UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2025

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For transition period from to

Commission File Number 001-39687

CompoSecure, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**85-2749902**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

309 Pierce Street Somerset, New Jersey 08873

(908) 518-0500

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		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 7(a)(2)(B) of the Securities Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

As of May 07, 2025, there were approximately 102,317,852 shares of the registrant's Class A common stock outstanding .

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EXPLANATORY NOTE REGARDING CHANGE TO EQUITY METHOD ACCOUNTING

Effective as of February 28, 2025, as a result of the spin-off (the "Spin-Off") of Resolute Holdings Management, Inc. ("Resolute Holdings") and the related Management Agreement (the "Management Agreement") between the Company's wholly-owned subsidiary, CompoSecure Holdings, L.L.C. ("Holdings") and Resolute Holdings, the results of operations of Holdings, and its operating company subsidiaries, are not consolidated in the Company's financial statements included in this Quarterly Report on Form 10-Q and, instead, are accounted for under the equity method of accounting. Under the equity method of accounting, Holdings' accounts are not reflected within the Company's consolidated balance sheets and statements of operations. The Company's share of the earnings of Holdings is reported in the Company's consolidated statements of operations as earnings from equity method investment. The Company's carrying value in Holdings is reported on the Company's consolidated balance sheets as equity method investment.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, and the documents incorporated by reference herein, may contain 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:

- Risks of rapidly evolving domestic and global economic conditions, which are beyond our control;
- We may fail to retain existing customers or identify and attract new customers;
- Data and security breaches could compromise our systems and confidential information, cause reputational and financial damage and increase risks of litigation;
- System outages, data loss or other interruptions could affect our operations;
- We may not be able to recruit, retain and develop qualified personnel, including for areas of newer specialized technology;
- Our future growth may depend upon our ability to develop and commercialize new products, and we may be unable to introduce new products and services in a timely manner;
- Disruptions in our supply chain or the performance of our suppliers and/or development partners could occur;
- We have limited experience in the digital assets industry and may not succeed in fully commercializing the products and solutions derived from the Arculus technology;
- Risks related to the rapid evolution of the security markets, including that our Arculus Authenticate solutions may not achieve widespread market acceptance or may not provide sufficient protection;
- Our dependence on certain distribution partners and the risk of their loss;

- Risks to market share and profitability due to competition;
- Risks relating to the management of our business by Resolute Holdings, including our reliance on Resolute Holdings for management services under the Management Agreement, which gives Resolute Holdings substantial influence over our business, operations, and strategy;
- We may fail to successfully manage and integrate acquisitions or strategic transactions, which could negatively impact our financial performance and growth prospects;
- 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" herein, and other filings that have been made or will be made with the SEC.

These and other factors that could cause actual results to differ from those implied by the forward- looking statements in this report are more fully described in the "Risk Factors" section. The risks described in "Risk Factors" are not exhaustive. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can the Company assess the impact of all such risk factors on its business or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statements. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the foregoing cautionary statements. 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.

Part 1 - Financial Statement

Item 1. Financial Statements

COMPOSECURE, INC.

Consolidated Balance Sheets

($ in thousands, except par value and share amounts)

	March 31, 2025	December 31, 2024
	Unaudited	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 9,506	$ 77,461
Accounts receivables	—	47,449
Inventories, net	—	44,833
Prepaid expenses and other current assets	1,321	4,159
Total current assets	10,827	173,902
Property and equipment, net	—	23,448
Right-of-use asset - operating leases	—	5,404
Deferred tax asset	266,652	264,815
Derivative asset - interest rate swap	—	2,749
Equity method investment	14,844	—
Deposits and other assets	—	3,600
Total assets	292,323	473,918
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	4,025	11,544
Accrued expenses	28,594	14,682
Bonus payable	—	8,466
Commission payable	—	2,563
Current portion of long-term debt	—	11,250
Current portion of lease liabilities - operating leases	—	2,113
Current portion of earnout consideration liability	9,303	20,533
Current portion of tax receivable agreement liability	5,171	5,171
Total current liabilities	47,093	76,322
Long-term debt, net of deferred financing costs	—	184,389
Warrant liability	84,003	104,231
Lease liabilities - operating leases	—	3,888
Tax receivable agreement liability	248,534	248,534
Total liabilities	379,630	617,364
Commitments and contingencies (Note 14)		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized, no shares issued and outstanding	—	—
Class A common stock, 0.0001 par value; 250,000,000 shares authorized,102,317,852 and 100,462,844 shares issued and outstanding as of March 31, 2025 and December 31, 2024, respectively	10	10
Class B common stock, $0.0001 par value; 75,000,000 shares authorized, no shares issued and outstanding as of March 31, 2025 and December 31, 2024	—	—
Additional paid-in-capital	206,477	361,379
Accumulated other comprehensive (loss) income	(206)	2,543
Accumulated deficit	(293,588)	(507,378)
Total stockholders' deficit	(87,307)	(143,446)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 292,323	$ 473,918

The accompanying notes are an integral part of these financial statements.

COMPOSECURE, INC.

Consolidated Statements of Operations (Unaudited)

($ in thousands except per share amounts)

	Three Months Ended March 31,	
	2025	**2024**
Net sales	59,824	104,010
Cost of sales	31,075	48,797
Gross profit	28,749	55,213
Operating expenses:		
Selling, general and administrative expenses	22,705	24,077
Income from operations	6,044	31,136
Other income (expense):		
Revaluation of warrant liability	17,921	(7,397)
Revaluation of earnout consideration liability	11,230	(1,459)
Change in fair value of derivative liability - convertible notes redemption make-whole provision	—	(297)
Interest expense	(1,688)	(6,537)
Interest income	219	1,118
Amortization of deferred financing costs	(74)	(327)
Total other income (expense), net	27,608	(14,899)
Income before income taxes	33,652	16,237
Income tax (expense) benefit	(27,004)	836
Net income before earnings in equity method investment	6,648	17,073
Earnings in equity method investment	14,844	—
Net income	$ 21,492	$ 17,073
Net income attributable to redeemable non-controlling interests	$ —	$ 13,048
Net income attributable to CompoSecure, Inc.	$ 21,492	$ 4,025
Net income per share attributable to CompoSecure, Inc. - basic	$ 0.21	$ 0.20
Net income per share attributable to CompoSecure, Inc. - diluted	$ 0.07	$ 0.17
Weighted average shares used to compute net income per share attributable to Class A common stockholders - basic	102,040	20,567
Weighted average shares used to compute net income per share attributable to Class A common stockholders - diluted	113,270	96,235

The accompanying notes are an integral part of these financial statements.

COMPOSECURE, INC.

Consolidated Statements of Comprehensive Income (Unaudited)

($ in thousands)

	Three Months Ended March 31,	
	2025	**2024**
Net income	$ 21,492	$ 17,073
Other comprehensive (loss) income, net:		
Unrealized (loss) gain on derivative - interest rate swap (net of tax)	(502)	452
Total other comprehensive (loss) income, net	(502)	452
Comprehensive income	$ 20,990	$ 17,525

COMPOSECURE, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT (Unaudited)

(in thousands, except share data)

	Class A Common Stock		Class B Common Stock		Additional Paid-in	Accumulated Other Comprehensive Loss	Accumulated	Total Stockholders'	Redeemable Non-Controlling
	Shares	Amount	Shares	Amount	Capital		Deficit	Deficit	Interest
Balance as of December 31, 2024	100,462,844	$ 10	—	$ —	$ 361,379	$ 2,543	$ (507,378)	$ (143,446)	$ —
Exercise of warrants	425,100	—	—	—	7,194	—	—	7,194	—
Stock-based compensation	—	—	—	—	5,720	—	—	5,720	—
Proceeds from employee stock purchase plan and exercise of options	—	—	—	—	121	—	—	121	—
Net income	—	—	—	—	—	—	21,492	21,492	—
Class A common stock issued pursuant to equity-based plans, net of shares withheld for taxes.	1,418,449	—	—	—	—	—	—	—	—
Class A common stock withheld related to net share settlement of equity awards	11,459	—	—	—	(15,285)	—	—	(15,285)	—
Unrealized loss on derivative - interest rate swap	—	—	—	—	—	(502)	—	(502)	—
Spin-Off of Resolute Holdings	—	—	—	—	(14,209)	—	3,400	(10,809)	—
Deconsolidation of CompoSecure Holdings, L.L.C.	—	—	—	—	(138,443)	(2,247)	188,898	48,208	—
Balance as of March 31, 2025	102,317,852	$ 10	—	$ —	$ 206,477	$ (206)	$ (293,588)	$ (87,307)	$ —

	Class A Common Stock		Class B Common Stock		Additional Paid-in	Accumulated Other Comprehensive Income	Accumulated	Total Stockholders'	Redeemable Non-Controlling
	Shares	Amount	Shares	Amount	Capital		Deficit	Deficit	Interest
Balance as of December 31, 2023	19,415,123	2	59,958,422	6	39,466	4,991	(846,825)	(802,360)	596,587
Distributions to non-controlling interests	—	—	—	—	—	—	(10,151)	(10,151)	—
Stock-based compensation	—	—	—	—	4,397	—	—	4,397	—
Proceeds from employee stock purchase plan and exercise of options	—	—	—	—	107	—	—	107	—
Net income	—	—	—	—	—	—	4,025	4,025	13,048
Class A common stock issued pursuant to equity-based plans, net of shares withheld for taxes and employee stock purchase plan transactions	1,183,123	—	—	—	—	—	—	—	—
Class A common stock withheld related to net share settlement of equity awards	0	—	—	—	(3,476)	—	—	(3,476)	—
Unrealized gain on derivative - interest rate swap	—	—	—	—	—	452	—	452	—
Adjustment of redeemable non-controlling interests to redemption value	—	—	—	—	—	—	13,048	13,048	(13,048)
Balance as of March 31, 2024	20,598,246	$ 2	59,958,422	$ 6	$ 40,494	$ 5,443	$ (839,903)	$ (793,958)	$ 596,587

The accompanying notes are an integral part of these financial statements.

COMPOSECURE, INC.

Consolidated Statements of Cash Flows (Unaudited)

($ in thousands)

	Three Months Ended March 31,	
	2025	**2024**
Cash flows from operating activities		
Net income	$ 21,492	$ 17,073
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,623	2,221
Stock-based compensation expense	3,850	4,397
Earnings in equity method investment	(14,844)	—
Amortization of deferred financing costs	74	345
Revaluation of earnout consideration liability	(11,230)	1,459
Revaluation of warrant liability	(17,921)	7,397
Change in fair value of derivative liability	—	297
Non-cash operating lease expense	405	584
Deferred tax expense	(1,837)	(1,867)
Changes in assets and liabilities:		
Accounts receivable	2,063	5,378
Inventories	(5,195)	(2,657)
Prepaid expenses and other assets	88	(119)
Accounts payable	2,478	(446)
Accrued expenses	25,983	1,486
Lease liabilities	(369)	(603)
Other liabilities	(3,649)	(1,194)
Net cash provided by operating activities	3,011	33,751
Cash flows from investing activities		
Purchase of property and equipment	—	(1,613)
Holdings cash deconsolidated as a result of the Management Agreement	(50,303)	—
Resolute Holdings cash deconsolidated as a result of the Spin-Off	(10,000)	—
Capitalized software expenditures	(387)	—
Net cash used in investing activities	(60,690)	(1,613)
Cash flows from financing activities		
Proceeds from employee stock purchase plan and exercise of options	121	107
Payments for taxes related to net share settlement of equity awards	(15,285)	(3,476)
Payment of term loan	—	(4,688)
Distributions to non-controlling interest	—	(10,151)
Proceeds from the exercise of warrants	4,888	—
Net cash used in financing activities	(10,276)	(18,208)
Net (decrease) increase in cash and cash equivalents	(67,955)	13,930
Cash and cash equivalents, beginning of period	77,461	41,216
Cash and cash equivalents, end of period	$ 9,506	$ 55,146
Supplemental disclosure of cash flow information:		
Cash paid for interest expense	$ 2,164	$ 4,175
Supplemental disclosure of non-cash operating and financing activities:		
Operating lease ROU assets exchanged for lease liabilities	$ 4,224	$ —
Derivative asset - interest rate swap	(502)	452
Non-cash portion of warrant exercise	$ (2,308)	$ —
Holdings net liabilities, excluding cash and cash equivalent, deconsolidated as a result of Management Agreement	$ (98,508)	$ —
Resolute Holdings net liabilities, excluding cash and cash equivalent, deconsolidated as a result of Spin-Off	$ (1,542)	$ —

The accompanying notes are an integral part of these financial statements.

1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

CompoSecure, Inc. (the "Company"), through its wholly-owned subsidiary, CompoSecure Holdings, L.L.C. ("Holdings") is a manufacturer and designer of complex metal, composite and proprietary financial transaction cards. The Company was founded and commenced operations in 2000. The Company provides products and services primarily to global financial institutions, plastic card manufacturers, system integrators, and security specialists. The Company is located in Somerset, New Jersey. Since its inception, the Company has established itself as 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. The Company's innovative payment card technology and metal cards with Arculus secure authentication and digital asset storage 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.

The Company creates newly innovated, highly differentiated and customized quality financial payment products for banks and other payment card issuers to support and increase their customer acquisition, customer retention and organic customer spend. The Company's customers consist primarily of leading international and domestic banks and other payment card issuers primarily within the United States ("U.S."), with additional direct and indirect customers in Europe, Asia, Latin America, Canada, and the Middle East. The Company is a platform for next generation payment technology, security, and authentication solutions. The Company maintains trusted, highly-embedded and long-term customer relationships with an expanding set of global issuers. The Company has established a niche position in the financial payment card market with over 20 years of innovation and experience and is focused primarily on this attractive subsector of the financial technology market. The Company serves a diverse set of direct customers and indirect customers, including some of the largest issuers of credit cards in the U.S.

Prior to the transactions discussed below, the Company had operated as an umbrella partnership C corporation ("Up-C"), meaning that the sole asset of the Company was its interest in Holdings and the related deferred tax asset. Holdings had been an entity taxed as a partnership for U.S. federal income tax purposes and was owned by both the historical owners and the Company.

On August 7, 2024, all of the Company's Class B stockholders and affiliates of Resolute Compo Holdings, LLC, including Tungsten 2024 LLC, (collectively, "Tungsten"), entered into stock purchase agreements pursuant to which the selling shareholders would exchange their 51,908,422 Class B units, and corresponding Class B shares, for Class A shares (collectively, the "Tungsten Transactions"), eliminating the Company's existing dual-share class structure. The Company was not party to the stock purchase agreements related to the Tungsten Transactions. The Tungsten Transactions closed on September 17, 2024 and as a result, Tungsten became the majority owner of the Company by acquiring 49,290,409 shares of the Company's Class A Common Stock for an aggregate purchase price of approximately $372 million, or $7.55 per share, representing an approximately 60% voting interest in the Company. Subsequent to the Tungsten Transactions, the Company no longer has Class B shares outstanding nor the associated non-controlling interest. The Company's tax receivable agreement liability and future payments thereunder increased as the Company realized an increase in the tax basis of the assets of Holdings resulting from the exchange of the equity in Holdings by unitholders in connection with the Tungsten Transactions.

On September 27, 2024, Resolute Holdings Management, Inc. ("Resolute Holdings") was created as a wholly owned subsidiary of Holdings. On February 28, 2025, the Company completed the previously-announced spin-off (the "Spin-Off") of Resolute Holdings. In connection with the Spin-Off, Holdings entered into a management agreement (the "Management Agreement") pursuant to which Resolute Holdings provides management and other related services to Holdings in exchange for payment of quarterly management fees. The Spin-Off of Resolute Holdings from the Company was achieved through the distribution of all outstanding shares of common stock, par value $0.0001 per share, of Resolute Holdings ("Resolute Holdings Common Stock"), on a pro rata basis, to holders of record of the Company's Class A Common Stock, par value $0.0001 per share ("CompoSecure Common Stock"). Each holder of record of CompoSecure Common Stock received one share of Resolute Holdings Common Stock for every twelve shares of CompoSecure Common Stock held on February 20, 2025, the record date for the Spin-Off. In lieu of fractional shares of Resolute Holdings Common Stock, holders of CompoSecure Common Stock received cash.

The distribution of shares in connection with the Spin-Off constituted an Extraordinary Dividend as defined in the warrant agreement. As a result, the warrant price was decreased from $11.50 per share of CompoSecure Common Stock to $7.97 per share of CompoSecure Common Stock, and the redemption trigger price was decreased from $18.00 per share of CompoSecure Common Stock to $14.47 per share of CompoSecure Common Stock, effective as of February 28, 2025.

By virtue of control of the board of managers of Holdings, CompoSecure, Inc. historically operated and controlled the business and affairs of Holdings and thus consolidated Holdings. As of February 28, 2025 and subsequent to the Spin-Off and the execution of the Management Agreement with Resolute Holdings, Resolute Holdings controls and is required to consolidate Holdings. As a result, the Company no longer consolidates Holdings and accounts for the investment in Holdings as an equity method investment. See Note 5 for additional discussion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements are presented in conformity with generally accepted accounting principles in the United States ("U.S. GAAP") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Any reference in these notes to applicable guidance is meant to refer to U.S. GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") promulgated by the Financial Accounting Standards Board ("FASB"). The accompanying consolidated financial statements include the results of operations of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. All dollar amounts are in thousands, unless otherwise noted. Share and per share amounts are presented on a post-conversion basis for all periods presented, unless otherwise noted.

The Company's significant accounting policies are detailed in the Company's Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC.

Interim Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("U.S. GAAP") and Article 10 of Regulation S-X of the SEC for interim financial information and should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2024. The financial statements presented in this Quarterly Report on Form 10-Q are unaudited; however, in the opinion of management, the financial statements reflect all adjustments, consisting solely of normal, recurring adjustments, necessary for the fair presentation of the financial statements for the periods presented. The results disclosed in the Consolidated Statements of Operations for the three months period ended March 31, 2025 are not necessarily indicative of the results to be expected for the full year.

Use of Estimates

The preparation of the consolidated financial statements requires management to make a number of estimates and assumptions relating to the reported amount of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. The Company bases its estimates on historical experience, current business factors and various other assumptions believed to be reasonable under the circumstances, all of which are necessary in order to form a basis for determining the carrying values of assets and liabilities. Actual results may differ from those estimates and assumptions. The Company evaluates the adequacy of its reserves and the estimates used in calculations on an on-going basis. Significant areas requiring management to make estimates include the valuation of equity instruments, measurement of changes in the fair value of earnout consideration liability, estimates of derivative liability associated with the Exchangeable Notes (as defined below), which were marked to market each quarter based on a Lattice model approach, derivative asset for the interest rate swap, changes in the fair value of warrant liabilities, valuation allowances on deferred tax assets which are based on an assessment of recoverability of the deferred tax assets against future taxable income and

estimates of the inputs used to calculate the tax receivable agreement liability, reserve for excess and obsolete inventory, estimated useful lives and impairment of property and equipment, and lease term, discount rates and other inputs used to measure right of use assets and lease liabilities.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations. An immaterial adjustment has been made to the consolidated statement of cash flows for three months ended March 31, 2024 to reclassify within cash flows from operating activities the change in other liabilities to non-cash operating lease expense and lease liabilities.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606 when the performance obligations under the terms of the Company's contracts with its customers have been satisfied. This occurs at the point in time when control of the specific goods or services as specified by each purchase order are transferred to customers. Specific goods refers to the products offered by the Company, including metal cards, high security documents, and pre-laminated materials. Transfer of control passes to customers upon shipment or upon receipt, depending on the agreement with the specific customers. ASC 606 requires entities to record a contract asset when a performance obligation has been satisfied or partially satisfied, but the amount of consideration has not yet been received because the receipt of the consideration is conditioned on something other than the passage of time. ASC 606 also requires an entity to present a revenue contract as a contract liability in instances when a customer pays consideration, or an entity has a right to an amount of consideration that is unconditional (e.g. receivable), before the entity transfers a good or service to the customer. The Company did not have any contract assets or liabilities as of March 31, 2025 or December 31, 2024.

The Company invoices its customers at the time at which control is transferred, with payment terms ranging between 15 and 60 days depending on each individual contract. As the payment is due within 90 days of the invoice, a significant financing component is not included within the contracts.

The majority of the Company's contracts with its customers have the same performance obligation of manufacturing and transferring the specified number of cards to the customer. Each individual card included within an order constitutes a separate performance obligation, which is satisfied upon the transfer of goods to the customer. The contract term as defined by ASC 606 is the length of time it takes to deliver the goods or services promised under the purchase order or statement of work. As such, the Company's contracts are generally short term in nature.

Revenue is measured in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. Revenue is recognized net of variable consideration such as discounts, rebates, and returns.

The Company's products do not include an unmitigated right of return unless the product is non-conforming or defective. If the goods are non-conforming or defective, the defective goods are replaced or reworked or, in certain instances, a credit is issued for the portion of the order that was non-conforming or defective. A provision for sales returns and allowances is recorded based on experience with goods being returned. Most returned goods are re-worked and subsequently re-shipped to the customer and recognized as revenue. Historically, returns have not been material to the Company.

Additionally, the Company has a rebate program with certain customers allowing for a rebate based on achieving a certain level of shipped sales during the calendar year. This rebate is estimated and updated throughout the year and recorded against revenues and the related accounts receivable.

Variable Interest Entities

The Company evaluates its contractual, ownership, and other interests in entities to determine if it has any variable interest in a variable interest entity ("VIE") in accordance with ASC 810, *Consolidation* ("ASC 810"). A VIE is an entity that either lacks sufficient equity to permit it to finance its activities without additional subordinated financial support or for which the equity investors do not have characteristics of a controlling financial interest. These evaluations are complex and involve judgment. If the Company determines that an entity in which it holds a contractual or ownership interest is a VIE and that the Company is the primary beneficiary, the Company consolidates such entity in its consolidated financial statements. The primary beneficiary of a VIE is the party that meets both of the following criteria: (i) has the power to direct activities that most significantly affect the economic performance of the VIE; and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. Management performs ongoing reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE will cause the consolidation conclusion to change. Changes in consolidation status are applied prospectively.

