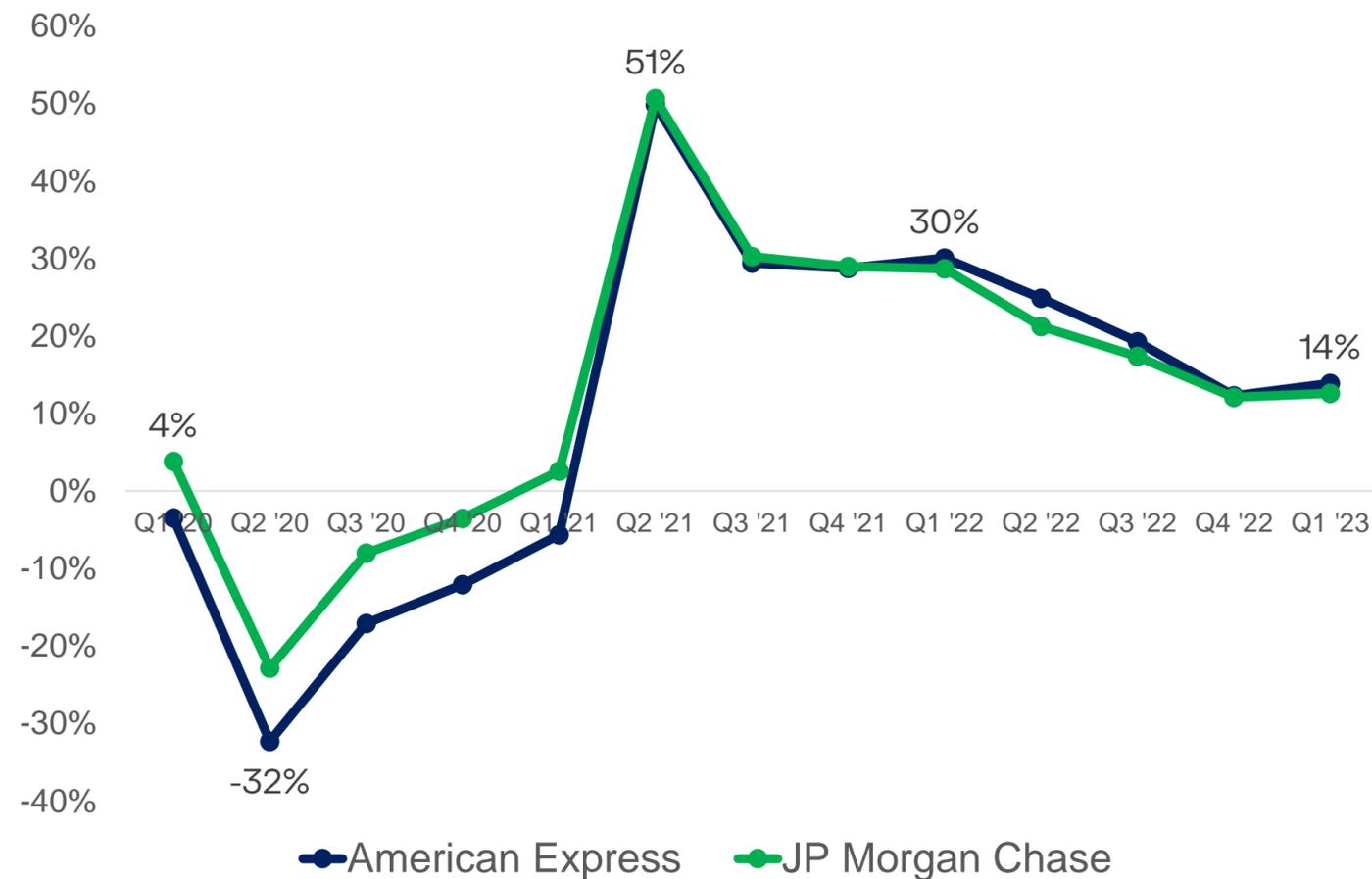


Positive Trends & Momentum across Payment Cards

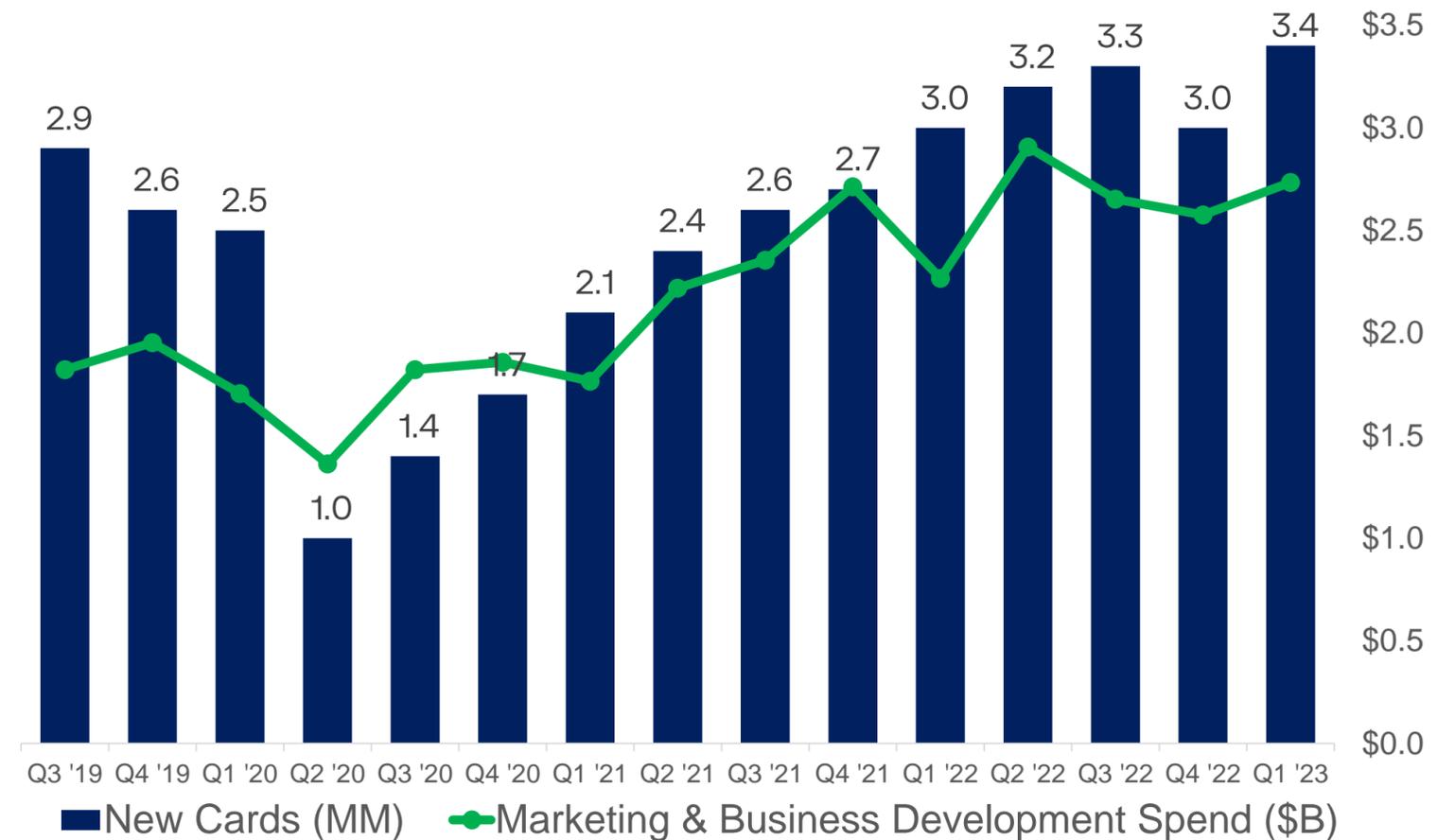
CompoSecure's Largest Customers Continue to Report Strong Purchase Volume Growth vs. Prior Year

