

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): November 9, 2023

CompoSecure, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

001-39687
(Commission File Number)

85-2749902
(IRS Employer Identification No.)

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

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 November 9, 2023, CompoSecure, Inc. (the "Company") issued a press release announcing its financial results for the quarter ended September 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 November 9, 2023
99.2	Investor Presentation, dated November 9, 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: November 9, 2023

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



CompoSecure Reports Third Quarter 2023 Financial Results

Revises Full Year Outlook, Which Lowers Net Sales Target to \$386-\$392 million While Capturing Low End of Previously Issued Adjusted EBITDA Outlook

SOMERSET, N.J., November 9, 2023 – [CompoSecure, Inc.](#) (Nasdaq: CMPO), a leader in metal payment cards, security, and authentication solutions, today announced its financial and operating results for the third quarter ended September 30, 2023.

“During the quarter, we exceeded our record US revenue from the year-ago period overcoming global economic uncertainty that impacted our international business, which was down albeit on a smaller revenue base,” said Jon Wilk, President and CEO of CompoSecure.

“Consumer demand for premium metal cards remains strong based on card issuer feedback and industry sentiment. At the same time, select customers are more tightly managing inventory levels, which impacted order volumes in Q3 and into Q4. As a result, we are revising our full year 2023 outlook which lowers our sales guidance and captures the low end of our previously issued Adjusted EBITDA guidance.

Mr. Wilk added: “We are on track to achieve the most successful year in our company’s history in terms of Net Sales, Adjusted EBITDA, and Operating Cash Flow, following a record year of growth and profitability in 2022. We continue to optimize our balance sheet and prudently manage operating expenses while investing in growth, including incrementally reducing our outstanding debt this quarter to further improve our leverage ratio.”

Q3 2023 Financial Highlights (vs. Q3 2022)

- **Net Sales:** Net Sales were \$96.9 million compared to \$103.3 million. The decrease was driven by lower international sales, which is a more variable market due to global economic uncertainty, customer mix and a smaller sales base. Domestic sales increased modestly compared to the record year-ago period.
 - **Gross Profit:** Gross Profit was \$48.9 million or 50.5% of Net Sales, compared to \$61.8 million or 59.8%. The decrease was primarily due to lower production efficiencies from new and innovative card constructions, as well as an impact from inflationary pressure on wages and materials.
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- **Net Income/EPS:** Net Income increased 74% to \$38.0 million compared to \$21.9 million. The increase was primarily driven by prudent operating expense controls, as reflected by a reduction in selling, general and administrative expenses, as well as changes to the fair value of warrant liabilities, earnout consideration liability and derivative liability. Net Income per share attributable to class A common stockholders was \$0.39 (Basic) and \$0.34 (Diluted), compared to \$0.18 (Basic) and (Diluted) in the year-ago period.
- **Adjusted Net Income/Adjusted EPS:** Adjusted Net Income (a non-GAAP measure) increased 10% to \$21.7 million compared to \$19.8 million in the year-ago period. Adjusted EPS (a non-GAAP measure), which includes both class A and class B shares, was \$0.27 (Basic) and \$0.24 (Diluted) compared to \$0.26 (Basic) and \$0.22 (Diluted) in the year-ago period (see reconciliation of non-GAAP measures shown in table below).
- **Adjusted EBITDA:** Adjusted EBITDA (a non-GAAP measure) increased 9% to \$35.5 million compared to \$32.7 million, with the increase driven in-part by the aforementioned operating expense controls.
- **Balance Sheet:** At September 30, 2023, the Company's secured debt leverage ratio decreased to 1.48x compared to 2.92x at September 30, 2022.

Recent Operational Highlights

- Customers launched several new metal card programs this quarter including Amex Hilton Aspire, Amex SAS Elite and Axis Magnus, to name a few.
- Arculus Authenticate hardware passkeys received official designation as a Microsoft FIDO2 security key vendor and is now compatible within the Microsoft ecosystem, offering users a reliable and user-friendly secure passwordless authentication solution
- Arculus Cold Storage enhancements included:
 - Custom tokens across three additional chains—Binance Smart Chain, Ethereum, and Polygon; now supporting 95% of crypto tokens by market cap.
 - Expanded Arculus integration with MetaMask, bolstering security by enabling the Arculus card as a signing device for safe offline private key storage.
 - Cross-chain DeFi capabilities via WalletConnect across major chains—Binance Smart Chain, Ethereum, Polygon, Avalanche.

