



**Q3 2022
EARNINGS PRESENTATION**

November 2, 2022



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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 – Q3 2022

Net Sales of \$103mm, 56% higher than Q3 '21 driven by continued strong sales execution, deep customer relationships, and growth across both domestic (+62%) and international (+35%)

Net Income of \$22mm, 17% higher than Q3 '21 and Adjusted EBITDA¹ of \$33mm, 33% higher than Q3 '21 driven primarily by Net Sales growth, production efficiencies, and economies of scale, as well as managing investments based on Arculus ramp-up expectations and timing

Positive card issuer trends continue including high consumer and business demand for premium cards while continuously monitoring indicators given mixed macro-economic signals


Arculus platform positioned to support growing security, payment, and authentication needs across many industries. Marketing efforts increasingly focused on supporting B2B white-labeling opportunities. Continue to see strong interest in Arculus cold storage offering but uncertainty in the digital asset market persists

Raising 2022 full year guidance; now expect Net Sales to be at the top of the range of \$370mm to \$380mm (narrowed from \$355mm to \$380mm) and Adjusted EBITDA¹ to be in the range of \$130mm to \$137mm (increased from \$110mm to \$120mm)

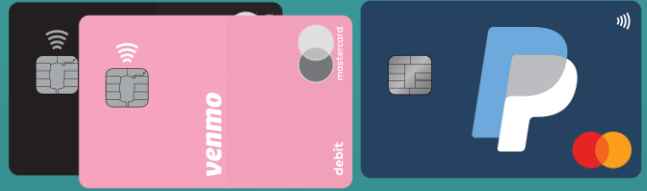


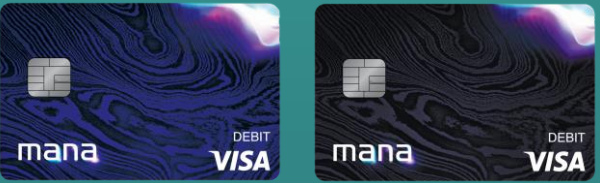

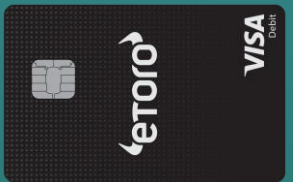
¹ Adjusted EBITDA is a non-GAAP financial measure. For reconciliation of Adjusted EBITDA to the most directly comparable measure prepared in accordance with GAAP, please see the Appendix

Company Highlights

CompoSecure is driving strong new partnership momentum across the payment card and Arculus ecosystems



Payment Cards

FinTechs	Traditional Banks - LED (Pilot)
 <p>Venmo PayPal</p>	 <p>US Bank</p>
Gaming	
 <p>Vital Card</p>	 <p>Mana</p>
Exchanges	
 <p>Mercury BHG World</p>	 <p>eToro</p>



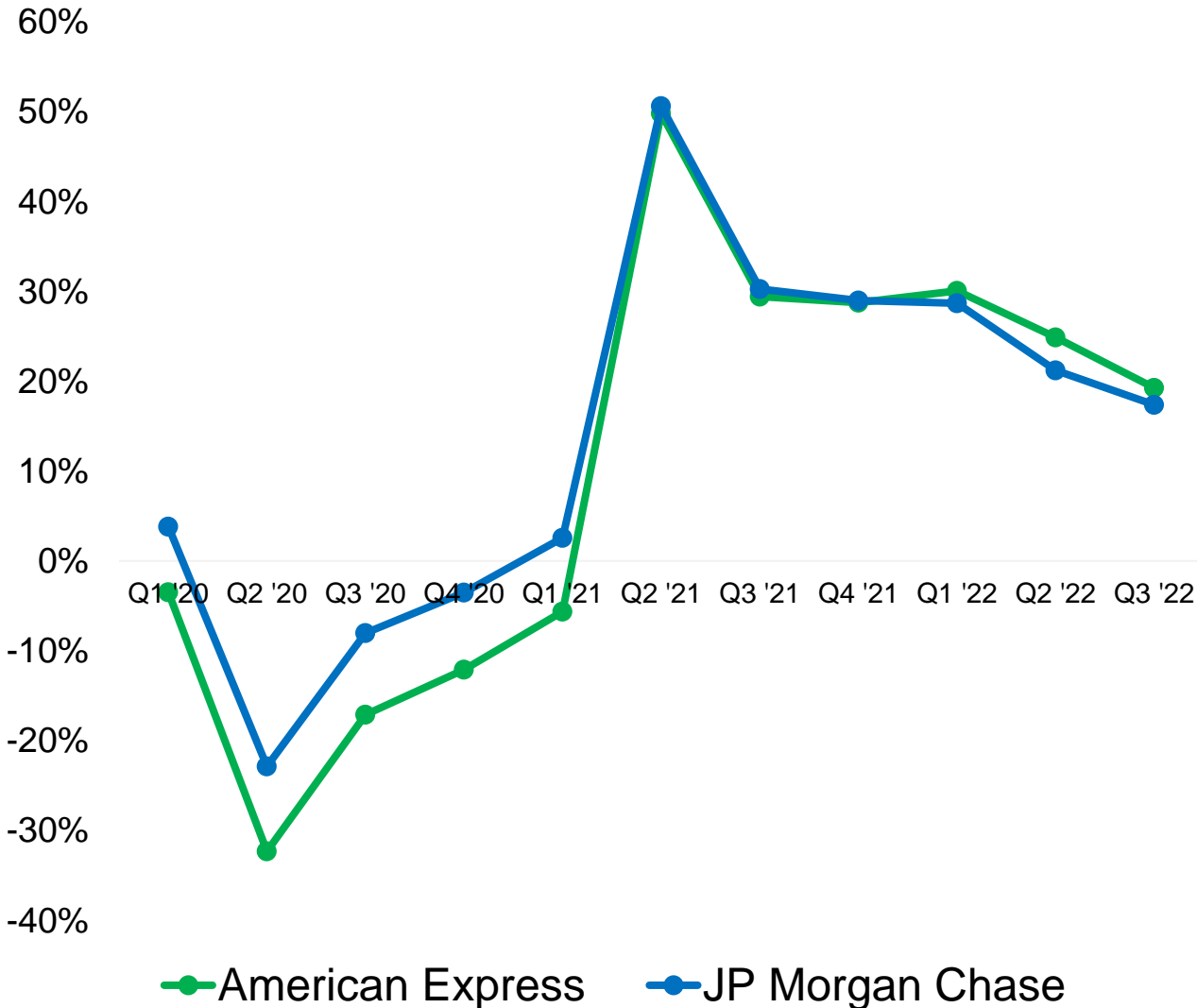
Security
ARCULUS
Digital
Authentication

FinTech & Technology Partners	Marketing & Distribution
 <p>CoinZoom</p>	 <p>.MONEY 20/20 AN ASCENTIAL COMPANY</p>
 <p>LEGACY VAULT</p>	 <p>Walmart.com</p>
 <p>INBESTGO</p>	 <p>newegg</p>
 <p>CHAINGE</p>	 <p>Hedera</p>

