



# Q4 2021 and Year-End EARNINGS PRESENTATION

March 10, 2022



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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 and Adjusted EBITDA 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. 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 and Adjusted EBITDA should not be considered as measures of financial performance under U.S. GAAP, and the items excluded from EBITDA and Adjusted EBITDA 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 Appendix of this presentation for reconciliation of net income to EBITDA and Adjusted EBITDA for the quarters and years ended December 31, 2021 and December 31, 2020.

## **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

Q4 2021 net sales of \$75M, 40% higher than PY and 14% above Q3 resulting in over \$21M of adjusted EBITDA, 5% higher than prior year after significant investment in Arculus launch

Delivered full year 2021 net sales of \$268M and Adjusted EBITDA of \$102M, in line with guidance range of \$267M to \$269M on net sales and \$97M to \$102M on Adjusted EBITDA

Reaffirming 2022 guidance of \$336M to \$376M of net sales and \$100M to \$110M of Adjusted EBITDA

Premium card business is driving growth by strong sales execution, deep customer relationships, and benefit from credit card issuer industry showing clear signs of recovery from pandemic downturn

Arculus launch (three factor authentication ecosystem) – positive reception by early users, adding in new features in first half of the year, and ramping up sales and marketing efforts

Continued digital authentication need and cryptocurrency market growth creating multiple consumer and enterprise use cases across gaming, crypto exchange, fintech, and traditional banking verticals

# CompoSecure 2021 Performance Highlights



**22mm**

Metal Card Sales  
Volume



**\$268mm**

Consolidated FY  
Net Sales



**\$102mm**

Consolidated FY  
Adjusted EBITDA<sup>2</sup> (including  
~\$20M Arculus Investment)



**40%**

Q4 '21 vs. Q4 '20  
Net Sales Growth



**14%**

Q4 '21 vs. Q3 '21  
Net Sales Growth



**100+**

Card Programs  
Served Globally



**54%**

Consolidated FY  
Gross Margin



**38%**

Consolidated FY  
Adjusted EBITDA Margin<sup>2</sup> (including  
~\$20M Arculus Investment)



**7**

Of the Top 10  
US Issuers Served



**12**

Yrs. Average Client  
Tenure<sup>1</sup>

<sup>1</sup> Revenue-weighted average client tenure

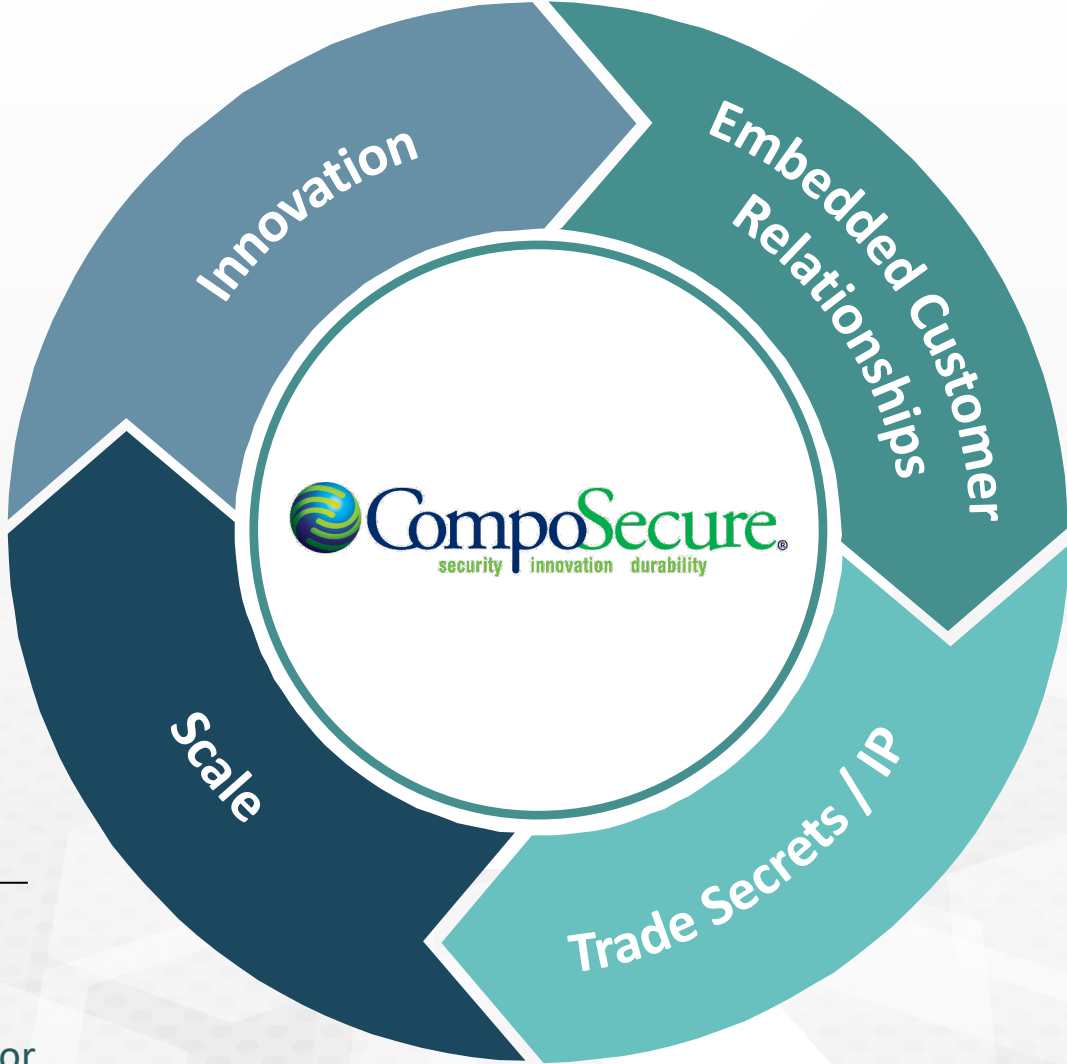
<sup>2</sup> Adjusted EBITDA is a non-GAAP financial metric. For a reconciliation of Adjusted EBITDA to the most-comparable GAAP metric, please see the Appendix to this presentation