2023 Financial Outlook

The Company is revising its guidance for full year 2023 results, and now expects net sales to be in the range of \$386-\$392 million (previously \$400-\$425 million) and adjusted EBITDA in the range of \$141-\$146 million (previously \$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: Thursday, November 9, 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 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, 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 September 30, 2023.

Corporate Contact

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Investor Relations Contact

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
	(unaudited)	
ASSETS		
Cash and cash equivalents	\$ 23,817	\$ 13,642
Accounts Receivable, net	48,533	37,272
Inventories	51,988	42,374
Prepaid expenses and other current assets	3,911	3,824
Property and equipment, net	23,076	22,655
Right of use assets operating, net	7,950	8,932
Deferred tax asset	27,693	25,569
Derivative asset - interest rate swap	8,055	8,651
Deposits and other assets	24	24
TOTAL ASSETS	<u>\$ 195,047</u>	<u>\$ 162,943</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current portion of long-term debt	\$ 10,333	\$ 14,372
Current portion of lease liabilities	1,910	1,846
Current portion of tax receivable agreement liability	1,668	2,367
Accounts payable	14,065	7,127
Accrued expenses	14,218	10,154
Commission payable	3,847	3,317
Bonus payable	6,828	8,177
Long-term debt, net of deferred finance costs	202,839	216,276
Convertible notes, net of debt discount	127,708	127,348
Derivative liability - convertible notes	650	285
Warrant liability	14,570	16,341
Earnout consideration liability	4,550	15,090
Lease liabilities, operating	6,751	7,766
Tax receivable agreement liability	23,953	24,475
Total stockholders' (deficit)	(238,843)	(291,998)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 195,047</u>	<u>\$ 162,943</u>

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net sales	\$ 96,886	\$ 103,305	\$ 290,729	\$ 284,687
Operating expenses:				
Cost of sales	47,990	41,547	134,542	115,318
Selling, General and administrative	20,095	36,116	67,627	79,325
Total operating expenses	<u>68,085</u>	<u>77,663</u>	<u>202,169</u>	<u>194,643</u>
Income from operations	28,801	25,642	88,560	90,044
Total other income (expense), net	10,197	(3,355)	(6,408)	23,153
Income before income taxes	38,998	22,287	82,152	113,197
Income tax (expense) benefit	(949)	(393)	(656)	(3,738)
Net income	<u>38,049</u>	<u>21,894</u>	<u>81,496</u>	<u>109,459</u>
Net income attributable to non-controlling interests	30,574	19,077	65,653	93,973
Net income attributable to CompoSecure, Inc	<u>\$ 7,475</u>	<u>\$ 2,817</u>	<u>\$ 15,843</u>	<u>\$ 15,486</u>
Net income per share attributable to Class A common stockholders -basic	\$ 0.39	\$ 0.18	\$ 0.86	\$ 1.02
Net income per share attributable to Class A common stockholders - diluted	\$ 0.34	\$ 0.18	\$ 0.75	\$ 0.94
Weighted average shares used to compute net income per share attributable to Class A common stockholders - basic (in thousands)	19,075	15,433	18,420	15,141
Weighted average shares used to compute net income per share attributable to Class A common stockholders - diluted (in thousands)	35,765	19,662	35,362	32,815

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

	Nine Months Ended September 30,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 81,496	\$ 109,459
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	6,249	6,577
Stock-based compensation expense	13,052	7,736
Amortization of deferred finance costs	1,262	1,798
Change in fair value of earnout consideration liability	(10,540)	(21,676)
Revaluation of warrant liability	(1,771)	(16,363)
Change in fair value of derivative liability	364	(185)
Deferred tax (benefit) expense	(1,485)	3,191
Changes in assets and liabilities		
Accounts receivable	(11,261)	(17,871)
Inventories	(9,614)	(13,322)
Prepaid expenses and other assets	(87)	(225)
Accounts payable	6,938	5,568
Deposits and other assets	-	(14)
Accrued expenses	4,065	1,403
Other liabilities	(789)	15,885
Net cash provided by operating activities	<u>77,879</u>	<u>81,961</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(6,669)	(7,221)
Net cash used in investing activities	<u>(6,669)</u>	<u>(7,221)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from employee stock purchase plan and exercise of equity awards	1,024	2
Payments for taxes related to net share settlement of equity awards	(3,126)	-
Payment of line of credit	-	(5,000)
Payment of Tax receivable agreement liability	(2,193)	-
Deferred finance costs related to debt modification	(256)	-
Payment of term loan	(18,122)	(16,878)
Distributions	(38,362)	(35,545)
Payment of issuance cost related to business combination	-	(23,833)
Net cash used in financing activities	<u>(61,035)</u>	<u>(81,254)</u>
Net increase (decrease) in cash and cash equivalents	<u>10,175</u>	<u>(6,514)</u>
Cash and cash equivalents, beginning of period	13,642	21,944
Cash and cash equivalents, end of period	<u>\$ 23,817</u>	<u>\$ 15,430</u>
Supplementary disclosure of cash flow information		
Cash paid for interest expense	\$ 18,296	\$ 14,937
Supplemental disclosure of non-cash financing activity:		
Derivative asset - interest rate swap	\$ 8,055	\$ 9,392