American Express Reached an All-Time High in New Card Acquisitions in Q1 '23

Year over Year Purchase Volume Growth¹



New Card Acquisitions & Investment²



YoY Card Growth	(52%)	(35%)	(16%)	140%	86%	59%	43%	33%	27%	11%	13%
YoY Marketing & Bus Dev Spend Growth	0%	(5%)	4%	63%	29%	46%	28%	31%	13%	(5%)	21%

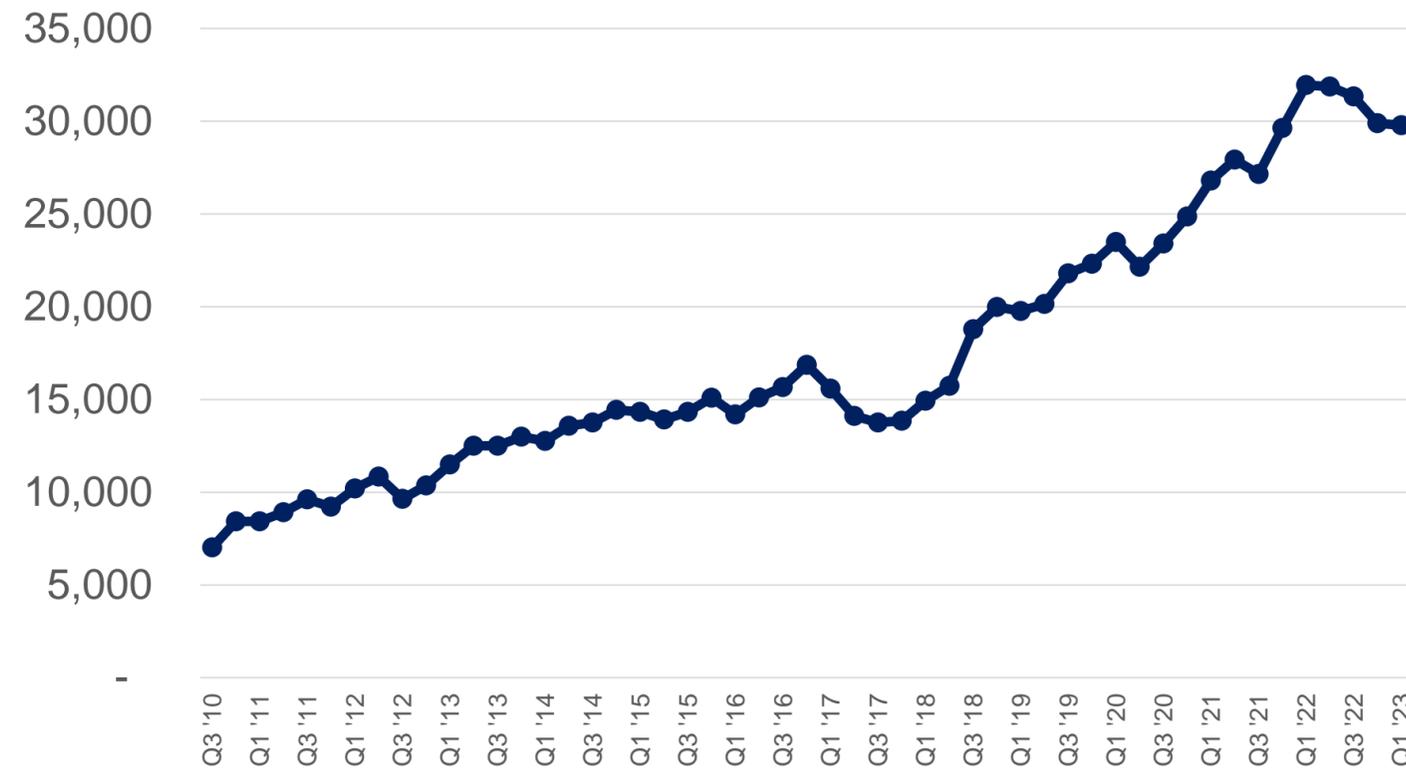
¹American Express & JP Morgan Chase Earnings Presentations
²American Express Earnings Presentations