# CompoSecure Competitive Strengths

We Enable Clients to Grow Customer Acquisition, Spending, and Improve Retention



- First metal credit card (2003)
- First metal “tap-to-pay” credit card (2016)
- Arculus launch in 2021
- Pipeline of new tech including biometric security, dynamic CVV, keychain cards, LED



## 100+ Card Programs



**716**  
Employees



**22mm**  
Metal Cards  
Annually<sup>1</sup>



**20**  
Direct &  
Support  
Salespeople



**7**  
Global  
Distributor  
Partners



**45** Patents  
Issued

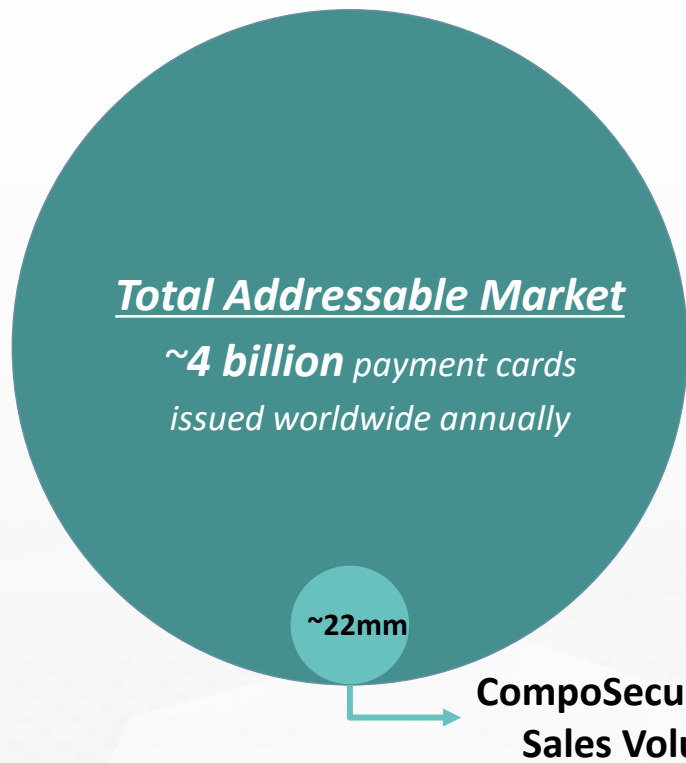


**30** Patents  
Pending

- Deep engineering expertise
- Proprietary material science capabilities

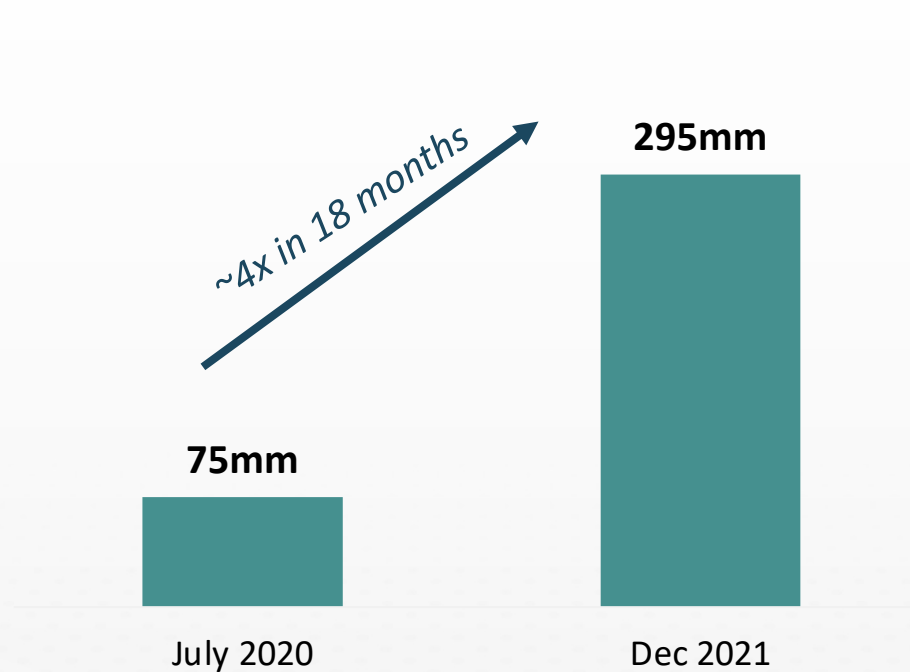
# Convergence of Three Massive Market Opportunities

