

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 9, 2022

Advantage Solutions Inc.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-38990
(Commission File Number)

83-4629508
(IRS Employer
Identification No.)

15310 Barranca Parkway, Suite 100
Irvine, California
(Address of Principal Executive Offices)

92618
(Zip Code)

Registrant's Telephone Number, Including Area Code: (949) 797-2900

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.0001 par value per share	ADV	NASDAQ Global Select Market
Warrants exercisable for one share of Class A common stock at an exercise price of \$11.50 per share	ADVWW	NASDAQ Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 – Results of Operations and Financial Condition.

On November 9, 2022, Advantage Solutions Inc. (the “Company”) issued a press release announcing its financial results for the three months ended September 30, 2022. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated by reference herein.

On November 9, 2022, at 5:00 p.m. ET, the Company will host a conference call announcing its financial results for the three months ended September 30, 2022. A copy of management’s earnings presentation materials is attached as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated by reference herein. The presentation will be accessible, live via audio broadcast, through a link posted on the Investor Relations section of the Company’s website at <https://ir.advantagesolutions.net>. This presentation will be available for audio replay for one week following the call.

The Company makes reference to non-GAAP financial information in the press release and earnings presentation materials. The Company’s non-GAAP financial measures should be viewed in addition to and not as a substitute for or superior to the Company’s reported results prepared in accordance with GAAP. Reconciliation of these non-GAAP financial measures to the nearest comparable GAAP financial measures are contained in the data tables at the end of the press release and earnings presentation materials.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued by Advantage Solutions Inc., dated November 9, 2022 regarding results for three months ended September 30, 2022.
99.2	Management’s Earnings Presentation for Advantage Solutions Inc., dated November 9, 2022.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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.

ADVANTAGE SOLUTIONS Inc.

Date: November 9, 2022

By: /s/ Brian Stevens
Brian Stevens
Chief Financial Officer and
Chief Operating Officer

Advantage Solutions Reports Third Quarter 2022 Financial Results and Provides Updated Guidance

Irvine, Calif, November 9, 2022 – Advantage Solutions Inc. (NASDAQ: ADV) (“Advantage,” “Advantage Solutions,” the “Company,” “we” or “our”), a leading provider of outsourced sales and marketing services to consumer goods manufacturers and retailers, today reported financial results for its third quarter ended September 30, 2022.

“Advantage’s performance in the third quarter was highlighted by 13% year-over-year revenue growth. Similar to recent prior quarters, this increase was driven largely by the ongoing recovery in our in-store sampling and demonstration business, along with further growth in retail merchandising services,” said Advantage Solutions Chief Executive Officer, Jill Griffin. “Although we have generated sequential revenue growth each quarter this year, the labor market remains extremely challenging, worsening over the course of 2022, and wage inflation and macro-economic conditions continue to be dynamic. Notwithstanding ongoing investments in wages to remain competitive and in infrastructure to improve our overall recruitment efficiencies, we have not been able to hire enough associates to meet the continued strong demand for our ‘must have’ service offerings. As a result of these ongoing challenges, the rebound we were expecting in the second half of 2022 will be more muted than we had originally anticipated and we believe will ultimately extend beyond this year. Therefore, we are reducing our 2022 full year Adjusted EBITDA outlook to a range of \$430 million to \$440 million.”

Griffin continued, “Given the labor and inflationary headwinds and the longer path to more normalized operating conditions, we will be making a pivot with respect to our capital allocation priorities. In the current environment, we intend to be much more focused on de-leveraging our balance sheet with less emphasis on M&A in the near term until macro-economic conditions improve. Looking ahead, I remain confident that Advantage remains in a strong position to drive profitable growth as market conditions normalize.”