Change to Equity Method Accounting Presentation for Holdings

The Company has a variable interest in Holdings, the Company's wholly owned operating subsidiary. Holdings is considered a VIE as the Company is the sole holder of the Holdings' equity investment risk but is not able to direct the activities that most significantly impact Holdings' economic performance. Effective as of February 28, 2025, the date of the Spin-Off of Resolute Holdings, and resulting from Holdings entering into the Management Agreement with Resolute Holdings, the Company determined that Holdings is a VIE for which the Company is not the primary beneficiary, as the Company does not have the power to direct the activities of Holdings that most significantly impact its economic performance. Therefore, the results of operations and cash flows of the Company's wholly-owned subsidiary, Holdings, and the operating companies which are its subsidiaries, are not consolidated in the financial statements included in this report and, instead, are accounted for under the equity method of accounting. Under the equity method of accounting, the financial information of Holdings is not reflected within the Company's consolidated balance sheets, statements of operations and cash flows. The Company's share of the earnings of Holdings is reported in a single line item within the Company's consolidated statements of operations and cash flows as earnings from equity method investment. The carrying value of the Company's investment in Holdings is reported in the Company's consolidated balance sheets as equity method investment. This equity method investment is increased (decreased) by the Company's share of the earnings (losses) of Holdings and is also decreased by the Company's share of dividends declared by Holdings from time to time (if any). The Company's investment in Holdings is accounted for using the equity method of accounting because the Company has the ability to exercise significant influence over Holdings, but as a result of the Management Agreement, does not have control over Holdings. No gain or loss is recognized upon conversion of Holdings as an equity method investment because Resolute Holdings and the Company are both under common control.

If the Company's carrying value in Holdings is reduced to zero, losses would not be recorded in the Company's consolidated financial statements unless the Company guarantees obligations of Holdings or has committed additional funding. If Holdings subsequently reports income, the Company would not record its share of such income until it equals the amount of its share of losses not previously recognized.

Net Income Per Share

The Company complies with accounting and disclosure requirements of FASB ASC Topic 260, *Earnings Per Share*. Net income per common share is computed by dividing net income attributable to controlling interest by the weighted average number of common shares outstanding for the period. The weighted-average number of common shares outstanding during the period includes Class A Common Stock but was exclusive of Class B Common Stock (while outstanding) as these shares have no economic or participating rights.

Diluted net income per share is computed by dividing the net income allocated to potential dilutive instruments attributable to controlling interest by the basic weighted-average number of common shares outstanding during the period, adjusted for the potentially dilutive shares of common stock equivalents resulting from the assumed exercise of the warrants, payment of the earnouts, exercise and vesting of the equity awards, exchange of the Class B units and Exchangeable Notes ("securities") only if the effect is not anti-dilutive.

Recent Accounting Pronouncements

On November 4, 2024, the FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which requires disaggregated disclosure of income statement expenses for public business entities ("PBEs"). The ASU does not change the expense captions an entity presents on the face of the income statement; rather, it requires disaggregation of certain expense captions into specified categories in disclosures within the footnotes to the financial statements. ASU 2024-03 is effective for all PBEs for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The Company is still assessing the impact that the adoption of this ASU will have on the Company's consolidated financial statements.

On December 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures*, which applies to all entities subject to income taxes. For PBEs, the new requirements will be effective for annual periods beginning after December 15, 2024. For entities other than public business entities ("non-PBEs"), the requirements will be effective for annual periods beginning after December 15, 2025. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. The amendments in this update require that public business entities on an annual basis disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold if the effect of those reconciling items is equal to or greater than five percent of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate. The new guidance focuses on two specific disclosure areas: rate reconciliation and income taxes paid. The rate reconciliation disclosure requirements differ for PBEs as compared to non-PBEs. The income taxes paid disclosures are the same for all entities. The Company adopted this ASU 2023-09 on January 1, 2025. The adoption of ASU 2023-09 did not have a material impact on the Company's consolidated financial statements.

On November 27, 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280),*which applies to all public entities that are required to report segment information in accordance with Topic 280, Segment Reporting. The guidance will be applied retrospectively and is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The guidance improves financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analysis. The Company adopted ASU 2023-07 during the year ended December 31, 2024 and has reflected updates to its segment reporting in the Company's consolidated financial statements.

3. INVENTORIES

Reflecting the change to equity method accounting, the major classes of inventories were as follows:

	March 31, 2025	December 31, 2024
Raw materials	$ —	$ 46,109
Work in process	—	1,024
Finished goods	—	505
Inventory reserve	—	(2,805)
Total	$ —	$ 44,833

4. PROPERTY AND EQUIPMENT

Reflecting the change to equity method accounting, property and equipment consist of the following:

	Useful Life	March 31, 2025	December 31, 2024
Machinery and equipment	5- 10 years	$ —	$ 38,012
Furniture and fixtures	3 - 5 years	—	33
Computer equipment	3 - 5 years	—	46
Leasehold improvements	Shorter of lease term or estimated useful life	—	11,711
Vehicles	5 years	—	88
Software	1- 3 years	—	1,718
Construction in progress		—	2,664
Total gross property and equipment		—	54,272
Less: Accumulated depreciation and amortization		—	(30,824)
Property and equipment, net		$ —	$ 23,448

5. EQUITY METHOD INVESTMENT

The Company's ownership percentage in the equity method investment in Holdings was 100% and had a carrying value of $14,844 as of March 31, 2025. Prior to the execution of the Management agreement and the Company's deconsolidation of Holdings on February 28, 2025, Holdings had net liabilities of $48,208, primarily arising from advances made by Holdings to the Company. Holdings waived the collection of these advances, effectively treating them as distributions to the Company as its sole member prior to the date of deconsolidation, which resulted in an initial carrying value of $0 with respect to the Company's equity method investment in Holdings.

The following table provides a reconciliation of the equity method investment in Holdings:

Recognition of equity method investment in CompoSecure Holdings, L.L.C., subsequent to the Spin-Off	$ —
Earnings in equity method investment	14,844
Equity method investment in CompoSecure Holdings, L.L.C. at March 31, 2025	$ 14,844

The financial position of Holdings is summarized in the following table:

	March 31, 2025
Current assets	$ 166,677
Noncurrent assets	37,000
Total assets	$ 203,677
Current liabilities	$ 48,045
Noncurrent liabilities	188,439
Total liabilities	236,484
Total members' deficit	(32,807)
Total liabilities and members' deficit	$ 203,677

The results of operations of Holdings subsequent to the deconsolidation are summarized in the following table:

	February 28, 2025 through March 31, 2025
Net sales	$ 44,065
Cost of sales	18,266
Gross profit	25,799
Operating expenses:	
Selling, general and administrative expenses	10,077
Income from operations	15,722
Other income (expense):	
Interest expense	(1,695)
Interest income	875
Amortization of deferred financing costs	(58)
Total other expense, net	(878)
Income before income taxes	14,844
Income tax expense	—
Net income	$ 14,844

The Company's maximum exposure to loss as a result of its involvement with Holdings is limited to its equity method investment in Holdings.

6. DEBT

Exchangeable Senior Notes

On December 27, 2021, a business combination with Roman DBDR Tech Acquisition Corp. ("Roman DBDR") was completed whereby Holdings was left as the surviving company and wholly-owned subsidiary of Roman DBDR (the "Business Combination"). On April 19, 2021, concurrent with the execution of the merger agreement related to the Business Combination, the Company and its subsidiary, Holdings, entered into subscription agreements (the "Note Subscription Agreements") with certain investors ("Notes Investors") pursuant to which such Notes Investors, severally and not jointly, purchased on December 27, 2021, the closing date of the Business Combination (the Closing Date"), the exchangeable notes issued by Holdings and guaranteed by its operating subsidiaries, CompoSecure, L.L.C. and Arculus Holdings, L.L.C., in an aggregate principal amount of up to $130,000 that were exchangeable into shares of Class A Common Stock at a conversion price of $11.50 per share (the "Exchangeable Notes"), subject to the terms and conditions of an Indenture entered into by the Company and its wholly owned subsidiary, Holdings and the trustee under the Indenture.

On June 11, 2024, the Company paid a special cash dividend to Class A shareholders of CompoSecure, Inc., and made a corresponding distribution to Class B unitholders of Holdings. As a result of the special cash dividend and distribution, the conversion price was adjusted to $10.98 per share, which resulted in an adjustment to the exchange rate to 91.0972 shares of the Company's Class A Common Stock per $1,000 principal amount of Notes exchanged. On September 17, 2024, the Tungsten Transactions closed, where a majority interest of the Company was acquired through privately negotiated sales. See Note 7 for additional information on the special cash dividend and sale of the majority interest.

The sale of the majority interest and subsequent filing of a Schedule 13D report with the SEC by Tungsten on September 19, 2024 triggered the occurrence of a "Make-Whole Fundamental Change" (as defined in the

Indenture), pursuant to which the Company, on September 20, 2024, issued a Notice of Make-Whole Fundamental Change to the holders of the Exchangeable Notes to notify the holders that the exchange rate for the Exchangeable Notes has been temporarily increased from 91.0972 shares of Class A Common Stock per $1,000 principal amount of Notes to 104.5199 shares of Class A Common Stock per $1,000 principal amount of notes. This temporary increase in the exchange rate resulted in an adjustment of the conversion price to $9.57 per share from September 19, 2024 to November 29, 2024. All Exchangeable Notes were exchanged prior to November 29, 2024. An aggregate of $130,000 of the Notes were surrendered and exchanged for an aggregate of 13,587,565 newly-issued shares of Class A Common Stock.

The Company assessed all terms and features of the Exchangeable Notes in order to identify any potential embedded features that would require bifurcation. As part of this analysis, the Company assessed the economic characteristics and risks of the Exchangeable Notes, including the conversion, put and call features. In consideration of these provisions, the Company determined that the optional redemption with a make-whole provision feature required bifurcation as a derivative liability. The fair value of the optional redemption with a make-whole provision feature was determined based on the difference between the fair value of the notes with the redemption with a make-whole provision feature and the fair value of the notes without the redemption with a make-whole provision feature. The Company employed a Lattice model to determine the fair value of the derivative liability upon issuance of the Exchangeable Notes and at the end of each reporting period when the derivative liability was remeasured to its fair value. The derivative liability was written off when the Exchangeable Notes were surrendered and exchanged in 2024.

For the three months ended March 31, 2024 the Company recognized $2,396 of interest expense related to the Exchangeable Notes at the effective interest rate of 7.4%. The Company did not recognize any interest expense related to the Exchangeable Notes during the three months ended March 31, 2025 as all of the Exchangeable Notes were exchanged as of December 31, 2024.

Credit Facility

On July 26, 2016, Holdings entered into a $120,000 credit facility (the “2016 Credit Facility”) with J.P. Morgan Chase (“JPMC”) as the lending agent that provided Holdings with a revolving credit facility with a maximum borrowing capacity of $40,000 (the “2016 Revolver”) and a term loan of $80,000 (the “2016 Term Loan”) that was scheduled to mature in July 2021. The 2016 Credit Facility was subsequently amended in July 2019, November 2020 and December 2021 (the “2021 Credit Facility”) to increase the borrowing capacity of the 2016 Revolver and the 2016 Term Loan and to extend the maturity date of the 2016 Credit Facility. The 2021 Credit Facility increased the overall borrowing capacity of the credit facility to $310,000 comprised of a revolving credit facility with a maximum borrowing capacity of $60,000 (the “2021 Revolver”) and a term loan of $250,000 (the “2021 Term Loan”). The 2021 Credit Facility was set to mature on December 16, 2025. The 2021 Credit Facility was also amended in February 2023, May 2023 and March 2024 to (i) transition the 2021 Credit Facility from bearing interest based on LIBOR to Secured Overnight Financing Rate Data ("SOFR"), (ii) to remove certain lenders who no longer wanted to participate in the 2021 Credit Facility, and (iii) to allow the Company to repurchase outstanding shares of common stock, common stock warrants and Exchangeable Notes in an aggregate amount not to exceed $40,000. The 2021 Credit Facility was accounted for as a modification and approximately $1,800 of additional costs incurred in connection with the modification were capitalized as debt issuance costs.

On August 7, 2024, Holdings entered into a Fourth Amended and Restated Credit Agreement with JPMC (the “2024 Credit Facility” and collectively with the 2021 Credit Facility, the “Credit Facilities”) and the lenders party thereto to refinance the 2021 Credit Facility. The 2024 Credit Facility amended and restated the 2021 Credit Facility in its entirety. In conjunction with the 2024 Credit Facility, the maximum borrowing capacity of the overall credit facility was increased to $330,000 comprised of a term loan of $200,000 (the “2024 Term Loan”) and a revolving credit facility of $130,000 (the “2024 Revolver”). Two lenders who participated in the 2021 Credit Facility did not participate in the 2024 Credit Facility and transferred their debt to other lenders. The 2024 Credit Facility is set to mature on August 7, 2029. The 2024 Credit Facility was accounted for as an extinguishment for the two lenders who transferred their debt and as a modification for all other remaining lenders. As a result, Holdings wrote-off approximately $148 in unamortized debt issuance costs related to the lenders who did not participate in the

2024 Credit Facility during the year ended December 31, 2024. In connection with the 2024 Credit Facility, the Company pledged its ownership interests in Holdings (representing 100% ownership) as collateral pursuant to a pledge and security agreement with the lenders.

In conjunction with the 2024 Credit Facility, Holdings incurred approximately $686 in lender fees and $147 in other third-party fees related to the 2024 Revolver and approximately $1,056 in lender fees and $225 in other third-party fees related to the 2024 Term Loan. The $1,056 of lender fees related to the 2024 Term Loan have been capitalized and these fees, along with $832 of unamortized debt issuance costs related to the 2021 Credit Facility, will be amortized into interest expense through the maturity date of the 2024 Term Loan using the effective interest method. Similarly, $686 of lender fees and $147 of other third-party fees related to the 2024 Revolver have been capitalized as an other long-term asset and will be amortized into interest expense through the maturity date of the 2024 Revolver using the straight-line method. The $225 other third-party fees related to the 2024 Term Loan were expensed as incurred during the year ended December 31, 2024.

On December 30, 2024, Holdings executed Amendment No. 1 to the 2024 Credit Facility (the "December 2024 Amendment") to allow the Company to facilitate the Spin-Off of Resolute Holdings. There were no changes to the lenders as a result of the December 2024 Amendment and the December 2024 Amendment was accounted for as a debt modification. In connection with the December 2024 Amendment, Holdings incurred $215 in lenders fees which were capitalized and will be amortized to interest expense through the maturity of the 2024 Credit Facility.

The Credit Facilities requires Holdings to make quarterly principal payments until maturity, at which point a balloon principal payment is due for the outstanding principal. The Credit Facility also requires Holdings to make monthly interest payments as well as pay a quarterly unused commitment fee of 0.35% for any unused portion of the revolving credit facilities. The Credit Facility permits Holdings to prepay the term loans without penalty or premium. The Credit Facility is secured by substantially all of the assets of Holdings and the Company.

Interest on the revolving credit facility and the term loan are based on outstanding principal amount during the interest period multiplied by the quoted SOFR rate plus the applicable margin of 1.75% to 2.75% based on Holdings' leverage ratio. As of December 31, 2024, the effective interest rate on the 2024 Revolver and 2024 Term Loan was 6.81% per year.

The Company recognized $1,688 and $4,459 of interest expense related to the 2024 Revolver and 2024 Term Loan for the three months ended March 31, 2025 and 2024, respectively.

The Credit Facilities contain certain financial covenants including a minimum interest coverage ratio, a maximum total debt to EBITDA ratio and a minimum fixed charge coverage ratio. As of March 31, 2025 and December 31, 2024, Holdings was in compliance with all financial covenants. The fair value of the Credit Facilities approximate the carrying value for all periods presented.

As of March 31, 2025 and December 31, 2024, there were no balances outstanding on the 2024 Revolver.

Reflecting the change to equity method accounting, the balances payable under all borrowing facilities are as follows:

	March 31, 2025	December 31, 2024
Term loan balance	$ —	$ 197,500
Less: current portion of term loan (scheduled payments)	—	(11,250)
Less: net deferred financing and discount costs	—	(1,861)
Total long term debt	$ —	$ 184,389

In order to hedge exposure of Holdings to variable interest rate fluctuations related to the $310,000 of borrowings under its 2021 Credit Facility, Holdings entered into two interest rate swap agreements with Bank of America on January 11, 2022, the first of which had an effective date of January 5, 2022 (the “January 2022 Swap”),

and the second of which had an effective date of December 5, 2023 (the "December 2023 Swap" and, collectively with the January 2022 Swap, the "Interest Rate Swap Agreements"). The January 2022 Swap expired on December 5, 2023 while the December 2023 Swap is set to expire on December 2025. Both the January 2022 Swap and the December 2023 Swap are settled at the end of the month between the parties. The December 2023 Swap has a notional amount of $125,000 and was designated as a cash flow hedge for accounting purposes.

The derivative assets related to the Interest Rate Swap Agreements are no longer reflected in the Company's balance sheet subsequent to the deconsolidation of Holdings. Holdings determined the fair value of the Interest Rate Swap Agreements to be zero at the inception of the agreements and $2,749 as of December 31, 2024. Holdings reflects the realized gains and losses of the actual monthly settlement activity of the Interest Rate Swap Agreements through interest income or expense in its consolidated statements of operations. The Company had historically reflected the unrealized changes in fair value of the Interest Rate Swap Agreements at each reporting period in other comprehensive income, and a derivative asset or liability was recognized at each reporting period in the Company's consolidated balance sheets for the Interest Rate Swap Agreements. Subsequent to the Spin-Off, the derivative asset or liability is no longer reflected on the Company's balance sheet due to the deconsolidation of Holdings. Interest related to the Interest Rate Swap Agreements converted from LIBOR to SOFR at the same time as the amendment of 2021 Credit Facility in February 2023.

7. EQUITY STRUCTURE

Shares Authorized

As of March 31, 2025, the Company had authorized a total of 250,000,000 shares for issuance designated as Class A Common Stock, 75,000,000 designated as Class B Common Stock and 10,000,000 shares designated as preferred stock. As of March 31, 2025, there were 102,317,852 shares of Class A Common Stock issued and outstanding, no shares of Class B Common Stock issued and outstanding and no shares of Preferred Stock issued and outstanding.

Issuance of Common Stock

During the quarter ended March 31, 2025, the Company issued 1,429,908 new shares of Class A Common Stock pursuant primarily to the vesting of certain restricted stock units ("RSUs"), performance and market-based stock units ("PSUs") and exercises of stock options, as well as employee stock purchase plan ("ESPP") transactions. The Class A Common Stock issued pursuant to the vesting of RSUs were issued net of shares withheld for applicable taxes.

Warrants

As of March 31, 2025 and December 31, 2024, the Company had 21,990,079 and 22,415,179 warrants outstanding, respectively. Until the expiration date of December 27, 2026, each warrant entitles the registered holder to purchase one share of the Company's Class A Common Stock at a price of $11.50 per share, subject to adjustment. The exercise price of the warrants was adjusted to $7.97 as the result of the spin-off of Resolute Holdings. See Note 1 for additional discussion of the Spin-Off. Pursuant to the warrant agreement, a warrant holder may exercise its warrants only for a whole number of shares.

Non-Controlling Interest

Non-controlling interest represented the direct interests held in Holdings other than by the Company. The non-controlling interest in the Company was represented by Class B Units. Since the potential cash redemptions of the non-controlling interest was outside the control of the Company, the non-controlling interest was classified as temporary equity on the consolidated balance sheet in accordance with ASC 480, *Distinguishing liabilities from*

equity ("ASC 480"). Income tax benefits or provisions were applied to the income attributable to the controlling interest as the income attributable to the non-controlling interest was pass-through income.

As of March 31, 2025 and December 31, 2024, the Company did not have a non-controlling interest as a result of the exchange of all Class B shares for Class A shares in connection with the Tungsten Transactions. The non-controlling interest was historically adjusted to redemption value at each balance sheet date and in accordance with ASC 480-10. This measurement adjustment resulted in a corresponding adjustment to shareholders' deficit through adjustments to additional paid-in capital and retained earnings.

8. EQUITY COMPENSATION

The following table summarizes stock-based compensation expense included in selling, general and administrative expenses within the consolidated statements of operations:

	Three Months Ended March 31,	
	2025	**2024**
Restricted stock unit expense	$ 2,922	$ 4,193
Performance stock unit expense	496	173
Stock option expense	432	3
Employee stock purchase plan	—	28
Total stock-based compensation expense	$ 3,850	$ 4,397

Employees of Holdings and Resolute Holdings were granted equity awards from the Company's plan. Prior to the Spin-Off and execution of the Management Agreement, the expense related to these awards was recognized as expense by the Company. Subsequent to the Spin-Off and execution of the Management Agreement, the expense related to the awards is presented as an expense at Holdings and Resolute Holdings as they are deemed to derive the benefits associated with the related expense. The increase in the Company's additional paid-in capital arising from equity awards expensed at Holdings and Resolute Holdings amounted to $1,870 and $0 during the three months ended March 31, 2025 and 2024, respectively. Subsequent to the Spin-Off, 449,775 RSUs were granted to a Resolute Holdings Employee. The awards had a grant date fair value of $13.34. As the awards were granted from the Company's plan, the related share information is reflected in this footnote.