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	\$ 38,049	\$ 21,894	\$ 81,496	\$ 109,459
Add:				
Depreciation	2,078	2,010	6,249	6,577
Interest expense, net (1)	6,010	5,850	18,355	16,362
Income tax expense (benefit)	949	393	656	3,738
EBITDA	\$ 47,086	\$ 30,147	\$ 106,756	\$ 136,136
Stock-based compensation	4,637	3,715	13,052	7,736
Mark to market adjustments (2)	(16,207)	(1,204)	(11,947)	(38,224)
Adjusted EBITDA	\$ 35,516	\$ 32,658	\$ 107,861	\$ 105,648

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands) except per share amounts			
Basic and Diluted:				
Net income	\$ 38,049	\$ 21,894	\$ 81,496	\$ 109,459
Add: provision for income taxes	949	393	656	3,738
Income before Income taxes	38,998	22,287	82,152	113,197
Income tax expense (1)	(5,868)	(5,266)	(17,639)	(17,432)
Adjusted net income before adjustments	33,130	17,021	64,513	95,765
(Less): mark-to-market adjustments (2)	(16,058)	(957)	(12,311)	(38,040)
Add: stock-based compensation	4,637	3,715	13,052	7,736
Adjusted net income	\$ 21,709	\$ 19,779	\$ 65,254	\$ 65,461
Common shares outstanding used in computing earnings per share, basic:				
Class A and Class B common shares (3)	79,033	76,020	78,378	75,728
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	3,690	4,229	3,942	4,674
Total Shares outstanding used in computing adjusted earnings per share - diluted	90,817	88,343	90,414	88,496
Adjusted net income per share- basic	\$ 0.27	\$ 0.26	\$ 0.83	\$ 0.86
Adjusted net income per share- diluted	\$ 0.24	\$ 0.22	\$ 0.72	\$ 0.74

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.

Q3 2023 Earnings Presentation

November 9, 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 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 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: Q3 '23 vs. Q3 '22 decreased 6% to \$97mm compared to \$103mm driven by strongest domestic quarter ever offset by international business softness due to global economic uncertainty; YTD up 2% to \$291mm vs. \$285mm prior year

Adjusted EBITDA¹: Q3 '23 vs. Q3 '22 increased 9% to \$35mm compared to \$33mm in part due to operating expense controls offset by gross margin decrease; YTD up 2% to \$108mm compared to \$106mm prior year

Card issuers and networks reported continued growth amid consumer resiliency while maintaining investments in customer acquisition and rewards despite the macroeconomic uncertainty

Enhanced Arculus Authenticate (hardware passkeys received official designation as Microsoft FIDO2 security key vendor) and Arculus Cold Storage offering (hardware integration with MetaMask, substantial expansion of digital asset support through custom tokens, and cross-chain DeFi capabilities via WalletConnect across major chains)

Revised full year net sales outlook to be in the range of \$386mm to \$392mm (vs. previously \$400mm to \$425mm) and maintained low end of adjusted EBITDA outlook of \$141mm to \$146mm (vs. previously \$145mm to \$155mm)



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

Key Highlights

Payment Card

- Record quarterly domestic net sales in Company's history
- New metal card programs
 - American Express Hilton Aspire
 - American Express SAS Elite
 - Axis Magnus



- Continued progress across new product innovations – Lux Glass, Dynamic EVC, Biometrics, and LED

Industry Conferences

- Strong presence at Finovate Fall (September in New York) and Money 20/20 USA (October in Las Vegas)
- Planning to attend Singapore FinTech Festival in November – Company's first Asia-Pacific event



Key Highlights

Arculus Authenticate

- Hardware passkeys received official designation as a Microsoft FIDO2 security key vendor – compatible within ecosystem
- Offers users a reliable and user-friendly secure passwordless authentication solution – can be integrated into payment card