## Payment Card Market Opportunity<sup>1</sup>



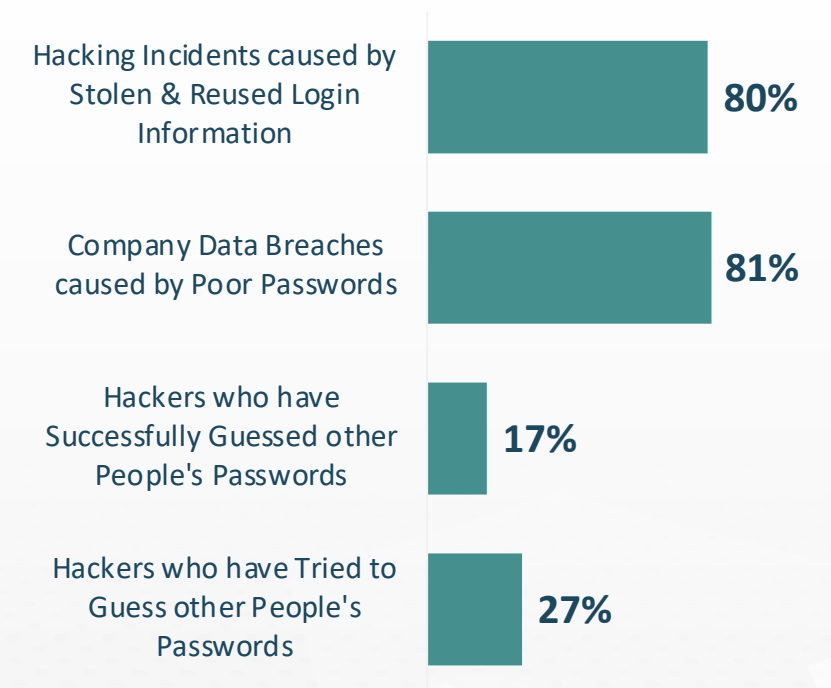
Metal cards are rapidly growing in popularity, but still only represent ~0.5% of the global addressable card market

## Explosive Growth in Global Crypto Users<sup>2</sup>



In December 2021, avg daily trading volume of cryptocurrency was nearly \$290 billion across 300 exchanges

## Authentication Opportunity<sup>3</sup>



555 million passwords stolen on the dark web since 2017

Blockchain hacking losses reached nearly \$10B in 2021, up 2x vs. 2019<sup>4</sup>

## Industry Trends Create Strong Tailwinds:



Contactless / Tap-to-Pay



Crypto / Blockchain



Security & Fraud

<sup>1</sup> Edgar, Dunn & Company. 2019 Metal Cards Market Sizing and Consumer Research Report. "Total Addressable Market" is defined here as the estimated subset of payment cards issued globally in 2021 for which there is demand and viability for metal payment cards. The figure assumes a two-year replacement cycle to estimate annual issuance volumes

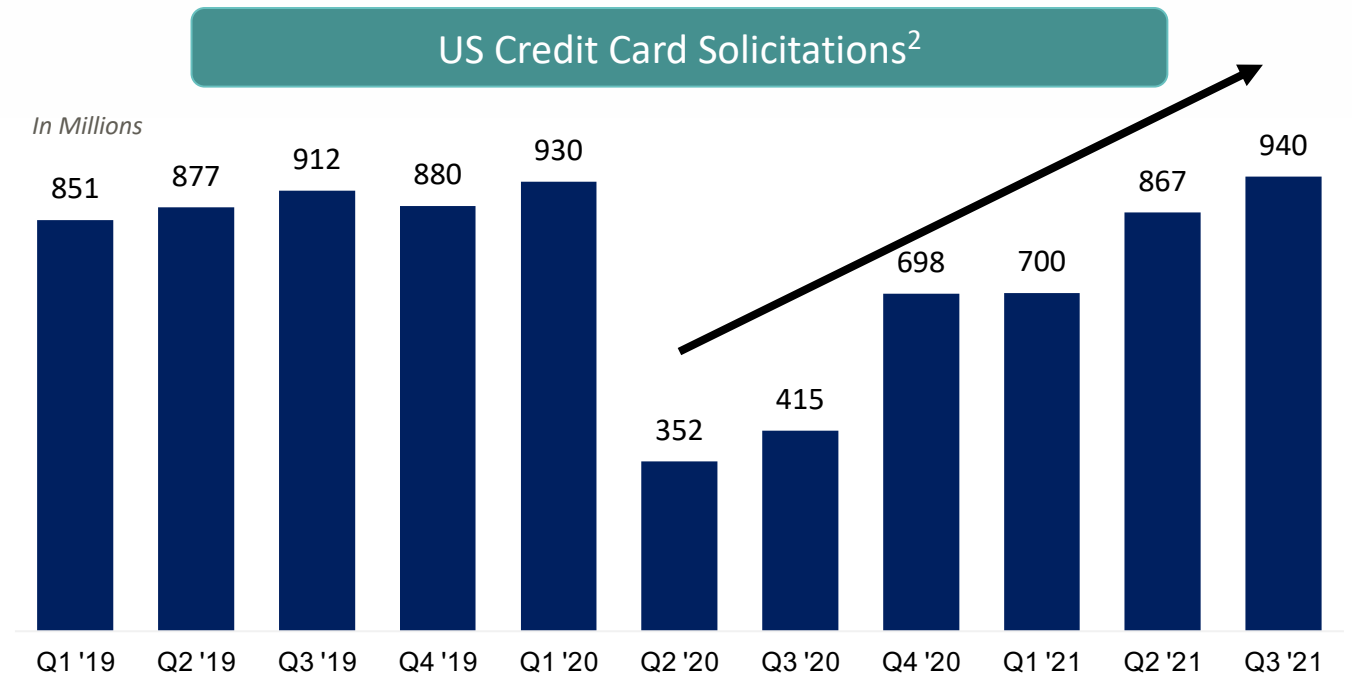
<sup>2</sup> Crypto.com

<sup>3</sup> Finances Online: 55 Important Password Statistics You Should Know: 2021 Breaches & Reuse Data