Positive Trends & Momentum across Payment Cards

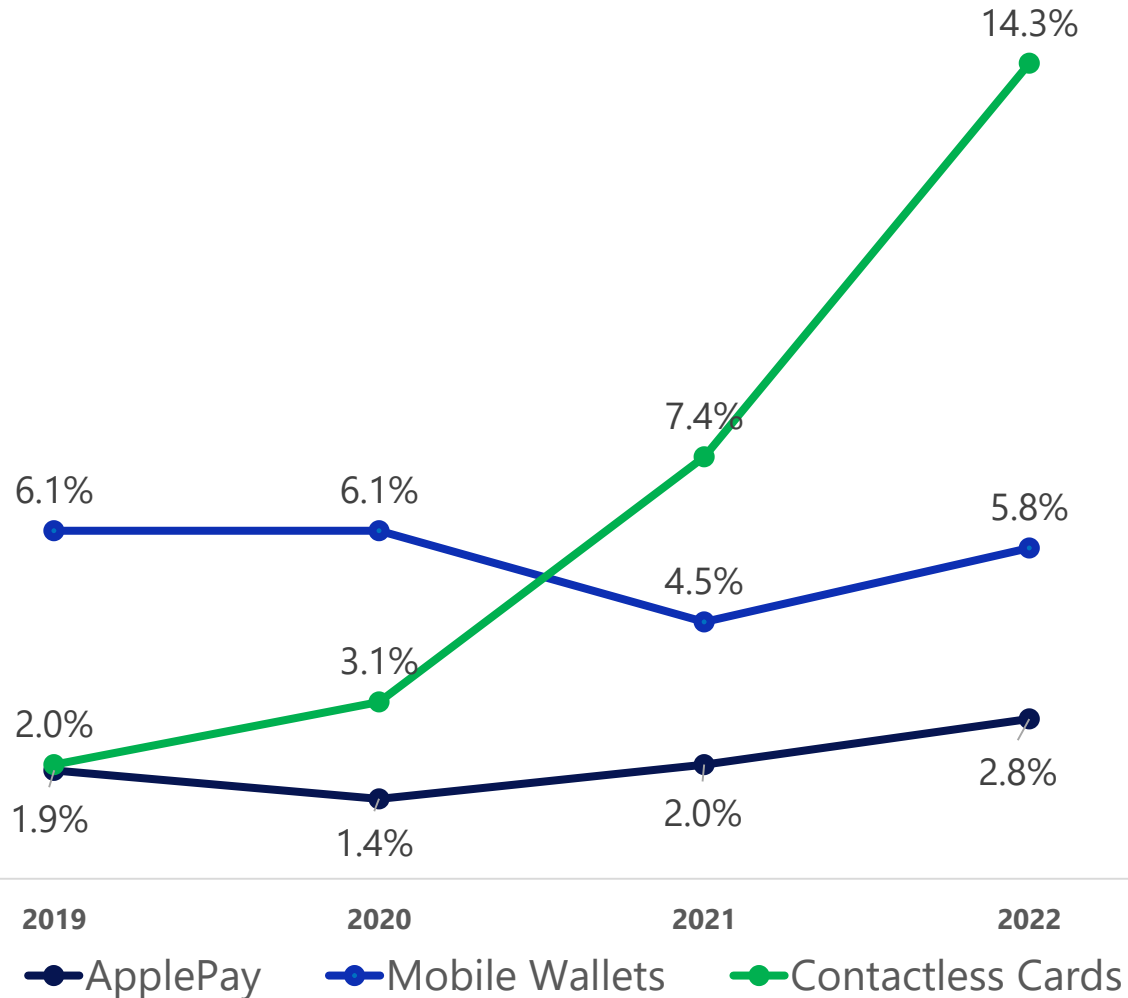
CompoSecure's Largest Customers Continue to Report Over 17% Purchase Volume Growth vs. Prior Year

Year over Year Purchase Volume Growth¹



Contactless Cards are 5x More Often Used than Apple Pay and 2.5x vs. All Mobile Wallets