As a result of the Spin-Off, outstanding, Performance and Market Based Stock Units ("PSUs"), Restricted Stock Units ("RSUs") and stock options were adjusted as required by the Company's equity plan. These equity awards were adjusted to maintain equal value for award holders immediately prior to and subsequent to the Spin-Off. As the awards were considered to be an equitable adjustment, no incremental compensation cost was recognized. The incremental shares related to the Spin-Off are reflected in the below tables.

A summary of RSUs, PSUs and stock option activity under the Company's CompoSecure, Inc. 2021 Incentive Equity Plan during the three months ended March 31, 2025 is presented below:

Restricted Stock Unit Activity

	Number of Shares	**Weighted Average Grant Date Fair Value Per Share**
Nonvested at January 1, 2025	6,216,661	$ 7.67
Granted	1,311,116	14.62
Incremental Spin-Off Grants	783,008	13.34
Vested	(2,362,918)	6.70
Forfeited	(31,468)	7.84
Nonvested at March 31, 2025	5,916,399	$ 10.04

There is no unrecognized compensation expense for RSUs as of March 31, 2025. Of the nonvested RSUs outstanding at March 31, 2025, 1,270,610 were for Resolute employees and 4,645,789 were for Holdings employees.

Performance and Market Based Stock Units Activity

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Nonvested at January 1, 2025	1,755,531	$ 6.48
Incremental Spin-Off Grants	297,783	13.34
Vested	—	—
Forfeited	—	—
Nonvested at March 31, 2025	2,053,314	$ 8.13

There is no unrecognized compensation expense for PSUs as of March 31, 2025. All of the nonvested PSUs outstanding at March 31, 2025 were for Holdings employees.

Stock Options

The following table sets forth the options activity for the three months ended March 31, 2025:

	Number of Shares	Weighted Average Exercise Price Per Shares	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2025	2,275,671	$ 12.39	8.9	$ 6,698
Incremental Spin-Off Grants	377,524	10.79	8.8	348
Exercised	(50,000)	2.41	2.0	423
Outstanding at March 31, 2025	2,603,195	$ 10.79	8.8	2,400
Vested and expected to vest at March 31, 2025	2,603,195	$ 10.79	8.8	2,400
Exercisable at March 31, 2025	362,746	$ 4.26	4.6	2,400

Unrecognized compensation expense for options was $1,542 as of March 31, 2025 and is expected to be recognized over a remaining term of 3.5 years. Of the vested and expected to vest options outstanding at March 31, 2025, 1,958,040 were related to Resolute employees and 362,746 were related to Holdings employees.

Earnout Consideration

Certain of the equity holders of Holdings (including certain employees) have the right to receive an aggregate of up to 7,500,000 additional shares of the Company's Class A Common Stock in earnout consideration based on the achievement of certain stock price thresholds (collectively, the “Earnouts”). The Earnouts were subject to two price thresholds and require half of the shares to be awarded upon the achievement of each threshold. The Earnouts expire in two phases if the achievement thresholds are not met. The earnouts under the first phase were achieved on December 13, 2024. The second phase has not yet been achieved and expires in December 2025. A total of 657,160 shares, or 328,580 shares for each phase, were issued to employees and were accounted for in accordance with ASC 718 as they were considered to be compensation. The following is a summary of the earnout activity for the three months ended March 31, 2025:

	Number of Shares
Outstanding at January 1, 2025	328,580
Spin-Off Adjustment	55,737
Vested	—
Nonvested at March 31, 2025	384,317

9. RETIREMENT PLAN

Defined Contribution Plan

The Company has a 401(k) profit sharing plan for all full-time employees who have attained the age of 21 and have completed 90 days of service. Through December 31, 2024, the Company matched 100% of the first 1% and then 50% of the next 5% of employee contributions. Retirement plan expense for the three months ended March 31, 2025 and 2024 was $563, and $591, respectively. On January 1, 2025, the Company began matching 100% of the first 3% and then 50% of the next 2% of employee contributions.

10. FAIR VALUE MEASUREMENTS

In accordance with ASC 820-10, the Company evaluates assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level at which to classify them for each reporting period. This determination requires the Company to make significant judgements.

The Company's financial assets and liabilities measured at fair value on a recurring basis, consisted of the following types of instruments as of the following dates:

	Level 1	Level 2	Level 3	Total
March 31, 2025				
Assets Carried at Fair Value:				
Derivative asset - interest rate swap	$ —	$ —	$ —	$ —
Liabilities Carried at Fair Value:				
Warrants	$ 84,003	$ —	$ —	$ 84,003
Earnout consideration	—	—	9,303	9,303
December 31, 2024				
Assets Carried at Fair Value:				
Derivative asset - interest rate swap	$ —	$ 2,749	$ —	$ 2,749
Liabilities Carried at Fair Value:				
Warrants	$ 104,231	$ —	$ —	$ 104,231
Earnout consideration	—	—	20,533	20,533

Derivative asset - interest rate swap

Holdings is exposed to interest rate risk on variable interest rate debt obligations. To manage interest rate risk, Holdings entered into an interest rate swap agreement on January 5, 2022. See Note 6.

Warrant Liability

As a result of the Business Combination, the Company had assumed a warrant liability related to previously issued warrants in connection with Roman DBDR's initial public offering. The warrants were accounted for as liabilities in accordance with ASC 815-40 and are presented within warrant liabilities on the consolidated balance sheets. The warrant liabilities were remeasured at March 31, 2025 with changes in fair value presented within revaluation of warrant liabilities in the consolidated statement of operations.

The following table provides a reconciliation of the ending balances for the warrant liabilities remeasured at fair value:

		Warrant Liabilities
Estimated fair value at December 31, 2024	$	104,231
Revaluation of warrant liability		(17,921)
Settlement of exercise of warrants	$	(2,307)
Estimated fair value at March 31, 2025	$	84,003

The Warrants were valued using the quoted market price as the fair value as of each balance sheet date.

Earnout Consideration

Earnout consideration liabilities held by former holders of interests in Holdings (not including the holders under ASC 718) were determined to be derivative instruments in accordance with ASC 815 and were accounted as derivative liabilities. The earnout consideration liabilities were initially valued at fair value in accordance with ASC 815-40-30-1 and are subsequently remeasured at each reporting period with changes in fair value recorded in earnings in accordance with ASC 815-40-35-4. The Company established the initial fair value for the earnout consideration liabilities at the closing date on December 27, 2021 using a Monte Carlo simulation model.

The following table provides a reconciliation of the ending balances for the earnout consideration liabilities remeasured at fair value:

		Earnout Consideration Liability
Estimated fair value at December 31, 2024	$	20,533
Revaluation of earnout consideration liability		(11,230)
Estimated fair value at March 31, 2025	$	9,303

The following assumptions were used to determine the fair value of the earnout consideration liabilities as of March 31, 2025

	March 31, 2025
Valuation date share price	$ 10.87
Risk-free interest rate	4.13 %
Expected volatility	47.5 %
Expected dividends	0 %
Expected term (years)	0.74 years

The fair value of earnout consideration liabilities have been classified as a Level 3 liability as its valuation requires substantial judgment and estimation of factors that are not currently readily observable in the market. The expected term assumption reflected the period for which the instrument will remain outstanding. To determine volatility, the Company had used the historical closing values of comparable publicly held entities to estimate volatility. The risk-free rate reflected the U.S. Treasury yield curve for a similar expected life instrument in effect at

the reporting date. If different assumptions were used for the various inputs to the valuation approach, the estimated fair value could be significantly higher or lower than the fair value determined.

11. GEOGRAPHIC INFORMATION AND CONCENTRATIONS

The Company and its wholly-owned subsidiary, Holdings, is headquartered in and substantially all of its operations, including its long-lived assets, are located in the United States. Geographical revenue information based on the location of the customer follows:

	Three Months Ended March 31,	
	2025	2024
Net sales by country		
Domestic	$ 54,480	$ 92,790
International	5,344	11,220
Total	$ 59,824	$ 104,010

The Company's principal direct customers as of March 31, 2025 consist primarily of leading international and domestic banks and other credit card issuers primarily within the U.S., Europe, Asia, Latin America, Canada, and the Middle East. The Company periodically assesses the financial strength of these customers and establishes allowances for anticipated losses, if necessary.

Four customers individually accounted for more than 10% of the Company's revenue, or 70.0% of total revenue, for the three months ended March 31, 2025. Two customers individually accounted for more than 10% of the Company's revenue, or 73.2% of total revenue, for the three months ended March 31, 2024. Four customers individually accounted for 10% of total accounts receivable, or 70%, as of December 31, 2024.

Three individual vendors accounted for more than 10% of purchases of supplies, or approximately 31% of total purchases, for the three months ended March 31, 2025. Two individual vendors accounted for more than 10% of purchases of supplies, or approximately 31% of total purchases, for the three months ended March 31, 2024.

12. INCOME TAXES

The Company recorded income tax provision of $27,004 for the three months ended March 31, 2025. The Company recorded income tax benefit of $836 for the three months ended March 31, 2024.

Federal, state and local income tax returns for years prior to 2020 are no longer subject to examination by tax authorities. During the year 2024, federal tax authorities completed their audit of fiscal 2020. There were no proposed adjustments resulting from the examination.

In calculating the provision for income taxes on an interim basis, the Company uses an estimate of the annual effective tax rate based upon currently known facts and circumstances and applies that rate to its year-to-date earnings or losses. The Company's effective tax rate is based on expected income and statutory tax rates and takes into consideration permanent differences between financial statement and tax return income applicable to the Company in the various jurisdictions in which the Company operates. The effect of discrete items, such as changes in estimates, changes in enacted tax laws or rates or tax status, and unusual or infrequently occurring events, is recognized in the interim period in which the discrete item occurs. The accounting estimates used to compute the provision for income taxes may change as new events occur, additional information is obtained or as the result of new judicial interpretations or regulatory or tax law changes. The Company's interim effective tax rate, inclusive of any discrete items, was 18.60% and (5.10)% for the three months ended March 31, 2025 and March 31, 2024, respectively.

The Company's overall effective tax rate was affected by the elimination of the Up-C structure discussed in Note 1, which resulted in the Company owning 100% of Holdings. At March 31, 2025 and December 31, 2024, the Company had $28,520 and $444 of income taxes payable, respectively. Income taxes payable are a component of accrued expenses in the consolidated balance sheet.

The Spin-Off resulted in a taxable gain to the Company related to the distribution of appreciated property which resulted in an increase in the income tax expense.

13. EARNINGS PER SHARE

Basic net income per share has been computed by dividing net income attributable to Class A common shareholders by the weighted average number of shares of common stock outstanding for the same period. Diluted earnings per share of Class A Common Stock was computed by dividing net income available to CompoSecure, Inc. by the weighted-average number of shares of Class A Common Stock outstanding adjusted to give effect to potentially dilutive securities.

The following table sets forth the computation of net income used to compute basic net income per share of Class A Common Stock for the three months ended March 31, 2025 and March 31, 2024, respectively.

	Three Months Ended March 31,	
	2025	**2024**
Basic and diluted:		
Net income	$ 21,492	$ 17,073
Less: Net income attributable to non-controlling interest	—	(13,048)
Net income attributable to Class A Common shareholders	$ 21,492	$ 4,025
Plus: adjustment due to net effect of equity awards, warrant revaluation, Exchangeable Notes and Class B units to net income	(14,002)	11,995
Net income attributable to Class A Common shareholders after adjustment	$ 7,490	$ 16,020
Weighted average common shares outstanding used in computing net income per share - basic	102,039,611	20,566,970
Plus: net effect of dilutive equity awards, Exchangeable Notes and Class B units	11,230,575	75,668,499
Weighted average common shares outstanding used in computing net income per share - diluted	113,270,186	96,235,469
Net income per share—basic	$ 0.21	$ 0.20
Net income per share—diluted	$ 0.07	$ 0.17

Securities that could potentially be dilutive are excluded from the computation of diluted earnings per share when the exercise price exceeds the average closing price of the Company's common stock during the period, because their inclusion would result in an antidilutive effect on per share amounts. The Company applied the if-converted method for the Exchangeable Notes to calculate diluted earnings per share in accordance with ASU 2020-06.

The following securities were not included in the calculation of net income per diluted share because their effects were anti-dilutive:

	Three Months Ended March 31,	
	2025	**2024**
Potentially dilutive securities:		
Warrants	21,990,079	22,415,400
Earnout consideration shares	4,386,097	7,500,000
Equity awards	2,177,396	2,918,984

14. COMMITMENTS AND CONTINGENCIES

Tax Receivable Agreement

The Company is obligated to make payments under the tax receivable agreement to the TRA Holders. Although the actual timing and amount of any payments that may be made under the agreement will vary, the Company expects the cash obligation required will be significant. Any payments made under the tax receivable agreement will generally reduce the amount of overall cash flows that might have otherwise been available to the Company. To the extent that the Company is unable to make payments under the tax receivable agreement for any reason, the unpaid amounts generally will be deferred and will accrue interest until paid by the Company. The tax receivable agreement liability includes amounts to be paid assuming the Company will have sufficient taxable income over the term of the tax receivable agreement to utilize the related tax benefits. In determining the estimated timing of payments, the current year's taxable income was used to extrapolate an estimate of future taxable income.

The Company made no payment related to the tax receivable agreement liability during the quarter ended March 31, 2025. Pursuant to the Holdings agreement, the Company makes pro rata tax distributions to the holders of interests in Holdings (i.e. non-controlling interest) in an amount sufficient to fund all or part of their tax obligations with respect to the taxable income of Holdings that is allocated to them. As a result of the Tungsten Transaction, the Company became the sole member of Holdings, eliminating the requirement for further tax distributions to members other than the Company. For the three months ended March 31, 2024, Holdings distributed a total of $13,422 of tax distributions to its members, of which $3,271 was paid to the Company, resulting in a net tax distribution to all other members of $10,151.

As of March 31, 2025, the Company had the following obligations expected to be paid pursuant to the tax receivable agreement:

2025 (excluding the three months ended March 31, 2025)	$	5,171
2026		14,122
2027		14,283
2028		14,516
2029		14,762
Later years		190,851
Total Payments	$	253,705

In addition to the above, the Company's tax receivable agreement liability and future payments thereunder are expected to increase as we realize (or are deemed to realize) an increase in tax basis of Holdings' assets resulting from any future purchases, redemptions or exchanges of Holdings' interests by holders. The Company currently expect to fund these future tax receivable agreement liability payments from some of the realized cash tax savings as a result of this increase in tax basis.

Litigation

The Company may be, from time to time, party to various disputes and claims arising from normal business activities. The Company accrues for amounts related to legal matters if it is probable that a liability has been incurred and the amount is reasonably estimable. Litigation costs are expensed as incurred.

15. SEGMENT REPORTING

Subsequent to the Spin-Off, the Company has one operating segment and one reportable segment, the equity method investment in CompoSecure Holdings, LLC. This is a change as of and for the year ended December 31, 2024, where the Company had two operating segments and two reportable segments: Payment Card and Arculus. Corporate, as reported below, for the quarter ended March 31, 2025 consists of the Company's corporate entity that was concluded to not be an operating segment as the entity's operations do not generate revenues and are limited to fair value adjustments related to warrants liability and earnout liability. For the quarter ended March 31, 2024, the Company's reportable segment is represented by the consolidated balance sheet and the consolidated statement of operations.

The chief operating decision maker ("CODM") is the Chief Executive Officer of the Company. The CODM evaluates the performance of the equity method investment in CompoSecure Holdings, LLC primarily based on net sales, gross profit and net (loss) income and does not review discrete financial information at a level lower than consolidated Holdings. The Company does not have any intra-entity sales.

	As of and for the Three Months Ended March 31, 2025			
	Corporate	Equity Method Investment in CompoSecure Holdings, LLC	Elimination of Unconsolidated Affiliate	Consolidated Total of CompoSecure, Inc.
Net sales	$ 59,824	$ 44,065	$ (44,065)	$ 59,824
Cost of Sales	31,075	18,266	(18,266)	31,075
Gross Profit	28,749	25,799	(25,799)	28,749
Selling, General and administrative expenses	22,705	10,077	(10,077)	22,705
Income from operations	6,044	15,722	(15,722)	6,044
Other income (expense):				
Change in fair value of earnout consideration liability	11,230	—	—	11,230
Revaluation of warrant liability	17,921	—	—	17,921
Interest expense	(1,688)	(1,695)	1,695	(1,688)
Interest income	219	875	$ (875)	219
Amortization of deferred financing costs	(74)	(58)	58	(74)
Total other income (expenses), net	27,608	(878)	878	27,608
Income before income taxes	33,652	14,844	(14,844)	33,652
Income tax expense	(27,004)	—	—	(27,004)
Net income	$ 6,648	$ 14,844	$ (14,844)	$ 6,648
Earnings in CompoSecure Holdings, LLC equity method investment	14,844			14,844
Net income of CompoSecure, Inc.				$ 21,492
Total assets	$ 292,323	203,677	(203,677)	$ 292,323
Total liabilities	$ (379,630)	(236,484)	236,484	$ (379,630)
Capital expenditures related to segment assets	$ 387	$ 1,156	$ (1,156)	$ 387

16. RELATED PARTY TRANSACTIONS

In connection with the completion of the Spin-Off, the Company and Resolute Holdings entered into a Separation and Distribution Agreement (the "Separation and Distribution Agreement") pursuant to which the Company delivered 100% of the issued and outstanding shares of Resolute Holdings' Common Stock to the distribution agent for the Spin-Off to effectuate the delivery of the shares of Resolute Holdings' Common Stock to the Company's stockholders by means of a pro rata dividend. The Separation and Distribution Agreement also set out the principal actions to be taken in connection with the Spin-Off, including the transfer of assets and assumption of liabilities, and certain adjustments of existing CompoSecure awards, and establishes certain rights and obligations between Resolute Holdings and the Company following the Spin-Off, including procedures with respect to claims subject to indemnification, the exchange of information between Resolute Holdings and the Company, and tax and other matters. After the Spin-Off and execution of the Management Agreement, the Company and Resolute Holdings are under common control by Tungsten. Below is a summary of the significant agreements executed in connection with the Spin-Off.

Management Agreement

Resolute Holdings entered into the Management Agreement with Holdings pursuant to which Resolute Holdings is responsible for managing the day-to-day business and operations and overseeing the strategy of Holdings and its controlled affiliates. Pursuant to the Management Agreement, Holdings will pay Resolute Holdings a quarterly management fee (the "Management Fee"), payable in arrears, in a cash amount equal to 2.5% of Holdings' last 12 months' Adjusted EBITDA, measured for the period ending on the fiscal quarter then ended, as defined in the Management Agreement. Holdings is also required to reimburse Resolute Holdings and its affiliates for Resolute Holdings' documented costs and expenses incurred on behalf of Holdings other than those expenses related to Resolute Holdings' or its affiliates' personnel who provide services to Holdings under the Management Agreement. Resolute Holdings will determine, in its sole and absolute discretion, whether a cost or expense will be borne by Resolute Holdings or by Holdings and is reflected as part of the Company's earnings in equity method investment.

The Management Agreement has an initial term of 10 years and shall automatically renew for successive ten-year terms unless terminated in accordance with its terms. Resolute Holdings and Holdings may each terminate the Management Agreement upon the occurrence of certain other limited events, and in connection with certain of these limited events, Resolute Holdings has the right to require Holdings to pay a termination fee, which may be paid in cash, shares of the Company's common stock or a combination of cash and stock. The Management Agreement also provides for certain indemnification rights in Resolute Holdings' favor, as well as certain additional covenants, representations and warranties. Holdings has not paid any Management Fees to date, and Resolute Holdings expects that Holdings will commence paying the Management Fee in the second quarter of the fiscal year ending December 31, 2025, pro rata for the first quarter of the 2025 fiscal year. The Management Fee for the period from the Spin-Off to March 31, 2025 was $1,129 and was paid by Holdings subsequent to March 31, 2025.

Tax Agreement

Resolute Holdings entered into a U.S. State and Local Tax Sharing Agreement (the "Tax Sharing Agreement") with the Company that governs the respective rights, responsibilities, and obligations of the Company and Resolute Holdings after the Spin-Off with respect to certain state and local tax matters in jurisdictions and for taxable periods in which Resolute Holdings is required to file tax returns on a consolidated, combined, unitary or other group basis with the Company (the "Combined Returns"). Among other things, the Tax Sharing Agreement (i) allocates responsibility for the preparation and filing of the Combined Returns and the payment of taxes due in connection therewith, (ii) determines the appropriate allocation of any such tax liability between Resolute Holdings and the Company, (iii) requires compensation to be paid by the Company to Resolute Holdings to the extent the Company uses any tax attributes properly allocable to Resolute Holdings to offset taxes otherwise allocable to the Company and vice versa, (iv) allocates responsibility for the conduct of tax contests arising with respect to the

Combined Returns, and (v) ensures that the parties are aligned on cooperating and coordinating with respect to the Combined Returns.

Letter Agreement

Resolute Holdings entered into a Letter Agreement (the "Letter Agreement") with the Company pursuant to which the Company will (i) delegate by resolution of the Company's board of directors the authority to Resolute Holdings to approve issuances of the Company's equity for mergers, acquisitions and equity awards, (ii) issue the Company's equity pursuant to those delegations, (iii) make customary representations, warranties and covenants in connection with any acquisition, business combination transaction or other transaction that is intended to qualify in whole or in part as a tax-free for U.S. federal income tax purposes, and is entered into, in each case, in accordance with the Management Agreement and (iv) make filings and deliver notices in connection with the performance of Resolute Holdings' duties and obligations under the Management Agreement. The Letter Agreement is coterminous with the Management Agreement.