Arculus Cold Storage

- Custom tokens across three additional chains – Binance Smart Chain, Ethereum, and Polygon – supporting 95% of crypto tokens by market cap
- Expanded Arculus integration with MetaMask, bolstering security by enabling the Arculus card as a signing device for safe offline private key storage
- Cross-chain DeFi capabilities via WalletConnect across major chains – Binance Smart Chain, Ethereum, Polygon, and Avalanche
- Increased foreign currency and language capabilities to target B2B global prospects
- Staking compatibility across Cardano network – allows holders to earn rewards



Recent Trends across Payment Cards

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

Year over Year Purchase Volume Growth¹



American Express is Trending Towards Another Successful Acquisition Year Behind Robust Investments

New Card Acquisitions & Investment²



YoY Card Growth	(16%)	140%	86%	59%	43%	33%	27%	11%	13%	(6%)	(12%)
YoY Marketing & Bus Dev Spend Growth	4%	63%	29%	46%	28%	31%	13%	(5%)	21%	(4%)	(1%)

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



Card Issuer and Payment Network Sentiment



"We feel really good about the quality of our new card acquisitions, which I talked about earlier, and I **continue to see great demand for our products across a wide range of attractive investment opportunities.**

Given this strong set of opportunities, I would expect to increase our marketing spend in the balance of this year, and we're confident that our sophisticated acquisition engine will continue to do so in an efficient way.

We've invested approximately \$5.5 billion this year. We'll probably step that up next year. So, we're very confident in our card acquisition." – *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 our marketing continues to deliver strong new account growth across the domestic card business. As a result, **we are leaning into marketing to drive resilient growth and enhance our domestic card franchise.**

As always, we're keeping a close eye on competitor actions and potential marketplace risks. We **expect fourth quarter marketing will be seasonally higher.**" – *Richard Fairbank (Chairman & CEO)*

Source: Q3 '23 Earnings Transcripts

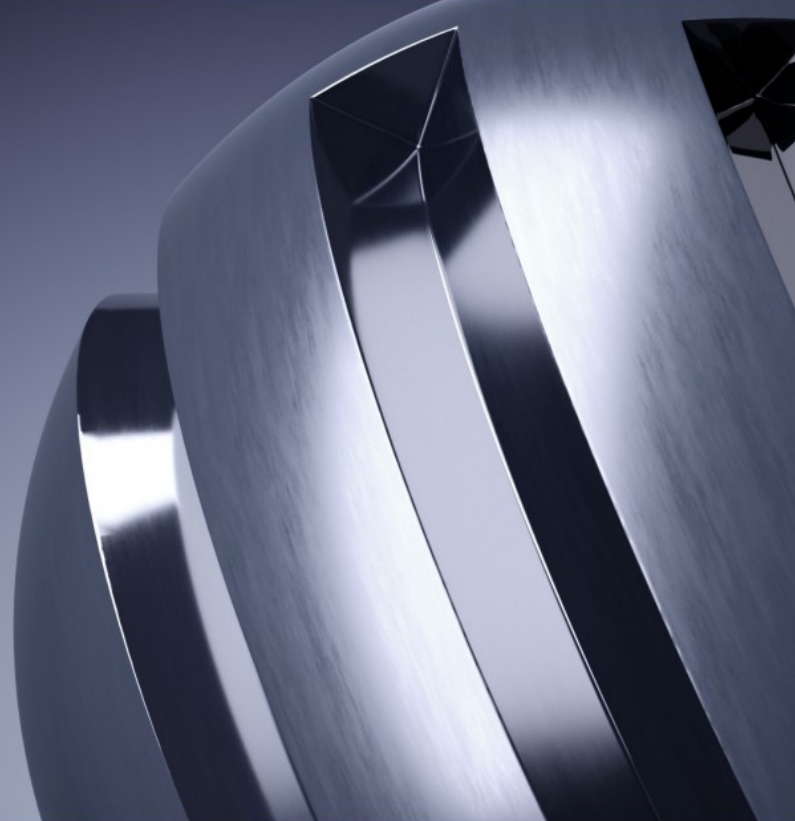


mastercard

"On a macroeconomic front, there are a few factors we focus on. First, the **labor market remains strong**, which is a key driver of consumer spending. However, we continue to monitor aspects such as credit availability and savings behaviors. Second, **although inflation levels have moderated, they remain elevated.**

As central banks continue to actively manage monetary policy, we expect the impacts to vary across countries and sectors. Also, **geopolitical uncertainty remains a concern**, further underscored by the recent events in the Middle East. We are monitoring these moving pieces and stand ready to manage the business accordingly." – *Michael Miebach (CEO)*