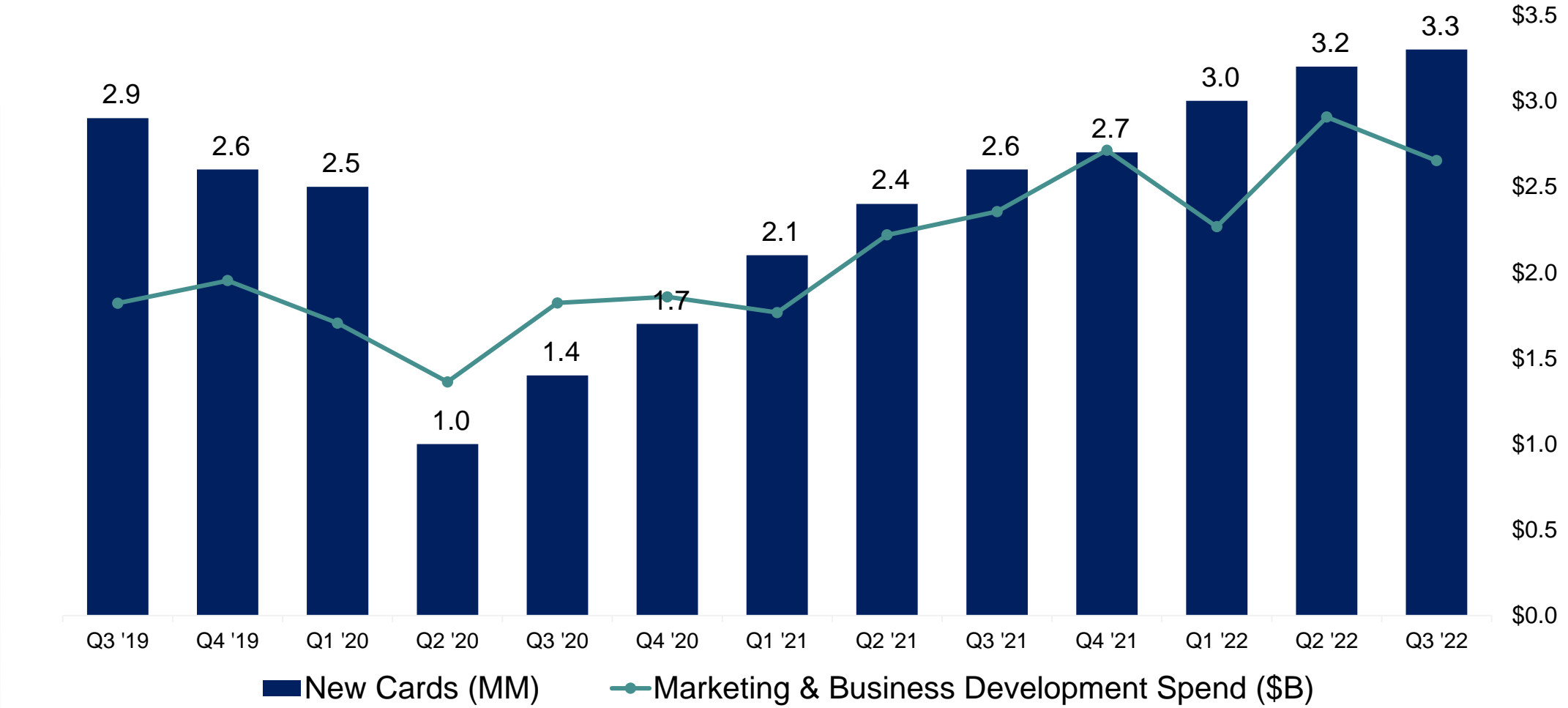
Percent of In-Store Transactions²



¹American Express & JP Morgan Chase Earnings Presentations
² PYMNTS: "Mobile Wallet Adoption", 2022

Positive Trends & Momentum across Payment Cards

American Express continues to report strong card acquisition numbers and investment to grow the business



~40%

YoY Card Growth	(52%)	(35%)	(16%)	+140%	+86%	+59%	+43%	+33%	+27%
YoY Marketing & Business Development Spend Growth	+0%	(5%)	+4%	+63%	+29%	+46%	+28%	+31%	+13%

Source: American Express Earnings Presentations

The Arculus Platform Offers a Broad Range of Security & Authentication Solutions Targeting a Variety of Verticals