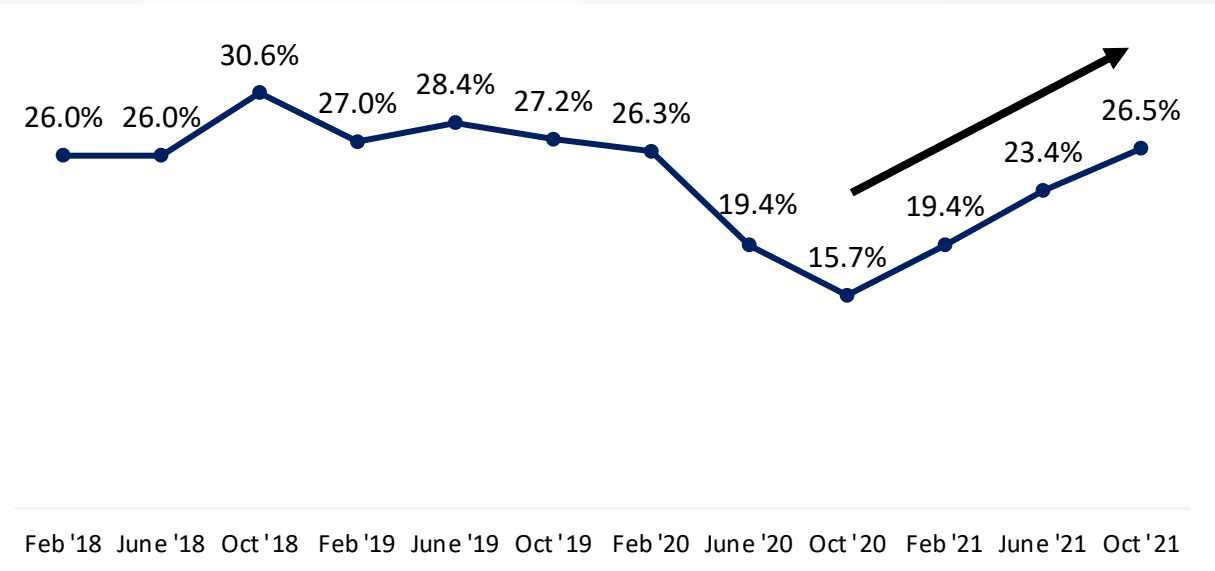
<sup>4</sup> SlowMist Hacked

# The Payment Card business is benefiting as the Credit Card Industry has shown Strong Signs of Recovery from Pandemic Levels

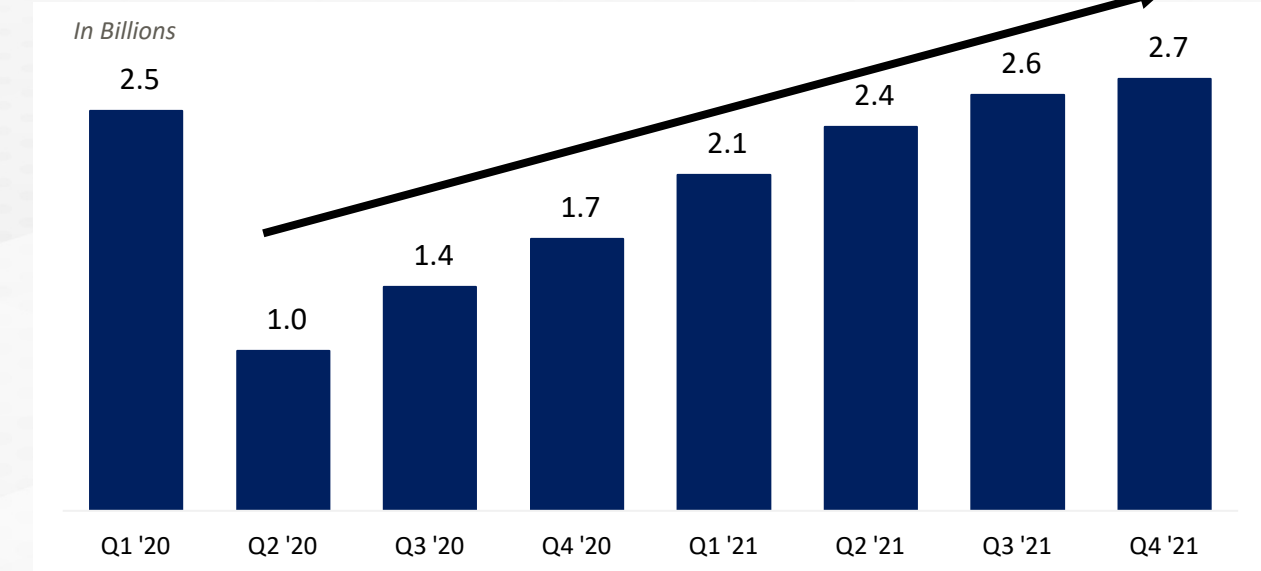
- US credit card solicitations are up over 150% from their Q2 '20 trough and eclipsed pre-COVID levels in Q3 '21
- The percent of US consumers applying for credit cards have ramped back up to 2018/2019 levels
- American Express has also publicly reported strong card acquisition numbers exceeding pre-pandemic results the last two quarters



### Percent of US Consumers Applying for a Credit Card<sup>1</sup>



### American Express Proprietary Cards Acquired<sup>3</sup>



<sup>1</sup>Federal Reserve Bank of New York via <https://www.wsj.com/articles/credit-card-applications-hit-pandemic-high-11638354781>


<sup>2</sup>Mintel Comperemedia via <https://www.wsj.com/articles/its-not-just-you-banks-really-are-sending-out-more-credit-card-offers-11637231402>

<sup>3</sup>American Express Quarterly Earnings Releases

# Arculus Product Portfolio

Variety of Key Capabilities are Available to Meet Customer Demand

Payment Card



A black credit card with a white chip, the text "CREDIT CARD", a card number "0000 0000 0000 0000", an expiration date "00/00", and a name field "NAME".

Crypto Cold Storage



A grey hardware wallet with the Arculus logo and a stylized bird icon.

Available Now

Payment Card + Digital Authentication<sup>1</sup>



A black credit card and a fingerprint scanner icon with a green checkmark, indicating digital authentication.