Consulting Agreements

On February 28, 2025, upon the completion of the Spin-Off and the transfer of his employment to Resolute Holdings, we entered into a consulting agreement with David M. Cote, under which Mr. Cote will be eligible to receive grants of restricted stock units or other equity incentive awards as determined by the Company and will remain eligible to vest in equity incentive awards previously granted by CompoSecure, in exchange for his provision of certain consulting and advisory services with respect to executing strategic corporate transactions and related activities, and such other similar services as reasonably requested by the Company. We also entered into a similar agreement with Mr. Knott.

Board Adviser Agreement

On February 28, 2025 and upon the completion of the Spin-Off, Roger Fradin resigned from the Company's board of directors for personal reasons and not as a result of any disagreement with management or any matter relating to the Company's operations, policies or practices. In connection with Mr. Fradin's resignation, the Company entered into a Board Adviser Agreement with Fradin Consulting LLC ("Fradin Consulting") and Resolute Holdings (the "Board Adviser Agreement"), effective as of the date of Mr. Fradin's resignation, for a period of 12 months subject to automatic renewal for 12-month periods unless earlier terminated in accordance therewith. Pursuant to the Board Adviser Agreement, Mr. Fradin, as the representative of Fradin Consulting, will provide advisory services to the Company's board of directors in exchange for which Fradin Consulting will receive an annual cash retainer fee of $50, payable quarterly in arrears, and Mr. Fradin, on behalf of Fradin Consulting, will be granted an annual award of options to purchase shares of the Company's common stock with a fair market value, as defined in the Third Amended and Restated CompoSecure, Inc. Non-Employee Director Compensation Policy, of $150.

Liquidity

The Company's primary sources of liquidity are its existing cash and cash equivalents balances and funding from its wholly-owned subsidiary, Holdings. Holdings' primary sources of liquidity are its existing cash and cash equivalents balances, cash flows from operations and borrowings on its term loan and revolving credit facility. The Company's primary cash requirements include limited operating expenses relating primarily to public company expenses such as D&O insurance, professional fees, payments to taxing authorities, payments related to the tax receivable agreement and stock exchange listing fees. The Company anticipates that its operations will continue to be funded by Holdings.

17. SUBSEQUENT EVENT

There are no subsequent events.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2024 filed with the SEC. In addition to historical consolidated financial information, the following discussion contains forward-looking statements that reflect the Company's plans, estimates and beliefs. The Company's actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere particularly in the sections titled "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" included in this Quarterly Report on Form 10-Q.

Overview

The Company, together with its wholly owned subsidiary, CompoSecure Holdings, L.L.C. ("Holdings") and its operating subsidiaries, creates innovative, highly differentiated and customized financial payment card products for banks and other payment card issuers to support and increase their customer acquisition, customer retention and organic customer spend. The Company's customers consist primarily of leading international and domestic banks and other payment card issuers primarily within the United States ("U.S."), with additional direct and indirect customers in Europe, Asia, Latin America, Canada, and the Middle East. The Company is a platform for next generation payment technology, security, and authentication solutions. The Company maintains trusted, highly-embedded and long-term customer relationships with an expanding set of global issuers. The Company has established a niche position in the financial payment card market through over 20 years of innovation and experience and is focused primarily on this attractive subsector of the financial technology market. The Company serves a diverse set of direct customers and indirect customers, including some of the largest issuers of credit cards in the U.S.

Recent Developments

On September 27, 2024, Resolute Holdings Management, Inc. ("Resolute Holdings") was created as a wholly owned subsidiary of to Holdings. On February 28, 2025, the Company completed the previously-announced spin-off (the "Spin-Off") of Resolute Holdings. In connection with the Spin-Off, Holdings entered into a management agreement (the "Management Agreement") pursuant to which Resolute Holdings provides management and other related services to Holdings in exchange for payment of quarterly management fees based on 2.5% of trailing twelve-month adjusted EBITDA. The Spin-Off of Resolute Holdings from the Company was achieved through the distribution of all outstanding shares of common stock, par value $0.0001 per share, of Resolute Holdings (the "Resolute Holdings Common Stock"), on a pro rata basis, to holders of record of the Company's Class A Common Stock, par value $0.0001 per share (the "CompoSecure Common Stock"). Each holder of record of CompoSecure Common Stock received one share of Resolute Holdings Common Stock for every twelve shares of CompoSecure Common Stock held on February 20, 2025, the record date for the Spin-Off. In lieu of fractional shares of Resolute Holdings Common Stock, holders of CompoSecure Common Stock received cash.

The distribution of shares in connection with the Spin-Off constituted an Extraordinary Dividend as defined in the agreement governing the Company's outstanding warrants (the "warrant agreement"). As a result, the warrant price was decreased from $11.50 per share of CompoSecure Common Stock to $7.97 per share of CompoSecure Common Stock, and the redemption trigger price was decreased from $18.00 per share of CompoSecure Common Stock to $14.47 per share of CompoSecure Common Stock, effective as of February 28, 2025.

By virtue of control of the board of managers of Holdings, the Company historically operated and controlled the business and affairs of Holdings and thus consolidated Holdings. As of February 28, 2025 and subsequent to the Spin-Off and execution of the Management Agreement, control of Holdings transferred to Resolute Holdings and the Company no longer consolidates Holdings. Rather, the Company accounts for the investment in Holdings as an equity method investment.

Economic Conditions - globally and in the digital asset marketplace

U.S. and international markets, and particularly the rapidly evolving digital assets industry, are experiencing uncertain and volatile economic conditions, including the war in Ukraine, the ongoing conflict in Israel, Gaza and the surrounding areas, sustained inflation, international trade restrictions and tariffs, threats or concerns of recession, and supply chain disruptions. These conditions make it extremely difficult for us and our suppliers to accurately forecast and plan future business activities. Additionally, a significant downturn in the domestic or global economy may cause our existing customers to pause or delay orders and prospective customers to defer new projects. Together, these circumstances create an environment in which it is challenging for us to predict future operating results. If these uncertain business, macroeconomic or political conditions continue or further decline, our business, financial condition and results of operations could be materially adversely affected.

In particular, a portion of the raw materials used by us to manufacture our products are obtained, directly or indirectly, from companies located outside of the United States. There is currently significant uncertainty about the future relationship between the U.S. and various other countries with respect to trade policies and tariffs. Recently, tariffs have been imposed on imports from certain countries outside of the United States. For example, the Trump administration has instituted substantial changes to U.S. foreign trade policy with respect to China and other countries, including a significant increase in tariffs on goods imported into the U.S., and has signaled possibly imposing further restrictions on international trade. As a result, further trade restrictions and/or tariffs may be forthcoming. Certain international trade agreements may also be at risk, as the current U.S. administration has voiced some opposition in respect thereof. These factors may stagnate the economy, impact relationships with and access to suppliers, increase the costs of certain raw materials we purchase, and/or materially and adversely affect our business, financial condition and results of operations. These and future tariffs, including any retaliatory tariffs that may be imposed by other countries on U.S. exports, as well as uncertainties surrounding domestic and foreign tariffs and any other global trade developments, bring with them uncertainty. We cannot predict future changes to imports covered by tariffs or which countries will be included or excluded from such tariffs. The reactions of other countries and resulting actions on the United States and similarly situated companies could negatively impact our business, financial condition and results of operations.

The Company’s Arculus platform offers a broad range of secure authentication and digital asset storage solutions and enables our consumer Arculus Cold Storage Wallet for digital assets. We believe consumers can achieve enhanced protection by controlling their private keys with a cold storage wallet, such as the Arculus Cold Storage Wallet. At the same time, this market cycle has created uncertainty in timing for our anticipated Arculus ramp up, as some of our partners and targets have been impacted. Therefore, we have been taking a measured approach to better target the timing of our investments to support near-term and long-term opportunities.

Key Components of Results of Operations

Overview

The below components of results of operations primarily relate to the operations of Holdings prior to the Spin-Off and when the Company consolidated the operating results of Holdings. Subsequent to the Spin-Off, the Company's operations are limited to non-revenue generating activities such as its stock market listing, compliance with public company reporting obligations, obligations under the tax receivable agreement and the earnout consideration.

Net Sales

Net sales reflect the Company's revenue generated primarily from the sale of its products. Product sales primarily include the design and manufacturing of metal cards, including contact and dual interface cards. The Company also generates revenue from the sale of Prelams (which refers to pre-laminated sub-assemblies consisting of a composite of material layers which are partially laminated to be used as a component in the multiple layers of a final payment card or other card construction). Net sales include the effect of discounts and allowances which consist primarily of volume-based rebates.

Cost of Sales

The Company's cost of sales includes the direct and indirect costs related to manufacturing products and providing related services. Product costs include the cost of raw materials and supplies, including various metals, EMV® chips, holograms, adhesives, magnetic stripes, and NFC assemblies; the cost of labor; equipment and facilities; operational overhead; depreciation and amortization; leases and rental charges; shipping and handling; and freight and insurance costs. Cost of sales can be impacted by many factors, including volume, operational efficiencies, procurement costs, and promotional activity.

Gross Profit and Gross Margin

The Company's gross profit represents its net sales less cost of sales, and its gross margin represents gross profit as a percentage of its net sales.

Operating Expenses

The Company's operating expenses are comprised of selling, general, and administrative expenses, which generally consist of personnel-related expenses for its corporate, executive, finance, information technology, and other administrative functions, expenses for outside professional services, including legal, audit and accounting services, as well as expenses for facilities, depreciation, amortization, travel, sales and marketing.

Income from Operations and Operating Margin

Income from operations consists of the Company's gross profit less its operating expenses. Operating margin is income from the Company's operations as a percentage of its net sales.

Other Expense, net

Other expense primarily consists of changes in fair value of warrant liability, earnout consideration liability and interest expense, net of any interest income.

Earnings in CompoSecure Holdings, L.L.C. Equity Method Investment

Earnings in CompoSecure Holdings, L.L.C. Equity Method Investment consists of the net income of CompoSecure Holdings, L.L.C. attributable to the Company resulting from the Company's equity method investment in CompoSecure Holdings, L.L.C.

Net Income

Net income consists of the Company's income from operations, less other expenses and income tax provision or benefit.

Factors Affecting the Company's Operating Results

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges. Please see the factors discussed elsewhere in this Quarterly

Report on Form 10-Q, including those discussed in “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements” for additional information.

Results of Operations

Three Months Ended March 31, 2025 compared with Three Months Ended March 31, 2024

The following table presents the Company's results of operations for the periods indicated:

	Three Months Ended March 31,			
	2025	2024	$ Change	% Change
	(in thousands)			
Net sales	$ 59,824	$ 104,010	$ (44,186)	(42 %)
Cost of sales	31,075	48,797	(17,722)	(36 %)
Gross profit	28,749	55,213	(26,464)	(48 %)
Operating expenses:				
Selling, general and administrative expenses	22,705	24,077	(1,372)	(6 %)
Income from operations	6,044	31,136	(25,092)	(81 %)
Other income (expense), net	27,608	(14,899)	42,507	(285 %)
Income before income taxes	33,652	16,237	17,415	107 %
Income tax (expense) benefit	(27,004)	836	(27,840)	(3330 %)
Net income before earnings in equity method investment	6,648	17,073	(10,425)	(61 %)
Earnings in equity method investment	14,844	—	14,844	100 %
Net income	21,492	17,073	4,419	26 %
Net income attributable to redeemable non-controlling interests	—	13,048	— (13,048)	(100 %)
Net income attributable to CompoSecure, Inc	$ 21,492	$ 4,025	$ 17,467	434 %

	Three Months Ended March 31,	
	2025	2024
Gross Margin	48 %	53 %
Operating margin	10 %	30 %

Net Sales

	Three Months Ended March 31,			
	2025	2024	$ Change	% Change
	(in thousands)			
Net sales by region				
Domestic	$ 54,480	$ 92,790	$ (38,310)	(41 %)
International	5,344	11,220	(5,876)	(52 %)
Total	$ 59,824	$ 104,010	$ (44,186)	(42 %)

The Company's net sales for the three months ended March 31, 2025 decreased by $44.2 million, or 42%, to $59.8 million compared to $104.0 million for the three months ended March 31, 2024. The decrease was driven by the deconsolidation of Holdings on February 28, 2025. Holdings generated $44.1 million of net sales from February 28, 2025 to March 31, 2025.

Domestic: The Company's domestic net sales for the three months ended March 31, 2025 decreased $38.3 million, or 41%, to $54.5 million compared to $92.8 million for the three months ended March 31, 2024. Holdings generated $35.1 million of domestic net sales from February 28, 2025 to March 31, 2025.

International: The Company's international net sales for the three months ended March 31, 2025 decreased $5.9 million , or 52%, to $5.3 million compared to $11.2 million for the three months ended March 31, 2024. The international customer base is comprised of a larger population of smaller customers relative to the domestic customer base. Holdings generated $9.0 million of international net sales from February 28, 2025 to March 31, 2025.

Gross Profit and Gross Margin

The Company's gross profit for the three months ended March 31, 2025 decreased $26.5 million, or 48%, to $28.7 million compared to $55.2 million for the three months ended March 31, 2024, while the gross profit margin decreased from 53% to 48%. The decrease in gross profit was primarily driven by the deconsolidation of Holdings as a result of the Spin-Off on February 28, 2025. Holdings generated $25.8 million of gross profit from February 28, 2025 to March 31, 2025. Gross margin declined as a result of inefficiencies associated with new card constructions.

Operating Expenses

The Company's operating expenses for the three months ended March 31, 2025 decreased $1.4 million, or 6%, to $22.7 million compared to $24.1 million for the three months ended March 31, 2024. The decrease was driven primarily by the deconsolidation of Holdings as a result of the Spin-Off on February 28, 2025. Holdings incurred $10.1 million of operating expenses from February 28, 2025 to March 31, 2025. Additionally, costs associated with employees and professional costs at Resolute Holdings prior to the Spin-Off and costs associated with the Spin-Off offset the decrease in operating expenses related to the deconsolidation and Spin-Off.

Income from Operations and Operating Margin

During the three months ended March 31, 2025, the Company had income from operations of $6.0 million compared to income from operations of $31.1 million for the three months ended March 31, 2024. The Company's operating margin for the three months ended March 31, 2025 decreased to 10% compared to 30% for the three months ended March 31, 2024. The decrease in income from operations and operating margin was driven primarily by the deconsolidation of Holdings as a result of the Spin-Off on February 28, 2025.

Other Income (Expense), Net

Other income for the three months ended March 31, 2025 was $27.6 million as compared to other expense of $14.9 million for the three months ended March 31, 2024. The change in other income (expense) was primarily due to changes in the fair value of earnout consideration liability, warrant liability and make-whole liability resulting in non-cash income of $29.2 million for the three months ended March 31, 2025, compared to an expense of $9.2 million for the three months ended March 31, 2024, as well as a decrease in net interest expense of $4.2 million resulting from the conversion of all Exchangeable Notes into shares of Class A Common Stock during the fourth quarter of 2024 and the deconsolidation of Holdings as a result of the Spin-Off on February 28, 2025. As a result of the deconsolidation, all debt and related interest was removed from the Company's financial position and results of operations.

Earnings in CompoSecure Holdings, L.L.C. Equity Method Investment

Earnings in CompoSecure Holdings, L.L.C. equity method investment consists of $14.8 million of net income of Holdings attributable to the Company. The equity method investment resulted from the deconsolidation associated with the Spin-Off and related Management Agreement. Refer to Note 5 in the consolidated financial statements for the results of our equity method investment.

Income Tax Expense (Benefit)

The Company's income tax expense for the three months ended March 31, 2025 was $27.0 million, compared to an income tax benefit of $0.8 million for the three months ended March 31, 2024. The increase in tax expense was primarily related to the taxable gain on appreciated property resulting from the Spin-Off.

Use of Non-GAAP Financial Measures

This Form 10-Q 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 non-GAAP earnings per share are useful to investors in evaluating the Company's financial performance.

Due to the Spin-Off of Resolute Holdings and the related Management Agreement, and the resulting shift to equity method accounting under GAAP beginning February 28, 2025, CompoSecure is presenting a broader set of non-GAAP measures, including Net Sales and Gross Profit on a consolidated basis, to provide investors with consistent, comparable financial information that better represents the underlying performance of the business across reporting periods.

The Company uses these non-GAAP measures internally to establish forecasts, budgets and operational goals to manage and monitor its business, as well as evaluate its underlying historical performance and measure incentive compensation. 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. We believe EBITDA and Adjusted EBITDA provide valuable insight into operational efficiency independent of capital structure and tax environment; Adjusted Net Income and Adjusted EPS offer investors a clearer view of ongoing profitability by excluding non-recurring and non-operational items. Additionally, the Company's debt agreements contain covenants based on variations 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 and non-GAAP earnings per share should not be considered as measures of financial performance under U.S. GAAP, and the items excluded from EBITDA, Adjusted EBITDA and non-GAAP earnings per share 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. These non-GAAP measures may be different from similarly titled non-GAAP measures used by other companies.

The following unaudited table presents the reconciliation of net income to EBITDA and Adjusted EBITDA for the three months ended March 31, 2025 and 2024.

	Three Months Ended March 31,	
	2025	**2024**
	(in thousands)	
Net income	$ 21,492	$ 17,073
Add:		
Depreciation and amortization (3)	2,273	2,221
Income tax expense (benefit)	27,004	(836)
Interest expense, net (1)(3)	2,421	5,746
EBITDA	$ 53,190	$ 24,204
Stock-based compensation expense (3)	5,720	4,397
Mark to market adjustments, net (2)	(29,151)	9,153
Spin-Off costs	5,019	—
Adjusted EBITDA	$ 34,778	$ 37,754

(1) Includes amortization of deferred financing costs for the three months ended March 31, 2025 and 2024.

(2) Includes the changes in fair value of warrant liability, derivative liabilities and earnout consideration liability for the three months ended March 31, 2025 and 2024.

(3) The presented adjustments include amounts related to both the Company and its equity method investment in Holdings.

The following unaudited table presents the non-GAAP earnings per share and reconciliation of GAAP net income to non-GAAP adjusted net income for the periods indicated below to reflect current and deferred income tax expenses. The below presentation does not include a full tax provision. The Company applies a blended tax rate to its income before taxes and to all adjustments. Additionally, the below table includes Class B shares to eliminate the impact of the Company's historical Up-C structure.

	Three Months Ended March 31,	
	2025	2024
	(in thousands)	
Basic:		
Net income	$ 21,492	$ 17,073
Add (less): Provision (benefit) for income taxes	27,004	(836)
Income before income taxes	48,496	16,237
Add (less): mark-to-market adjustments (1)	(29,151)	9,153
Add: stock-based compensation	5,720	4,397
Add: Spin-Off costs	5,019	—
Adjusted net income before tax	30,084	29,787
Income tax expense (2)	1,672	6,470
Adjusted net income	$ 28,412	$ 23,317
Common shares outstanding used in computing net income per share, basic:		
Class A and Class B common shares (3)	102,040	80,525
Adjusted net income per share - basic	$ 0.28	$ 0.29
Diluted:		
Adjusted net income	$ 28,412	$ 23,317
Add: Interest on Exchangeable Notes, net of tax	—	1,781
Adjusted net income used in computing net income per share, diluted (5)	$ 28,412	$ 25,098
Common shares outstanding used in computing net income per share, diluted:		
Warrants (4)	9,878	8,094
Exchangeable Notes (5)	—	13,000
Equity awards	3,533	2,710
Total shares outstanding used in computing net income per share - diluted (5)	115,451	104,329
Adjusted net income per share - diluted	$ 0.25	$ 0.24

1) Includes the changes in fair value of warrant liability, make-whole provision of Exchangeable Notes and earnout consideration liability.
2) *Reflects current and deferred income tax expenses. For the three months ended March 31, 2024 it was calculated using the Company's blended tax rate as if the Company did not have any non-controlling interest associated with its historical Up-C structure. For the three months ended March 31, 2025, it was calculated by applying the Company's blended tax rate to the presented adjustments and including the Company's provision less tax associated with a taxable gain from the distribution of appreciated property related to the Spin-Off.*
3) Assumes both Class A and Class B shares participate in earnings and are outstanding at the end of the period. There were no Class B shares outstanding as of March 31, 2025.
4) Assumes treasury stock method, valuation at assumed fair market value of $14.47 and $18.00 for the three months ended March 31, 2025 and 2024, respectively.
5) The Exchangeable Notes were included through the application of the "if-converted" method. Interest related to the Exchangeable Notes, net of tax was excluded from net income. No Exchangeable Notes were outstanding during the three months ended March 31, 2025.

Critical Accounting Policies and Estimates

Critical accounting policies are detailed in the Company's Annual Report on Form 10-K for the year ended December 31, 2024.

Recently Adopted Accounting Policies

Reference is made to Note 2 of Notes to Financial Statements - unaudited in Item 1, "Financial Statements," for information concerning recent accounting pronouncements since the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2024.

Liquidity and Capital Resources

CompoSecure, Inc's primary sources of liquidity are its existing cash and cash equivalents balances and funding from its wholly owned subsidiary, Holdings. Holdings primary sources of liquidity are its existing cash and cash equivalents balances, cash flows from operations and borrowings on its term loan and revolving credit facility. The Company's primary cash requirements include limited operating expenses relating primarily to public company expenses such as D&O insurance, professional fees, and stock exchange listing fees.

As of March 31, 2025, the Company had cash and cash equivalents of $9.5 million. As of December 31, 2024, the Company had cash and cash equivalents of $77.5 million and total debt principal outstanding of $197.5 million. The decrease in cash and cash equivalents and debt resulted from the adoption of equity method accounting presentation for Holdings on February 28, 2025 as a result of the Spin-Off and Management Agreement.