B2B to Consumer Security Solutions

Direct to Consumer Cold Storage Solution

Secure Authentication

Identity Verification

Cold Storage for Digital Assets

Cold Storage Key Card for Digital Assets

Arculus Wallet App

KEY VERTICALS

Financial Institutions

FinTechs

Gaming & Gambling

Telecom

Crypto Exchanges

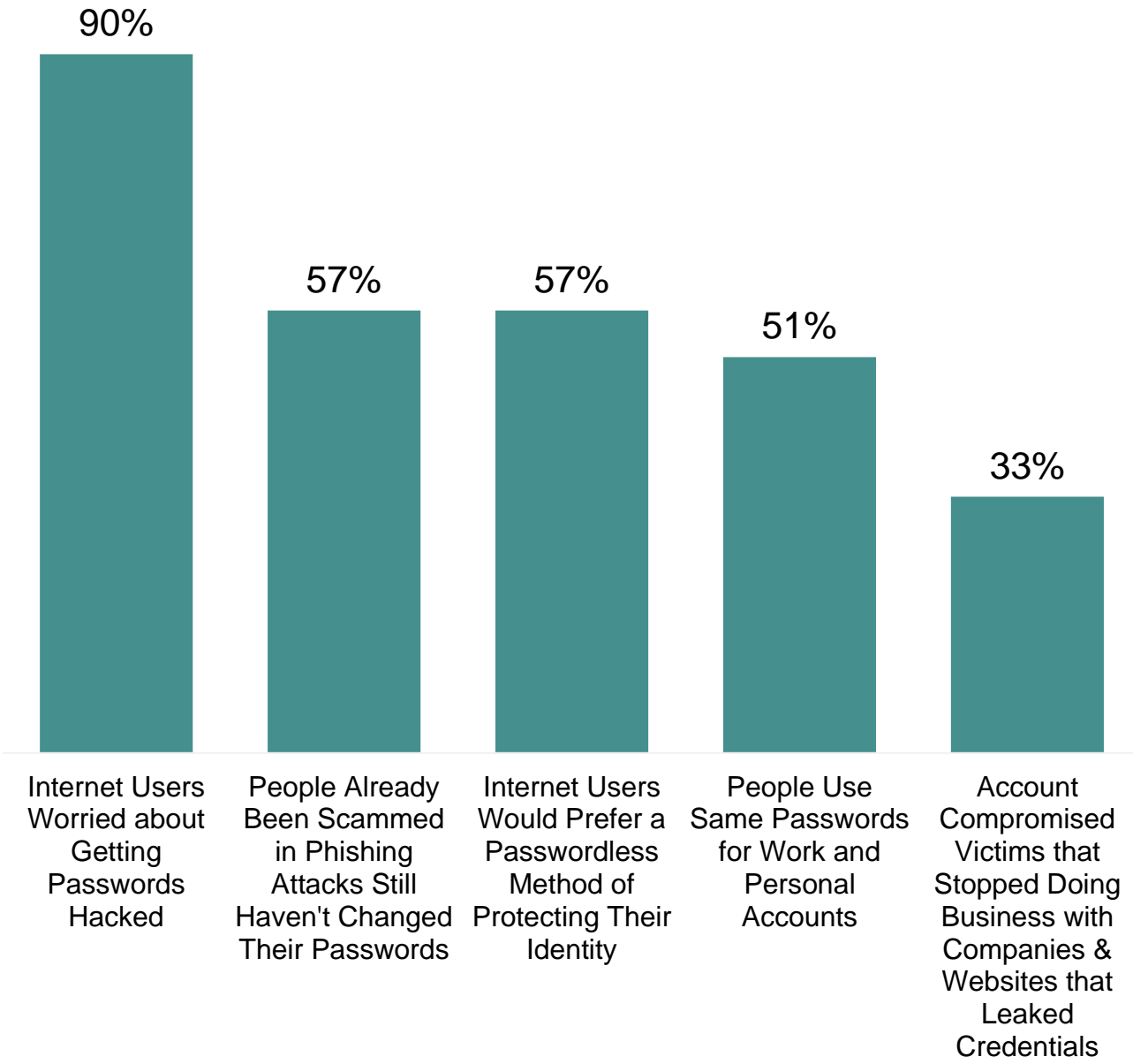
NFT Marketplaces

Sports & Entertainment

Healthcare

Momentum Gaining to Shift Away from User Names and Passwords

Password Statistics¹



¹DataProt: Save Your Data with These Empowering Password Statistics: 8/22/22

Big tech is building a passwordless future. Banks want to join in.

By [Carter Pape](#) August 05, 2022, 3:42 p.m. EDT 4 Min Read

Google's new passkey support is helping kill the password

It's still in beta, but the tech is part of an important, larger initiative involving Apple and Microsoft, too.

BY HARRY GUINNESS | PUBLISHED OCT 14, 2022 12:31 PM

PayPal Enters Passwordless Future With Passkey Launch

By [PYMNTS](#)
Posted on October 24, 2022

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Bank of America's CashPro App Adds QR Code, Biometrics to Ease Sign-In

By [PYMNTS](#)
Posted on September 26, 2022

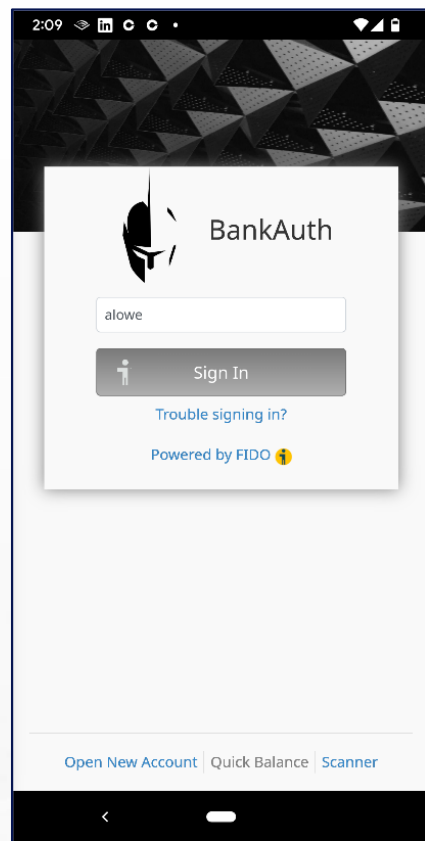
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Microsoft is doing away with passwords for Azure Virtual Desktop

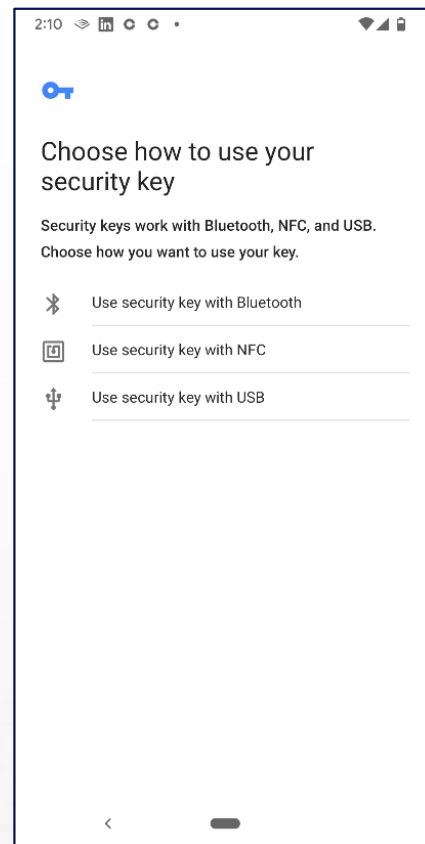
By [Will McCurdy](#) published September 27, 2022

Users get passwordless authentication for virtual desktops

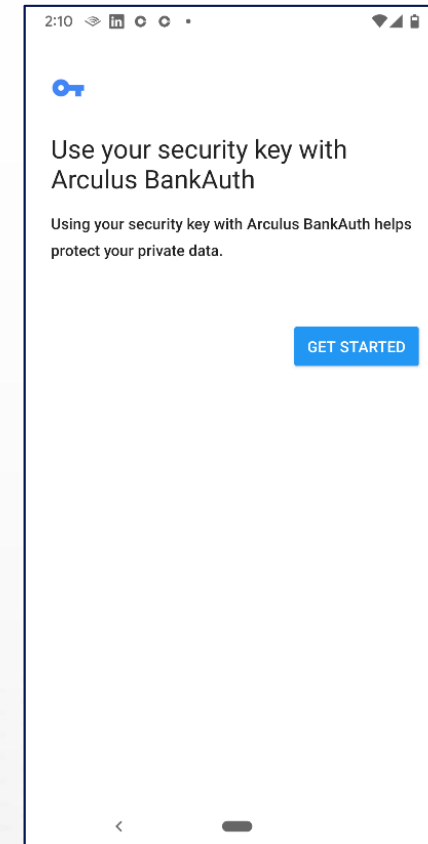
Arculus Authentication Provides Passwordless Login and/or Step-Up Verification