Crypto Cold Storage + Digital Authentication<sup>1</sup>



An Arculus hardware wallet and a fingerprint scanner icon with a green checkmark, indicating digital authentication.

Available in 2022  
Client Pilots in Q2/Q3

Payment Card + Crypto Cold Storage + Digital Authentication<sup>1</sup>



A black credit card, an Arculus hardware wallet, and a fingerprint scanner icon with a green checkmark, representing the combination of all three capabilities.

<sup>1</sup> FIDO2 Certified



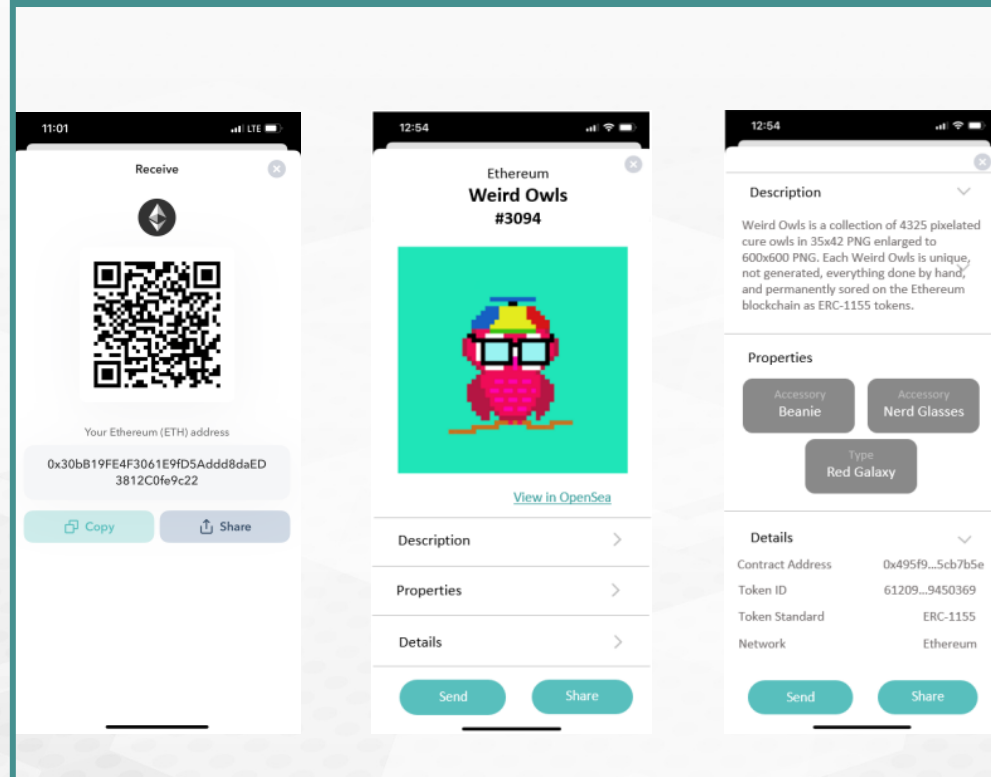
# Arculus First Half 2022 Priorities

## Customer/Market Need

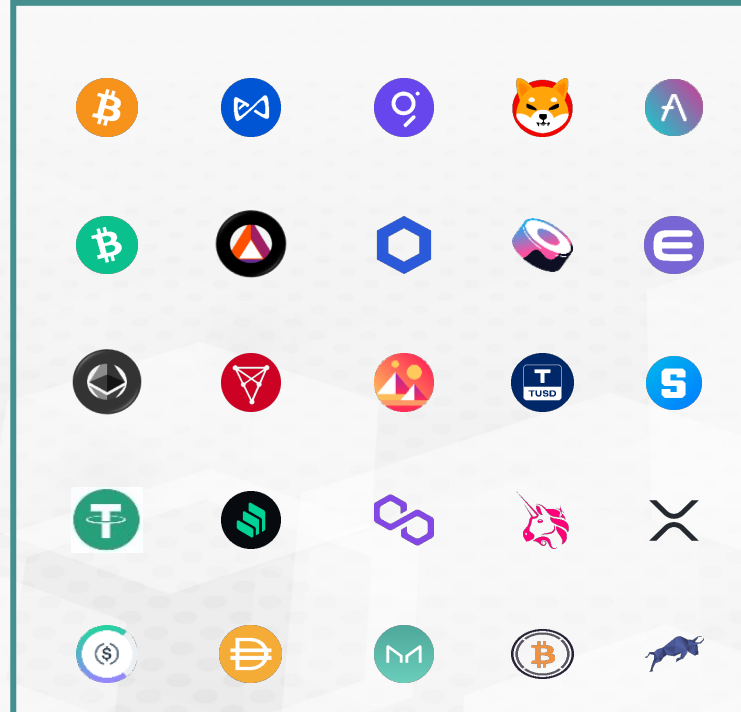
- 1 Non-Fungible Tokens (NFTs)
- 2 Cryptocurrency/Digital Asset Support
- 3 Access to DeFi Ecosystem