Third Quarter 2022 Highlights

- Revenues were \$1,051.1 million for the third quarter of 2022, representing an increase of \$122.3 million, or 13.2%, from the third quarter 2021 revenues of \$928.8 million.
- Operating income was \$46.8 million for the third quarter of 2022, representing a decrease of \$18.8 million, or 28.6%, from the third quarter 2021 operating income of \$65.6 million.
- Net income was \$23.2 million for the third quarter of 2022, representing a decrease of \$1.1 million, or 4.5%, from the third quarter 2021 net income of \$24.3 million.
- Adjusted EBITDA was \$118.3 million for the third quarter of 2022, representing a decrease of \$15.5 million, or 11.6%, from the third quarter 2021 Adjusted EBITDA of \$133.8 million.

The year-over-year increase in revenues was driven by \$73.2 million of growth in the marketing segment (an increase of 22% year over year) and \$49.1 million of growth in the sales segment (an increase of 8% year over year). Third quarter growth in the marketing segment was driven primarily by the continued recovery in in-store product demonstration and sampling services, partially offset by a decrease in media spend by certain clients. The third quarter growth in the sales segment was driven by an increase in retail merchandising services and international businesses, partially offset by a decrease in third-party selling and retailing services.

The year-over-year decrease in operating income was primarily due to ongoing investment in wage, recruiting activities and employee benefit expenses, coupled with macro-economic pressures.

The year-over-year decrease in net income was driven by the decline in operating income, partially offset by a decline in interest expense and the provision for income taxes.

The year-over-year decline in Adjusted EBITDA was primarily due to the same items impacting the decline in operating income as noted above.

Balance Sheet Highlights

As of September 30, 2022, the Company's cash and cash equivalents was \$96.2 million, total debt was \$2,082.4 million and Net Debt was \$1,986.2 million. The debt capitalization consists primarily of the \$1,302 million First Lien Term Loan and \$775 million of senior secured notes as of September 30, 2022.

Fiscal Year 2022 Outlook

The confluence of an unprecedented tight labor market, increasing inflationary pressures, and broad macro-economic uncertainty are challenging consumers, retailers and CPG brands, alike. As a result of these factors and others, the Company is updating its fiscal year 2022 Adjusted EBITDA guidance range to \$430 million to \$440 million, as compared to previously provided Adjusted EBITDA range of \$490 million to \$510 million. Based on strong customer demand, the Company remains confident that its sampling and demonstration business will continue to build back in 2023.

Conference Call Details

Advantage will host a conference call at 5:00 p.m. ET on November 9, 2022 to discuss its third quarter 2022 financial performance and business outlook. To participate, please dial (844) 825-9789 within the United States or (412) 317-5180 outside the United States approximately 10 minutes before the scheduled start of the call. The conference ID for the call is 10171100. The conference call will also be accessible live via audio broadcast on the Investor Relations section of the Advantage website at ir.advantagesolutions.net.

A replay of the conference call will be available online at ir.advantagesolutions.net. In addition, an audio replay of the call will be available for one week following the call and can be accessed by dialing (844) 512-2921 within the United States or (412) 317-6671 outside the United States. The replay ID is 10171100.

About Advantage Solutions

Advantage Solutions (NASDAQ: ADV) is a leading provider of outsourced sales and marketing solutions to consumer goods companies and retailers. Our data- and technology-driven services — which include headquarter sales, retail merchandising, in-store and online sampling, digital commerce, omnichannel marketing, retail media and others — help brands and retailers of all sizes get products into the hands of consumers, wherever they shop. As a trusted partner and problem solver, we help our clients sell more while spending less. Headquartered in Irvine, California, we have offices throughout North America and strategic investments in select markets throughout Africa, Asia, Australia and Europe through which we serve the global needs of multinational, regional and local manufacturers. For more information, please visit advantagesolutions.net.