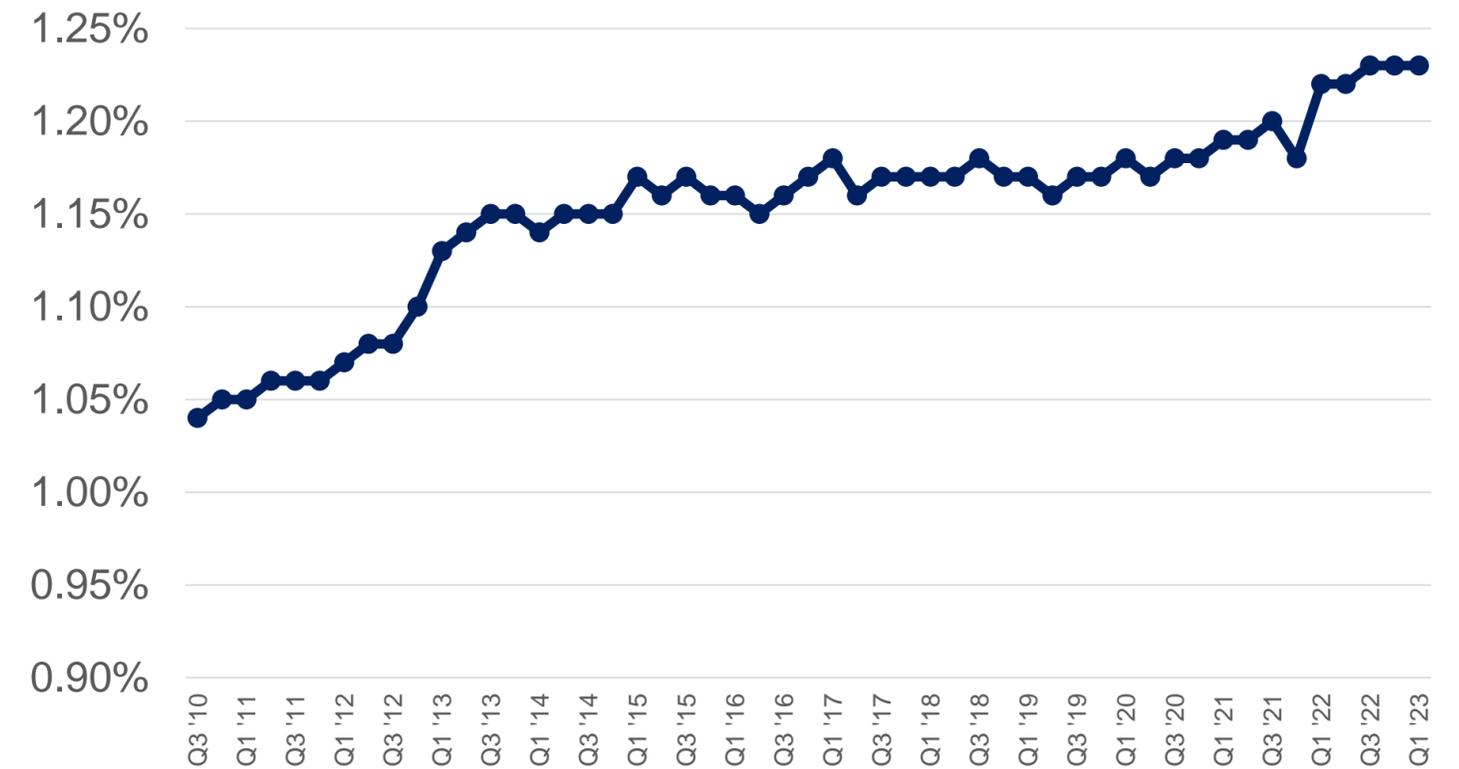
Credit Card Acquisition Offer & Rewards Landscape

Issuers have maintained bonuses and rewards given to card members to incentivize acquisition, spend, and retention despite the macroeconomic challenges

Initial Bonus Points/Miles¹



Miles/Points Average Base Earn¹



¹Source: WalletHub

Large Issuers and Payment Networks Confident in Growth



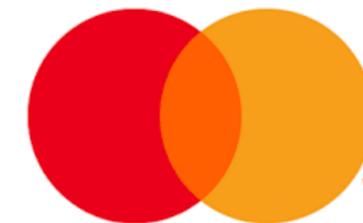
“Through it all, we've continued to attract and retain high-quality customers and our strategic investments have resulted in the momentum we've seen throughout last year and into 2023. We feel good about the decisions we're making around growth, risk management and the economic environment. Our key metrics are strong. The market opportunities we see in our core businesses are plentiful. And our strategy of investing in value proposition innovations, customer acquisitions and global merchant coverage continues to drive our growth.” – *Steve Squeri (Chairman & CEO)*



“We continue to see attractive growth opportunities in our Domestic Card business. Our opportunities are enhanced by our technology transformation, and we're leaning into marketing to drive resilient growth. As always, we're keeping a close eye on competitor actions and potential marketplace risks. We are 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 and our decade-long focus on heavy spenders at the top of the marketplace continues.” – *Richard Fairbank (Chairman & CEO)*

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“Touching quickly on the health of U.S. consumers and small businesses based on our data. Both continue to show resilience and remain on the path to normalization as expected, but we continue to monitor their activity closely. Spend remains solid, and we have not observed any notable pullback throughout the quarter” – *Jeremy Barnum (CFO)*



“While we are monitoring a number of macro and geopolitical factors, our base-case scenario assumes consumer spending remains resilient and cross-border travel continues to recover. For the year, our outlook has improved modestly, reflecting our stronger-than-expected performance in Q1.” – *Sachin Mehra (CFO)*



