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

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**FORM 10-Q**

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

For the quarterly period ended March 31, 2021

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-38990

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**Advantage Solutions Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**83-4629508**  
(I.R.S. Employer  
Identification Number)

**18100 Von Karman Avenue, Suite 1000**  
**Irvine, CA 92612**  
(Address of principal executive offices)

**(949) 797-2900**  
(Registrant's telephone number, including area code)

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

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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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

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 13(a) of the Exchange 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 14, 2021, the registrant had 318,449,966 shares of Class A common stock outstanding.

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**Advantage Solutions Inc.**

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**PART I—FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**

**ADVANTAGE SOLUTIONS INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)**

(in thousands, except per share data)	March 31, 2021	December 31, 2020
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 156,351	\$ 204,301
Restricted cash	17,473	15,665
Accounts receivable, net of allowance for expected credit losses of \$16,533 and \$16,377, respectively	576,282	574,142
Prepaid expenses and other current assets	137,085	105,643
Total current assets	887,191	899,751
Property and equipment, net	73,876	80,016
Goodwill	2,173,924	2,163,339
Other intangible assets, net	2,412,136	2,452,796
Investments in unconsolidated affiliates	116,176	115,624
Other assets	62,867	65,966
Total assets	<u>\$5,726,170</u>	<u>\$5,777,492</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Current portion of long-term debt	\$ 13,304	\$ 63,745
Accounts payable	189,846	195,452
Accrued compensation and benefits	123,335	142,136
Other accrued expenses	141,467	121,758
Deferred revenue	54,187	51,898
Total current liabilities	522,139	574,989
Long-term debt, net of current portion	2,028,090	2,029,328
Deferred income tax liabilities, net	492,185	491,242
Warrant liability	26,761	21,234
Other long-term liabilities	134,178	141,910
Total liabilities	<u>3,203,353</u>	<u>3,258,703</u>
Commitments and contingencies (Note 10)		
Redeemable noncontrolling interest	1,873	—
Equity attributable to stockholders of Advantage Solutions Inc.		
Preferred stock, no par value, 10,000,000 shares authorized; none issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	—	—
Common stock, \$0.0001 par value, 3,290,000,000 shares authorized; 318,449,966 and 318,425,182 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	32	32
Additional paid in capital	3,354,383	3,348,546
Accumulated deficit	(921,217)	(921,101)
Loans to Topco	(6,322)	(6,316)
Accumulated other comprehensive (loss) income	(1,746)	674
Total equity attributable to stockholders of Advantage Solutions Inc.	2,425,130	2,421,835
Nonredeemable noncontrolling interest	95,814	96,954
Total stockholders' equity	<u>2,520,944</u>	<u>2,518,789</u>
Total liabilities, redeemable noncontrolling interest, and stockholders' equity	<u>\$5,726,170</u>	<u>\$5,777,492</u>

See Notes to the Condensed Consolidated Financial Statements.

**ADVANTAGE SOLUTIONS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**(UNAUDITED)**

(in thousands, except share and per share data)	Three Months Ended	
	March 31,	
	2021	2020
Revenues	\$ 791,021	\$ 879,396
Cost of revenues (exclusive of depreciation and amortization shown separately below)	653,339	746,693
Selling, general, and administrative expenses	40,481	41,056
Depreciation and amortization	59,613	60,209
Total expenses	<u>753,433</u>	<u>847,958</u>
Operating income	37,588	31,438
Other expenses:		
Change in fair value of warrant liability	5,526	—
Interest expense, net	30,865	51,794
Total other expenses	<u>36,391</u>	<u>51,794</u>
Income (loss) before income taxes	1,197	(20,356)
Provision for income taxes	1,743	1,367
Net loss	(546)	(21,723)
Less: net loss attributable to noncontrolling interest	(430)	(15)
Net loss attributable to stockholders of Advantage Solutions Inc.	(116)	(21,708)
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments	(2,420)	(8,160)
Total comprehensive loss attributable to stockholders of Advantage Solutions Inc.	<u>\$ (2,536)</u>	<u>\$ (29,868)</u>
Net loss per common share:		
Basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.11)</u>
Weighted-average number of common shares:		
Basic and diluted	<u>317,601,345</u>	<u>203,750,000</u>

See Notes to the Condensed Consolidated Financial Statements.