Forward-Looking Statements

Certain statements in this press release may be considered forward-looking statements within the meaning of the federal securities laws, including statements regarding the expected future performance of Advantage's business and projected financial results. Forward-looking statements generally relate to future events or Advantage's future financial or operating performance. These forward-looking statements generally are identified by the words "may", "should", "expect", "intend", "will", "would", "could", "estimate", "anticipate", "believe", "predict", "potential" or "continue", or the negatives of these terms or variations of them or similar terminology. Such forward-looking statements are predictions, projections and other statements about future events that are based on current expectations and assumptions and, as a result, are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those expressed or implied by such forward looking statements.

These forward-looking statements are based upon estimates and assumptions that, while considered reasonable by Advantage and its management at the time of such statements, are inherently uncertain. Factors that may cause actual results to differ materially from current expectations include, but are not limited to, the COVID-19 pandemic and the measures taken in response thereto; the availability, acceptance, administration and effectiveness of any COVID-19 vaccine; market-driven wage changes or changes to labor laws or wage or job classification regulations, including minimum wage; Advantage's ability to continue to generate significant operating cash flow; client procurement strategies and consolidation of Advantage's clients' industries creating pressure on the nature and pricing of its services; consumer goods manufacturers and retailers reviewing and changing their sales, retail, marketing and

technology programs and relationships; Advantage's ability to successfully develop and maintain relevant omni-channel services for our clients in an evolving industry and to otherwise adapt to significant technological change; Advantage's ability to maintain proper and effective internal control over financial reporting in the future; potential and actual harms to Advantage's business arising from the Take 5 Matter; Advantage's substantial indebtedness and our ability to refinance at favorable rates; and other risks and uncertainties set forth in the section titled "Risk Factors" in the Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed by the Company with the Securities and Exchange Commission (the "SEC") on March 1, 2022 and November 9, 2022, respectively, and in its other filings made from time to time with the SEC. These filings identify and address other important risks and uncertainties that could cause actual events and results to differ materially from those contained in the forward-looking statements. Forward-looking statements speak only as of the date they are made. Readers are cautioned not to put undue reliance on forward-looking statements, and Advantage assumes no obligation and does not intend to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Non-GAAP Financial Measures and Related Information

This press release includes certain financial measures not presented in accordance with generally accepted accounting principles ("GAAP"), including Adjusted EBITDA and Net Debt. These are not measures of financial performance calculated in accordance with GAAP and may exclude items that are significant in understanding and assessing Advantage's financial results. Therefore, the measures are in addition to, and not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP, and should not be considered in isolation or as an alternative to net income, cash flows from operations or other measures of profitability, liquidity or performance under GAAP. You should be aware that Advantage's presentation of these measures may not be comparable to similarly titled measures used by other companies. Reconciliations of historical non-GAAP measures to their most directly comparable GAAP counterparts are included below.

Advantage believes these non-GAAP measures provide useful information to management and investors regarding certain financial and business trends relating to Advantage's financial condition and results of operations. Advantage believes that the use of Adjusted EBITDA and Net Debt provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing Advantage's financial measures with other similar companies, many of which present similar non-GAAP financial measures to investors. Non-GAAP financial measures are subject to inherent limitations as they reflect the exercise of judgments by management about which expense and income are excluded or included in determining these non-GAAP financial measures. Additionally, other companies may calculate non-GAAP measures differently, or may use other measures to calculate their financial performance, and therefore Advantage's non-GAAP measures may not be directly comparable to similarly titled measures of other companies.

Adjusted EBITDA means net income (loss) before (i) interest expense, net, (ii) provision for income taxes, (iii) depreciation, (iv) impairment of goodwill and indefinite-lived assets, (v) amortization of intangible assets, (vi) equity-based compensation of Karman Topco L.P., (vii) changes in fair value of warrant liability, (viii) stock-based compensation expense, (ix) fair value adjustments of contingent consideration related to acquisitions, (x) acquisition-related expenses, (xi) costs associated with COVID-19, net of benefits received, (xii) EBITDA for economic interests in investments, (xiii) restructuring expenses, (xiv) litigation expenses (recovery), (xv) costs associated with the Take 5 Matter and (xvi) other adjustments that management believes are helpful in evaluating our operating performance.