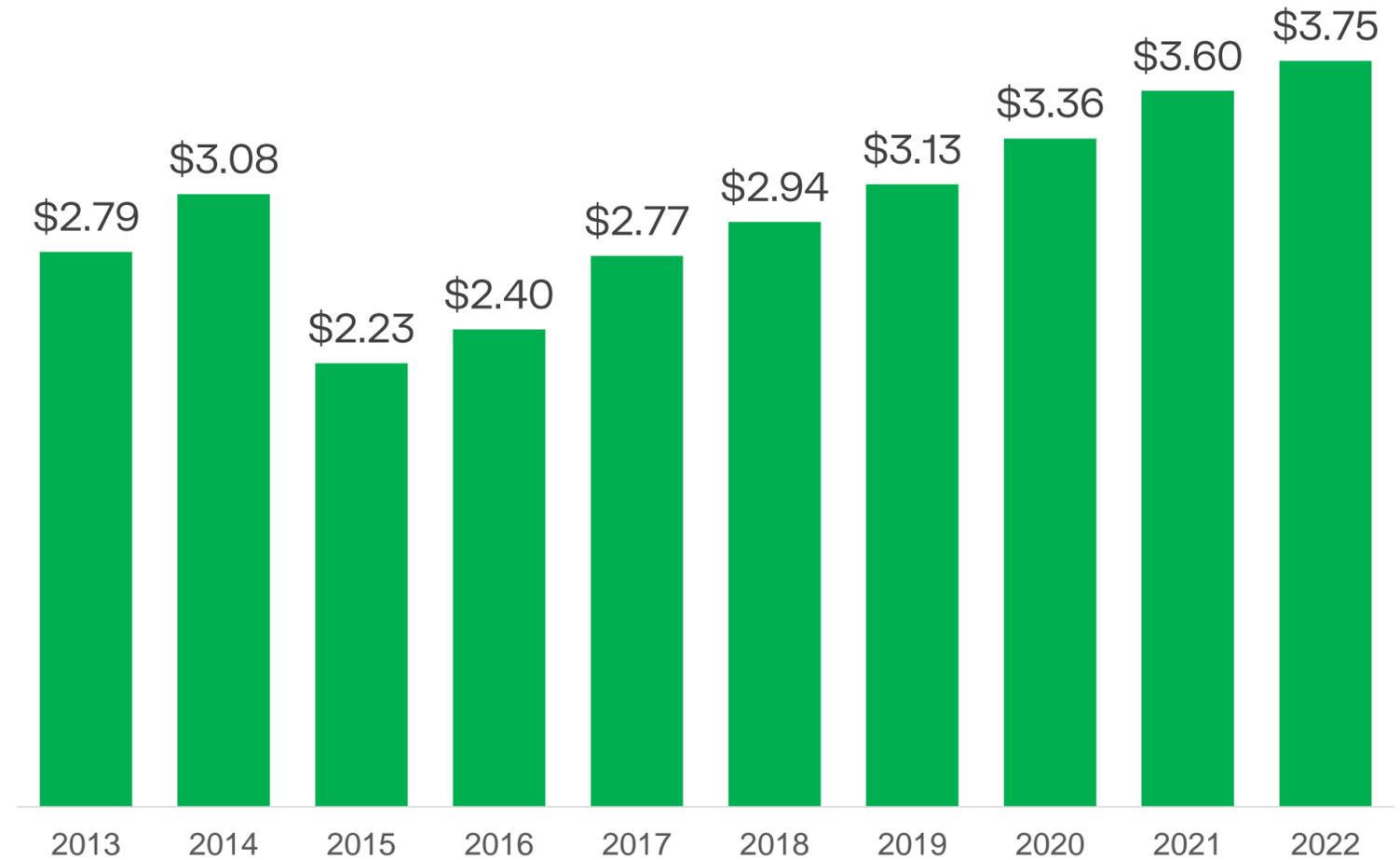
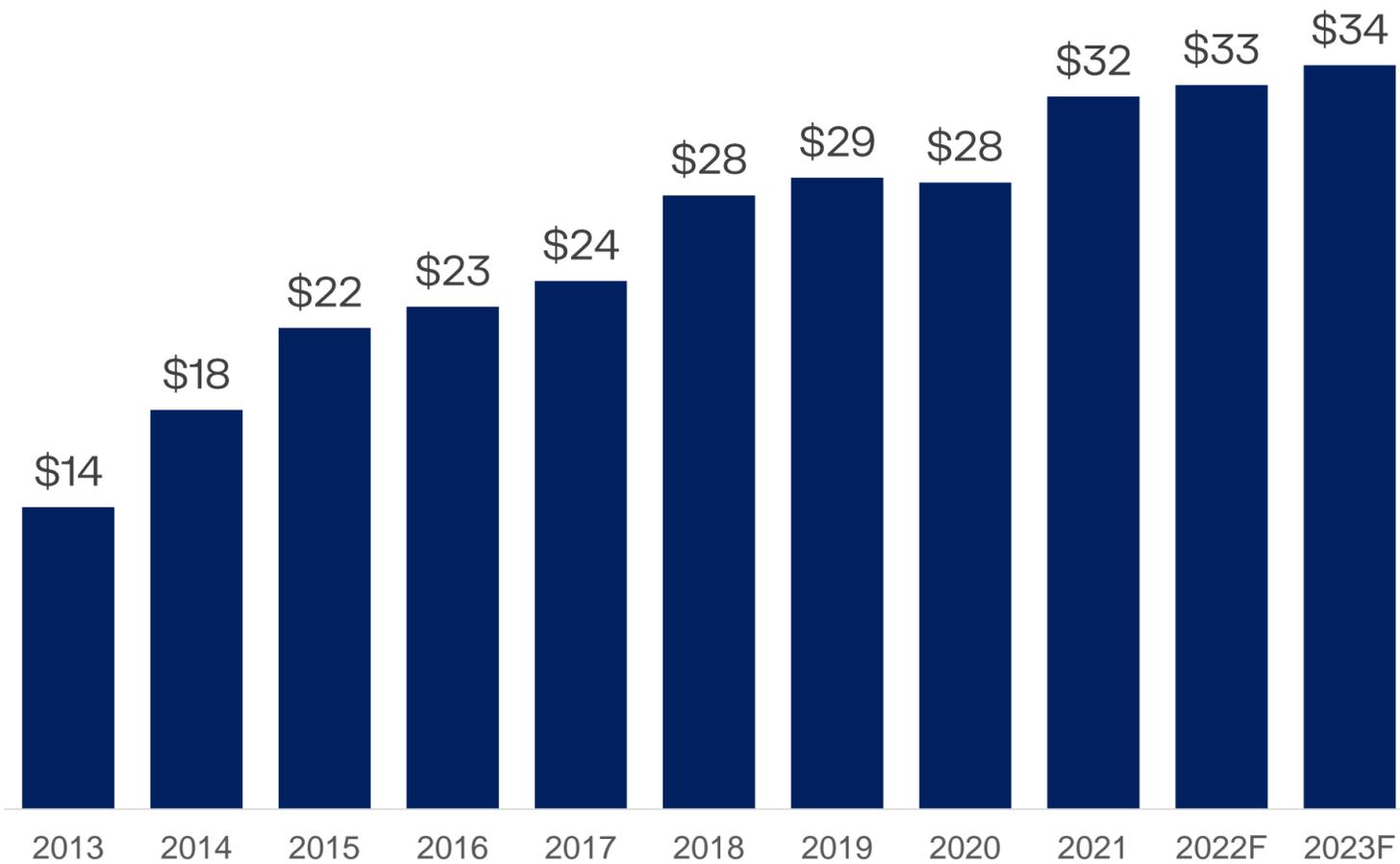
Fraud Losses

Global fraud losses have accelerated along with the total cost of fraud, highlighting the need for better security and authentication capabilities