## Arculus Solution

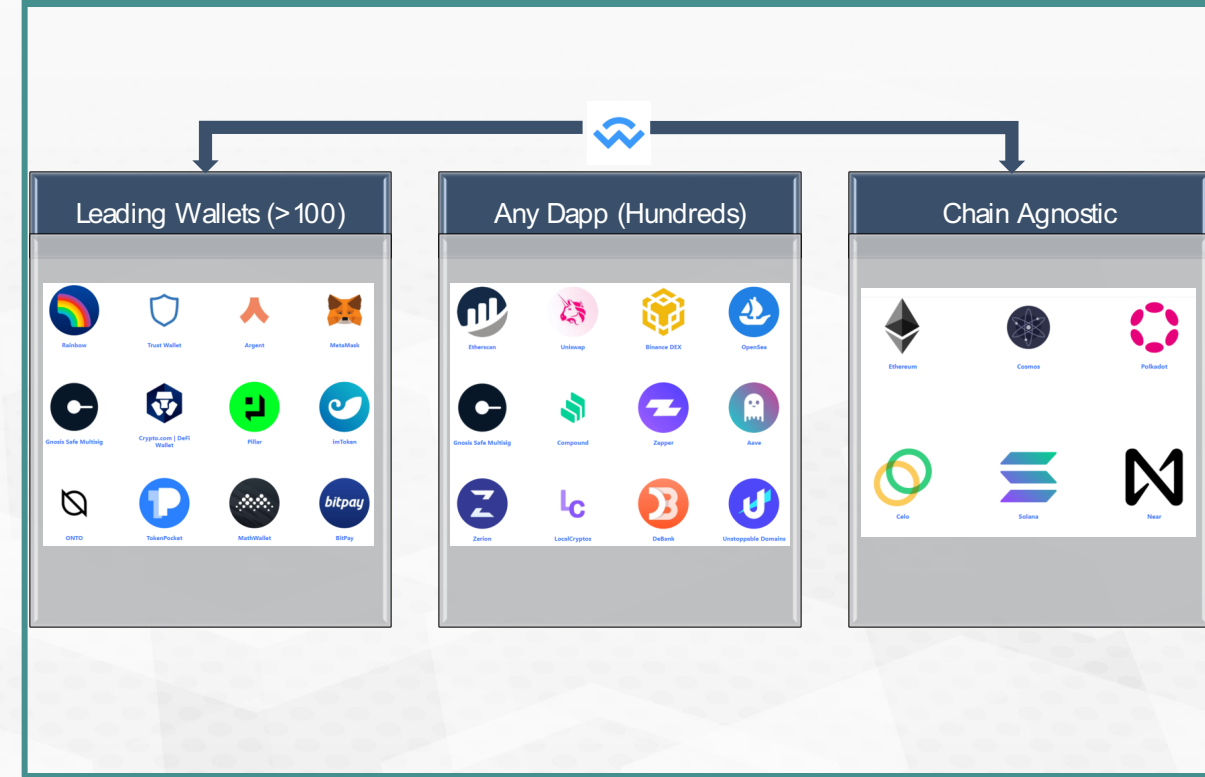
### Wallet Integration w/Send, Receive, Store, & View Functionality



### Continue Expansion: Added 10 in Jan '22 (Currently Supports Nearly 75% of Crypto Market Cap)



### WalletConnect Integration





**FINANCIAL OVERVIEW**

# Q4 2021 Results

	Q4 '21	Q4 '20	% Change	Commentary
<b>Net Sales</b>	\$75mm	\$54mm	40%	Strong sales execution & recovery from COVID challenges
<b>Gross Margin</b>	52%	48%	420 bps	Process efficiencies, material cost improvements and product mix
<b>Adjusted EBITDA<sup>1</sup></b>	\$21mm	\$20mm	5%	Including ~\$13M investment to launch Arculus Platform
<b>Adjusted EBITDA Margin<sup>1</sup></b>	28%	37%	(935 bps)	