Net Debt represents the sum of current portion of long-term debt and long-term debt, less cash and cash equivalents and debt issuance costs. With respect to Net Debt, cash and cash equivalents are subtracted from the GAAP measure, total debt, because they could be used to reduce the debt obligations. We present Net Debt because we believe this non-GAAP measure provides useful information to management and investors regarding certain financial and business trends relating to the Company's financial condition and to evaluate changes to the Company's capital structure and credit quality assessment.

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

This press release also includes certain estimates and projections of Adjusted EBITDA, including with respect to expected fiscal 2022 results. Due to the high variability and difficulty in making accurate estimates and projections of some of the information excluded from Adjusted EBITDA, together with some of the excluded information not being ascertainable or accessible, Advantage is unable to quantify certain amounts that would be required to be included in the most directly comparable GAAP financial measures without unreasonable effort. Consequently, no disclosure of

estimated or projected comparable GAAP measures is included and no reconciliation of such forward-looking non-GAAP financial measures is included.

Advantage Solutions Inc.
Reconciliation of Net Income to Adjusted EBITDA
(Unaudited)

Consolidated	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
(in thousands)				
Net income	\$ 23,227	\$ 24,327	\$ 44,437	\$ 29,535
Add:				
Interest expense, net	23,557	36,490	63,628	104,544
Provision for income taxes	1,158	8,276	11,523	16,582
Depreciation and amortization	57,785	59,163	173,997	181,450
Equity based compensation of Topco ^(a)	(828)	(5,575)	(7,142)	(10,031)
Change in fair value of warrant liability	(1,100)	(3,491)	(21,456)	(5,024)
Stock-based compensation expense ^(b)	7,174	7,854	29,906	25,497
Fair value adjustments related to contingent consideration related to acquisitions ^(c)	(340)	3,221	5,448	5,776
Acquisition-related expenses ^(d)	4,260	5,110	19,843	13,053
EBITDA for economic interests in investments ^(e)	(2,474)	(3,620)	(7,546)	(6,616)
Restructuring expenses ^(f)	3,562	(394)	4,458	10,636
Litigation ^(g)	—	(92)	(800)	(910)
Costs associated with COVID-19, net of benefits received ^(h)	2,009	1,087	4,945	(948)
Costs associated with the Take 5 Matter ⁽ⁱ⁾	278	1,400	2,088	3,611
Adjusted EBITDA	<u>\$ 118,268</u>	<u>\$ 133,756</u>	<u>\$ 323,329</u>	<u>\$ 367,155</u>

- (a) Represents expenses related to (i) equity-based compensation expense associated with grants of Common Series D Units of Karman Topco L.P. ("Topco") made to one of the equity holders of Topco and (ii) equity-based compensation expense associated with the Common Series C Units of Topco.
- (b) Represents non-cash compensation expense related to the 2020 Incentive Award Plan and the 2020 Employee Stock Purchase Plan.
- (c) Represents adjustments to the estimated fair value of our contingent consideration liabilities related to our acquisitions. See Note 6—*Fair Value of Financial Instruments* to our unaudited condensed financial statements for the three and nine months ended September 30, 2022 and 2021.
- (d) Represents fees and costs associated with activities related to our acquisitions and restructuring activities including professional fees, due diligence, and integration activities.
- (e) Represents additions to reflect our proportional share of Adjusted EBITDA related to our equity method investments and reductions to remove the Adjusted EBITDA related to the minority ownership percentage of the entities that we fully consolidate in our financial statements.
- (f) Represents fees and costs associated with various internal reorganization activities among our consolidated entities.
- (g) Represents legal settlements that are unusual or infrequent costs associated with our operating activities.
- (h) Represents (i) costs related to implementation of strategies for workplace safety in response to COVID-19, including employee-relief fund, additional sick pay for front-line associates, medical benefit payments for furloughed associates, and personal protective equipment; and (ii) benefits received from government grants for COVID-19 relief.
- (i) Represents costs associated with the Take 5 Matter, primarily, professional fees and other related costs, for the three and nine months ended September 30, 2022 and 2021, respectively.