Global Credit & Debit Card Fraud¹

Total Cost of Each Dollar of Fraud Losses²

In billions



¹Source: Nilson Report: 2022

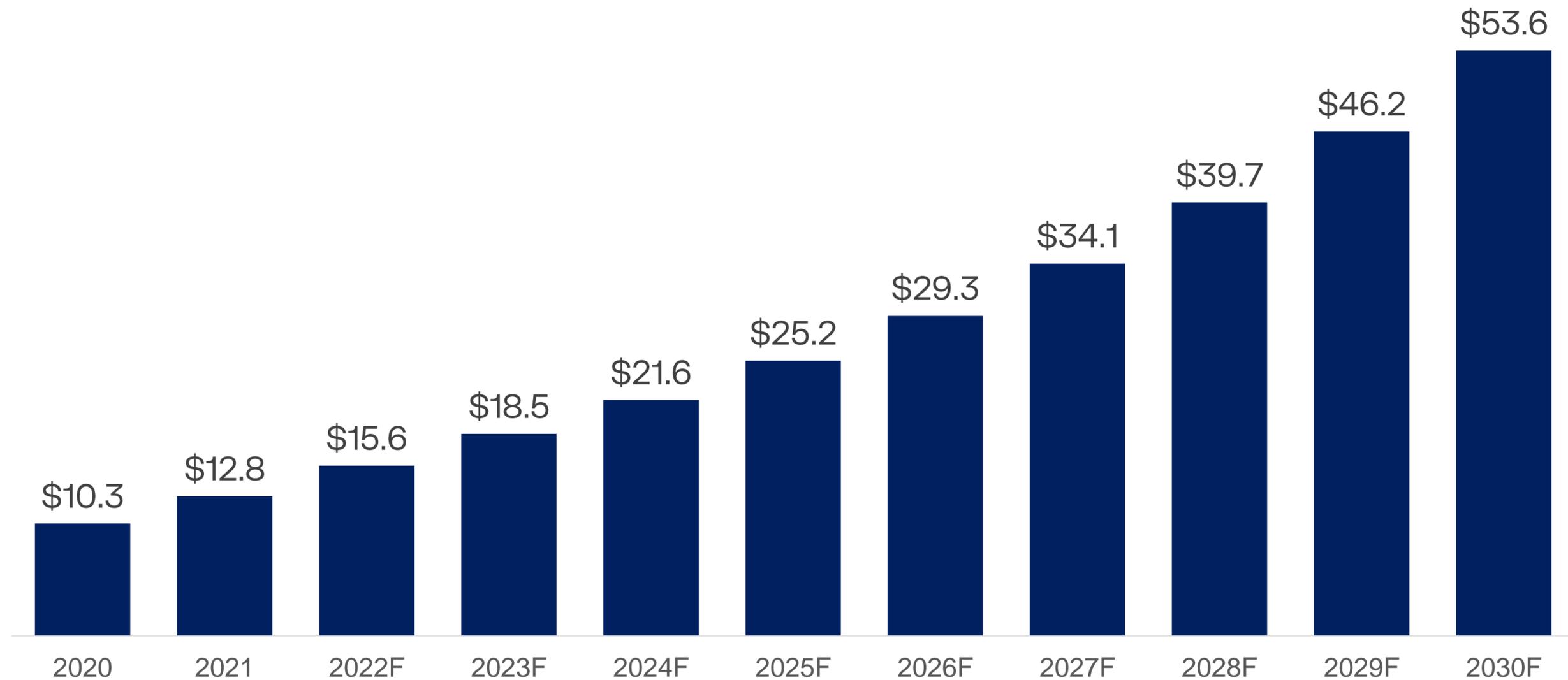
²Source: LexisNexis Risk Solutions



Passwordless Authentication Market Revenue Worldwide

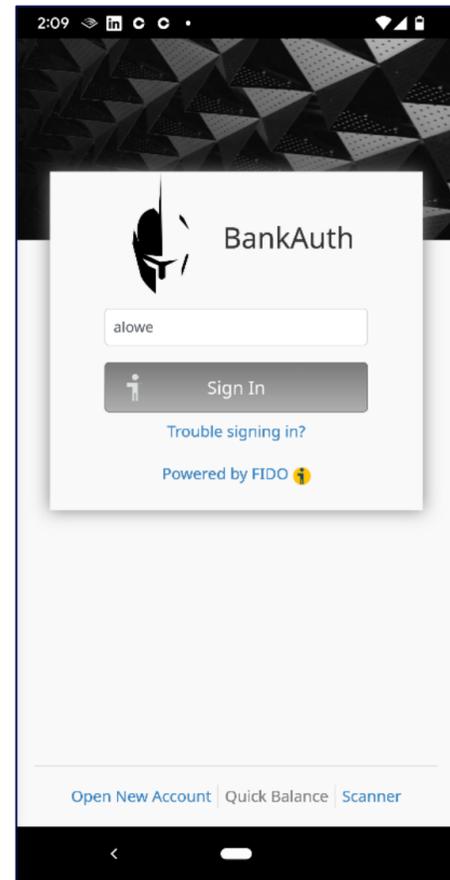
The market is large and projected to grow rapidly over the coming years as consumers and businesses look for methods to secure their identities and assets through biometrics, PINs, and security tokens

In billions

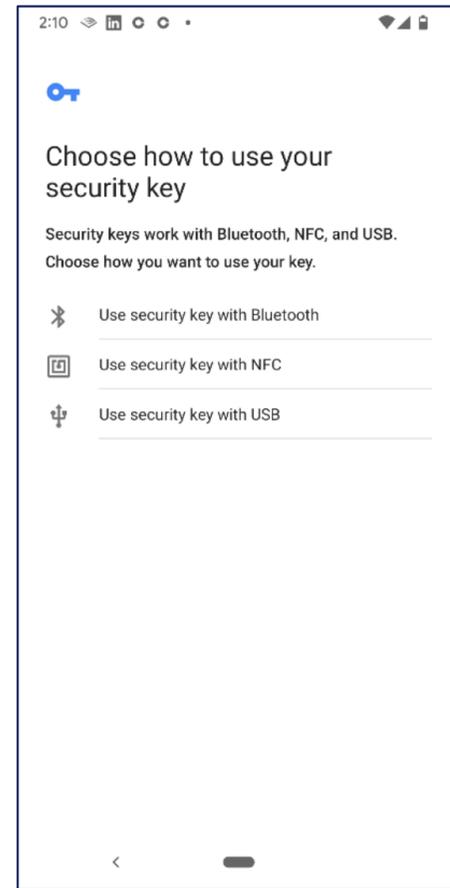


Arculus Secure Authentication

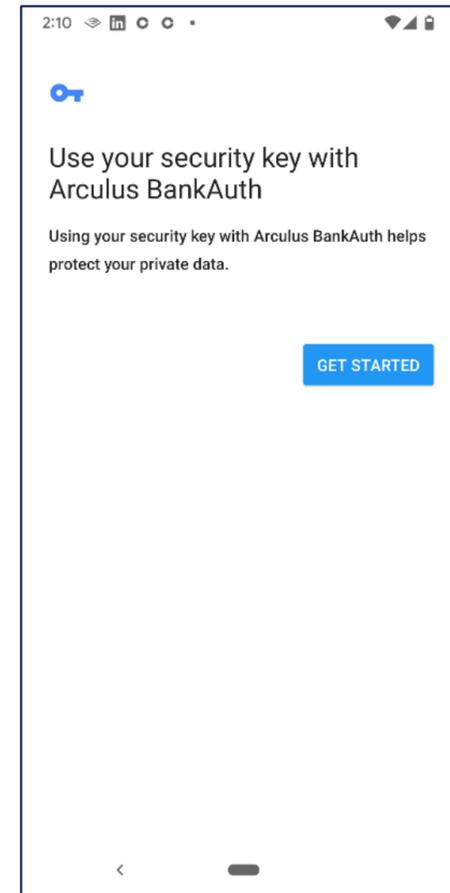
Provides passwordless login and/or step-up verification