**ADVANTAGE SOLUTIONS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

(in thousands, except share data)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Loans to Topco	Accumulated Other Comprehensive Income (Loss)	Advantage Solutions Inc. Stockholders' Equity	Nonredeemable noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount							
<b>Balance at January 1, 2021</b>	318,425,182	\$ 32	\$3,348,546	\$ (921,101)	\$(6,316)	\$ 674	\$ 2,421,835	\$ 96,954	\$ 2,518,789
Comprehensive loss									
Net loss	—	—	—	(116)	—	—	(116)	(430)	(546)
Foreign currency translation adjustments	—	—	—	—	—	(2,420)	(2,420)	(710)	(3,130)
Total comprehensive loss							(2,536)	(1,140)	(3,676)
Loans to Topco	—	—	—	—	(6)	—	(6)	—	(6)
Equity-based compensation of Topco	—	—	(4,049)	—	—	—	(4,049)	—	(4,049)
Vesting of stock based compensation awards	24,784	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	9,886	—	—	—	9,886	—	9,886
<b>Balance at March 31, 2021</b>	<u>318,449,966</u>	<u>\$ 32</u>	<u>\$3,354,383</u>	<u>\$ (921,217)</u>	<u>\$(6,322)</u>	<u>\$ (1,746)</u>	<u>\$ 2,425,130</u>	<u>\$ 95,814</u>	<u>\$ 2,520,944</u>

  

(in thousands, except share data)	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Loans to Topco	Accumulated Other Comprehensive Income (Loss)	Advantage Solutions Inc. Stockholders' Equity	Nonredeemable noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount							
<b>Balance at January 1, 2020</b>	203,750,000	\$ 20	\$2,337,471	\$ (745,295)	\$(6,244)	\$ (8,153)	\$ 1,577,799	\$ 92,007	\$ 1,669,806
Comprehensive loss									
Net loss	—	—	—	(21,708)	—	—	(21,708)	(15)	(21,723)
Foreign currency translation adjustments	—	—	—	—	—	(8,160)	(8,160)	(4,289)	(12,449)
Total comprehensive loss							(29,868)	(4,304)	(34,172)
<b>Balance at March 31, 2020</b>	<u>203,750,000</u>	<u>\$ 20</u>	<u>\$2,337,471</u>	<u>\$ (767,003)</u>	<u>\$(6,244)</u>	<u>\$ (16,313)</u>	<u>\$ 1,547,931</u>	<u>\$ 87,703</u>	<u>\$ 1,635,634</u>

See Notes to the Condensed Consolidated Financial Statements.

**ADVANTAGE SOLUTIONS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

(in thousands)	Three Months Ended	
	March 31,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (546)	\$ (21,723)
Adjustments to reconcile net loss to net cash provided by operating activities		
Noncash interest (income) expense	(3,084)	4,121
Depreciation and amortization	59,613	60,209
Changes in fair value of warrant liability	5,526	—
Fair value adjustments related to contingent consideration	(584)	4,607
Deferred income taxes	1,793	22,987
Equity-based compensation of Topco	(4,048)	—
Stock-based compensation	9,886	—
Equity in earnings of unconsolidated affiliates	(1,513)	(1,112)
Distribution received from unconsolidated affiliates	150	221
Loss on disposal of property and equipment	1,566	—
Changes in operating assets and liabilities, net of effects from purchases of businesses:		
Accounts receivable	(781)	37,343
Prepaid expense and other assets	(25,917)	(23,401)
Accounts payable	(7,779)	(28,998)
Accrued compensation and benefits	(18,349)	(6,020)
Deferred revenues	2,538	7,062
Other accrued expenses and other liabilities	11,416	(4,331)
Net cash provided by operating activities	<u>29,887</u>	<u>50,965</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of businesses, net of cash acquired	(14,034)	(51,389)
Purchase of property and equipment	(5,247)	(8,453)
Net cash used in investing activities	<u>(19,281)</u>	<u>(59,842)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowings under lines of credit	8,773	89,529
Payments on lines of credit	(59,604)	(9,703)
Principal payments on long-term debt	(3,510)	(6,524)
Contingent consideration payments	—	(2,150)
Holdback payments	(173)	—
Net cash (used in) provided by financing activities	<u>(54,514)</u>	<u>71,152</u>
Net effect of foreign currency fluctuations on cash	(2,234)	(6,883)
Net change in cash, cash equivalents and restricted cash	<u>(46,142)</u>	<u>55,392</u>
Cash, cash equivalents and restricted cash, beginning of period	219,966	199,025
Cash, cash equivalents and restricted cash, end of period	<u>\$ 173,824</u>	<u>\$ 254,417</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Purchase of property and equipment recorded in accounts payable and accrued expenses	\$ 869	\$ 876

See Notes to the Condensed Consolidated Financial Statements.