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

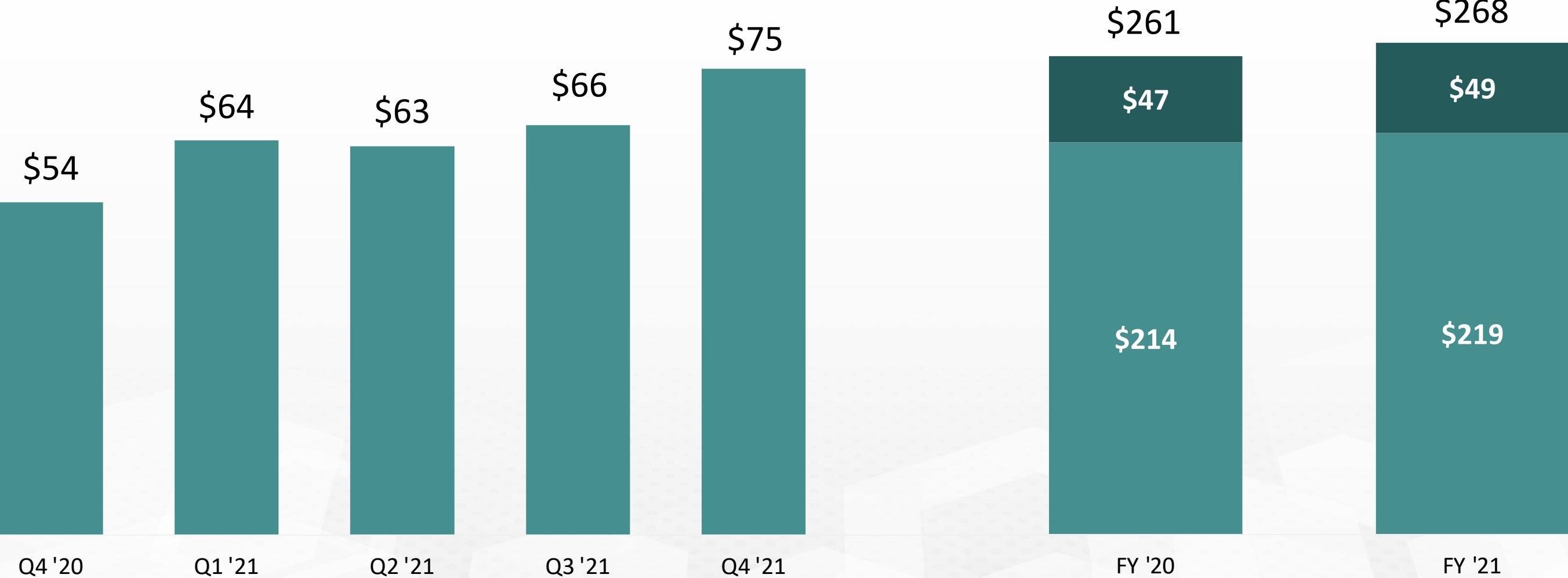
# Full Year 2021 Results

	2021	2020	% Change	Commentary
<b>Net Sales</b>	\$268mm	\$261mm	3%	Growth from existing customers & new FinTechs
<b>Gross Margin</b>	54%	51%	316 bps	Process efficiencies, material cost improvements and product mix
<b>Adjusted EBITDA<sup>1</sup></b>	\$102mm	\$115mm	(11%)	Including ~\$21M investment to launch Arculus Platform
<b>Adjusted EBITDA Margin<sup>1</sup></b>	38%	44%	(610 bps)	

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

# Net Sales Trend

*In millions*



■ Domestic ■ International

% International	
18%	18%

# 2022 Guidance

	2022E	2021	% Change
Net Sales	\$336mm - \$376mm	\$268mm	25% - 40%
Adjusted EBITDA <sup>1</sup>	\$100mm - \$110mm	\$102mm	(2%) - 7%

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

# Strategic Priorities

## A Category Leader of Next-Gen Payment Technology, Security, and Cryptocurrency Solutions

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

Continue to enhance Arculus capabilities (NFTs, WalletConnect, Coin Expansion, etc...) to drive adoption across key B2B verticals and consumers demanding three 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 December 31, 2021

**Enterprise Value at de-SPAC was \$1,179M<sup>1</sup> and the current Enterprise Value is \$975M<sup>2</sup>**

<u> Holders </u>	<u> # of Shares Issued &amp; Outstanding </u>	<u> # of Shares Issued &amp; Outstanding </u>
Public Shareholders	4.6M	4.6M
PIPE Investors	4.5M	4.5M
Roman Sponsor	5.8M	5.8M
Historic CompoSecure Owners (Class B)	61.1M	61.1M
<b>Subtotal</b>	<b>76.1M</b>	<b>76.1M</b>
<u> Holders </u>	<u> # of Shares Reserved for Immediately Exercisable In-The-Money Options </u>	<u> # of Shares Reserved for Immediately Exercisable In-The-Money Options (assuming net exercise)<sup>3</sup> </u>
Merger Rollover Options	4.9M	4.5M
<b>Total</b>	<b>81.0M</b>	<b>80.6M</b>
<u> Convertible Instruments </u>	<u> # of Shares Reserved for Conversion </u>	<u> # of Shares Reserved for Conversion (assuming net exercise) </u>
Public Warrantholders <sup>4</sup>	11.6M	4.2M
Roman Sponsor Warrantholders <sup>5</sup>	10.8M	3.9M
Exchangeable Noteholders	11.3M	11.3M
<b>Grand Total</b>	<b>114.7M</b>	<b>100.0M</b>

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

<sup>1</sup> Includes Net Debt of \$243M + Convertible of \$130M. Equity of 80.6M shares @ \$10.00 price/share

<sup>2</sup> Includes Net Debt of \$258M + Convertible of \$130M. Equity of 80.6M shares @ \$7.28 price/share as of market close 3/7/22

<sup>3</sup> Assumes exercise net of strike price, valuation at assumed FMV of \$10.00

<sup>4</sup> Assumes exercise net of strike price, valuation at assumed FMV of \$10.00

<sup>5</sup> Assumes treasury stock method, valuation at assumed FMV of \$18.00

# Statements of Operations (Unaudited)

(\$mm)	2019A	2020A	2021A
Revenue			
<b>Net Sales</b>	<b>\$243</b>	<b>\$261</b>	<b>\$268</b>
Cost of Sales	115	128	123
<b>Gross Profit</b>	<b>\$128</b>	<b>\$133</b>	<b>\$145</b>
Operating Expenses			
Selling, general and administrative	41	49	64
<b>Income from operations</b>	<b>\$87</b>	<b>\$84</b>	<b>\$81</b>
Other expense			
Mark to market adjustments	0	0	13
Interest expense net of interest income	(5)	(5)	(10)
Amortization of deferred financing costs	(1)	(1)	(2)
Income taxes	0	0	1
<b>Net Income</b>	<b>\$81</b>	<b>\$78</b>	<b>\$83</b>

Source: Company financials

Note: Audits performed to PCAOB standards. Financial position has been derived from CompoSecure's consolidated financial statements for the years ended December 31, 2019, 2020 and 2021 respectively.

# Balance Sheets

## (Unaudited)

(\$mm)	2019A	2020A	2021A
<b>Assets</b>			
<b>Current Assets</b>			
Cash & cash equivalents	\$27	\$13	\$22
Accounts receivable, net	19	9	28
Inventories	18	30	26
Prepaid expenses and other Current assets	1	1	3
<b>Total Current Assets</b>	<b>65</b>	<b>53</b>	<b>78</b>
Property and equipment, net	30	28	22
Deferred tax assets	0	0	26
Other assets	0	0	4
<b>Total assets</b>	<b>\$96</b>	<b>\$81</b>	<b>\$131</b>
<b>Liabilities and Members' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	3	2	7
Accrued expenses	15	15	40
Other current liabilities	0	0	1
Current portion of long-term debt	14	24	13
<b>Total current liabilities</b>	<b>32</b>	<b>42</b>	<b>60</b>
Long-term debt, net of deferred finance costs	117	212	233
Line of credit	0	0	15
Convertible Debt, net of debt discount	0	20	127
Other liabilities	2	0	104
<b>Total liabilities</b>	<b>\$151</b>	<b>\$274</b>	<b>\$539</b>
Members' Equity	(56)	(193)	(408)
<b>Total liabilities and members' equity</b>	<b>\$96</b>	<b>\$81</b>	<b>\$131</b>

Source: Company financials

Note: Audits performed to PCAOB standards. Financial position has been derived from CompoSecure's consolidated financial statements for the years ended December 31, 2019, 2020 and 2021 respectively.