The Company believes that Holdings' cash flows from its operations and available cash and cash equivalents at March 31, 2025 of $9.5 million as well as its available $130.0 million under the 2024 Revolver, are sufficient to meet the liquidity needs of Holdings and the Company, including the repayment by Holdings of its outstanding debt, for at least the next 12 months. The Company anticipates that to the extent that Holdings requires additional liquidity, it will be funded through borrowings on its revolving credit facility, the incurrence of other indebtedness, or a combination thereof and/or offering of its shares in capital markets. The Company cannot be assured that it or Holdings will be able to obtain this additional liquidity on reasonable terms, or at all. Additionally, the liquidity of the Company and Holdings and their ability to meet their obligations and their capital requirements are also dependent on the future financial performance of Holdings, which is subject to general economic, financial and other factors that are beyond its control. Accordingly, the Company cannot be assured that Holdings will generate sufficient cash flows from operations or that future borrowings will be available from additional indebtedness or otherwise to meet the liquidity needs of the Company and Holdings. Although the Company has no specific current plans to do so, if the Company decides to pursue one or more significant acquisitions, the Company and/or Holdings may incur additional debt to finance such acquisitions.

Net Cash Provided by Operations

Cash provided by the Company's operating activities for the three months ended March 31, 2025 was $3.0 million as compared to cash provided by its operating activities of $33.8 million during the three months ended March 31, 2024. The decrease in cash provided by operating activities of $(30.7) million was primarily attributable to a favorable changes in mark to market fair values of $38.3 million and equity in net income of Holdings of $14.8 million. These decreases were partially offset by an increase in net income of $4.4 million and an increase in working capital of $19.6 million.

Net Cash Used in Investing

Cash used in the Company's investing activities for the three months ended March 31, 2025 was $60.7 million, primarily related to cash and cash equivalents that were deconsolidated as a result of the Spin-Off, compared to cash used in investing activities for the three months ended March 31, 2024 of $1.6 million.

Net Cash Used in Financing

Cash used in the Company's financing activities for the three months ended March 31, 2025 was $10.3 million, compared to cash used in the Company's financing activities for the three months ended March 31, 2024 of $18.2 million. Cash used in financing activities for the three months ended March 31, 2025 primarily related to $15.3 million of payments for taxes related to net share settlement of equity awards, offset by proceeds from the exercise of warrants of $4.9 million. Cash used in financing activities for the three months ended March 31, 2024 primarily related to distributions to non-controlling interest holders of $10.2 million, repayment of scheduled principal payments of the 2024 Term Loan of $4.7 million, and payments for taxes related to net share settlement of equity awards of $3.5 million. This was partially offset by proceeds of $0.1 million pursuant to the exercise of equity awards and issuance of shares for ESPP transactions.

Contractual Obligations

A summary of the minimum contractual obligations of the Company and Holdings relating to our material outstanding contractual commitments is included in Notes 7, 8 and 16 of our Annual Report on Form 10-K for the year ended December 31, 2024 as filed with the SEC. Our long-term contractual obligations include commitments and estimated purchase obligations entered into in the normal course of business.

Financing

Holdings is party to the 2024 Credit Facility with various banks. For more information on the 2024 Credit Facility, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 6 to the Company's financial statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2025, filed with the SEC on March 5, 2025.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

In addition to existing cash balances and cash provided by operating activities of Holdings, Holdings uses variable rate debt to finance its operations. Holdings is exposed to interest rate risk on these debt obligations and a related interest rate swap agreement. As of March 31, 2025, Holdings had $195 million in debt outstanding under the 2024 Credit Facility, all of which was variable rate debt.

The Company performed a sensitivity analysis based on the principal amount of Holdings debt outstanding as of March 31, 2025, as well as the effect of the Holdings interest rate swap agreement. In this sensitivity analysis, the change in interest rates is assumed to be applicable for an entire year. An increase or decrease of 100 basis points in the applicable interest rate would cause an increase or decrease in interest expense of approximately $4.0 million on an annual basis.

On January 11, 2022, Holdings entered into an interest rate swap agreement to hedge forecasted interest rate payments on its variable rate debt. As of March 31, 2025, Holdings had the following interest rate swap agreements (in thousands):

Effective Dates	Notional Amount	Fixed Rate
	($ in thousands)	
December 5, 2023 through December 22, 2025	$ 125,000	1.90 %

Under the terms of the interest rate swap agreement, Holdings receives payments based on the greater of 1-month SOFR rate or a minimum of 1.00%.

Holdings has designated the interest rate swap as a cash flow hedge for accounting purposes that was determined to be effective. Holdings reflects the unrealized changes in fair value of the interest rate swap at each reporting period in other comprehensive income and a derivative asset or liability is recognized at each reporting period in the its financial statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We designed our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Under the supervision of and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures as of March 31, 2025. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures as of March 31, 2025 were functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosures.

A control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. We do not expect that our disclosure controls and procedures or our internal control over financial reporting are able to prevent with certainty all errors and all fraud.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended March 31, 2025 which have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

As of May 07, 2025, the Company was not a party to, nor were any of its properties the subject of, any material pending legal proceedings, other than ordinary routine claims incidental to the business.

Item 1A. Risk Factors

Summary of Risk Factors

An investment in our securities involves substantial risk. The occurrence of one or more of the events or circumstances described in the section entitled "Risk Factors," alone or in combination with other events or circumstances, may have a material adverse effect on our business, cash flows, financial condition and results of operations. Important factors and risks that could cause actual results to differ materially from those in the forward-looking statements include, among others, the following:

- Risks Related to our Business
  - Rapidly evolving domestic and global economic conditions are beyond our control and could materially adversely affect our business, operations, and results of operations.
  - Failure to retain existing customers or identify and attract new customers could adversely affect our business, financial condition and results of operations.
  - Any failure by us to identify, manage, integrate and complete acquisitions and other significant transactions successfully could harm our financial results, business and prospects.
  - Data and security breaches could compromise our systems and confidential information, cause reputational and financial damage, and increase risks of litigation, which could adversely affect our business, financial condition and results of operations.
  - System outages, data loss or other interruptions affecting our operations could adversely affect our business and reputation.
  - We may not be able to recruit, retain and develop qualified personnel, including for areas of newer specialized technology which could adversely affect our ability to grow our business.
  - Our future growth may depend upon our ability to develop and commercialize new products, and we may be unable to introduce new products and services in a timely manner.
  - A disruption in our operations or supply chain or the performance of our suppliers and/or development partners could adversely affect our business and financial results.
  - We have limited experience in the digital assets industry and may not succeed in fully commercializing the products and solutions derived from the Arculus technology.
  - Security markets, including the market for authentication solutions, are rapidly evolving to address increasing and challenging cyber threats, including identity theft, and the Company's Arculus Authenticate solutions may not achieve widespread market acceptance.
  - Production quality and manufacturing process disruptions could adversely affect our business.
- Risks Related to the Tungsten Transaction
  - We are a controlled company following the completion of the Tungsten Transaction, and are subject to the significant influence of Tungsten, which may result in conflicts of interest and limit the governance protections available to other shareholders.
- Risks Related to Management Agreement
  - Our reliance on Resolute Holdings for management services under the Management Agreement exposes us to risks including those related to Resolute Holdings' substantial influence over our business, operations, and strategy.
- Risks Related to our Indebtedness
  - Our indebtedness may limit our operating flexibility.

- Upon the occurrence of an event of default in our credit facility, the lenders could elect to accelerate payments due and terminate all commitments to extend further credit.
- The debt outstanding under the Company's existing credit facility has a variable rate of interest that is currently based on the Secured Overnight Financing Rate ("SOFR"). These rates may have consequences that cannot be reasonably predicted and may increase the Company's cost of borrowing in the future.

- Risks Related to the ownership of our Securities
  - Our only significant asset is our ownership of Holdings. If the business of Holdings is not profitably operated, Holdings may be unable to make distributions to enable us to satisfy our financial obligations.
  - Provisions in our charter (the "Charter") and Delaware law may inhibit a takeover of us, which could limit the price investors might be willing to pay in the future for our common stock and could entrench management.
  - As an "emerging growth company," we cannot be certain if the reduced disclosure requirements applicable to "emerging growth companies" will make our common stock less attractive to investors.
  - If our performance does not meet market expectations, the price of our securities may decline.
  - The warrants, each of which entitles the registered holder to purchase one share of the Company's Class A Common Stock at a price of $7.97 per share (as adjusted effective February 28, 2025) (the "Warrants") may not remain in the money, and they may expire worthless.

Investing in our securities involves risks. Before you make a decision to buy our securities, in addition to the risks and uncertainties discussed above under "Cautionary Note Regarding Forward-Looking Statements," you should carefully consider the specific risks set forth herein. If any of these risks actually occur, it may materially harm our business, financial condition, liquidity and results of operations. As a result, the market price of our securities could decline, and you could lose all or part of your investment. Additionally, the risks and uncertainties described in this report, or in any document incorporated by reference herein, are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may become material and adversely affect our business.

Risks Related to Our Business

Rapidly evolving domestic and global economic conditions are beyond our control and could materially adversely affect our business, operations, and results of operations.

U.S. and international markets and, in particular, the rapidly evolving digital assets industry, are experiencing uncertain and volatile economic conditions, including from the after-effects of the COVID-19 pandemic, the war in Ukraine, the conflict in Israel, Gaza and the surrounding areas, inflation, threats or concerns of recession, and supply chain disruptions. These conditions make it extremely difficult for us and our suppliers to accurately forecast and plan future business activities. Additionally, a significant downturn in the domestic or global economy may cause our existing customers to pause or delay orders and prospective customers to defer new projects. Together, these circumstances create an environment in which it is challenging for us to predict future operating results, particularly for our Arculus products and services. If these uncertain business, macroeconomic or political conditions continue or further decline, our business, financial condition and results of operations could be materially adversely affected.

We may not be able to sustain our revenue growth rate in the future.

We may not continue to achieve sales growth in the future and you should not consider our sales growth in fiscal 2024 as indicative of future performance. It is also possible that our growth rate may slow in future periods due to a number of factors, which may include slowing demand for our products, increased competition, decreasing growth of the overall market, or inability to engage and retain customers. If we are unable to maintain consistent sales or continue our sales growth, it may be difficult for us to maintain profitability.

Failure to retain existing customers or identify and attract new customers could adversely affect our business, financial condition and results of operations.

Our two largest customers are JPMorgan Chase and American Express. Together, these customers represented approximately 63% and 71% of our net sales for the years ended December 31, 2024 and 2023, respectively. Our ability to meet our customers' high-quality standards in a timely manner is critical to our business success. If we are unable to provide our products and services at high quality and in a timely manner, our customer relationships may be adversely affected, which could result in the loss of customers.

Our ability to maintain relationships with our customers or attract new customers may be affected by several factors beyond our control, including more attractive product offerings from our competitors, widespread industry disruptions (such as adverse crypto market disruptions, adoption or enactment of new legislation or agency rules and the outcomes of regulatory enforcement actions and other major litigation), pricing pressures or the financial health of these customers, many of whom operate in competitive businesses and depend on favorable macroeconomic conditions. In addition, we may also be limited in the products we can offer and the pricing we can receive for such products due to restrictions present in certain of our customer contracts, which may negatively impact our ability to retain existing customers or attract new customers. If we experience difficulty retaining customers and attracting new customers, our business, financial condition and results of operations may be materially and adversely affected.

Any failure by us to identify, manage, integrate and complete acquisitions and other significant transactions successfully could harm our financial results, business and prospects.

As part of our business strategy, we may from time to time seek to acquire businesses or interests in businesses, including non-controlling interests, or form joint ventures or create strategic alliances. The due diligence we undertake with respect to potential targets may not reveal or highlight all relevant facts that are necessary or helpful in evaluating the potential target, and we will incur expenses in connection with performing such due diligence whether or not an acquisition is ultimately completed. Whether we realize the anticipated benefits from such activities may depend, in part, upon the successful integration between the businesses involved, the performance and development of the underlying products, capabilities or technologies, our correct assessment of assumed liabilities and the management of the operations. Accordingly, our financial results could be adversely affected by unanticipated performance and liability issues, our failure to achieve synergies and other benefits we expected to obtain, transaction-related charges, amortization related to intangibles, and charges for impairment of long-term assets.

Our ability to realize the expected synergies and benefits of an acquisition may be subject to, among other things, our ability to complete the timely integration of operations and systems, standards, controls, procedures, policies and technologies, difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from the combination, and difficulties in managing the expanded operations of a significantly larger and more complex combined business.

Data and security breaches could compromise our systems and confidential information, cause reputational and financial damage, and increase risks of litigation, which could adversely affect our business, financial condition and results of operations.

Our information technology ("IT") infrastructure's ability to reliably and securely protect the sensitive confidential information of our customers, which include large financial institutions, is critical to our business. Security breaches have become more common across many industries. Cyber incidents have been increasing in sophistication and can include third parties gaining access to employee or customer data using stolen or inferred credentials, computer malware, viruses, spamming, phishing attacks, ransomware, card skimming code, and other deliberate attacks and attempts to gain unauthorized access. The occurrence of these types of incidents in our computer networks, databases or facilities could lead to the inappropriate use or disclosure of personal information, including sensitive personal information of customers and employees, which could harm our business and reputation, adversely affect consumers' confidence in our business and products, result in inquiries and fines or

penalties from regulatory or governmental authorities, cause a loss of customers, pose increased risks of lawsuits and subject us to potential financial losses.

Additionally, it is possible that unauthorized access to sensitive customer and business data may be obtained through inadequate use of security controls by our customers, suppliers or other vendors.

We have administrative, technical, and physical security measures in place, and we have policies and procedures in place to both evaluate the security protocols and practices of our vendors and to contractually require service providers to whom we disclose data to implement and maintain reasonable privacy and security measures. However, although cybersecurity remains a high priority, our activities and investment may not sufficiently protect our system or network against cyber threats, nor sufficiently prevent or limit the damage from any future security breaches. As these threats continue to evolve, we may be required to expend significant capital and other resources to protect against these security breaches or to alleviate problems caused by these breaches, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants, which could materially and adversely affect our business, financial condition and results of operations. Although we maintain cyber liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. Furthermore, any material breach of our security systems could harm our competitive position, result in a loss of customer trust and confidence, and cause us to incur significant costs to mitigate or remedy any damage resulting from system or network disruptions, whether caused by cyberattacks, security breaches or otherwise, which could ultimately adversely affect our business, financial condition and results of operations.

System outages, data loss or other interruptions affecting our operations could adversely affect our business and reputation.

The ability to efficiently execute and operate business functions and systems without interruption is critical to our business. A significant portion of the communication between our employees, customers, and suppliers rely upon our integrated and complex IT systems. We depend on the reliability of our IT infrastructure and software, and our ability to expand and innovate our technologies and technological processes in response to changing needs. A system outage or data loss or interruption could cause damage to our brand and reputation. Such operational interruptions could also cause us to become liable to third parties, including our customers. We must be able to protect our processing and other systems from interruption to successfully operate our business. In an effort to do so, we have taken preventative actions and adopted protective procedures to ensure the continuation of core business operations in the event that normal operations could not be performed because of events outside of our control. These actions and procedures taken and adopted by us may, however, insufficiently prevent or limit the damage from future disruptions, if any, and any such disruptions could adversely affect our business, financial condition and results of operations.

Disruptions at our primary production facility may adversely affect our business, results of operations and/or financial condition.

A substantial portion of our manufacturing capacity is located at our primary production facility. Any serious disruption at such facility could impair our ability to manufacture enough products to meet customer demand, and could increase our costs and expenses and adversely affect our revenues. Our other facilities may not have the requisite equipment or sufficient capacity, may have higher costs and expenses, or may experience significant delays to adequately increase production to satisfactorily meet our customers' expectations or requirements. Long-term production disruptions may cause our customers to modify their payment card programs to use plastic cards or to seek an alternative supply of metal cards. Any such production disruptions could adversely impact our business, financial condition and results of operations.

Our future growth may depend upon our ability to develop, introduce, manufacture and commercialize new products, which can be a lengthy and complex process. If we are unable to introduce new products and services in a timely manner, our business could be materially adversely affected.

The markets for our products and services are subject to technological changes, frequent introductions of new products and services and evolving industry standards. The process for developing innovative or technologically enhanced products can deplete time, money and resources, and requires the ability to accurately forecast technological, market and industry trends. For example, we have historically focused on the payment card industry, but we are a new entrant into the digital assets industry. In order to achieve successful technical execution of new products, we may need to undertake time-consuming and expensive research and development activities, which could negatively impact the servicing of our existing customers. We may also experience difficult market conditions, such as the recent widespread disruptions in the digital asset industry, that could delay or prevent the successful research and development, marketing launches and consumer deployment of such newly designed products, whereby we could incur significant additional cost and expense. If the products and solutions derived from the Arculus platform fail to gain market acceptance, our ability to achieve future growth could be significantly impaired. In addition, competitors may develop and commercialize competing products faster and more efficiently than we are able to do so, which could further negatively impact our business.

Our product and service offerings could be rendered obsolete if we are unable to develop and introduce innovative products in a cost-effective and timely manner. In particular, the rise in the adoption of wireless or mobile payment systems may make physical metal cards less attractive as a method of payment, which could result in less demand for these products. Although to date we have not witnessed a material reduction in card-based payments in the United States resulting from the emergence of wireless or mobile payment systems, such payment systems offer consumers an alternative method to make purchases without the need to carry a physical card by relaying on cellular telephones or other technological products to make payments. If these wireless or mobile payment systems are widely adopted, it could result in a reduction of the number of physical payment cards issued to consumers. Moreover, other developing or unforeseen technology solutions and products could render our existing products unpopular, irrelevant or obsolete altogether.

Our ability to develop and deliver new products and services successfully will depend on various factors, including our ability to: effectively identify and capitalize upon opportunities in new and emerging product markets; invest resources in innovation and research and development; develop and implement new processes for the manufacture or offer of new products or services; complete and introduce new products and integrated services solutions in a timely manner; license any required third-party technology or intellectual property rights; qualify for and obtain required industry certification for our products; and retain and hire talent experienced in developing new products and services. Our business and growth also depend in part on the success of our strategic relationships with third parties, including technology partners or other technology companies whose products are integrated with our products. Failure of any of these technology companies to maintain, support or secure their technology platforms in general, and our integrations in particular, or errors or defects in their technologies or products, could adversely affect our relationships with customers, damage our brand and reputation, and could adversely affect our business, financial condition and results of operations.

Our ability to enhance our existing products and to develop and introduce innovative new products that continue to meet the needs of our customers may affect our future success. We may experience difficulties that could delay or prevent the successful development, marketing or deployment of these products, or our newly enhanced services may not meet market demands or achieve market traction. Our potential failure to complete or gain market acceptance of new products, services and technologies could adversely affect our ability to retain existing customers or attract new ones.

A disruption in our operations or supply chain or the performance of our suppliers, liquidity partners and/or development partners could adversely affect our business and financial results.

As a company engaged in manufacturing and distribution, we are subject to the risks inherent in such activities, including disruptions or delays in supply chain or information technology, product quality control, as well as other external factors over which we have no control. Some of the key components used in the manufacture of our products are metals, NFC-enabled chips and EMV chips, which we source from several key suppliers. We obtain our components from multiple suppliers located in the United States and abroad, on a purchase order basis. Changes in the financial or business condition of our suppliers and/or development partners could subject us to losses or adversely affect our ability to bring products to market. Additionally, the failure of our suppliers and/or development partners to comply with applicable standards, perform as expected, and deliver goods and services in a timely

manner in sufficient quantities could adversely affect our customer service levels and overall business. Any increases in the costs of goods and services for our business may also adversely affect our profit margins particularly if we are unable to achieve higher price increases or otherwise increase cost or operational efficiencies to offset the higher costs.

Additionally, we partner with third-party providers to offer certain Arculus-related services to our customers. If any of these third parties experiences operational interference or disruptions, fails to perform its obligations and meet our expectations, experiences a cybersecurity incident, fails to comply with applicable regulatory and/or licensing requirements which may evolve over time, or is subject to regulatory enforcement proceedings concerning their operations, the operations of the Arculus solutions could be disrupted or otherwise adversely affected.

Security markets, including the market for authentication solutions, are rapidly evolving to address increasing and challenging cyber threats, including identity theft, and the Company's Arculus Authenticate solutions may not achieve widespread market acceptance. In addition, there is a risk that the Arculus Authenticate solutions may not provide protection against all or a sufficient amount of the ever-changing security vulnerabilities, exploits or cyber attacks.

Cybersecurity markets are experiencing significant and fast-paced technological change, evolving industry standards and customer needs. The Company's Arculus Authenticate solutions represent a new and innovative approach to identity protection, and may not achieve widespread market acceptance. Other methods, technologies, products or services may offer similar or better authentication solutions than our hardware authentication solutions. If the Company is unable to adapt to such changes, our ability to compete effectively may be adversely impacted, which could have a negative effect on our business, financial condition or results of operations. In addition, there is a risk that the Arculus Authenticate solutions may not provide protection against all or a sufficient amount of the ever-changing security vulnerabilities, exploits or cyber attacks. Internal and external factors, including possible defects in the Company's products, or system failures in services provided by third parties for use with Arculus Authenticate solutions, could cause the Company's products and/or services to become vulnerable to security attacks which could result in the loss of identity protection for businesses and consumers. As the Arculus Authenticate solutions include hardware tokens which are expected to be replaced from time to time as needed (similar to payment cards), the Company does not intend to provide remote updates or upgrades to its hardware products. There is, therefore, a risk that the Company's hardware authentication products could become ineffective against evolving cybersecurity threats. Any such developments, real or perceived, may have a negative impact on our reputation, which could have a negative effect upon our business, financial condition or results of operations.

Digital asset storage systems, such as the Arculus Cold Storage Wallet, are subject to potential illegal misuse, risks related to a loss of funds due to theft of digital assets, security and cybersecurity risks, system failures and other operational issues, which could cause damage to our reputation and brand.