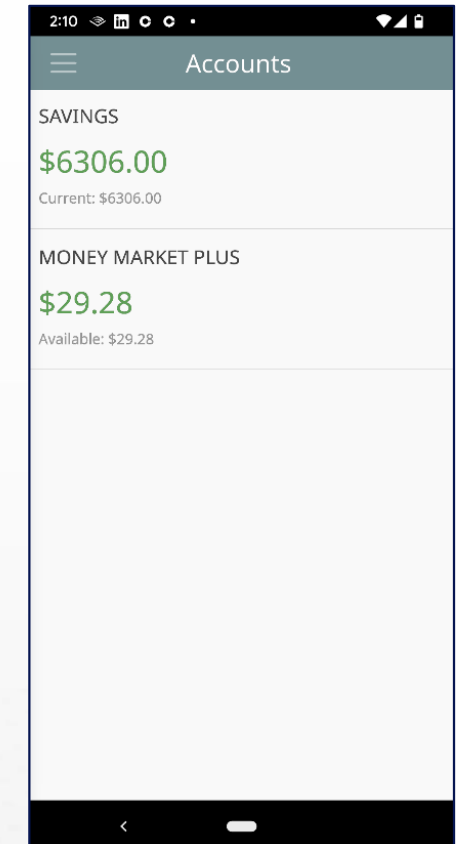
Simply tap Arculus Key card for secure log-in



Easy set-up process for FIDO2 compatible app



Secure NFC connection



Can be used for step-up authentication

Payment Card Integration: Can combine credit/debit card with authentication token

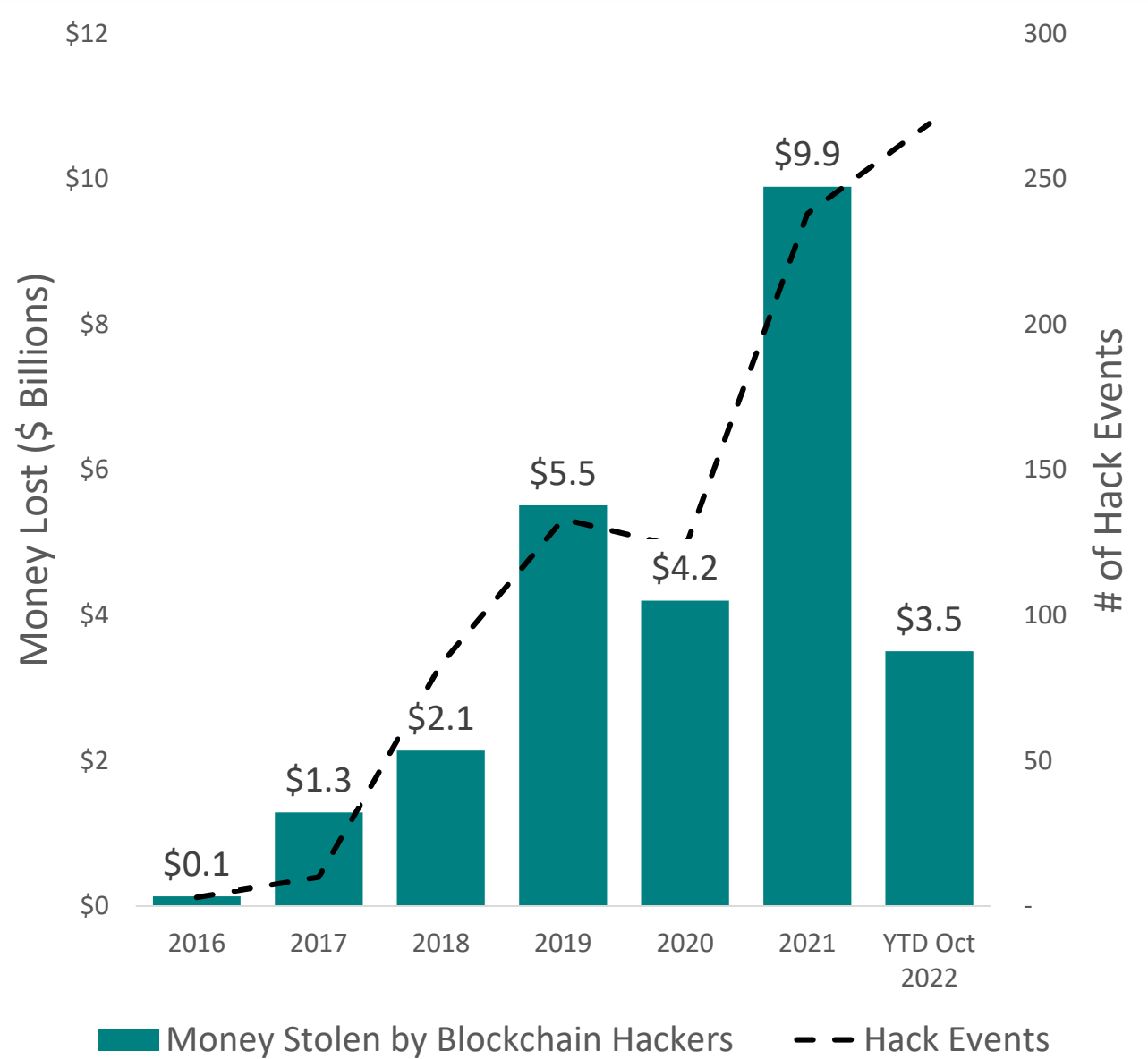
Secure: Authentication for high dollar/high risk transactions or passwordless log-in

Phishing Resistant: Authenticating/boot-strapping a new device

Improved User Experience: Customer service enhancements

Crypto Hacks and Exchange Freezes Have Continued to Challenge the Industry

Hacking Losses¹



\$570 million worth of **Binance's BNB** token stolen in another major crypto hack

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Solana-Based Decentralized Finance Platform **Mango** Hit by \$100 Million Exploit

Mango's MNGO token was down over 40% after suffering from the latest massive decentralized finance exploit.

By Sam Kessler | Oct 11, 2022 at 7:21 p.m. EDT | Updated Oct 12, 2022 at 1:24 p.m. EDT

Crypto Market Maker **Wintermute** Hacked for \$160M, OTC Services Unaffected

Wintermute's lending and OTC operations have not been affected despite the hack.

By Oliver Knight | Sep 20, 2022 at 4:15 a.m. EDT | Updated Sep 20, 2022 at 2:57 p.m. EDT

Crypto Exchange **FTX** Freezes Under Strain of CPI Volatility

More than \$110 million was liquidated across crypto exchanges in the hour following the U.S. inflation report.