# Statements of Cash Flows (Unaudited)

(\$mm)	2019A	2020A	2021A
<b>Cash flows from operating activities</b>			
<b>Net income</b>	<b>\$81</b>	<b>\$78</b>	<b>\$83</b>
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	9	10	10
Equity compensation expense	2	2	6
Inventory reserve	(0)	1	0
Amortization of deferred finance costs	1	1	2
Mark to market adjustments	0	0	(14)
Change in assets and liabilities:			
Accounts receivable	6	10	(20)
Inventories	(6)	(13)	4
Prepaid expenses and other assets	1	(0)	(2)
Other liabilities	0	(2)	6
Accrued expenses	(13)	0	2
<b>Net cash provided by operating activities</b>	<b>\$81</b>	<b>\$87</b>	<b>\$78</b>
<b>Cash flows from investing activities</b>			
<b>Acquisition of property and equipment</b>	<b>(10)</b>	<b>(8)</b>	<b>(5)</b>
<b>Net cash used in investing activities</b>	<b>(\$10)</b>	<b>(\$8)</b>	<b>(\$5)</b>
<b>Cash flows from financing activities</b>			
Business combination and PIPE financing	0	0	188
Proceeds from line of credit	0	20	0
Payment of line of credit	(18)	0	(5)
Proceeds from term loan and line of credit	76	118	265
Payment of term loan and line of credit	(11)	(11)	(255)
Distributions	0	0	(218)
Deferred finance costs related to debt origination	(1)	(3)	(2)
Issuance cost related to business combination	0	0	(15)
Tax Distribution to members	(104)	(217)	(22)
<b>Net cash used in financing activities</b>	<b>(\$58)</b>	<b>(\$93)</b>	<b>(\$64)</b>
<b>Net increase (decrease) cash, cash equivalents and restricted cash</b>	<b>14</b>	<b>(13)</b>	<b>9</b>
Cash, cash equivalents and restricted cash, beginning of year	\$13	\$27	\$13
Cash, cash equivalents and restricted cash, end of year	\$27	\$13	\$22
<b>Supplementary disclosure of cash flow information</b>			
Cash paid during the year for interest	5	5	10

Source: Company financials

Note: Audits performed to PCAOB standards. Financial position has been derived from CompoSecure's consolidated financial statements for the years ended December 31, 2019, 2020 and 2021 respectively.

# Non-GAAP Adjusted EBITDA Reconciliation (Unaudited)

\$mm	2019A	2020A	2021A
<b>Net Income</b>	<b>\$81</b>	<b>\$78</b>	<b>\$83</b>
Interest Expense	5	6	12
Depreciation and Amortization	9	10	10
Taxes	-	-	1
<b>Unadjusted EBITDA</b>	<b>\$96</b>	<b>\$94</b>	<b>\$106</b>
<b>1</b> ISO Litigation Costs	3	-	-
<b>2</b> Non-Cash Stock Option Expense	1	2	6
<b>3</b> Non-Recurring Transaction Costs	0	4	0
<b>4</b> Special Distribution	7	16	4
<b>5</b> Non-Cash Warrant and Earnouts Adjustments	-	-	(13)
<b>6</b> Miscellaneous Adjustments	(1)	-	(1)
<b>Total EBITDA Adjustments</b>	<b>\$12</b>	<b>\$22</b>	<b>(\$4)</b>
<b>Adjusted EBITDA</b>	<b>\$107</b>	<b>\$116</b>	<b>\$102</b>

**1 ISO Litigation Costs:** Adds back nonrecurring expenses associated with the ISO litigation

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

**3 Nonrecurring Transaction Costs:** Transaction related costs associated with prior transaction processes and paid to Merrill Communications, BDO USA, Edgar Dunn and Battelle

**4 Special Distribution:** Adjustment to add back special distributions to Class C unit holders that was expensed. The distributions are akin to equity distributions

**5 Non-Cash Warrants and Earnouts Adjustments:** Related to changes in fair value of liabilities at December 31, 2021 for warrants and earnouts.

**6 Miscellaneous Adjustments:** Related to Board of Directors fees and related expenses, exclusion of deferred compensation expense as Management does not expect the plan to continue in its current form and miscellaneous other expense accrual adjustments.

# Non-GAAP Adjusted EBITDA Reconciliation (Unaudited)

\$mm	Q4 2020	Q4 2021
<b>Net Income</b>	<b>\$3</b>	<b>\$20</b>
Interest Expense	2	3
Depreciation and Amortization	3	3
Taxes	0	(1)
<b>Unadjusted EBITDA</b>	<b>8</b>	<b>25</b>
<b>1</b> Non-Cash Stock Option Expense	1	5
<b>2</b> Special Distribution	11	4
<b>3</b> Non-Cash Warrant and Earnouts Adjustments	0	(13)
<b>Total EBITDA Adjustments</b>	<b>\$12</b>	<b>(\$4)</b>
<b>Adjusted EBITDA</b>	<b>\$20</b>	<b>\$21</b>

- 1 Non-Cash Stock Option Expense:** Non-cash stock option expenses related to the executive incentive plan
- 2 Special Distribution:** Adjustment to add back special distributions to Class C unit holders that was expensed. The distributions are akin to equity distributions
- 3 Non-Cash Warrants and Earnouts Adjustments:** Related to changes in fair value of liabilities at December 31, 2021 for warrants and earnouts.