Digital assets have the potential to be used for financial crimes or other illegal activities. Even if we comply with all laws and regulations, we have no ability to ensure that our customers, partners or others to whom we license or sell our products and services comply with all laws and regulations applicable to them and their transactions. Any negative publicity we receive regarding any allegations of unlawful uses of the Arculus Cold Storage Wallet could damage our reputation and such damage could be material and adverse, including to aspects of our business that are unrelated to the Arculus platform. More generally, any negative publicity regarding unlawful uses of digital assets in the marketplace could materially reduce the demand for our products and solutions derived from the Arculus platform.

The Arculus Cold Storage Wallet uses an architecture where the private keys needed to access digital assets are stored outside of the Internet. Through the use of the Arculus Cold Storage Wallet, our three-factor authentication technology may be able to increase the safety of users' assets during storage, as compared to storing such digital assets in a hot storage wallet, which is constantly connected to the internet. Further, digital assets are controllable only by the possessor of both the unique public and private keys relating to the local or online digital wallet in which they are held, which wallet's public key or address is reflected in the public network. There is no guarantee that these security measures or any that we may develop in the future will be effective. Notwithstanding the increased security of the Arculus Cold Storage Wallet as compared to a hot storage wallet system, any loss of

private keys, or hack or other compromise or failure of, the Arculus Cold Storage Wallet and its security features could materially and adversely affect our customers' ability to access or sell their digital assets and could cause significant reputational harm to our Arculus Cold Storage Wallet business, which could have a material adverse effect on our business, financial condition and results of operations.

Regulatory changes or actions may restrict the use of the Arculus Cold Storage Wallet or digital assets in a manner that adversely affects our business, prospects or operations.

Regulatory uncertainty surrounding the digital asset environment, and the regulatory classification of such digital assets

As digital assets have grown in both popularity and market size, the regulatory approach by governments worldwide has varied significantly, with some deeming them illegal and others permitting their use and trade under specified conditions. Currently, there is no uniformly applicable legal or regulatory regime governing digital assets in most jurisdictions, including in the U.S.

The occurrence of adverse market events, such as bankruptcies of prominent digital asset entities (like the FTX bankruptcy), may increase regulatory scrutiny and may prompt new compliance requirements that could adversely affect our ability to develop and offer digital asset-related services and products, such as the Arculus Cold Storage Wallet, or impose significant costs on the Company.

In the U.S., the legal and regulatory landscape applicable to digital assets remains uncertain, with overlapping authority existing between and among various U.S. federal agencies, including the CFTC and SEC. This regulatory overlap contributes to ongoing legal and regulatory ambiguity, particularly concerning whether and, if so, when certain transactions in digital assets constitute transactions in securities.

U.S. regulators, courts and lawmakers alike are grappling with these questions, and the legal landscape remains uncertain.

While the SEC has brought multiple enforcement actions against digital asset projects, including trading platforms that the SEC believes were operating, among other things, as unregistered exchanges, thus far, such cases have not provided any additional clarity in the U.S. with respect to the regulation of digital assets, including questions concerning the very application of the U.S. federal securities laws to digital assets and digital asset-related activities, including in the secondary trading market. Several of such recent SEC enforcement actions have been court cases, and to the extent that courts have rendered opinions concerning any such enforcement actions, those opinions, and the reasoning in support of them, have not necessarily been consistent with one another. In addition, although the SEC recently has agreed to dismiss or otherwise pause several high-profile digital asset-related enforcement actions, in addition to closing certain previously announced investigations, this shift in approach has not resolved uncertainty concerning the application of the U.S. federal securities laws to digital assets and digital asset market participants.

While actions taken by President Trump and certain U.S. federal regulators following Trump's January 2025 inauguration have appeared to signal the beginning of a much more favorable U.S. governmental approach to digital assets, legal and regulatory uncertainty remains, including concerning the regulatory characterization and treatment of various digital asset-related products, services, platforms, markets and activities, including NFTs, decentralized finance ("DeFi") and decentralized autonomous organizations ("DAOs"), all of which have drawn regulatory attention in recent years.

In particular, as a result of actions by private plaintiffs and regulators alike, under various theories of liability, among other things, DAOs have been characterized by certain plaintiffs as unincorporated associations or general partnerships, with some plaintiffs asserting that liability should be assigned to participants in DAO governance, while others have sought to establish joint and several liability for DAO members generally, including on negligence theories of liability. The terms "DeFi" and "DAO" may be interpreted broadly to encompass a wide variety of projects, services and participants, and if a regulator or private plaintiff were to claim that Arculus is deemed to have participated in or facilitated DeFi- or DAO-related activities that were in violation of applicable law, there may be significant associated risks, including the potential for joint and several liability.

In addition to the U.S. regulatory questions before the courts, multiple Congressional digital asset-related bills have been published, including some with a focus on digital asset market structure. While multiple bills describe joint oversight by the SEC and CFTC over the digital assets markets and focus on market structure, at this time, it is unclear whether any of these bills ultimately will become law.

Moreover, given recent geopolitical conflict and instability, certain U.S. legislators and regulators have signaled heightened concerns about national security and the importance of "know your customer" ("KYC"), anti-money laundering ("AML"), counter financing of terrorism ("CFT") and sanctions checks and compliance, including concerns about potential use by certain terrorist groups of digital assets to fund their operations or evade U.S. sanctions. In addition to the introduction of potential digital asset-focused legislation in Congress aimed at addressing such concerns, regulators have focused on enforcement. In 2022 and 2023, OFAC sanctioned digital assets market participants alleged to have supported sanctioned countries and/or terrorist operations, and, in 2023, the U.S. Treasury's FinCEN, pursuant to seldom-used powers granted to it under Section 311 of the USA PATRIOT Act, designated an entire class of transactions, namely transactions associated with digital asset mixers, as being of primary money laundering concern. At present, as a result of litigation concerning the virtual currency mixer known as Tornado Cash, uncertainty exists concerning the ability of OFAC to impose sanctions in the digital asset space, particularly in the case of immutable smart contracts.

In addition, the U.S. Treasury, the IRS and other agencies also continue to propose new rules and guidance applicable to digital assets, such as regulations on tax information reporting and withholding obligations. In December 2024, the U.S. Treasury finalized a rule requiring digital asset brokers, including non-custodial brokers, to report additional user information, although such rule is the subject of ongoing litigation.

In addition to a lack of clarity at the U.S. federal level, the various U.S. states and the District of Columbia take a variety of differing approaches to digital asset regulation and legislation, which may not be consistent with the positions of other U.S. states or other jurisdictions, or with the U.S. federal government's approach. For that reason, even if the U.S. federal government under the Trump administration takes a more crypto-friendly stance to digital asset regulations, that does not necessarily mean that U.S. states or other jurisdictions will adopt a consistent or similar approach.

In sum, the U.S. federal regulators and courts, and various U.S. state and non-U.S. regulators, are still developing their frameworks for regulating digital assets. If we are found to have supported purchase and swap transactions in the Arculus Cold Storage Wallet for digital assets which subsequently are determined to be securities, it is possible that we could be viewed as inadvertently acting as an unlicensed broker-dealer which could subject us to, among other things, regulatory enforcement actions, censure, monetary fines, restrictions on the conduct of our Arculus activities and/or rescission/damages claims by customers who use the Arculus Cold Storage Wallet. Our failure to comply with applicable laws or regulations, or the costs associated with defending any action alleging our noncompliance with applicable laws or regulations, could materially and adversely affect us, our business and our results of operations.

Further, a particular digital asset's - or a transaction in a digital asset's - status as a "security" or other regulatory investment or the treatment of digital currency for tax purposes, in any relevant jurisdiction is subject to a high degree of uncertainty and potential inconsistency across regulatory regimes, and if we are unable to properly characterize a digital asset (or transaction in a digital asset) or assess our tax treatment, we may be subject to regulatory scrutiny, investigations, fines, and other penalties, which may adversely affect our business, operating results, and financial condition.

In order to determine whether a particular digital asset is a security (or whether transactions in such digital assets would constitute offers or sales of a security), prior to supporting purchase and swap transactions on the Arculus Cold Storage Wallet in such digital asset, we rely upon legal and regulatory analysis of legal counsel with expertise in the digital asset industry. While the methodology we have used, and expect to continue to use, to determine if purchase and swap transactions in a digital asset will be supported in the Arculus Cold Storage Wallet is ultimately a risk-based assessment, it does not preclude legal or regulatory action based on the presence of a security.

Because the Arculus Cold Storage Wallet may facilitate purchase and swap transactions in digital assets that could be classified as "securities," our business may be subject to additional risk because such digital assets are subject to heightened scrutiny, including under customer protection, anti-money laundering, counter terrorism financing and sanctions regulations. To the extent the Arculus Cold Storage Wallet supports purchase and swap transactions in any digital assets that are deemed to be securities under any of the laws of the U.S. or another jurisdiction, or in a proceeding in a court of law or otherwise, it may have adverse consequences. To counter such risks, we may have to remove Arculus Cold Storage Wallet support for purchase and swap transactions in certain digital assets if and when such digital assets (or transactions in such digital assets) are designated as securities, which could hurt sales of our Arculus products and services. Alternatively, we may be required to partner with third-party registered securities broker/dealers to facilitate securities trading by Arculus customers, and we may be unsuccessful in efforts to establish such a partnership.

In addition, we do not currently intend to effect or otherwise facilitate trading in securities by our Arculus customers through the use of our Arculus Cold Storage Wallet if such activities would require the use of a registered broker-dealer or investment adviser. Despite implementing policies and procedures to monitor compliance with relevant laws, with a goal of ensuring that our Arculus activities do not result in us inadvertently acting as an unregistered broker-dealer or investment advisor, we cannot assure that these measures will be completely effective. Should regulators challenge our stance regarding our non-obligations under various securities regulations, this could have a material and adverse impact on our operations. If we are found by relevant regulatory agencies to have inadvertently acted as an unregistered broker-dealer with respect to purchase and swap transactions in particular digital assets, we would expect to immediately cease supporting purchase and swap transactions in those digital assets unless and until either the digital asset at issue (or transaction in such digital asset) is determined by the SEC or a judicial ruling to not be a security, or we partner with a third-party registered broker-dealer or investment adviser, acquire a registered broker-dealer or investment adviser or register the Company as a securities broker-dealer or investment adviser, any of which we may elect not to do or may not be successful in doing. For any period of time during which we are found to have inadvertently acted as an unregistered broker-dealer or investment adviser, we could be subject to, among other things, regulatory enforcement actions, monetary fines, censure, restrictions on the conduct of our Arculus activities and/or rescission/damages claims by customers who use the Arculus Cold Storage Wallet. Our failure to comply with applicable laws or regulations, or the costs associated with defending any action alleging our noncompliance with applicable laws or regulations, could materially and adversely affect us, our business and our results of operations.

We believe the storage and peer-to-peer/send & receive functionality provided by the Arculus Cold Storage Wallet does not involve any purchase, sale or other transaction effected by us (or any party other than the sender and the recipient). Further, we are not compensated for such user-directed activities. However, regulators may determine that user-directed peer-to-peer transfers using the Arculus Cold Storage Wallet, or other Arculus-related activities would require registration and compliance with broker-dealer and/or securities exchange regulations.

Regulatory Risks of Operating as an Unregistered Exchange or as Part of an Unregistered Exchange Mechanism

Any venue that brings together purchasers and sellers of digital assets, where such digital assets or transactions in such digital assets are characterized as securities under the U.S. federal securities laws is generally subject to registration as a national securities exchange, or must qualify for an exemption, such as by being operated by a registered broker-dealer as an alternative trading system (or ATS). To the extent that any venue accessed via the Arculus Cold Storage Wallet is not so registered (or appropriately exempt), we may be unable to permit continued support for purchase and swap transactions for digital assets that become subject to characterization as securities and due to operation of an unregistered exchange or as part of an unregistered exchange mechanism, we could be subject to significant monetary penalties, censure or other actions that may have a material and adverse effect on us. While we do not believe that the Arculus Cold Storage Wallet, which facilitates purchase and swap transactions in certain digital assets, is itself a securities exchange or ATS or is part of an unregistered exchange mechanism, regulators may determine that this is the case, and we would then be required to register as a securities exchange or qualify and register as an ATS, either of which could cause us to discontinue our purchase and swap support for such digital assets or otherwise limit or modify Arculus Cold Storage Wallet functionality or access.

In September 2022, the SEC proposed a rule change concerning the definition of "exchange." Especially in light of the recent political developments in the U.S., it is not yet clear whether or in what form such proposed rule

change may be adopted. While, in a March 2025 speech, SEC Commissioner Mark Uyeda indicated, among other things, that he had asked SEC staff for options on abandoning the aspects of the proposed rule that would apply to digital assets, the fate of such proposed rule remains uncertain. Nevertheless, it remains possible that a change to the definition of "exchange" could result in regulators determining that the Arculus Cold Storage Wallet is functioning as a securities exchange or ATS or is part of an unregistered exchange mechanism, in which case, the potential registration requirements, or cessation, limitation or other modifications contemplated above could become necessary or advisable. Any such discontinuation, limitation or other modification could negatively affect our business, operating results, and financial condition.

Our inability to safeguard against misappropriation or infringement of our intellectual property may adversely affect our business.

Our patents, trade secrets and other intellectual property rights are critical to our business. Our ability to safeguard our proprietary product designs and production processes against misappropriation by third parties is necessary to maintain our competitive position within our industry. Therefore, we routinely enter into confidentiality agreements with our employees, consultants and strategic partners to limit access to, and distribution of, our proprietary information in an effort to safeguard our proprietary rights and trade secrets. However, such efforts may not adequately protect our intellectual property against infringement and misappropriation by unauthorized third parties. Such third parties could interfere with our relationships with customers if successful in attempts to misappropriate our proprietary information or copy our products designs, or portions thereof. Additionally, because some of our customers purchase products on a purchase order basis and not pursuant to a detailed written contract, where we do not have the benefit of written protections with respect to certain intellectual property terms beyond standard terms and conditions, we may be exposed to potential infringement of our intellectual property rights. Enforcing our intellectual property rights against unauthorized use may be expensive and cause us to incur significant costs, all of which could adversely affect our business, financial condition and results of operations. There is no assurance that our existing or future patents will not be challenged, invalidated or otherwise circumvented. The patents and intellectual property rights we obtain, including our intellectual property rights which are formally registered in the United States and abroad, may be insufficient to provide meaningful protection or commercial advantage. Moreover, we may have difficulty obtaining additional patents and other intellectual property protections in the future. Effective patent, trademark, service mark, copyright and trade secret protection may not be available in every country in which we provide our products or services. Any of the foregoing factors may have a material adverse effect on our business.

We may incur substantial costs because of litigation or other proceedings relating to patents and other intellectual property rights.

Companies in our industry have commenced litigation to properly protect their intellectual property rights. Any proceedings or litigation that we initiate to enforce our intellectual property rights, or any intellectual property litigation asserted against us, could be costly and divert the attention of managerial and other personnel and further, could result in an adverse judgement or other determination that could preclude us from enforcing our intellectual property rights or offering some of our products to our customers. Royalty or other payments arising in settlements could negatively impact our profit margins and financial results. If we are unable to successfully defend against claims that we have infringed the intellectual property rights of others, we may need to indemnify some customers and strategic partners related to allegations that our products infringe the intellectual property rights of others. Additionally, some of our customers, suppliers and licensors may not be obligated to indemnify us for the full costs and expenses of defending against infringement claims. We may also be required to defend against alleged infringement of the intellectual property rights of third parties because our products contain technologies properly sourced from suppliers or customers. We may be unable to determine in a timely manner or at all whether such intellectual property use infringes the rights of third parties. Any such litigation or other proceedings could adversely affect our business, financial condition and results of operations.

Production quality and manufacturing process disruptions could adversely affect our business.

Our products and our technological processes are highly complex, require specialized equipment to manufacture and are subject to strict tolerances and requirements. We have experienced in the past, and may experience in the future, production disruptions due to machinery or technology failures, or as a result of external factors such as delays or quality control issues regarding materials provided by our suppliers. Utilities interruption or other factors beyond our control like natural disasters may also cause production disruptions. Such disruptions can reduce product yields and product quality, or interrupt or halt production altogether. As a result, we may be required to deliver products at a lower quality level in a less timely or cost-effective manner, rework or replace products, or may not be able to deliver products at all. Any such event could adversely affect our business, financial condition and results of operations.

We are dependent on certain distribution partners for distribution of our products and services. A loss of distribution partners could adversely affect our business.

A small number of distribution partners currently deliver a significant percentage of our products and services to customers. We intend to continue devoting resources in support of our distribution partners, but there are no guarantees that these relationships will remain in place over the short-or long-term. In addition, we cannot be assured that any of these distribution partners will continue to generate current levels of customer demand. A loss of any of these distribution partners could have a material adverse effect on our business, financial condition and results of operations.

We face competition that may result in a loss of our market share and/or a decline in profitability.

Our industry is highly competitive and we expect it to remain highly competitive as competitors cut production costs, new product markets develop, and other competitors attempt to enter the markets in which we operate or new markets in which we may enter. Some of our existing competitors have more sales, greater marketing, more specialized manufacturing, and highly efficient distribution processes. We may also face competition from new competitors that may enter our industry or specific product market. Such current or new competitors may develop technologies, processes or products that are better suited to succeed in the marketplace as a result of enhanced features and functionality at lower costs, particularly as technological sophistication of such competitors and the size of the market increase. These factors could lower our average selling prices and reduce gross margins. If we cannot sufficiently reduce our production costs or develop innovative technologies or products, we may not be able to compete effectively in our product markets and maintain market share, which could adversely affect our business, financial condition and results of operations.

Our failure to operate our business in compliance with the security standards of the payment card industry or other industry standards applicable to our customers, such as payment networks certification standards, could adversely affect our business.

Many of our customers issue their cards on the payment networks that are subject to the security standards of the payment card industry or other standards and criteria relating to product specifications and supplier facility physical and logical security that we must satisfy in order to be eligible to supply products and services to such customers. Our contractual arrangements with our customers may be terminated if we fail to comply with these standards and criteria.

We make significant investments in our facilities in order to meet these industry standards, including investments required to satisfy changes adopted from time to time in industry standards. We may become ineligible to provide products and services to our customers if we are unable to continue to meet these standards. Many of the products we produce and services we provide are subject to certification with one or more of the payment networks. We may lose the ability to produce cards for or provide services to banks issuing credit or debit cards on the payment networks if we were to lose our certification from one or more of the payment networks or payment card industry certification for one or more of our facilities. If we are not able to produce cards for or provide services to any or all of the issuers issuing debit or credit cards on such payment networks, we could lose a substantial number of our customers, which could have a material adverse effect on our business, financial condition and results of operations.

As consumers and businesses spend less, our business, operation outcomes, and financial state may be adversely affected.

Companies that rely heavily on consumer and business spending are exposed to changing economic conditions and are impacted by changes in consumer confidence, consumer spending, discretionary income levels or consumer purchasing habits. A continuous decline in general economic conditions, particularly in the United States, or increases in interest rates, may reduce demand for our products, which could negatively impact our sales. An economic downturn could cause credit card issuers to switch card programs to plastic cards, seek lower-priced metal hybrid card suppliers, reduce credit limits, close accounts, and become more selective with respect to whom they issue credit cards. Such conditions and potential outcomes could adversely affect our financial performance, business, and results of operations.

Product liability and warranty claims and their associated costs may adversely affect our business.

The nature of our products is highly complex. As a result, we cannot guarantee that defects will not occur from time to time. We may incur extensive costs as a result of these defects and any resulting claims. For example, product recalls, writing down defective inventory, replacing defective items, lost sales or profits, and third-party claims can all give rise to costs incurred by us. We may also face liability for judgments and/or damages in connection with product liability and warranty claims. Damage to our reputation could occur if defective products are sold into the marketplace, which could result in further lost sales and profits. To the extent that we rely on purchase orders to govern our commercial relationships with our customers, we may not have specifically negotiated the allocation of risk for product liability obligations. Instead, we typically rely on warranties and limitations of liability included in our standard forms of order acceptance, invoice and other contract documents with our customers. Similarly, we obtain products and services from suppliers, some of which also use purchase order documents which may include limitations on product liability obligations with respect to their products and services. As a result, we may bear all or a significant portion of any product liability obligations rather than transferring this risk to our customers. Our reputation would be harmed and there could be a material adverse effect on our business, financial condition and results of operations if any of these risks materialize.

Our revenue and operations may be materially and adversely affected by tariffs and other restrictions on imported goods that have been, and may continue to be, imposed by the U.S. government.

A portion of the raw materials used by us to manufacture our products are obtained, directly or indirectly, from companies located outside of the United States. There is currently significant uncertainty about the future relationship between the U.S. and various other countries with respect to trade policies and tariffs. Recently, tariffs have been imposed on imports from certain countries outside of the United States. For example, the Trump administration has instituted substantial changes to U.S. foreign trade policy with respect to China and other countries, including a significant increase in tariffs on goods imported into the U.S., and has signaled possibly imposing further restrictions on international trade. As a result, further trade restrictions and/or tariffs may be forthcoming. Certain international trade agreements may also be at risk, as the current U.S. administration has voiced some opposition in respect thereof. These factors may stagnate the economy, impact relationships with and access to suppliers, increase the costs of certain raw materials we purchase, and/or materially and adversely affect our business, financial condition and results of operations. These and future tariffs, including any retaliatory tariffs that may be imposed by other countries on U.S. exports, as well as uncertainties surrounding domestic and foreign tariffs and any other global trade developments, bring with them uncertainty. We cannot predict future changes to imports covered by tariffs or which countries will be included or excluded from such tariffs. The reactions of other countries and resulting actions on the United States and similarly situated companies could negatively impact our business, financial condition and results of operations.

Our international sales subject us to additional risks that can adversely affect our business, operating results and financial condition.