Financial Overview



Q3 2023 Results

	Q3 '23	Q3 '22	% Change	Commentary
Net Sales	\$96.9mm	\$103.3mm	(6.2%)	Record domestic quarter offset by lower international sales
Gross Margin	50.5%	59.8%	(931 bps)	The decrease was primarily due to lower production efficiencies from new card constructions and customer designs
Net Income	\$38.0mm	\$21.9mm	74%	Includes \$15.1mm positive benefit when comparing Q3 '23 vs. Q3 '22 from re-valuation of warrant, earnout consideration, & derivatives liability driven by change in stock price
Adjusted EBITDA¹	\$35.5mm	\$32.7mm	8.8%	Excludes net change from re-valuation of earnout & warrants Q3 '23 includes (\$3.1mm) net impact from Arculus investment
Adjusted EBITDA Margin¹	36.7%	31.6%	505 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 September 2023 Results

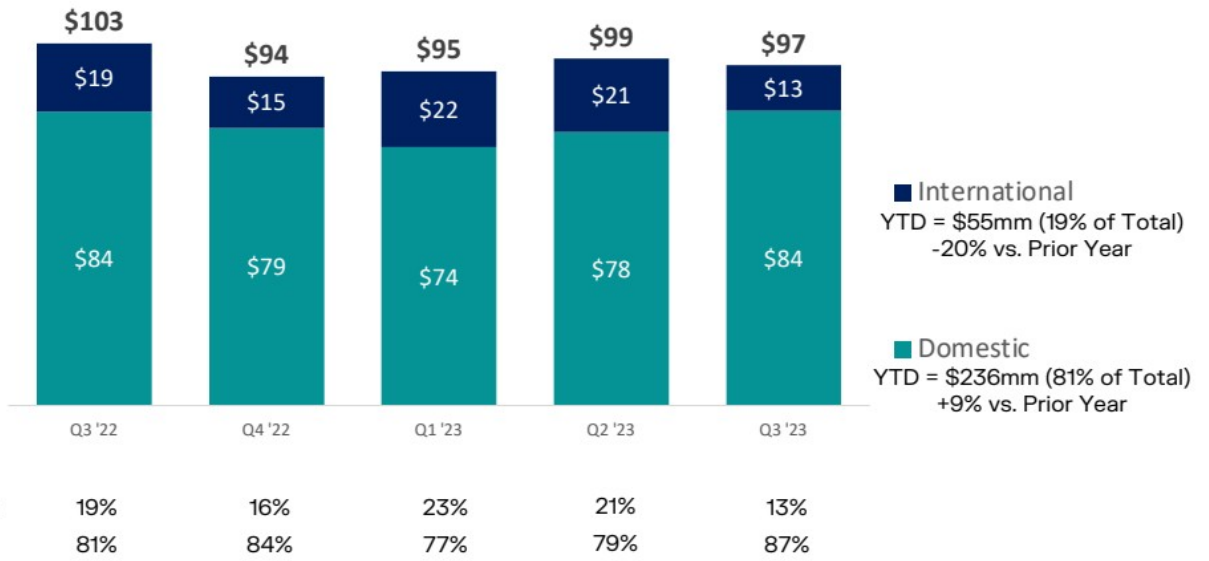
	YTD Sep '23	YTD Sep '22	% Change	Commentary
Net Sales	\$290.7mm	\$284.7mm	2.1%	Record net sales year to date driven by continued strong US demand offset by international business impacted by global economic conditions
Gross Margin	53.7%	59.5%	(577 bps)	The decrease was primarily due to lower production efficiencies from new card constructions and customer designs
Net Income	\$81.5mm	\$109.5mm	(26%)	Includes \$25.7mm negative impact when comparing YTD Q3 '23 vs. YTD Q3 '22 from re-valuation of warrant, earnout consideration, & derivatives liability driven by change in stock price
Adjusted EBITDA¹	\$107.9mm	\$105.6mm	2.1%	Excludes net change from re-valuation of earnout & warrants YTD Sept '23 includes (\$11.8mm) net impact from Arculus investment
Adjusted EBITDA Margin¹	37.1%	37.1%	(1 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

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

In millions



Balance Sheet

(Unaudited)