**ADVANTAGE SOLUTIONS INC.**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**1. Organization and Significant Accounting Policies**

Advantage Solutions Inc. (“Advantage” or the “Company”) is a provider of outsourced solutions to consumer goods companies and retailers.

On September 7, 2020, ASI Intermediate Corp., then known as Advantage Solutions Inc. (“Legacy Advantage”), entered into an agreement and plan of merger (as amended, modified, supplemented or waived, the “Merger Agreement”), with Conyers Park II Acquisition Corp., a Delaware corporation (“Conyers Park”), now known as Advantage Solutions Inc., CP II Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Conyers Park (“Merger Sub”), and Karman Topco L.P., then the parent company of Legacy Advantage (“Topco”). Conyers Park neither engaged in any operations nor generated any revenue. Based on Conyers Park’s business activities, it was a “shell company” as defined under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

On October 28, 2020 (the “Closing Date”), Conyers Park consummated the merger pursuant to the Merger Agreement, and Merger Sub was merged with and into Legacy Advantage with Legacy Advantage surviving the merger as a wholly owned subsidiary of Conyers Park (the “Merger” and, together with the other transactions contemplated by the Merger Agreement, the “Transactions”). On the Closing Date, and in connection with the closing of the Transactions (the “Closing”), Conyers Park changed its name to Advantage Solutions Inc. and Legacy Advantage changed its name to ASI Intermediate Corp.

The Company’s Class A common stock is listed on the Nasdaq Global Select Market under the symbol “ADV” and warrants to purchase the Class A common stock at an exercise price of \$11.50 per share are listed on the Nasdaq Global Select Market under the symbol “ADVWW”.

*Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its subsidiaries. The unaudited condensed consolidated financial statements do not include all of the information required by accounting principles generally accepted in the United States (“U.S. GAAP”). The Condensed Consolidated Balance Sheet at December 31, 2020 was derived from the audited Consolidated Balance Sheet at that date and does not include all the disclosures required by U.S. GAAP. In the opinion of management, all adjustments which are of a normal recurring nature and necessary for a fair statement of the results as of March 31, 2021 and for the three months ended March 31, 2021 and 2020 have been reflected in the condensed consolidated financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2020 and the related footnotes thereto. Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected during the remainder of the current year or for any future period.

*COVID-19 Pandemic*

COVID-19 continues to spread throughout the United States and other countries across the world, and the duration and severity of the effects are currently unknown. The COVID-19 pandemic has impacted the Company and could materially impact our financial results in the future. The Consolidated Condensed Financial Statements presented herein reflect estimates and assumptions made by management at March 31, 2021.

Such estimates and assumptions affect, among other things, the Company’s goodwill, long-lived asset and indefinite-lived intangible asset valuation, assessment of the annual effective tax rate and the allowance for expected credit losses and bad debt. Events and changes in circumstances, including those resulting from the impacts of COVID-19, will be reflected in management’s estimates for future periods.



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### *Recent Accounting Standards*

#### *Recent Accounting Standards Adopted by the Company*

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes* (“ASU 2019-12”), which simplifies the accounting for income taxes, eliminates certain exceptions within ASC 740, *Income Taxes*, and clarifies certain aspects of the current guidance to promote consistency among reporting entities. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. The Company adopted ASU 2019-12 on January 1, 2021 and the adoption of this accounting standard did not have a material impact on the Company’s condensed consolidated financial statements.

#### *Accounting Standards Recently Issued but Not Yet Adopted by the Company*

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This guidance provides optional expedients and exceptions for U.S. GAAP to contracts, hedging relationships, and other transactions that reference London Interbank Offered Rate (“LIBOR”) or another reference rate if certain criteria are met. The amendments in this update are effective for reporting periods that include or are subsequent to March 12, 2020. Once adopted, the amendments in this update must be applied prospectively for all eligible contract modifications for that topic. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

In May 2021, the FAS issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the FASB Emerging Issues Task Force)*. The guidance clarifies certain aspects of the current guidance to promote consistency among reporting of an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted for all entities, including adoption in an interim period. The Company is evaluating the potential impact of this adoption on its consolidation financial statements.