Advantage Solutions Inc.
Reconciliation of Total Debt to Net Debt
(Unaudited)

(in millions)	September 30, 2022
Current portion of long-term debt	\$ 14.7
Long-term debt, net of current portion	2,024.6
Less: Debt issuance costs	(43.1)
Total Debt	2,082.4
Less: Cash and cash equivalents	96.2
Total Net Debt	\$ 1,986.2

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ADVANTAGE SOLUTIONS INC.

Q3 2022 Earnings Presentation

November 9, 2022



DISCLAIMER

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Non-GAAP Financial Measures and Related Information

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Q3 KEY MESSAGES

- Advantage generated approximately 13% year-on-year revenue growth driven by:
 - In-store sampling and demonstration events up 41% year-on-year
 - Further growth in retail merchandising services
- Adjusted EBITDA and margin declined year-over-year as anticipated reflecting a shift in revenue mix and cost inflation across wages, gasoline and other categories
 - Continuing to work with clients to implement price increases to recoup wages (3-9 month lag to implement; expect this to persist until labor market stabilizes)
- Overall macro-economic conditions resulting in ongoing challenges for CPG manufacturers and retailers
- Tight labor market continues to worsen; wages remain elevated; supply chain concerns
- Steady build-back of pandemic impacted businesses but normalization occurring slower than anticipated
- Capital allocation priorities will emphasize de-leveraging balance sheet and less near-term focus on M&A

Q3 RESULTS DEMONSTRATE CONTINUED RECOVERY

Total Advantage

Sales Segment

Marketing Segment

Revenues

\$ in millions



Adjusted EBITDA

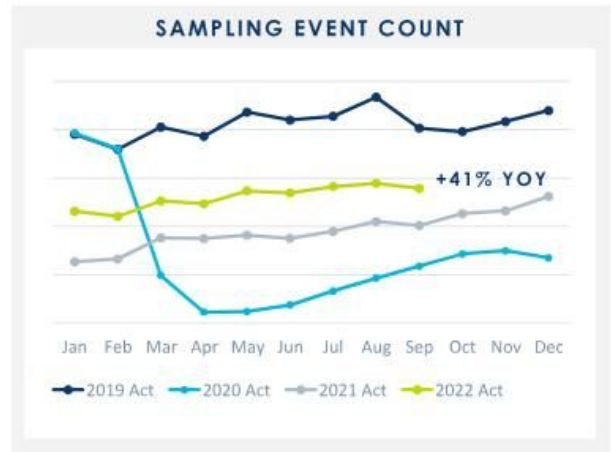
\$ in millions



Note: Please see the appendix for a reconciliation of non-GAAP financial measures to most directly comparable GAAP measures. Totals may not add due to rounding.

HEALTHY REVENUE TRENDS ACROSS SEGMENTS IN Q3

- Solid revenue performance in Sales segment
 - Recovery in international businesses
 - Retail merchandising growth
 - Contributions from acquisitions
 - Mix challenged by growth in lower margin merchandising services
- Ongoing recovery in Marketing segment
 - In-store sampling and demonstration continuing to rebound; event count up 41% year-over-year; event count improved to 65% of Q3 2019 levels
 - Continued modest profit growth as we incur expense to source labor; accelerating profitability as business scales



OUTLOOK AND GUIDANCE

Updating 2022 Outlook:

- Reducing FY 2022 Adjusted EBITDA guidance to a range of \$430 million to \$440 million from a range of \$490 million to \$510 million, previously
- This reflects a number of factors, including:
 - Tighter than anticipated labor market
 - Impacts from inflationary pressures especially on wages and ancillary expenses
 - Broad macro-economic uncertainty that are challenging consumers, retailers and CPG brands
- Based on strong customer demand, we anticipate sampling and demo business will continue to build back in 2023
- Formal financial guidance for fiscal 2023 will be provided in March 2023