During each of 2024 and 2023, we derived 18% of our revenue from sales to customers located outside the U.S. Our ability to convince customers to expand their use of our products or renew their agreements with us are directly correlated to our direct engagement with such customers. To the extent that we are unable to engage with non-U.S. customers effectively, we may be unable to grow sales to international customers to the same degree we have experienced in the past.

Our international operations subject the Company to a variety of risks and challenges, including:

- fluctuations in currency exchange rates and related effects on our operating results;
- general economic and geopolitical conditions, including wars, in each country or region;
- the impact of Brexit; reduction in billings, foreign currency exchange rates, and trade with the EU;
- the effects of a widespread outbreak of an illness or disease, or any other public health crisis, such as a resurgence of the COVID-19 pandemic, in each country or region;
- economic uncertainty around the world; and
- compliance with U.S. and foreign laws and regulations imposed by other countries on foreign operations, including the Foreign Corrupt Practices Act, the U.K. Bribery Act, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell our products in certain foreign markets, and the risks and costs of non-compliance.

For example, in response to the rapidly developing conflict between Russia and Ukraine, the United States has imposed and may further impose, and other countries may additionally impose, broad sanctions or other restrictive actions against governmental and other entities in Russia. We presently produce metal credit cards for a distributor that distributes such cards for resale by a Russian-based bank. While the existing sanctions do not currently prohibit the production and sale of our metal credit cards to this customer, additional sanctions may be imposed in the future that could prevent us from selling to this customer or other customers in the affected regions. Additionally, further escalation of geopolitical tensions could have a broader impact that extends into other markets where we do business. Any of these risks could adversely affect our international sales, reduce our international revenues or increase our operating costs, adversely affecting our business, financial condition and operating results.

We rely on licensing arrangements in production and other fields, and actions taken by any of our licensing partners could have a material adverse effect on our business.

Some of our products integrate third-party technologies that we license or otherwise obtain the right to use. We have entered into licensing agreements that provide access to technology owned by third parties. The terms of our licensing arrangements vary. These different terms could have a negative impact on our performance to the extent new or existing licensees demand a greater proportion of royalty revenues under our licensing arrangements. Additionally, such third parties may not continue to renew their licenses with us on similar terms or at all, which could negatively impact our net sales. If we are unable to continue to successfully renew these agreements, we may lose our access to certain technologies relied upon to develop certain of our products. The loss of access to those technologies, if not replaced with internally-developed or other licensed technology, could have a material adverse effect on our business and result of operations.

The adoption of new tax legislation could affect our financial performance.

We are subject to income and other taxes in the United States. Our effective tax rate in the future could be adversely affected by changes in tax laws. More generally, it is possible that U.S. federal income or other tax laws or the interpretation of tax laws will change. It is difficult to predict whether and when there will be tax law changes having a material adverse effect on our business, financial condition, results of operations and cash flows.

Pandemics or a resurgence of a pandemic may adversely affect our business, financial condition, liquidity or results of operations.

The COVID-19 pandemic negatively impacted certain aspects of our business and operations. The resurgence of the COVID-19 pandemic, or a future pandemic or health epidemic, could adversely affect our

business, financial condition, liquidity or results of operations. These adverse effects include, but are not limited to, the potential adverse effects on the global economy, our manufacturing processes, including our supply chain, or on our employees. The ultimate impact will depend on the severity and duration of the pandemic and actions taken by governmental authorities and other third parties in response, each of which is uncertain and difficult to predict.

Risks Related to the Resolute Holdings Management Agreement

Our business is managed for a fee by Resolute Holdings, which has substantial influence over our business, operations and strategy and upon which our business is heavily reliant.

Pursuant to the Management Agreement between Holdings and Resolute Holdings, Resolute Holdings exercises substantial influence over our business, including being responsible for, among other things: establishing and monitoring business objectives, financing activities and operating performance; selecting and overseeing the management team and their operating performance; reviewing and approving compensation and benefit plans, programs, policies and agreements, including with respect to any grants of equity awards to persons providing services; devising capital allocation strategies, plans and policies; setting budget parameters and expense guidelines and monitoring compliance therewith; identifying, analyzing and overseeing the consummation of business opportunities and potential acquisitions, dispositions and other business combinations; originating and recommending opportunities to form or acquire, and structuring and managing, any joint ventures; leading or overseeing negotiations with potential participants in any business opportunity under consideration and determining (or delegating to any officer of Holdings the decision to determine) if and when to proceed; engaging and supervising independent contractors and third-party service providers; reviewing and approving compensation and benefit plans, programs, policies and agreements; communicating with the holders of any securities (i) as required to satisfy any reporting and other requirements of any governmental authority having jurisdiction over Holdings and (ii) to maintain effective relations with such holders; overseeing all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) (other than with Resolute Holdings or its affiliates); counselling Holdings in connection with decisions required by Delaware law to be made by the Company's Board; and performing such other services from time to time in connection with the management of the business and affairs of Holdings and its activities as the Company's Board shall reasonably request and/or Resolute Holdings shall deem appropriate under the particular circumstances, in each case to the fullest extent permitted by Delaware law, federal securities laws, the Nasdaq listing rules and any other applicable rules and regulations.

Determinations by Resolute Holdings with respect to these matters will impact our day-to-day business and operations, our strategy, and the manner in which we present our results and operations to our stockholders, all of which may change at the discretion of Resolute Holdings. We have also delegated by resolution of the Company's Board authority to approve issuances of our equity for M&A and equity awards, and we have agreed to issue the Company's equity pursuant to those delegations, which could result in existing holders of our Class A Common Stock experiencing dilution.

The success of our business depends on the ability of Resolute Holdings to effectively manage our business and operations. We rely heavily on the skill and expertise of Resolute Holdings and its management team, particularly David Cote and Thomas Knott. The extent and nature of the experience of Mr. Cote, Mr. Knott and Resolute Holdings' other personnel and the nature of the relationships they have with external contacts, although not guarantees of positive results, are critical to the success of our business. Personnel of Resolute Holdings, including its directors and executive officers, can be replaced or added over time or be required to recuse themselves or otherwise be restricted from participating in their duties, which may impact Resolute Holdings' performance when managing our business and operations. Additionally, while we believe that Resolute Holdings has access to the resources, relationships, and expertise necessary to manage our business, there can be no assurance that such resources, relationships, and expertise will be available in the future.

The Management Agreement does not create a mutually exclusive relationship between Holdings and Resolute Management.

The Management Agreement and the obligations thereunder to provide Holdings with management services does not create a mutually exclusive relationship between Resolute Holdings, on the one hand, and any of the companies that Resolute Holdings manages, including Holdings, on the other. The allocation of Resolute Holdings' resources is within Resolute Holdings' sole discretion, and the resources of Resolute Holdings are not required to be,

nor are they, fully dedicated to our business and operations. Resolute Holdings is responsible for its own business activities and, as a result, not all of the business time of Resolute Holdings' personnel will be devoted to our business. Furthermore, we expect that Resolute Holdings will from time to time pursue new business activities, including the management of additional businesses. Accordingly, in addition to the management of Holdings, Resolute Holdings may alternatively focus its efforts on the business(es) of one or more of its other managed companies, the pursuit of additional management agreements with additional managed companies, other strategies, or a combination thereof, each of which could require Resolute Holdings to divert some of its personnel's time and attention away from the management of our business.

The Management Agreement may be terminated by Resolute Holdings or Holdings, and a termination fee may be payable in certain circumstances.

The Management Agreement has an initial term of 10 years, following which it will be subject to automatic renewal for successive 10-year periods. Resolute Holdings may terminate the Management Agreement for any reason upon 180 days' notice before the last day of the initial term or a renewal term, and no termination fee would be payable upon such termination. Each of Holdings and Resolute Holdings may terminate the Management Agreement upon the occurrence of certain other limited events, and in connection with certain of these limited events, Resolute Holdings has the right to require Holdings to pay a termination fee. The termination fee that may become payable by us in connection with these events could be significant and may have a material adverse effect on our results of operations, or if paid all or partially in shares of our Class A Common Stock, could result in significant dilution to the holders of our Class A Common Stock. We can offer no assurance that Resolute Holdings will continue to manage our business and provide services to us in the future or that we will continue to have access to Resolute Holdings' personnel. The loss of services or departure of one or more members of Resolute Holdings' management team could adversely affect our financial performance, business, and results of operations. See "Business — Recent Developments."

Resolute Holdings maintains a contractual as opposed to a fiduciary relationship with Holdings, and has limited liability under the Management Agreement for which they may be indemnified.

The Management Agreement does not impose on Resolute Holdings an express or implied fiduciary duty to Holdings, any of its controlled affiliates or any holders of equity or voting interests in Holdings or such controlled affiliates, and under the Management Agreement, Resolute Holdings does not assume any responsibility other than to render to Holdings the services called for thereunder in good faith. Under the terms of the Management Agreement, Resolute Holdings and its affiliates and their respective directors, officers, employees, managers, trustees, control persons, partners, stockholders and equity holders (collectively, the "Resolute Holdings Indemnified Parties") are not liable to Holdings, us or our stockholders for any acts or omissions performed in accordance with and pursuant to, or in furtherance of, the Management Agreement. Holdings has agreed to indemnify the Resolute Holdings Indemnified Parties with respect to all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (excluding certain limited documented and reasonable out-of-pocket expenses incurred in connection with investigating, preparing or defending any acts or omissions by Holdings or its officers, employees or affiliates performed in accordance with, pursuant to or in furtherance of the Management Agreement) arising from any acts or omissions performed in good faith in accordance with, pursuant to, or in furtherance of the Management Agreement and not constituting bad faith, fraud, willful misconduct, gross negligence or reckless disregard of duties, performed or not performed in good faith in accordance with and pursuant to the Management Agreement. Accordingly, under the management of Resolute Holdings, our business may experience poor performance or losses or incur expenses for which Resolute Holdings will not be liable.

We may have conflicts of interest with Resolute Holdings and its other affiliates.

In addition to providing management services to Holdings, Resolute Holdings may provide management services to other companies, including those that are in the same or similar lines of business as ours. Moreover, some of our executive officers and/or directors, including David Cote and Thomas Knott, are also executive officers and/or directors of Resolute Holdings and may serve in similar positions at other companies managed by Resolute Holdings. As a result, certain of our directors may have duties to Resolute Holdings which duties could conflict with the duties they owe to us, which could require them to recuse themselves from certain determinations, and could result in action or inaction that is detrimental to our business. In addition, we may from time to time have conflicts of interest with Resolute Holdings in its management of our business as operated through Holdings, which may arise

primarily from the involvement of Resolute Holdings and its affiliates in other activities that may conflict with our business, including conflicts between our business activities as operated through Holdings and the business activities of other companies managed by Resolute Holdings. Under the Management Agreement, Resolute Holdings and its affiliates are permitted to engage in such activities, and Resolute Holdings and its affiliates' engagement in such activities may not be favorable to us and may be contrary to our interests. These and other potential conflicts of interest between us and Resolute Holdings and its affiliates could have an adverse effect on the operation of our business.

Risks Related to the Tax Receivable Agreement

Our only significant asset is our ownership interest in Holdings, and such ownership may not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our Class A Common Stock or satisfy our other financial obligations, including our obligations under the Tax Receivable Agreement.

We have no direct operations and no significant assets other than our ownership interest in Holdings. We will depend on Holdings for distributions, loans and other payments to generate the funds necessary to meet our financial obligations, including our expenses as a publicly traded company, to pay any dividends with respect to our Class A Common Stock, and to satisfy our obligations under the Tax Receivable Agreement. The financial condition and operating requirements of Holdings may limit our ability to obtain cash from Holdings. The earnings from, or other available assets of, Holdings may not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our Class A Common Stock or satisfy our other financial obligations, including our obligations under the Tax Receivable Agreement.

We may be required to pay certain parties for most of the realized benefits relating to any additional tax depreciation or amortization deductions that we may claim.

In connection with the merger with Roman DBDR completed in December 2021 (the "Business Combination"), we entered into the Tax Receivable Agreement with Holdings and the TRA Parties (as defined therein). The Tax Receivable Agreement provides for the payment by us to certain TRA Parties of 90% of the benefits, if any, that we are deemed to realize (calculated using certain assumptions) as a result of (i) our allocable share of existing tax basis in the assets of Holdings and its subsidiaries acquired (A) in the Business Combination and (B) upon sales or exchanges of Holdings Units pursuant to the Exchange Agreement after the Business Combination, (ii) certain increases in tax basis that occurred as a result of (A) the Business Combination and (B) sales or exchanges of Holdings Units pursuant to the Exchange Agreement after the Business Combination, and (iii) certain other tax benefits, including tax benefits attributable to payments under the Tax Receivable Agreement. These tax attributes may increase (for tax purposes) our depreciation and amortization deductions and, therefore, may reduce the amount of tax that we would otherwise be required to pay in the future, although the IRS may challenge all or part of the validity of such tax attributes, and a court could sustain such a challenge. Such tax basis may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. Actual tax benefits realized by us may differ from tax benefits calculated under the Tax Receivable Agreement as a result of the use of certain assumptions in the Tax Receivable Agreement, including the use of an assumed weighted-average state and local income tax rate to calculate tax benefits. The payment obligations under the Tax Receivable Agreement are an obligation of ours, but not of Holdings. We expect to benefit from the remaining 10% of realized cash tax benefits. While the amount of existing tax basis, the anticipated tax basis adjustments, and the actual amount and utilization of tax attributes, as well as the amount and timing of any payments under the Tax Receivable Agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A Common Stock at the time of exchanges, and the amount and timing of our income, we expect that as a result of the size of the transfers and increases in the tax basis of the tangible and intangible assets of Holdings and our possible utilization of tax attributes, the payments that the Company may make under the Tax Receivable Agreement will be substantial.

In certain cases, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the Tax Receivable Agreement.

Our payment obligations under the Tax Receivable Agreement may be accelerated in the event of certain changes of control and will be accelerated in the event it elects to terminate the Tax Receivable Agreement early. The accelerated payments will relate to all relevant tax attributes that would subsequently be available to us. The accelerated payments required in such circumstances will be calculated by reference to the present value (at a discount rate equal to 15% per annum (as amended in September 2024) of all future payments that TRA Parties would have been entitled to receive under the Tax Receivable Agreement, and such accelerated payments and any other future payments under the Tax Receivable Agreement will utilize certain valuation assumptions, including that we will have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the Tax Receivable Agreement, as well as sufficient taxable income to fully utilize any remaining net operating losses subject to the Tax Receivable Agreement on a straight line basis over the shorter of the statutory expiration period for such net operating losses and the five-year period after the early termination or change of control. In addition, recipients of payments under the Tax Receivable Agreement will not reimburse us for any payments previously made under the Tax Receivable Agreement if such tax basis and our utilization of certain tax attributes is successfully challenged by the IRS (although any such detriment would be taken into account in future payments under the Tax Receivable Agreement). Our ability to achieve benefits from any existing tax basis, tax basis adjustments or other tax attributes, and the payments to be made under the Tax Receivable Agreement, will depend upon a number of factors, including the timing and amount of our future income. As a result, even in the absence of a change of control or an election to terminate the Tax Receivable Agreement, payments under the Tax Receivable Agreement could be in excess of 90% of our actual cash tax benefits.

Accordingly, it is possible that the actual cash tax benefits realized by us may be significantly less than the corresponding Tax Receivable Agreement payments or that payments under the Tax Receivable Agreement may be made years in advance of the actual realization, if any, of the anticipated future tax benefits. There may be a material negative effect on our liquidity if the payments under the Tax Receivable Agreement exceed the actual cash tax benefits that we realize in respect of the tax attributes subject to the Tax Receivable Agreement and/or payments to us by Holdings are not sufficient to permit us to make payments under the Tax Receivable Agreement after it has paid taxes and other expenses. We may need to incur additional indebtedness to finance payments under the Tax Receivable Agreement to the extent our cash resources are insufficient to meet our obligations under the Tax Receivable Agreement as a result of timing discrepancies or otherwise, and these obligations could have the effect of delaying, deferring, or preventing certain mergers, asset sales, other forms of business combinations, or other changes of control.

The acceleration of payments under the Tax Receivable Agreement in the case of certain changes of control may impair our ability to consummate change of control transactions or negatively impact the value received by owners of our Class A Common Stock.

In the case of certain changes of control, payments under the Tax Receivable Agreement may be accelerated and may significantly exceed the actual benefits we realize in respect of the tax attributes subject to the Tax Receivable Agreement. We expect that the payments that we may make under the Tax Receivable Agreement in the event of a change of control will be substantial. As a result, our accelerated payment obligations and/or the assumptions adopted under the Tax Receivable Agreement in the case of a change of control may impair our ability to consummate change of control transactions or negatively impact the value received by owners of our Class A Common Stock in a change of control transaction.

Risks Related to Our Indebtedness

We have a substantial amount of indebtedness, which may limit our operating flexibility and could adversely affect our business, financial condition and results of operations.

We had approximately $197.5 million of indebtedness as of December 31, 2024, consisting of amounts outstanding under our senior secured credit facility.

Our indebtedness could have important consequences to our investors, including, but not limited to:

- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to servicing debt, including interest payments and excess cash flow prepayment obligations;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

The interest rates in our credit facility are set based upon stated margins above the lender's base rate and the SOFR, an interest rate at which banks can borrow funds, which is subject to fluctuation. In addition, the interest rate margin applicable to our term loan and revolving loans can vary by one hundred (100) basis points depending on our total leverage ratio. An increase in interest rates would adversely affect our profitability.

Upon the occurrence of an event of default relating to our credit facility, the lenders could elect to accelerate payments due and terminate all commitments to extend further credit.

Under our credit facility, upon the occurrence of an event of default, the lenders will be able to elect to declare all amounts outstanding under the credit agreement to be immediately due and payable and terminate all commitments to lend additional funds. If we are unable to repay those amounts, the lenders under the credit agreement could proceed to foreclose against our collateral that secures that indebtedness. We have granted the lenders a security interest in substantially all of our assets.

The debt outstanding under our existing credit facility has a variable rate of interest that is based on the SOFR which may have consequences for us that cannot be reasonably predicted and may increase our cost of borrowing in the future.

On February 28, 2023, we amended our credit facility to transition from bearing interest based on London Interbank Offered Rate ("LIBOR") to SOFR. The future performance of SOFR cannot be predicted based on historical performance and the future level of SOFR may have little or no relation to historical levels of SOFR. Any patterns in market variable behaviors, such as correlations, may change in the future. Hypothetical or historical performance data are not indicative of, and have no bearing on, the potential performance of SOFR.

Our credit facility contains restrictive covenants that may impair our ability to conduct business.

Our credit facility contains operating covenants and financial covenants that may in each case limit management's discretion with respect to certain business matters. We must comply with a maximum senior secured leverage ratio and a minimum debt service coverage ratio. Among other things, these covenants restrict our and our subsidiaries' ability to grant additional liens, consolidate or merge with other entities, purchase or sell assets, declare dividends, incur additional debt, make advances, investments and loans, transact with affiliates, issue equity interests, modify organizational documents and engage in other business. As a result of these covenants and restrictions, we will be limited in how we conduct our business and we may be unable to raise additional debt or other financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. Failure to comply with such restrictive covenants may lead to default and acceleration under our credit facility and may impair our ability to conduct business. We may not be able to maintain compliance with these covenants in the future and, if we fail to do so, we may not be able to obtain waivers from the lenders and/or amend the covenants, which may result in foreclosure of our assets. See Note 6 of Notes to Consolidated Financial Statements in the Audited Consolidated Financial Statements of the Company in this report for additional information.

General Risks Related to Ownership of our Securities

Our only significant asset is our ownership of our subsidiaries' business. If the business of our subsidiaries is not profitably operated, they may be unable to make distributions to enable us to pay any dividends on our common stock or satisfy our other financial obligations.

CompoSecure, Inc. has no direct operations and no significant assets other than the ownership of its subsidiaries, which operate the Company's business. CompoSecure, Inc. depends on profits generated by its subsidiaries' business for debt repayment and other payments to generate the funds necessary to meet its financial obligations, including its expenses as a publicly traded company, to pay any dividends with respect to its capital stock and to make distributions. Legal and contractual restrictions in agreements governing the indebtedness of the Company or its subsidiaries, as well as their financial condition and operating requirements, may limit the ability of our subsidiaries to make distributions to the Company.

Provisions in our Charter and Delaware law may inhibit a takeover of us, which could limit the price investors might be willing to pay in the future for our Class A Common Stock and could entrench management.

Our Charter contains provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. These provisions include the classification of our Board and the ability of our Board to designate the terms of and issue new series of preferred shares, which may make the removal of management more difficult and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities.

In addition, while we have opted out of Section 203 of the DGCL, our Charter contains similar provisions providing that we may not engage in certain "business combinations" with any "interested stockholder" for a three-year period following the time that the stockholder became an interested stockholder, unless:

- prior to such time, our Board approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding certain shares; or
- at or subsequent to that time, the business combination is approved by our Board and by the affirmative vote of holders of at least two-thirds of our outstanding voting stock that is not owned by the interested stockholder.

These anti-takeover defenses could discourage, delay or prevent a transaction involving a change in control of the Company. These provisions could also discourage proxy contests and make it more difficult for public stockholders to elect directors of their choosing.

We may be unable to satisfy the Nasdaq Global Market listing requirements in the future, which could limit investors' ability to effect transactions in our securities and subject us to additional trading restrictions.

We may be unable to maintain the listing of our securities on the Nasdaq Global Market in the future. If our securities are delisted from the Nasdaq Global Market, there could be significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- a limited amount of news and analyst coverage about the Company; and
- a decreased ability to obtain capital or pursue acquisitions by issuing additional equity or convertible securities.

We incur significant costs and obligations as a result of being a public company.