By Oliver Knight | Sep 13, 2022 at 9:40 a.m. EDT | Updated Sep 13, 2022 at 3:53 p.m. EDT

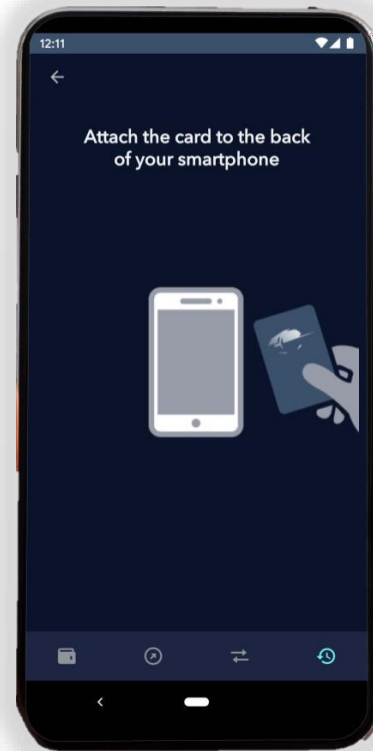
Celsius' Crypto Customers Face Big Obstacle in Trying to Claw Back Their Deposits

A change in the corporate structure the bankrupt crypto lender made when it was raising money last year may come under scrutiny.

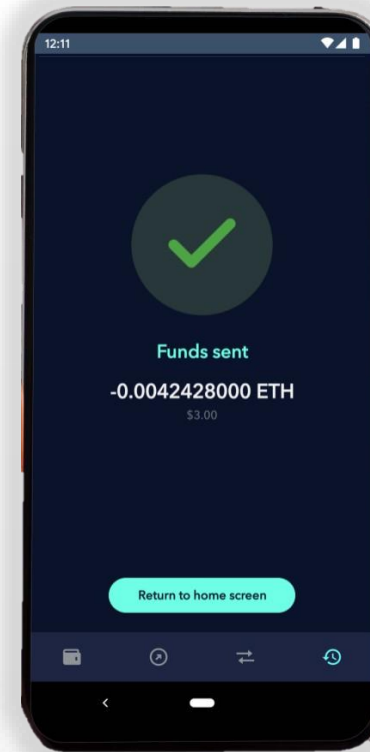
By Ian Allison | Oct 5, 2022 at 3:08 p.m. EDT | Updated Oct 6, 2022 at 4:26 p.m. EDT

¹ SlowMist Hacked
² PYMNTS: "Mobile Wallet Adoption", 2022

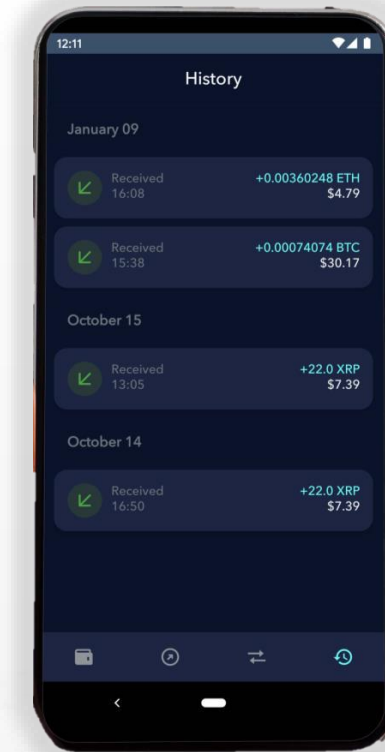
Arculus Wallet Enables Safe Storage of Private Keys for Digital Assets



Simply tap-to-transact with the Arculus Key card



Seamlessly send, receive, and swap cryptocurrency and NFTs



Easily track and record historical transactions

Convenience of a Hot Wallet with the Security of Cold Storage

Secure: Advanced three-factor authentication security across biometric, PIN, and Key card

~50%

Innovative: No charging required, crypto key storage solution with encrypted NFC ("tap-to-transact")

Convenient: Easily send, receive, and trade crypto assets through the mobile app



FINANCIAL OVERVIEW

Q3 2022 Results

	Q3 '22	Q3 '21	% Change	Commentary
Net Sales	\$103mm	\$66mm	56%	Demand for premium metal cards, strong sales execution, & increased international demand
Gross Margin	60%	55%	516bps	Economies of scale & efficiencies mitigating increasing supply chain costs
Net Income	\$22mm	\$19mm	17%	\$1mm net increase from re-valuation of earnout & warrants
Adjusted EBITDA ¹	\$33mm	\$25mm	33%	Excludes \$1mm net increase from re-valuation of earnout & warrants Q3 '22 includes (~\$5mm) net impact from Arculus investment
Adjusted EBITDA Margin ¹	32%	37%	(552 bps)	