All other new accounting pronouncements issued, but not yet effective or adopted have been deemed to be not relevant to the Company and, accordingly, are not expected to have a material impact once adopted.

## **2. Revenue Recognition**

The Company recognizes revenue when control of promised goods or services are transferred to the client in an amount that reflects the consideration that the Company expects to be entitled to in exchange for such goods or services. Substantially all of the Company’s contracts with clients involve the transfer of a service to the client, which represents a performance obligation that is satisfied over time because the client simultaneously receives and consumes the benefits of the services provided. In most cases, the contracts consist of a performance obligation that is comprised of a series of distinct services that are substantially the same and that have the same pattern of transfer (i.e., distinct days of service). For these contracts, the Company allocates the ratable portion of the consideration based on the services provided in each period of service to such period.

Revenues related to the sales segment are primarily recognized in the form of commissions, fee-for-service, or on a cost-plus basis for providing headquarter relationship management, analytics, insights and intelligence services, administrative services, retail services, retailer client relationships and in-store media programs, and digital technology solutions (which include business intelligence solutions, e-commerce services, and content services).

Marketing segment revenues are primarily recognized in the form of fee-for-service (including retainer fees, fees charged to clients based on hours incurred, project-based fees, or fees for executing in-person consumer engagements or experiences, which engagements or experiences the Company refers to as “events”), commissions, or on a cost-plus basis for providing experiential marketing, shopper and consumer marketing services, private label development and digital, social, and media services.

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The Company disaggregates revenues from contracts with clients by reportable segment. Revenues within each segment are further disaggregated between brand-centric services and retail-centric services. Brand-centric services are centered on providing solutions to support manufacturers' sales and marketing strategies. Retail-centric services are centered on providing solutions to retailers. Disaggregated revenues were as follows:

<b>(in thousands)</b>	<b>Three Months Ended March 31,</b>	
	<b>2021</b>	<b>2020</b>
Sales brand-centric services	\$ 293,531	\$ 317,598
Sales retail-centric services	240,793	190,200
Total sales revenues	<u>534,324</u>	<u>507,798</u>
Marketing brand-centric services	116,982	96,365
Marketing retail-centric services	139,715	275,233
Total marketing revenues	<u>256,697</u>	<u>371,598</u>
<b>Total revenues</b>	<b><u>\$ 791,021</u></b>	<b><u>\$ 879,396</u></b>

Substantially all of the Company's contracts with its clients either have a contract term that is less than one year with options for renewal and/or can be cancelled by either party upon 30 to 120 days' notice. The Company does not have significant consideration allocated to remaining performance obligations for contracts with a contract term that exceeds one year. When the Company satisfies its performance obligation and recognizes revenues, the Company has a present and unconditional right to payment and records the receivable from clients in Accounts receivable, net of allowance for expected credit losses in the Condensed Consolidated Balance Sheets.

For certain contracts with clients, the Company is entitled to additional fees upon meeting specific performance goals or thresholds, which are referred to as bonus revenues. Bonus revenues are variable consideration and are estimated using an expected value/most likely amount approach. Bonus revenues are recognized as revenues as the related services are performed for the client. The Company records an adjustment to revenues for differences between estimated revenues and the amounts ultimately invoiced to the client. Adjustments to revenues during the current period related to services transferred during prior periods were not material for the three months ended March 31, 2021 and 2020.

The Company evaluates each client contract individually in accordance with the applicable accounting guidance to determine whether the Company acts as a principal (whereby the Company would present revenues on a gross basis), or as an agent (whereby the Company would present revenues on a net basis). While the Company primarily acts as a principal in its arrangements and reports revenues on a gross basis, the Company will occasionally act as an agent and accordingly presents revenues on a net basis. For example, for certain advertising arrangements, the Company's clients purchase media content in advance, and the Company does not take on any risk of recovering its cost to acquire the media content. As a result, the Company determined it acts as the agent in these arrangements and records revenues and their related costs on a net basis. However, in cases where media content is not purchased in advance by its clients, the Company records such revenues and its related costs on a gross basis, as it bears the risk of recovering the costs to acquire the revenues related to such media content and it is responsible for fulfillment of the services thereunder.

Contract liabilities represent deferred revenues which are cash payments that are received in advance of the Company's satisfaction of the applicable obligation(s) and are included in Deferred revenues in the Condensed Consolidated Balance Sheets. Deferred revenues are recognized as revenues when the related services are performed for the client. Revenues recognized during the three months ended March 31, 2021 that were included in Deferred revenues as of December 31, 2020 were \$26.1 million. Revenues recognized during the three months ended March 31, 2020 that were included in Deferred revenues as of December 31, 2019 were \$24.0 million.