(\$mm)	Q3 2023A	Q4 2022A
Assets		
Current Assets		
Cash & cash equivalents	\$24	\$14
Accounts receivable, net	49	37
Inventories	52	42
Prepaid expenses and other Current assets	4	4
Total Current Assets	128	97
Property and equipment, net	23	23
Deferred tax assets	28	26
Other assets	16	18
Total assets	\$195	\$163
Liabilities and Members' Equity		
Current Liabilities		
Accounts payable	\$14	\$7
Accrued expenses	14	10
Other current liabilities	14	16
Current portion of long-term debt	10	14
Total current liabilities	53	47
Long-term debt, net of deferred finance costs	203	216
Convertible Debt, net of debt discount	128	128
Other liabilities	50	64
Total liabilities	\$434	\$455
Members' Equity	(239)	(292)
Total liabilities and members' equity	\$195	\$163

Q3 2023A		
Reconciliation of Gross to Net Debt		
(\$mm)	Term Loan	Convertible debt
Total Debt	\$215	\$130
Less: Financing Costs	(2)	(2)
Debt net of Financing Costs	\$213	\$128
Current portion	\$10	\$0
Long term, net	203	128
Debt Net of Financing Costs	\$213	\$128

Source: Company financials

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

Q3 Earnings per Share: GAAP

	Three months ended 9/30/23		Three months ended 9/30/22	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$38.0mm	\$38.0mm	\$21.9mm	\$21.9mm
Net Income used in EPS	\$7.5mm ¹	\$12.3mm ²	\$2.8mm ³	\$3.6mm ⁴
Total Shares used in EPS	19.1mm	35.8mm	15.4mm	19.7mm
Earnings per Share	\$0.39	\$0.34	\$0.18	\$0.18

Source: Company Financials

¹ 24.3% of net income of \$40.4mm of operating entities plus 100% of C-Corp net loss of \$2.4mm.

² 24.3% of net income of \$40.4mm of operating entities plus 100% of C-Corp net loss of \$2.4mm plus exchangeable notes and equity awards of \$4.8mm.

³ 20.6% of net income of \$24.0mm of operating plus 100% of C-Corp net loss of \$2.1mm.

⁴ 20.6% of net income of \$24.0mm of operating plus 100% of C-Corp net loss of \$2.1mm plus equity awards of \$0.7mm.



YTD Earnings per Share: GAAP

	Nine months ended 9/30/23		Nine months ended 9/30/22	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$81.5mm	\$81.5mm	\$109.5mm	\$109.5mm
Net Income used in EPS	\$15.8mm ¹	\$26.5mm ²	\$15.5mm ³	\$30.9mm ⁴
Total Shares used in EPS	18.4mm	35.4mm	15.1mm	32.8mm
Earnings per Share	\$0.86	\$0.75	\$1.02	\$0.94

Source: Company Financials

¹ 24.3% of net income of \$66.8mm of operating plus 100% of C-Corp net loss of \$5.3mm.

² 24.3% of net income of \$86.8mm of operating plus 100% of C-Corp net loss of \$5.3mm plus exchangeable notes and equity awards of \$10.7mm.

³ 20.6% of net income of \$118.4mm of operating plus 100% of C-Corp net loss of \$9.0mm.

⁴ 20.6% of net income of \$118.4mm of operating plus 100% of C-Corp net loss of \$9.0mm plus exchangeable notes and equity awards of \$15.4mm.



Q3 Adjusted Earnings per Share

	Three months ended 9/30/23		Three months ended 9/30/22	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$38.0mm	\$38.0mm	\$21.9mm	\$21.9mm
Adjusted Net Income	\$21.7mm ¹	\$21.7mm ¹	\$19.8mm ²	\$19.8mm ²
Total Shares used in EPS	79.0mm ³	90.8mm ⁴	76.0mm ³	88.3mm ⁵
Adjusted EPS ⁶	\$0.27	\$0.24	\$0.26	\$0.22

Source: Company Financials

¹ GAAP Net Income of \$38.0mm less Additional Tax Provision of \$4.9mm less Fair Value/Mark to Market Changes for Warrants and Earnouts and Equity Awards Adjustment of \$11.4mm.

² GAAP Net Income of \$21.9mm less Additional Tax Provision of \$4.9mm plus Fair Value/Mark to Market Changes for Warrants and Earnouts and Equity Awards Adjustment of \$2.7mm.

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 3.7mm Equity Awards.