¹ 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

Sept YTD 2022 Results

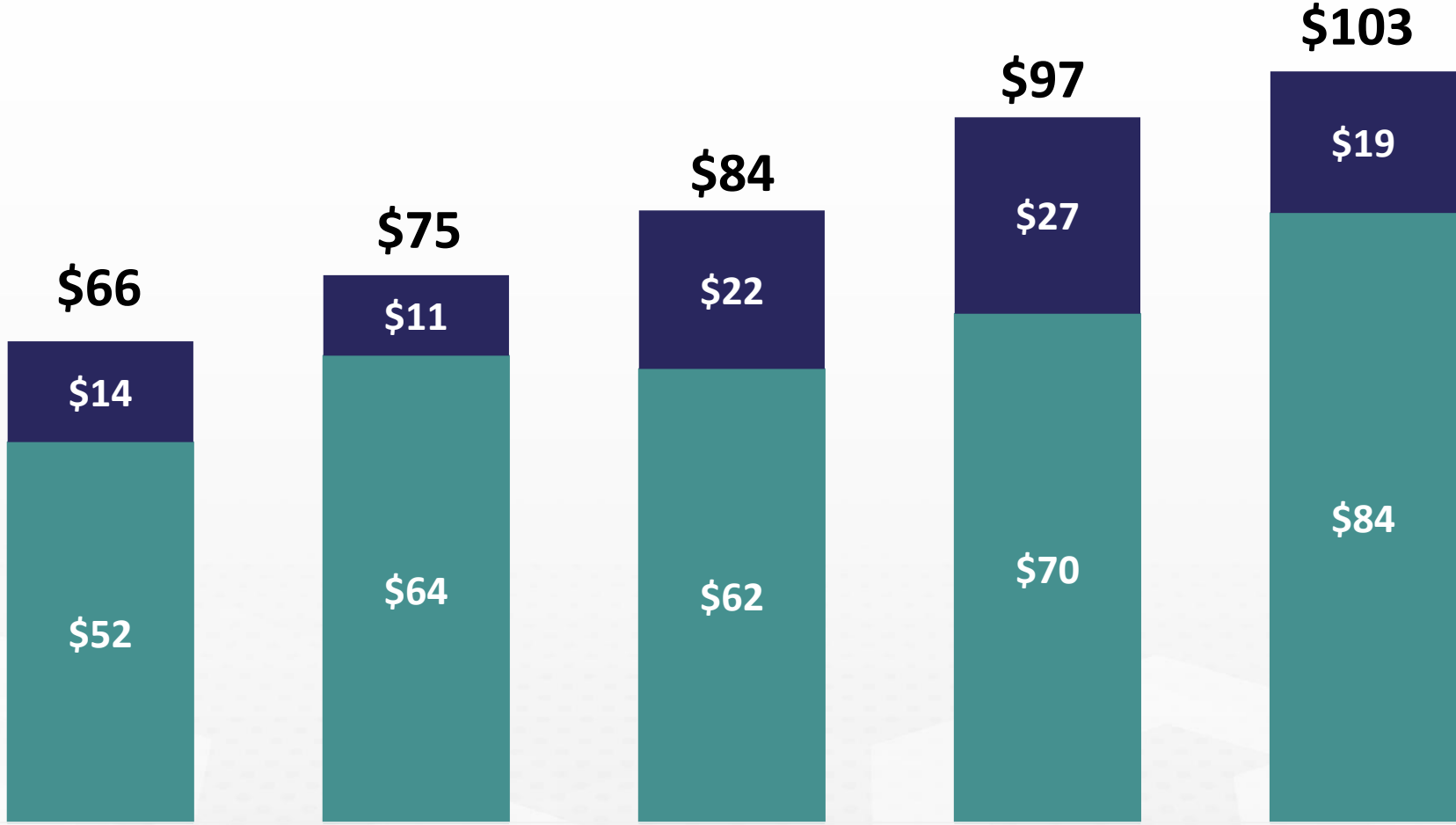
	YTD Sept '22	YTD Sept '21	% Change	Commentary
Net Sales	\$285mm	\$193mm	48%	Demand for premium metal cards, strong sales execution, & increased international demand
Gross Margin	59%	55%	469bps	Economies of scale & efficiencies mitigating increasing supply chain costs
Net Income	\$110mm	\$63mm	73%	\$38mm net increase from re-valuation of earnout & warrants
Adjusted EBITDA¹	\$106mm	\$81mm	30%	Excludes \$38mm net increase from re-valuation of earnout & warrants YTD Sept '22 includes (~\$16mm) net impact from Arculus investment
Adjusted EBITDA Margin¹	37%	42%	(502 bps)	

¹ 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

Net Sales Trend

Domestic and international are both contributing to CompoSecure's growth

In millions



■ International
 +35%
 Q3 '22 vs. Q3 '21

■ Domestic
 +62%
 Q3 '22 vs. Q3 '21

	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22
International	21%	15%	26%	28%	19%
Domestic	79%	85%	74%	72%	81%

Earnings per Share: GAAP

	Three months ended 9/30/22		Nine months ended 9/30/22	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$22mm	\$22mm	\$109mm	\$109mm
Net Income used in EPS	\$3mm ¹	\$4mm ²	\$15mm ³	\$31mm ⁴
% of Total Net Income	12.9%	16.2%	14.1%	28.3%
Total Shares used in EPS	15mm ⁵	20mm ⁶	15mm ⁵	33mm ⁷
Earnings per Share	\$0.18	\$0.18	\$1.02	\$0.94

Source: Company Financials

¹ 20.6% of Operating Net Income of \$24.0mm less 100% of C-Corp Costs of \$2.1mm

² 24.5% of Operating Net Income of \$24.0mm less 100% of C-Corp Costs of \$2.1mm

³ 20.6% of Operating Net Income of \$118.4mm less 100% of C-Corp Costs of \$9.0mm

⁴ 35.1% of Operating Net Income of \$118.4mm less 100% of C-Corp Costs of \$9.0mm less Interest on Dilutive Convertible Debt of \$1.9mm

⁵ Weighted Average Class A Shares of 15.4mm and 15.1mm for three months and nine months, respectively

⁶ Weighted Average Class A Shares of 15.4mm and 15.1mm for three months and nine months, respectively plus 4.2mm Outstanding Options (Assuming Exercise Net of Strike Price)

⁷ Weighted Average Class A Shares of 15.4mm and 15.1mm for three months and nine months, respectively plus 4.2mm Outstanding Options (Assuming Exercise Net of Strike Price) plus 13.0mm Shares from Convertible Debt Conversion

Adjusted Earnings per Share

	Three months ended 9/30/22		Nine months ended 9/30/22	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$22mm	\$22mm	\$109mm	\$109mm
Adjusted Net Income	\$20mm ¹	\$20mm ¹	\$65mm ²	\$65mm ²
% of GAAP Net Income	90%	90%	60%	60%
Total Shares used in EPS	76mm ³	88mm ⁴	76mm ³	88mm ⁴
Adjusted EPS ⁵	\$0.26	\$0.22	\$0.86	\$0.74

Source: Company Financials

¹ GAAP Net Income of \$22.0mm less Additional Tax Provision of \$4.9mm less Fair Value Mark to Market Change for Warrants and Earnout and Stock Based Compensation Adjustment of \$2.8mm

² GAAP Net Income of \$109.5mm less Additional Tax Provision of \$13.7mm less Fair Value Mark to Market Change for Warrants and Earnout and Stock Based Compensation Adjustment of \$30.3mm

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 4.2mm and 4.7mm, respectively Options (Assuming Exercise Net of Strike Price)

⁵ 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

2022 Guidance

Increasing full year net sales and adjusted EBITDA guidance

	Updated 2022E	Prior 2022E	2021
Net Sales	\$370mm - \$380mm	\$355mm - \$380mm	\$268mm
<i>B/(W) vs. Prior '22E</i>	<i>+\$15mm / +\$0mm</i>		
<i>B/(W) vs. '21</i>	<i>+38% / +42%</i>		
Adjusted EBITDA¹	\$130mm - \$137mm	\$110mm - \$120mm	\$102mm
<i>B/(W) vs. Prior '22E</i>	<i>+\$20mm / +\$17mm</i>		
<i>B/(W) vs. '21</i>	<i>+27% / +34%</i>		