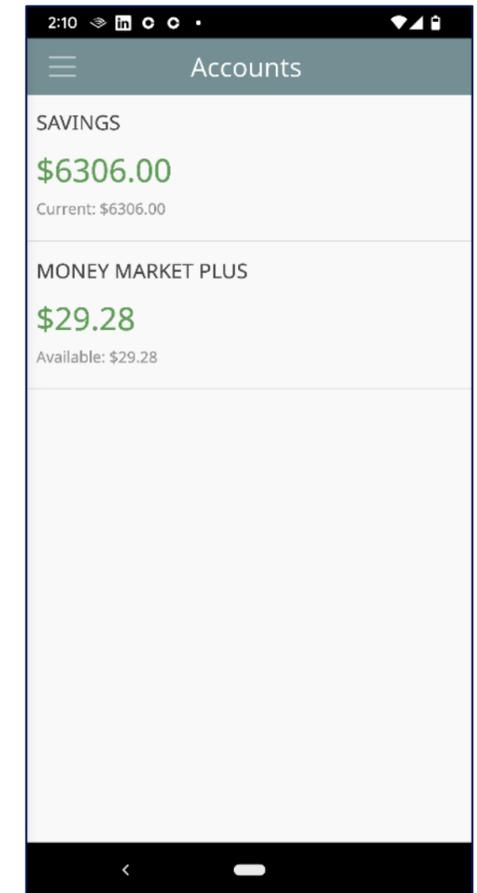
Simply tap an Arculus-powered card for secure log-in



Easy set-up process for FIDO2 compatible app



Secure NFC connection

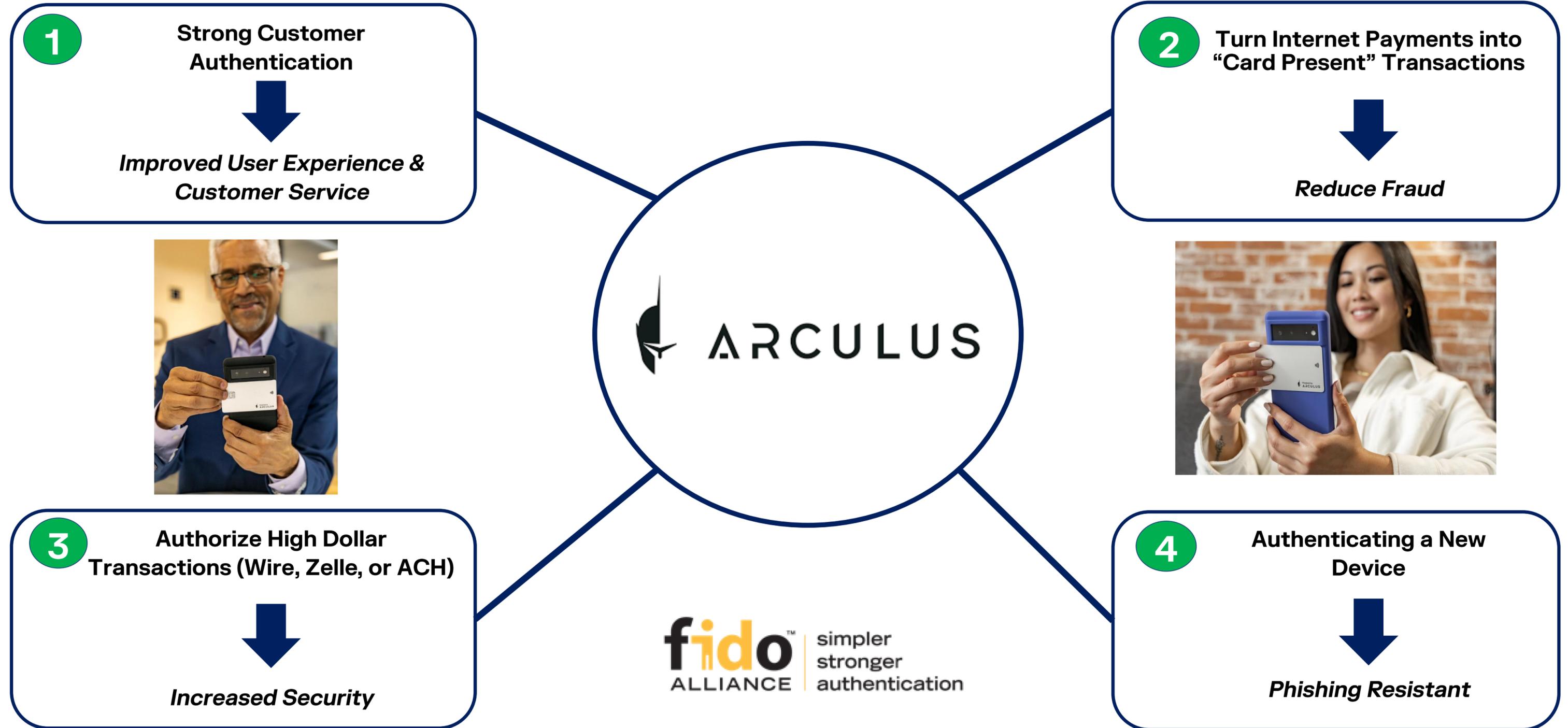


Can be used for step-up authentication

Multi-factor authentication solutions for your customers with our premium metal card technology.

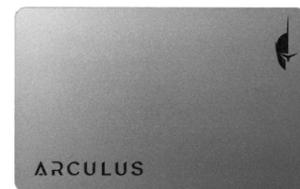
 A video-style segment showing a person's hands holding a smartphone. The text 'Multi-factor authentication solutions for your customers with our premium metal card technology.' is on the left. The Arculus logo and 'Powered by ARCULUS' are at the bottom left of the video frame.