⁵ Outstanding Class A plus Class B Shares plus 8.1mm Public and Private Warrants (Converted Using Treasury Stock Method) and 4.2mm 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

	Nine months ended 9/30/23		Nine months ended 9/30/22	
	Basic	Diluted	Basic	Diluted
GAAP Net Income	\$81.5mm	\$81.5mm	\$109.5mm	\$109.5mm
Adjusted Net Income	\$65.3mm ¹	\$65.3mm ¹	\$65.5mm ²	\$65.5mm ²
Total Shares used in EPS	78.4mm ³	90.4mm ⁴	75.7mm ³	88.5mm ⁵
Adjusted EPS ⁶	\$0.83	\$0.72	\$0.86	\$0.74

Source: Company Financials

¹ GAAP Net Income of \$81.5mm less Additional Tax Provision of \$17.0mm plus Fair Value/Mark to Market Changes for Warrants and Earnouts and Equity Awards Adjustment of \$0.7mm.

² GAAP Net Income of \$109.5mm less Additional Tax Provision of \$13.7mm less Fair Value/Mark to Market Changes for Warrants and Earnouts and Equity Awards Adjustment of \$0.3mm.

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 3.9mm Equity Awards.

⁵ Outstanding Class A plus Class B Shares plus 8.1mm Public and Private Warrants (Converted Using Treasury Stock Method) and 4.7mm 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

Revising full year net sales and adjusted EBITDA guidance

	2023 Revised	2023 Original	2022
Net Sales	\$386mm - \$392mm	\$400mm - \$425mm	\$378mm
<i>B/(W) vs. '22</i>	+2% / +4%	+6% / +12%	
Adjusted EBITDA¹	\$141mm - \$146mm	\$145mm - \$155mm	\$136mm
<i>B/(W) vs. '22</i>	+4% / +7%	+7% / +14%	



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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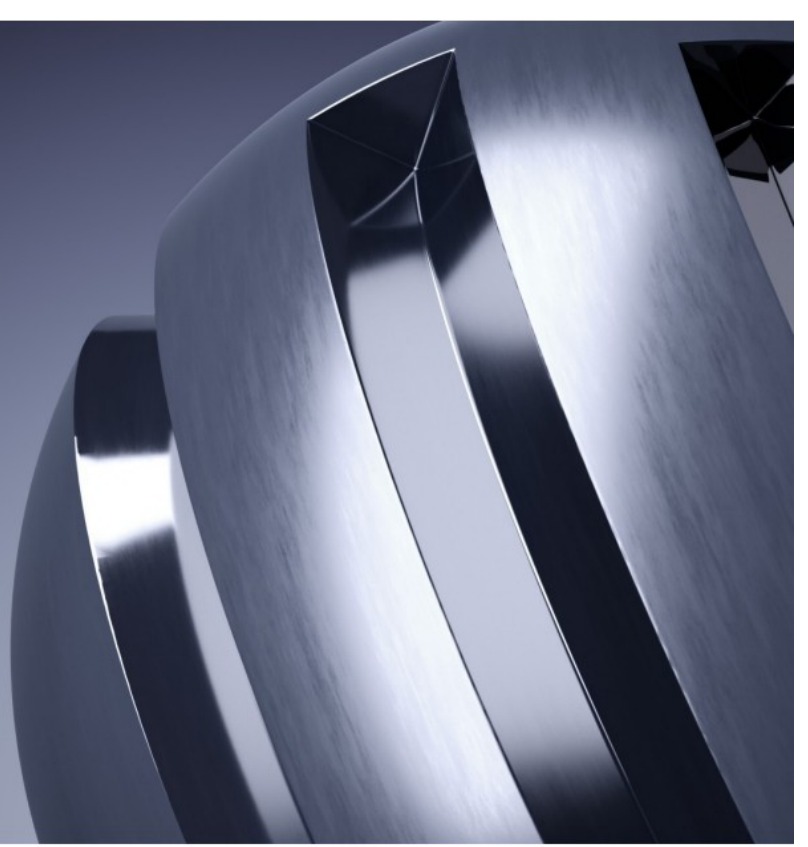
Sean Mansouri

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Appendix



CompoSecure, Inc. (Nasdaq: CMPO)

Summary Equity Capitalization Table (with net exercise model)

As of September 30, 2023

<u>Holders</u>	<u># of Shares Issued & Outstanding</u>	<u># of Shares Issued & Outstanding</u>
Public Shareholders (including PIPE & Sponsor): Class A	19.3mm	19.3mm
Historic CompoSecure Owners: Class B	60.0mm	60.0mm
Subtotal	79.3mm	79.3mm
<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)¹</u>
Merger Rollover Options	3.3mm	2.7mm
Total	82.6mm	82.0mm
<u>Convertible Instruments</u>	<u># of Shares Reserved for Conversion</u>	<u># of Shares Reserved for Conversion (assuming net exercise)</u>
Public Warranholders ²	22.1mm	8.0mm
Roman Sponsor Warranholders ²	0.3mm	0.1mm
Exchangeable Noteholders ³	11.3mm	11.3mm
Grand Total	116.3mm	101.4mm