CAPITALIZATION SUMMARY

- Total Debt of \$2.1 billion⁽¹⁾
 - Leverage at around 4.2x net debt⁽¹⁾ to LTM September Adjusted EBITDA
 - No meaningful maturities for the next four+ years

Debt Capitalization:

	Maturity	Rate	Outstanding
First Lien Term Loan	2027	L+4.50% ⁽²⁾	1,302
Senior Secured Notes	2028	6.50%	775
Total Funded Debt			\$2,077



Equity capitalization as of September 30, 2022:

- 319,675,888 Class A Common shares outstanding
- 1,610,014 Treasury shares outstanding
- 18,578,321 Warrants with a \$11.50 exercise price per share
- 6,279,451 Performance Restricted Stock Units (“PSUs”)⁽⁴⁾
- 7,755,186 Restricted Stock Units (“RSUs”)
- 945,664 Options

⁽¹⁾ Net debt is a non-GAAP financial measure and includes Other Debt of approximately \$6M. For a reconciliation of net debt to total debt, the most directly comparable GAAP counterpart, please see the appendix attached hereto.

⁽²⁾ First Lien Term Loan rate subject to 0.75% LIBOR floor. See First Lien Credit Agreement, dated October 28, 2020 and First Lien Amendment dated October 28, 2021 for additional information.

⁽³⁾ First Lien Term Loan amortizes at 1% per annum, paid quarterly. Illustratively showing full \$1,302 million obligation in 2027E maturity.

⁽⁴⁾ Represents the number of underlying shares that would be issued at Target performance levels.

Non-GAAP Reconciliation



NON-GAAP RECONCILIATION (1/4)

Consolidated	Three Months Ended		
	March 31, 2022	June 30, 2022	September 30, 2022
Total Company (in thousands)			
Net income	\$ 17,534	\$ 3,676	\$ 23,227
Add:			
Interest expense, net	11,883	28,188	23,557
Provision for income taxes	9,049	1,316	1,158
Depreciation and amortization	57,768	58,444	57,785
Equity-based compensation of Topco ⁽¹⁾	(2,795)	(3,519)	(828)
Change in fair value of warrant liability	(15,442)	(4,914)	(1,100)
Stock-based compensation expense ⁽²⁾	7,771	14,961	7,174
Fair value adjustments related to contingent consideration related to acquisitions ⁽³⁾	2,134	3,654	(340)
Acquisition-related expenses ⁽⁴⁾	9,585	5,998	4,260
EBITDA for economic interests in investments ⁽⁵⁾	(4,052)	(1,020)	(2,474)
Restructuring expenses ⁽⁶⁾	643	253	3,562
Litigation ⁽⁷⁾	—	(800)	—
Costs associated with COVID-19, net of benefits received ⁽⁸⁾	1,574	1,362	2,009
Costs associated with the Take 5 Matter ⁽⁹⁾	1,087	723	278
Adjusted EBITDA	\$ 96,739	\$ 108,322	\$ 118,268

(in thousands)	Three Months Ended		
	March 31, 2022	June 30, 2022	September 30, 2022
Numerator – Adjusted EBITDA	\$ 96,739	\$ 108,322	\$ 118,268
Denominator – Revenues	\$ 914,808	\$ 981,076	\$ 1,051,095
Adjusted EBITDA Margin	10.6%	11.0%	11.3%

NON-GAAP RECONCILIATION (2/4)