Critical Use Cases to Penetrate Passwordless Authentication Market

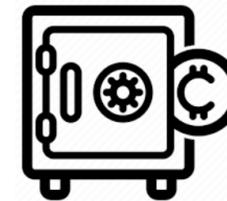


The Arculus Platform Offers a Broad Range of Security & Authentication Solutions for B2B & B2C

Secure Authentication Card



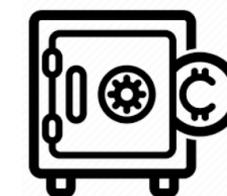
Digital Asset Cold Storage Card



Payment (Credit/Debit) + Secure Authentication Card

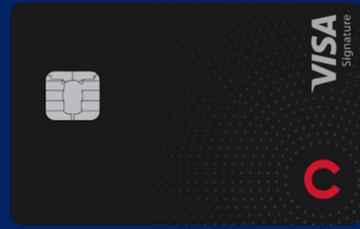


Payment (Credit/Debit) + Digital Asset Cold Storage Card



Company Highlights

Payment Card



Rocket Mortgage



H-E-B



UMB



Xapo



Papara



Ness Well

Arculus



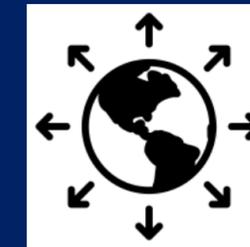
Partnerships



Expanded Token Support



Conferences



Consumer Cold Storage Int'l Expansion



Education Campaign



Financial Overview



Q1 2023 Results

	Q1 '23	Q1 '22	% Change	Commentary
Net Sales	\$95.3mm	\$84.2mm	13%	Strong sales execution and continued demand for premium payment cards
Gross Margin	56%	58%	(194 bps)	Higher materials costs in-line with expectation of the mid-50s
Net Income	\$10.7mm	\$26.9mm	(60%)	\$13.4mm Q1 '23 change in fair value of warrant, earnout consideration, & derivatives liability driven by stock price improvement
Adjusted EBITDA¹	\$35.5mm	\$33.3mm	6%	Excludes Q1 '23 \$13.4mm net decrease from re-valuation of earnout & warrants Q1 '23 includes (\$4.5mm) net impact from Arculus investment
Adjusted EBITDA Margin¹	37%	40%	(239 bps)	

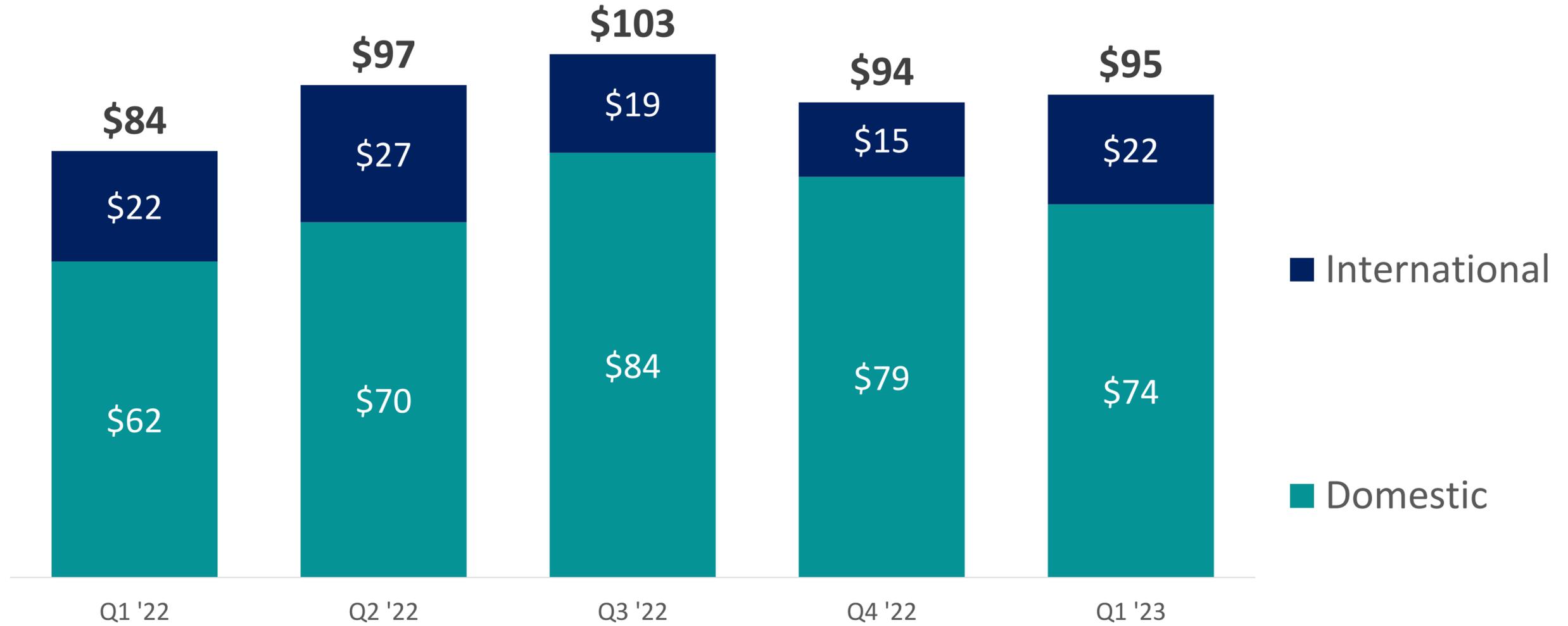
¹Adjusted EBITDA is a non-GAAP financial metric. For a reconciliation of Adjusted EBITDA to the most-comparable GAAP metric, please see the Appendix to this presentation



Net Sales Trend

International mix returned to mid-20 percent mix which is in line with long range view of business

In millions



International	26%	28%	19%	16%	23%
Domestic	74%	72%	81%	84%	77%



Earnings per Share: GAAP

	Three months ended 3/31/23		Three months ended 3/31/22	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$10.7mm	\$10.7mm	\$26.9mm	\$26.9mm
Net Income used in EPS	\$2.3mm ¹	\$10.7mm ²	\$3.4mm ³	\$3.4mm ³
Total Shares used in EPS	17.6mm	94.7mm	14.9mm	14.9mm
Earnings per Share	\$0.13	\$0.11	\$0.23	\$0.23

Source: Company Financials

¹ 23.5% of Net Income of \$10.7mm plus 100% of C-Corp Costs of \$0.2mm

² 23.5% of Net Income of \$10.7mm plus 100% of C-Corp Costs of \$0.2mm plus dilutive securities of \$8.4mm

³ 19.6% of Net Income of \$26.9mm less 100% of C-Corp Costs of \$2.3mm



Adjusted Earnings per Share

	Three months ended 3/31/23		Three months ended 3/31/22	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$10.7mm	\$10.7mm	\$26.9mm	\$26.9mm
Adjusted Net Income	\$20.6mm ¹	\$20.6mm ¹	\$20.4mm ²	\$20.4mm ²
Total Shares used in EPS	77.6mm ³	89.8mm ⁴	76.1mm ³	88.5mm ⁵
Adjusted EPS⁶	\$0.27	\$0.23	\$0.27	\$0.23