As a public company, we incur significant legal, accounting, insurance and other expenses. These expenses will increase once we are no longer an "emerging growth company" as defined under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. In addition, new and changing laws, regulations and standards relating to corporate governance and public disclosure for public companies, including Dodd Frank, the Sarbanes-Oxley Act, regulations related thereto and the rules and regulations of the SEC and the Nasdaq Global Market, have increased the costs and the time that must be devoted to compliance matters.

For as long as we remain an "emerging growth company" as defined in the JOBS Act, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies." We may remain an "emerging growth company" for up to five years from the consummation of our initial public offering or until such earlier time that we have $1.23 billion or more in annual revenues, have more than $700.0 million in market value of our common stock held by non-affiliates, or issue more than $1.0 billion of non-convertible debt over a three-year period. To the extent we choose not to use exemptions from various reporting requirements under the JOBS Act, or if we no longer can be classified as an "emerging growth company," we expect that we will incur additional compliance costs, which will reduce our ability to operate profitably.

We are a "controlled company" within the meaning of the Nasdaq listing rules and, as a result, qualify for and rely on certain exemptions from certain corporate governance requirements.

Because Tungsten holds a majority of our Class A Common Stock and accordingly has the ability to control us, including the ability to control any action requiring the general approval of our stockholders, including the election of our Board, the adoption of amendments to our certificate of incorporation and bylaws and the approval of any merger or sale of all or substantially all of our assets, we are a "controlled company" under the Sarbanes-Oxley Act and the Nasdaq listing rules. A controlled company does not need its board of directors to have a majority of independent directors or to form an independent compensation or nominating and corporate governance committee. We currently comply with the requirements for a majority of independent directors; however our Board may from time to time elect to rely on the exemption from such requirement. As a controlled company, we will remain subject to rules of the Sarbanes-Oxley Act and the Nasdaq listing rules that require us to have an audit committee composed entirely of independent directors.

If at any time we cease to be a controlled company, we will take all actions necessary to comply with the Sarbanes-Oxley Act and the Nasdaq listing rules, including ensuring that we have a compensation committee and nominating and governance committee each composed entirely of independent directors, subject to a permitted "phase-in" period.

As an "emerging growth company," we cannot be certain if the reduced disclosure requirements applicable to "emerging growth companies" will make our securities less attractive to investors.

As an "emerging growth company," we take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including not being required to obtain an assessment of the effectiveness of our internal controls over financial reporting from our independent registered public accounting firm pursuant to Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and obtaining stockholder approval of any golden parachute payments not previously approved. In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards, which we have elected to do. We expect to cease to be an "emerging growth company" in 2025.

We cannot predict if investors will find our securities less attractive because we rely on these exemptions. If some investors find our securities less attractive as a result, there may be a less active market for our securities,

our share price may be more volatile and the price at which our securities trade could be less than if we did not use these exemptions.

If we do not properly maintain and implement all required accounting practices and policies, including new accounting practices and policies, as applicable, we may be unable to provide the financial information required of a United States publicly traded company in a timely and reliable manner.

We are required to implement and maintain the financial reporting and disclosure procedures and controls required of a United States publicly traded company. If we fail to properly maintain and implement all required accounting practices and policies, including new accounting practices and policies, as applicable, or maintain effective internal controls and procedures and disclosure procedures and controls, we may be unable to provide financial information and required SEC reports that are timely and reliable. Any such delays or deficiencies could harm us, including by limiting our ability to obtain financing, either in the public capital markets or from private sources or by damaging our reputation, which in either case, could impede our ability to implement our growth strategy. In addition, any such delays or deficiencies could result in our failure to meet the requirements for continued listing of our securities on the Nasdaq Global Market.

If our operating performance does not meet market expectations, the price of our securities may decline.

The trading price of our securities could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond our control. Fluctuations in the price of our securities could result in the loss of all or part of your investment. Any of the factors listed below could have a material adverse effect on your investment in our securities and our securities may trade at prices significantly below the price you paid for them.

Factors affecting the trading price of our securities may include:

- actual or anticipated fluctuations in our quarterly financial results or the quarterly financial results of companies perceived to be similar to us;
- changes in the market's expectations about our operating results;
- success of competitors;
- our operating results failing to meet market expectations in a particular period;
- our reliance on Resolute Holdings for management services under the Management Agreement exposes us to risks related to their substantial influence over our business, operations, and strategy;
- changes in financial estimates and recommendations by securities analysts concerning us or the financial payment card and digital asset industries and markets in general;
- operating and stock price performance of other companies that investors deem comparable to us;
- our ability to market new and innovative products on a timely basis;
- changes in laws and regulations affecting our business;
- commencement of, or involvement in, litigation involving us;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of shares of our securities available for public sale;

- any significant change in our board or management;
- sales of substantial amounts of our securities by our directors, executive officers or significant stockholders or the perception that such sales could occur; and
- general economic and political conditions such as recessions, interest rates, fuel prices, international currency fluctuations and acts of war or terrorism.

Broad market and industry factors may depress the market price of our securities irrespective of our operating performance. The stock market in general and the Nasdaq Global Market have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of our securities, may not be predictable. A loss of investor confidence in the market for financial technology stocks or the stocks of other companies which investors perceive to be similar to us could depress our securities prices regardless of our business, prospects, financial conditions or results of operations. A decline in the market price of our securities also could adversely affect our ability to issue additional securities and our ability to obtain additional financing in the future.

Our Warrants may not remain in the money, and they may expire worthless.

The exercise price for our Warrants is $7.97 per share (as adjusted effective February 28, 2025), subject to adjustment. There can be no assurance that the Warrants will remain in the money prior to their expiration and, as such, the Warrants may expire worthless.

The terms of our Warrants may be amended in a manner that may be adverse to the holders. The warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and us provides that the terms of the Warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of a majority of the then outstanding Warrants to make any change that adversely affects the interests of the registered holders. Accordingly, we may amend the terms of the Warrants in a manner adverse to a holder if holders of at least a majority of the then outstanding Warrants approve of such amendment. Our ability to amend the terms of the Warrants with the consent of at least a majority of the then outstanding Warrants is unlimited. Examples of such amendments could be amendments to, among other things, increase the exercise price of the Warrants, shorten the exercise period or decrease the number of shares of Class A Common Stock purchasable upon exercise of a Warrant.

Our Warrants may be redeemed prior to their exercise at a time that is disadvantageous to the holders, thereby making such Warrants worthless.

We have the ability to redeem outstanding Warrants at any time after they become exercisable and prior to their expiration, at $0.01 per warrant, provided that the last reported sales price (or the closing bid price of our Class A Common Stock in the event the shares of our Class A Common Stock are not traded on any specific trading day) of the shares of Class A Common Stock equals or exceeds $14.47 per share (as adjusted effective February 28, 2025 and subject to further adjustment) on each of 20 trading days within the 30 trading-day period ending on the third business day prior to the date on which we send proper notice of such redemption, provided that on the date we give notice of redemption and during the entire period thereafter until the time we redeem the Warrants, we have an effective registration statement under the Securities Act covering the shares of Class A Common Stock issuable upon exercise of the Warrants and a current prospectus relating to them is available. If and when the Warrants become redeemable by us, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding Warrants could force a Warrant holder: (i) to exercise your Warrants and pay the exercise price therefore at a time when it may be disadvantageous for you to do so, (ii) to sell your Warrants at the then-current market price when you might otherwise wish to hold your Warrants or (iii) to accept the nominal redemption price which, at the time the outstanding Warrants are called for redemption, could be substantially less than the market value of your Warrants.

Warrants to purchase our Class A Common Stock are presently exercisable, which could increase the number of shares of Class A Common Stock eligible for future resale in the public market and result in dilution to our stockholders.

Our outstanding Warrants to purchase an aggregate of 21,990,179 shares of our Class A Common Stock are exercisable in accordance with the terms of the warrant agreement governing those securities. Each Warrant entitles its holder to purchase one share of our Class A Common Stock at an exercise price of $7.97 per share (as adjusted effective February 28, 2025, subject to further adjustment, and will expire at 5:00 p.m., New York time, on December 27, 2026 or earlier upon redemption of our Class A Common Stock or our liquidation. To the extent Warrants are exercised, additional shares of our Class A Common Stock will be issued, which will result in dilution to our then existing stockholders and increase the number of shares of Class A Common Stock eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could depress the market price of our securities.

We may not be able to timely and effectively implement controls and procedures required by Section 404 of the Sarbanes-Oxley Act of 2002, which could have a material adverse effect on our business.

Under the Sarbanes-Oxley Act of 2022, we are required to provide management's attestation on internal controls. The standards required for a public company under Section 404 of the Sarbanes-Oxley Act are significantly more stringent than those previously required of Holdings as a privately-held company. Management may not be able to effectively and timely implement controls and procedures that adequately respond to the increased regulatory compliance and reporting requirements that are applicable to us as a public company. If we are not able to implement the additional requirements of Section 404 in a timely manner or with adequate compliance, we may not be able to assess whether our internal controls over financial reporting are effective, which may subject us to adverse regulatory consequences and could harm investor confidence and lead to a decrease in the market price of our securities.

Pursuant to the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act for so long as we are an "emerging growth company."

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting, and generally requires in the same report a report by our independent registered public accounting firm on the effectiveness of our internal control over financial reporting. However, under the JOBS Act, our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act until we are no longer an "emerging growth company." We will be an "emerging growth company" until the earlier of (1) the last day of the fiscal year (a) following November 10, 2025, the fifth anniversary of the consummation of our initial public offering, (b) in which we have total annual gross revenue of at least $1.23 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of our prior second fiscal quarter, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period. Accordingly, until we cease being an "emerging growth company" stockholders will not have the benefit of an independent assessment of the effectiveness of our internal control environment.

Our ability to successfully operate our business largely depends upon the efforts of certain key personnel. The loss of such key personnel could adversely affect our operations and profitability.

Our ability to successfully operate our business depends upon the efforts of certain key personnel. The unexpected loss of key personnel may adversely affect our operations and profitability. In addition, our future success depends in part on our ability to identify and retain key personnel to expand and/or succeed senior management. Furthermore, while we have closely scrutinized the skills, abilities and qualifications of our key personnel, our assessment may not prove to be correct. If such personnel do not possess the skills, qualifications or

abilities we expect or those necessary to manage a public company, the operations and profitability of our business may be adversely impacted.

Our ability to meet expectations and projections in any research or reports published by securities or industry analysts, or a lack of coverage by securities or industry analysts, could result in a depressed market price and limited liquidity for our securities.

The trading market for our securities may be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. Analyst projections may vary widely and may not accurately predict the results we actually achieve. Prices for our securities may decline if our actual results do not match the projections of research analysts covering us. Similarly, if one or more of the analysts who write reports on us downgrades our securities or publishes inaccurate or unfavorable research about our business, prices for our securities could decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, prices for our securities or trading volume could decline.

Future sales of our securities, including resale of securities issued to certain stockholders, may reduce the market price of our securities that you might otherwise obtain.

Future sales of our securities by stockholders which hold large amounts of our securities, including in underwritten offerings that we may be required to facilitate pursuant to such stockholders' registration rights, or in privately negotiated transactions, may reduce the price of our securities. The registration and availability of such a significant number of securities for trading in the public market may increase the volatility in the price of our securities or put significant downward pressure on the price of our securities. In addition, we may use shares of our Class A Common Stock as consideration for future acquisitions, which could further dilute our stockholders.

Because certain significant stockholders control a significant percentage of our Class A Common Stock, such stockholders may influence major corporate decisions of the Company and our interests may conflict with the interests of other holders of our Class A Common Stock.

At May 1, 2025, Tungsten beneficially owns approximately 50.5% of the shares of our outstanding shares of Class A Common Stock. As a result of this control, Tungsten is able to influence matters requiring approval by our stockholders and/or our Board, including the election of directors and the approval of business combinations or dispositions and other extraordinary transactions. Tungsten may also have interests that differ from the interests of other holders of our securities and may vote in a way with which you disagree and which may be adverse to your interests. The concentration of ownership may have the effect of delaying, preventing or deterring a change of control of the Company and may materially and adversely affect the market price of our securities. In addition, Tungsten may in the future own businesses that directly compete with the business of the Company.

Additionally, following the Spin-Off, our business, which we operate through Holdings, is managed by Resolute Holdings, a separate public company that is party to the Management Agreement with Holdings. Pursuant to the Management Agreement, Resolute Holdings has substantial influence over our business, operations and strategy. See "Risks Related to the Resolute Holdings Management Agreement."

Our Charter renounces any expectancy in or right to be offered an opportunity to participate in certain transactions or matters that may be investment, corporate or business opportunities and that are presented to the Company or our officers, directors or stockholders.

Our Charter provides that, to the fullest extent permitted by Delaware law, each member of Holdings, their respective affiliates (other than the Company and our subsidiaries) and, to the extent any member is a series limited liability company, any series thereof and all of their respective partners, principals, directors, officers, members, managers, equity holders and/or employees, including any of the foregoing who serve as officers or directors of the Company (each, an “Excluded Party”), shall not have any fiduciary duty to refrain from (a) directly or indirectly engaging in any opportunity in which we, directly or indirectly, could have an interest or expectancy or (b) otherwise competing with us. Our Charter also renounces, to the fullest extent permitted by Delaware law, any

interest or expectancy that we have in any opportunity in which any Excluded Party engages, even if the opportunity is one in which we, directly or indirectly, could have had an interest or expectancy. To the fullest extent permitted by Delaware law, in the event that any Excluded Party acquires knowledge of an opportunity that may be an opportunity for itself, himself or herself and for us, such party shall have no duty to communicate or present such opportunity to us and shall not be liable to us or any of our stockholders for breach of any fiduciary duty as our stockholder, director or officer solely for having pursued or acquired such opportunity or for offering or directing such opportunity to another person. To the fullest extent permitted by Delaware law, no business opportunity will be deemed to be a potential corporate opportunity for us unless we would be permitted to undertake the opportunity under our Charter, we have sufficient financial resources to undertake the opportunity and the opportunity would be in line with our business.

Our Bylaws designate the Court of Chancery in the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by stockholders, which could limit the ability of stockholders to obtain a favorable judicial forum for disputes.

Our Bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware will be the sole and exclusive forum for any stockholder to bring any state law claims for (a) any derivative action or proceeding brought on behalf of us, (b) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or employees to us or our stockholders, (c) any action asserting a claim against us, our directors, officers or employees arising pursuant to any provision of the DGCL or our Charter or Bylaws or (d) any action asserting a claim against us, our directors, officers or employees governed by the internal affairs doctrine.

Notwithstanding the foregoing, these provisions of the Bylaws will not apply to any claim as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery (including suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal district courts of the United States of America are the sole and exclusive forum), or for which the Court of Chancery does not have subject matter jurisdiction. While this exclusive provision applies to claims under the Securities Act, we note, however, that there is uncertainty as to whether a court would enforce this provision and that stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Section 22 of the Securities Act creates concurrent jurisdiction for state and federal courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder.

This choice-of-forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company, which may discourage such lawsuits. Alternatively, if a court were to find this provision of our Bylaws inapplicable or unenforceable with respect to one or more of the specified types of actions or proceedings, the Company may incur additional costs associated with resolving such matters in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations and result in a diversion of the time and resources of our management and Board.

We may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on our financial condition, results of operations and securities prices, which could cause you to lose some or all of your investment.

If there are material issues in the business of our subsidiaries, or factors outside of our and our subsidiaries' control later arise, we may be forced to later write down or write off assets, restructure our operations, or incur impairment or other charges that could result in losses. Additionally, unexpected risks may arise and previously known risks may materialize in a manner not consistent with our preliminary risk analysis. Even though these charges may be non-cash items and not have an immediate impact on our liquidity, the fact that we report charges of this nature could contribute to negative market perceptions about the Company or our securities. In addition, charges of this nature may cause us to be unable to obtain future financing on favorable terms or at all.

We may be subject to securities litigation, which is expensive and could divert management attention.

Our securities prices may be volatile and, in the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Litigation of this type could result in substantial costs and diversion of management's attention and resources, which could have a material adverse effect on business, financial condition, results of operations and prospects. Any adverse determination in litigation could also subject us to significant liabilities.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Repurchases of Equity Securities

On March 6, 2024, we announced that our Board of Directors ("Board") had authorized a program to repurchase ("Repurchase Program") up to $40.0 million (increased to up to $100 million in February 2025) in the aggregate of our outstanding shares of Class A Common Stock or warrants (collectively, the "Securities"). The Repurchase Program is effective March 7, 2024 through March 7, 2027. Repurchases of Securities under the Repurchase Program may be made from time to time, on the open market, in privately negotiated transactions, tender offers, or by other methods, at the discretion of the management of the Company in accordance with our senior credit facility and Indenture for the Exchangeable Notes, as applicable, and other applicable legal requirements. Repurchases of Common Stock will be in accordance with the limitations set forth in Rule 10b-18 promulgated under the Securities Exchange Act of 1934, as amended. The timing and amount of the repurchases will depend on market conditions and other requirements. The Repurchase Program does not obligate the Company to repurchase any dollar amount of Securities and the Repurchase Program may be extended, modified, suspended, or discontinued at any time. Any shares of Common Stock repurchased under the program may either be returned to the status of authorized but unissued shares of Common Stock or held as treasury stock. There was no repurchase activity during the quarter ended March 31, 2025. As of March 31, 2025, $100.0 million of the repurchase authorization under the Repurchase Program remained available.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Rule 10b5-1 Trading Plans

During the quarter ended March 31, 2025, none of the Company's directors or officers informed the Company of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408

Item 6. Exhibits

Exhibit Index

Exhibit No.	Description
2.1	Separation and Distribution Agreement by and between CompoSecure, Inc. and Resolute Holdings Management, Inc. dated as of February 28, 2025 (incorporated by reference to Exhibit 2.3 to the Annual Report on Form 10-K (File No. 001-39687), filed with the SEC on March 5, 2025).
10.1	Industrial Building Lease Extension Letter, dated January 28, 2025, by and between FR JH 10, LLC and CompoSecure, L.L.C. (incorporated by reference to Exhibit 10.15 to the Annual Report on Form 10-K (File No. 001-39687), filed with the SEC on March 5, 2025).
10.2	Management Agreement, dated February 28, 2025, by and between CompoSecure Holdings, L.L.C. and Resolute Holdings Management, Inc. (incorporated by reference to Exhibit 10.34 to the Annual Report on Form 10-K (File No. 001-39687), filed with the SEC on March 5, 2025).
10.3	U.S. State and Local Tax Sharing Agreement, dated February 28, 2025, by and between CompoSecure, Inc. and Resolute Holdings Management, Inc. (incorporated by reference to Exhibit 10.35 to the Annual Report on Form 10-K (File No. 001-39687), filed with the SEC on March 5, 2025).
10.4	Letter Agreement, dated as of February 28, 2025, by and between CompoSecure, Inc. and Resolute Holdings Management, Inc. (incorporated by reference to Exhibit 10.36 to the Annual Report on Form 10-K (File No. 001-39687), filed with the SEC on March 5, 2025).
10.5	Waiver Agreement, dated February 28, 2025, by and among CompoSecure, Inc., Resolute Compo Holdings LLC and Tungsten 2024 LLC (incorporated by reference to Exhibit 10.38 to the Annual Report on Form 10-K (File No. 001-39687), filed with the SEC on March 5, 2025).
10.6	Board Adviser Agreement, dated February 28, 2025, by and among CompoSecure, Inc., Resolute Holdings Management, Inc. and Fradin Consulting LLC (incorporated by reference to Exhibit 10.39 to the Annual Report on Form 10-K (File No. 001-39687), filed with the SEC on March 5, 2025).
10.7	Amended and Restated Offer Letter, dated February 28, 2025, by and between CompoSecure, L.L.C., Resolute Holdings Management, Inc., and David Cote (incorporated by reference to Exhibit 10.41 to the Annual Report on Form 10-K (File No. 001-39687), filed with the SEC on March 5, 2025).
10.8	Amended and Restated Offer Letter, dated February 28, 2025, by and between CompoSecure, L.L.C., Resolute Holdings Management, Inc., and Thomas Knott (incorporated by reference to Exhibit 10.42 to the Annual Report on Form 10-K (File No. 001-39687), filed with the SEC on March 5, 2025).
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from CompoSecure, Inc.'s Form 10-Q for the quarter ended March 31, 2025, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets as of March 31, 2025 (Unaudited) and December 31, 2024, (ii) Consolidated Statements of Operations (Unaudited) for the three months ended March 31, 2025 and March 31, 2024, (iii) Consolidated Statements of Comprehensive Income (Unaudited) for the three months ended March 31, 2025 and March 31, 2024, (iv) Consolidated Statements of Stockholders' Equity (Unaudited) for the three months ended March 31, 2025 and March 31, 2024, (v) Consolidated Statements of Cash Flows (Unaudited) for the three months ended March 31, 2025 and March 31, 2024, and (vi) Notes to Consolidated Financial Statements - Unaudited.
104	Cover Page Interactive Data File (embedded within the inline XBRL document)

* Filed herewith.

** Furnished herewith.

+ Indicates management contract or compensatory plan or arrangement.

† Schedules and exhibits to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished to the SEC upon request.

†† The Company has redacted provisions or terms of this Exhibit pursuant to Regulation S-K Item 601(b)(10)(iv). The Company agrees to furnish an unredacted copy of the Exhibit to the SEC upon its request.

SIGNATURES

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, thereunto duly authorized.

CompoSecure, Inc.

Date: May 12, 2025

By: /s/ Jonathan C. Wilk

Name: Jonathan C. Wilk
Title: President and Chief Executive Officer
(Principal Executive Officer

Date: May 12, 2025

By:

/s/ Timothy Fitzsimmons

Name: Timothy Fitzsimmons
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)