¹ 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

Strategic Priorities

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 September 30, 2022

Current Enterprise Value is \$778mm¹

<u> Holders </u>	<u> # of Shares Issued & Outstanding </u>	<u> # of Shares Issued & Outstanding </u>
Public Shareholders (including PIPE & Sponsor): Class A	15.8mm	15.8mm
Historic CompoSecure Owners: Class B	60.6mm	60.6mm
Subtotal	76.3mm	76.3mm
<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	5.0mm	4.4mm
Total	81.3mm	80.7mm
<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	115.0mm	100.1mm

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 \$228mm + Convertible of \$130mm. Equity of 80.7mm shares @ \$5.21 price/share as of market close 10/28/22

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 Sheets

(Unaudited)

(\$mm)	Q3 2022A	Q4 2021
Assets		
Current Assets		
Cash & cash equivalents	\$15	\$22
Accounts receivable, net	46	28
Inventories	39	26
Prepaid expenses and other Current assets	3	3
Total Current Assets	103	78
Property and equipment, net	23	22
Deferred tax assets	25	26
Other assets	19	5
Total assets	\$170	\$131
Liabilities and Members' Equity		
Current Liabilities		
Accounts payable	\$13	\$7
Accrued expenses	20	40
Other current liabilities	24	1
Current portion of long-term debt	10	13
Total current liabilities	67	61
Long-term debt, net of deferred finance costs	221	233
Line of credit	10	15
Convertible Debt, net of debt discount	128	127
Other liabilities	70	103
Total liabilities	\$495	\$539
Members' Equity	(325)	(408)
Total liabilities and members' equity	\$170	\$131

Source: Company financials

Note: Financial position has been derived from CompoSecure's consolidated financial statements for the quarters ended September 30, 2022 and December 31, 2021 respectively.

Statements of Operations (Unaudited)

(\$mm)	YTD Sep 2022A	YTD Sep 2021A
Revenue		
Net Sales	\$285	\$193
Cost of Sales	(115)	(87)
Gross Profit	\$169	\$106
Operating Expenses		
Selling, general and administrative	(79)	(33)
Income from operations	\$91	\$72
Other expense		
Other income (expense), net	19	(9)
Net Income	\$109	\$63

Source: Company financials

Note: Operating results have been derived from CompoSecure's consolidated financial statements for the nine months ended September 30, 2022 and 2021 respectively

Statements of Cash Flows (Unaudited)

(\$mm)	YTD Sep 2022A	YTD Sep 2021A
Cash flows from operating activities		
Net income	\$110	\$63
Depreciation	7	8
Equity compensation expense	8	1
Inventory reserve		
Amortization of deferred finance costs	2	1
Mark-to-market adjustments	(22)	0
Change in assets and liabilities	(17)	0
Accounts receivable	(18)	(25)
Inventories	(13)	4
Prepaid expenses and other assets	(0)	0
Other liabilities	25	(7)
Accrued expenses	10	2
Net cash provided by operating activities	\$91	\$48
Cash flows from investing activities		
Acquisition of property and equipment	(7)	(4)
Net cash used in investing activities	(\$7)	(\$4)
Cash flows from financing activities		
Business combination and PIPE financing		
Proceeds from line of credit	(5)	
Payment of line of credit		(5)
Proceeds from term loan		
Payment of term loan	(17)	(18)
Distributions		
Deferred finance costs related to debt origination		
Issuance cost related to business combination	(24)	
Tax Distribution to members	(44)	(22)
Net cash used in financing activities	(\$90)	(\$45)
Net increase (decrease) cash, cash equivalents and restricted cash	(7)	(1)
Cash, cash equivalents and restricted cash, beginning of year	\$22	\$13
Cash, cash equivalents and restricted cash, end of year	\$15	\$12
Supplementary disclosure of cash flow information		
Cash paid during the year for interest	15	8
Derivative asset - interest rate swap	9	

Source: Company financials

Note: Cash flows have been derived from CompoSecure's consolidated financial statements for the nine months ended September 30, 2022 and 2021 respectively

Non-GAAP Adjusted EBITDA Reconciliation (Unaudited)

\$mm	Q3 2022A	Q3 2021A	YTD Sep 2022A	YTD Sep 2021A
Net Income	\$22	\$19	\$109	\$63
Interest Expense	6	3	16	9
Depreciation and Amortization	2	3	7	8
Taxes	0		4	
Unadjusted EBITDA	\$30	\$24	\$136	\$80
1 Non-Cash Stock Comp Expense	4	0	8	1
2 Mark-to-Market Adjustments	-1		-38	
3 Other	0		0	
Total EBITDA Adjustments	\$3	\$0	(\$30)	\$1
Adjusted EBITDA	\$33	\$25	\$106	\$81
Adjusted EBITDA Margin	32%	37%	37%	42%

1 Non-Cash Stock Option Expense: Non-cash stock option expenses related to the executive incentive plan

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

3 Other: Related to prior periods commissions charge.

Non-GAAP EPS Reconciliation (Unaudited)

(\$mm)	<u>Three months ended 9/30/2022</u>		<u>Nine months ended 9/30/2022</u>	
	<u>BASIC</u>	<u>DILUTED</u>	<u>BASIC</u>	<u>DILUTED</u>
GAAP Net Income	\$21.9	\$21.9	\$109.5	\$109.5
Add back tax provision	0.4	0.4	3.7	3.7
Tax Provision on 100% of Taxable Income	-5.3	-5.3	-17.4	-17.4
Adjusted Net Income	\$17.0	\$17.0	\$95.8	\$95.8
Fair Value and Stock Based Compensation Adjustment	\$2.8	\$2.8	-\$30.3	-\$30.3
Adjusted Net Income	\$19.8	\$19.8	\$65.5	\$65.5
Class A + Class B Shares	76.0	76.0	75.7	75.7
Public & Private Warrants ¹	-	8.1	-	8.1
Options ²	-	4.2	-	4.7
Total Shares	76.0	88.3	75.7	88.5
Adjusted EPS	\$0.26	\$0.22	\$0.86	\$0.74

Source: Company financials

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

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