Source: Company Financials

¹ GAAP Net Income of \$10.7mm less Additional Tax Provision of \$6.8mm plus Fair Value Mark to Market Change for Warrants and Earnout and Stock Based Compensation Adjustment of \$16.8mm

² GAAP Net Income of \$26.9mm less Additional Tax Provision of \$4.9mm less Fair Value Mark to Market Change for Warrants and Earnout and Stock Based Compensation Adjustment of \$1.7mm

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 dilutive 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 dilutive 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 FinTechs

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

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

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

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



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Appendix



CompoSecure, Inc. (Nasdaq: CMPO)

Summary Equity Capitalization Table (with net exercise model)

As of March 31, 2023

Current Enterprise Value is \$952mm¹

<u> Holders </u>	<u> # of Shares Issued & Outstanding </u>	<u> # of Shares Issued & Outstanding </u>
Public Shareholders (including PIPE & Sponsor): Class A	18.4mm	18.4mm
Historic CompoSecure Owners: Class B	59.9mm	59.9mm
Subtotal	78.3mm	78.3mm
<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)² </u>
Merger Rollover Options	3.9mm	3.3mm
Total	82.2mm	81.6mm
<u> Convertible Instruments </u>	<u> # of Shares Reserved for Conversion </u>	<u> # of Shares Reserved for Conversion (assuming net exercise) </u>
Public Warrantholders ³	11.6mm	4.2mm
Roman Sponsor Warrantholders ³	10.8mm	3.9mm
Exchangeable Noteholders ⁴	11.3mm	11.3mm
Grand Total	115.9mm	101.0mm

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

¹ Includes Net Debt of \$210mm + Convertible of \$130mm. Equity of 81.6mm shares @ \$7.50 price/share as of market close 4/28

² Assumes exercise net of strike price, valuation at assumed FMV of \$10.00

³ Assumes treasury stock method, \$11.50 strike price, & valuation at assumed FMV of \$18.00

⁴ Assumes \$11.50 strike price with redemption (at company's discretion) after three years if FMV exceeds \$14.95



Balance Sheet

(Unaudited)

(\$mm)	Q1 2023A	Q4 2022A
Assets		
Current Assets		
Cash & cash equivalents	\$23	\$14
Accounts receivable, net	39	37
Inventories	51	42
Prepaid expenses and other Current assets	4	4
Total Current Assets	117	97
Property and equipment, net	24	23
Deferred tax assets	28	26
Other assets	16	18
Total assets	\$186	\$163
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts payable	\$15	\$7
Accrued expenses	12	10
Other current liabilities	10	13
Current portion of long-term debt	19	14
Total Current Liabilities	57	45
Long-term debt, net of deferred finance costs	212	216
Line of credit	0	0
Convertible Debt, net of debt discount	128	128
Other liabilities	80	66
Total Liabilities	\$477	\$455
Stockholders' Equity	(291)	(292)
Total Liabilities and Stockholders' equity	\$186	\$163

Source: Company financials

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



Statement of Operations

(Unaudited)

(\$mm)	Q1 2023A	Q1 2022A
Revenue		
Net Sales	\$95	\$84
Cost of Sales	(42)	(35)
Gross Profit	\$53	\$49
Operating Expenses		
Selling, general and administrative	(24)	(19)
Income from operations	\$29	\$30
Other expense		
Other income (expense), net	(19)	(3)
Net Income	\$11	\$27

Source: Company financials

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



Statement of Cash Flows

(Unaudited)

(\$mm)	Q1 2023A	Q1 2022A
Cash flows from operating activities		
Net income	\$11	\$27
Depreciation	2	2
Equity compensation expense	4	1
Amortization of deferred finance costs	1	1
Change in fair value of earnout, warrant and derivative	13	(2)
Accounts receivable	(2)	(11)
Accounts payable	8	(2)
Inventories	(9)	(1)
Prepaid expenses and other assets	(0)	(4)
Deferred tax expense (benefit)	(2)	1
Other liabilities	(3)	(2)
Accrued expenses	2	3
Net cash provided by operating activities	\$25	\$12
Cash flows from investing activities		
Acquisition of property and equipment	(4)	(1)
Net cash used in investing activities	(\$4)	(\$1)
Cash flows from financing activities		
Proceeds from term loan	0	10
Payment of Tax receivable agreement liability	0	0
Payments for taxes related to net share settlement of equity awards	(2)	0
Payment of term loan	(0)	(3)
Issuance cost related to business combination	0	(24)
Tax Distribution to members	(10)	0
Net cash used in financing activities	(\$12)	(\$17)
Net increase (decrease) cash, cash equivalents and restricted cash	9	(6)
Cash, cash equivalents and restricted cash, beginning of year	\$14	\$22
Cash, cash equivalents and restricted cash, end of year	\$23	\$15
Supplementary disclosure of cash flow information		
Cash paid during the year for interest	5	5
Derivative asset - interest rate swap	7	4

Source: Company financials

Note: Cash flows have been derived from CompoSecure's consolidated financial statements for the three months ended March 31, 2023 and 2022 respectively



Non-GAAP Adjusted EBITDA Reconciliation

(Unaudited)

\$mm	Q1 2023A	Q1 2022A
Net Income	\$11	\$27
Interest Expense	6	5
Depreciation and Amortization	2	2
Taxes	-1	1
Unadjusted EBITDA	\$18	\$35
1 Non-Cash Stock Comp Expense	4	1
2 Mark-to-market Adjustments	13	-2
Total EBITDA Adjustments	\$17	(\$1)
Adjusted EBITDA	\$35	\$33
Adjusted EBITDA %	37%	40%

1 Non-Cash Stock Option Expense: Non-cash stock option 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 3/31/2023		Three months ended 3/31/2022	
	<u>BASIC</u>	<u>DILUTED</u>	<u>BASIC</u>	<u>DILUTED</u>
GAAP Net Income	\$10.7	\$10.7	\$26.9	\$26.9
Adjust for Tax Provision	-1.3	-1.3	0.5	0.5
Tax Provision	-5.6	-5.6	-5.4	-5.4
Tax Adjusted Net Income	\$3.9	\$3.9	\$22.0	\$22.0
Fair Value and Stock Based Compensation Adjustment	\$16.8	\$16.8	-\$1.7	-\$1.7
Total Adjusted Net Income	\$20.6	\$20.6	\$20.4	\$20.4
Class A + Class B Shares	77.6	77.6	76.1	76.1
Public & Private Warrants ¹	-	8.1	-	8.1
Dilutive Equity Awards ²	-	4.1	-	4.3
Total Shares	77.6	89.8	76.1	88.5
EPS	\$0.27	\$0.23	\$0.27	\$0.23

Source: Company financials

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

² Includes options, RSUs, and ESPP shares