	Three Months Ended		
	March 31, 2022	June 30, 2022	September 30, 2022
Sales Segment (in thousands)			
Operating income	\$ 18,973	\$ 15,177	\$ 31,765
Add:			
Depreciation and amortization	40,969	40,543	39,798
Equity-based compensation of Topco ⁽¹⁾	(1,652)	(2,032)	(320)
Stock-based compensation expense ⁽²⁾	4,758	9,171	4,080
Fair value adjustments related to contingent consideration related to acquisitions ⁽³⁾	803	6,090	(1,901)
Acquisition-related expenses ⁽⁴⁾	7,314	3,540	2,880
EBITDA for economic interests in investments ⁽⁵⁾	(4,207)	(1,155)	(2,656)
Restructuring expenses ⁽⁶⁾	819	340	2,360
Litigation ⁽⁷⁾	—	(100)	—
Costs associated with COVID-19, net of benefits received ⁽⁸⁾	456	179	166
Sales Segment Adjusted EBITDA	\$ 68,233	\$ 71,753	\$ 75,172

	Three Months Ended		
	March 31, 2022	June 30, 2022	September 30, 2022
Marketing Segment (in thousands)			
Operating income	\$ 4,051	\$ 13,089	\$ 15,077
Add:			
Depreciation and amortization	16,799	17,901	17,987
Equity-based compensation of Topco ⁽¹⁾	(1,143)	(1,487)	(508)
Stock-based compensation expense ⁽²⁾	3,013	5,790	3,094
Fair value adjustments related to contingent consideration related to acquisitions ⁽³⁾	1,331	(2,436)	1,561
Acquisition-related expenses ⁽⁴⁾	2,271	2,458	1,380
EBITDA for economic interests in investments ⁽⁵⁾	155	135	182
Restructuring expenses ⁽⁶⁾	(176)	(87)	1,202
Litigation ⁽⁷⁾	—	(700)	—
Costs associated with COVID-19, net of benefits received ⁽⁸⁾	1,118	1,183	1,843
Costs associated with the Take 5 Matter ⁽⁹⁾	1,087	723	278
Marketing Segment Adjusted EBITDA	\$ 28,506	\$ 36,569	\$ 42,096

NON-GAAP RECONCILIATION (3/4)

(in millions)	September 30, 2022
Current portion of long-term debt	\$ 14.7
Long-term debt, net of current portion	2,024.6
Less: Debt issuance costs	(43.1)
Total Debt	2,082.4
Less: Cash and cash equivalents	96.2
Total Net Debt	\$ 1,986.2

NON-GAAP RECONCILIATION (4/4)

Note: Numerical figures included in this slide have been subject to rounding adjustments

- (1) Represents expenses related to (i) equity-based compensation expense associated with grants of Common Series D Units of Karman Topco L.P. ("Topco") made to one of the equityholders of Topco and (ii) equity-based compensation expense associated with the Common Series C Units of Topco.
- (2) Represents non-cash compensation expense related to the 2020 Incentive Award Plan and the 2020 Employee Stock Purchase Plan.
- (3) Represents adjustments to the estimated fair value of our contingent consideration liabilities related to our acquisitions, excluding the present value accretion recorded in interest expense, net, for the applicable periods.
- (4) Represents fees and costs associated with activities related to our acquisitions and restructuring activities including professional fees, due diligence, and integration activities.
- (5) Represents additions to reflect our proportional share of Adjusted EBITDA related to our equity method investments and reductions to remove the Adjusted EBITDA related to the minority ownership percentage of the entities that we fully consolidate in our financial statements.
- (6) Represents fees and costs associated with various internal reorganization activities among our consolidated entities.
- (7) Represents legal settlements that are unusual or infrequent costs associated with our operating activities.
- (8) Represents (a) costs related to implementation of strategies for workplace safety in response to COVID-19, including employee-relief fund, additional sick pay for front-line associates, medical benefit payments for furloughed associates, and personal protective equipment and (b) benefits received from government grants for COVID-19 relief.
- (9) Represents costs associated with the Take 5 Matter, primarily, professional fees and other related costs, for the three and nine months ended September 30, 2022 and 2021, respectively.

Thank You