### 3. Acquisitions

#### 2021 Acquisitions

The Company acquired two businesses during the three months ended March 31, 2021, which were two sales agencies. The acquisitions were accounted for under the acquisition method of accounting. As such, the purchase consideration for each acquired business was allocated to the acquired tangible and intangible assets and liabilities assumed based upon their respective fair values. Assets acquired and liabilities assumed in the business combination were recorded on the Company's financial statements as of the acquisition date based upon the estimated fair value at such date. The excess of the purchase consideration over the estimated fair value of the net tangible and identifiable intangible assets acquired was recorded as goodwill. The allocation of the excess purchase price was based upon preliminary estimates and assumptions and is subject to revision when the Company receives final information. Accordingly, the measurement period for such purchase price allocations will end when the information, or the facts and circumstances, becomes available, but will not exceed twelve months. The results of operations of each acquired business has been included in the Condensed Consolidated Statements of Comprehensive Loss since its respective date of acquisition.

The aggregate purchase price for the acquisitions referenced above was \$18.2 million, which includes \$14.0 million paid in cash, \$2.7 million recorded as contingent consideration liabilities, and \$1.4 million recorded as holdback amounts. Contingent consideration payments are determined based on future financial performance and payment obligations (as defined in the applicable purchase agreement) and recorded at fair value. The maximum potential payment outcome related to the acquisitions is \$7.0 million. Holdback amounts are used to withhold a portion of the initial purchase price payment until certain post-closing conditions are satisfied and are typically settled within 18 months of the acquisition. The goodwill related to the acquisitions represented the value paid for the assembled workforce, geographic presence, and expertise. Of the resulting goodwill relating to these acquisitions, \$4.5 million is deductible for tax purposes.

The preliminary fair values of the identifiable assets and liabilities of the acquisitions completed during the three months ended March 31, 2021, as of the applicable acquisition dates, are as follows:

<b>(in thousands)</b>	
<b>Consideration:</b>	
Cash	\$14,034
Holdbacks	1,443
Fair value of contingent consideration	2,692
Total consideration	<u>\$18,169</u>
<b>Recognized amounts of identifiable assets acquired and liabilities assumed:</b>	
<b>Assets</b>	
Accounts receivable	\$ 2,998
Property and equipment	87
Identifiable intangible assets	9,103
Total assets	<u>12,188</u>
<b>Liabilities</b>	
Total liabilities	3,678
Redeemable noncontrolling interest	1,804
Total identifiable net assets	<u>6,706</u>
Goodwill arising from acquisitions	<u>\$11,463</u>

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The identifiable intangible assets are being amortized on a straight-line basis over their estimated useful lives. The preliminary fair value and estimated useful lives of the intangible assets acquired are as follows:

(in thousands)	Amount	Weighted Average Useful Life
Client relationships	\$8,102	8 years
Trade Names	1,001	5 years
Total identifiable intangible assets	<u>\$9,103</u>	

The operating results of the businesses acquired during the three months ended March 31, 2021 contributed total revenues of \$4.7 million in the three months ended March 31, 2021. The Company has determined that the presentation of net income from the date of acquisition is impracticable due to the integration of the operations upon acquisition.

During the three months ended March 31, 2021, the Company incurred \$0.2 million in transaction costs related to the acquisitions described above. These costs have been included in "Selling, general, and administrative expenses" in the Condensed Consolidated Statements of Comprehensive Loss.

### Supplemental Pro Forma Information

Supplemental information on a pro forma basis, presented as if the acquisitions executed during the period from January 1, 2021 to May 17, 2021 and for the year ended December 31, 2020, had been consummated as of the beginning of the comparative prior period, is as follows:

(in thousands, except per share data)	Three Months Ended March 31,	
	2021	2020
Total revenues	\$792,444	\$881,119
Net income (loss) attributable to stockholders of Advantage Solutions Inc.	\$ (300)	\$ (21,804)
Basic and diluted net income (loss) per common share	\$ (0.00)	\$ (0.10)

The unaudited pro forma supplemental information is based on estimates and assumptions which the Company believes are reasonable and reflects the pro forma impact of additional amortization related to the fair value of acquired intangible assets, the pro forma impact of acquisition costs which consisted of legal, advisory and due diligence fees and expenses, and the pro forma tax effect of the pro forma adjustments for the three months ended March 31, 2021 and 2020. This supplemental pro forma information has been prepared for comparative purposes and does not purport to be indicative of what would have occurred had the acquisition been consummated during the periods for which pro forma information is presented.