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

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

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



Statement of Operations

(Unaudited)

(\$mm)	Q3 2023A	Q3 2022A	YTD Sep 2023A	YTD Sep 2022A
Revenue				
Net Sales	\$97	\$103	\$291	\$285
Cost of Sales	(48)	(42)	(135)	(115)
Gross Profit	\$49	\$62	\$156	\$169
Operating Expenses				
Selling, general and administrative	(20)	(36)	(68)	(79)
Income from operations	\$29	\$26	\$89	\$90
Other expense				
Other income (expense), net	9	(4)	(7)	19
Net Income	\$38	\$22	\$81	\$109

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

Statement of Cash Flows

(Unaudited)

(\$mm)	YTD Sep 2023A	YTD Sep 2022A
Cash flows from operating activities		
Net income	\$81	\$109
Depreciation	6	7
Equity compensation expense	13	8
Amortization of deferred finance costs	1	2
Change in fair value of earnout, warrant and derivative	(12)	(38)
Accounts receivable	(11)	(18)
Accounts payable	7	6
Inventories	(10)	(13)
Prepaid expenses and other assets	(0)	(0)
Deferred tax expense (benefit)	(1)	3
Other liabilities	(1)	16
Accrued expenses	4	10
Net cash provided by operating activities	\$78	\$91
Cash flows from investing activities		
Acquisition of property and equipment	(7)	(7)
Net cash used in investing activities	(\$7)	(\$7)
Cash flows from financing activities		
Proceeds from employee stock purchase plan and exercise of equity aw	1	0
Payment of line of credit	0	(5)
Payment of Tax receivable agreement liability	(2)	0
Payments for taxes related to net share settlement of equity awards	(3)	0
Payment of term loan	(18)	(17)
Deferred finance costs related to debt origination	(0)	0
Issuance cost related to business combination	0	(24)
Tax Distribution to members	(38)	(44)
Net cash used in financing activities	(\$61)	(\$90)
Net increase (decrease) cash, cash equivalents and restricted cash	10	(7)
Cash, cash equivalents and restricted cash, beginning of year	\$14	\$22
Cash, cash equivalents and restricted cash, end of year	\$24	\$15
Supplementary disclosure of cash flow information		
Cash paid during the year for interest	18	15
Derivative asset - interest rate swap	8	9

Source: Company financials

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



Non-GAAP Adjusted EBITDA Reconciliation

(Unaudited)

\$mm	Q3 2023A	Q3 2022A	YTD Sep 2023A	YTD Sep 2022A
Net Income	\$38	\$22	\$81	\$109
Interest Expense	6	6	18	16
Depreciation and Amortization	2	2	6	7
Taxes	1	0	1	4
Unadjusted EBITDA	\$47	\$30	\$107	\$136
1 Non-Cash Equity Awards Expense	5	4	13	8
2 Mark-to-Market Adjustments	-16	-1	-12	-38
Other	0	0	0	0
Total EBITDA Adjustments	(\$12)	\$3	\$1	(\$30)
Adjusted EBITDA	\$36	\$33	\$108	\$106
Adjusted EBITDA %	37%	32%	37%	37%

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.



Source: Company financials

Non-GAAP EPS Reconciliation

(Unaudited)

(Smm)	Three months ended 9/30/2023		Nine months ended 9/30/2023	
	BASIC	DILUTED	BASIC	DILUTED
GAAP Net Income	\$38.0	\$38.0	\$81.5	\$81.5
Adjust for tax provision	0.9	0.9	0.7	0.7
Tax Provision	-5.9	-5.9	-17.6	-17.6
Tax Adjusted Net Income	\$33.1	\$33.1	\$64.5	\$64.5
Fair Value and Stock Based Compensation Adjustment	-\$11.4	-\$11.4	\$0.7	\$0.7
Total Adjusted Net Income	\$21.7	\$21.7	\$65.3	\$65.3
Class A + Class B Shares	79.0	79.0	78.4	78.4
Public & Private Warrants ¹	-	8.1	-	8.1
Equity Awards ²	-	3.7	-	3.9
Total Shares	79.0	90.8	78.4	90.4
EPS	\$0.27	\$0.24	\$0.83	\$0.72



Source: Company financials
¹ Assumes treasury stock method, valuation at assumed FMV of \$18.00
² Includes options, RSUs, and ESPP shares