## 4. Goodwill and Intangible Assets

Changes in goodwill for the three months ended March 31, 2021 are as follows:

(in thousands)	Sales	Marketing	Total
Gross carrying amount as of December 31, 2020	\$2,114,378	\$700,961	\$2,815,339
Accumulated impairment charge <sup>(1)</sup>	(652,000)	—	(652,000)
Balance at December 31, 2020	<u>\$1,462,378</u>	<u>\$700,961</u>	<u>\$2,163,339</u>
Acquisitions	11,463	—	11,463
Measurement period adjustments	167	(1,045)	(878)
Balance at March 31, 2021	<u>1,474,008</u>	<u>699,916</u>	<u>2,173,924</u>

(1) During the fiscal year ended December 31, 2018, the Company recognized a non-cash goodwill impairment charge of \$652.0 million related to the Company's sales reporting unit as a result of the Company's annual evaluation of goodwill impairment test.

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The following tables set forth information for intangible assets:

(in thousands)	Weighted Average Useful Life	March 31, 2021			
		Gross Carrying Value	Accumulated Amortization	Accumulated Impairment Charges <sup>(1)</sup>	Net Carrying Value
<b>Finite-lived intangible assets:</b>					
Client relationships	14 years	\$ 2,463,217	\$1,022,275	\$ —	\$1,440,942
Trade names	8 years	134,749	69,307	—	65,442
Developed technology	5 years	10,160	6,497	—	3,663
Covenant not to compete	5 years	6,100	4,011	—	2,089
Total finite-lived intangible assets		<u>2,614,226</u>	<u>1,102,090</u>	<u>—</u>	<u>1,512,136</u>
<b>Indefinite-lived intangible assets:</b>					
Trade names		1,480,000	—	580,000	900,000
Total other intangible assets		<u>\$ 4,094,226</u>	<u>\$1,102,090</u>	<u>\$ 580,000</u>	<u>\$2,412,136</u>

- (1) During the fiscal year ended December 31, 2018, the Company recognized a non-cash intangible asset impairment charge of \$580.0 million, related to the Company's sales trade name as a result of the Company's annual impairment test for indefinite-lived intangible assets.

(in thousands)	Weighted Average Useful Life	December 31, 2020			
		Gross Carrying Value	Accumulated Amortization	Accumulated Impairment Charges	Net Carrying Value
<b>Finite-lived intangible assets:</b>					
Client relationships	14 years	\$ 2,455,360	\$ 977,140	\$ —	\$1,478,220
Trade names	8 years	134,220	66,209	—	68,011
Developed technology	5 years	10,160	5,989	—	4,171
Covenant not to compete	5 years	6,100	3,706	—	2,394
Total finite-lived intangible assets		<u>2,605,840</u>	<u>1,053,044</u>	<u>—</u>	<u>1,552,796</u>
<b>Indefinite-lived intangible assets:</b>					
Trade names		1,480,000	—	580,000	900,000
Total other intangible assets		<u>\$ 4,085,840</u>	<u>\$1,053,044</u>	<u>\$ 580,000</u>	<u>\$2,452,796</u>

As of March 31, 2021, estimated future amortization expenses of the Company's existing intangible assets are as follows:

(in thousands)	
Remainder of 2021	147,319
2022	194,208
2023	190,663
2024	189,711
2025	184,576
Thereafter	605,659
Total amortization expense	<u>\$1,512,136</u>

## 5. Debt

(in thousands)	March 31, 2021	December 31, 2020
New Term Loan Facility	\$1,321,688	\$1,325,000
Notes	775,000	775,000
New Revolving Credit Facility	—	50,000
Notes payable and deferred obligations	2,973	3,618
	<u>2,099,661</u>	<u>2,153,618</u>
Less: current portion	13,304	63,745
Less: debt issuance costs	58,267	60,545
Long-term debt, net of current portion	<u>\$2,028,090</u>	<u>\$2,029,328</u>

As of March 31, 2021, the Company had \$1.3 billion of debt outstanding under the New Term Loan Facility and \$775 million of debt outstanding under the Notes with maturity dates of October 28, 2027 and November 15, 2028, respectively. The Company was in compliance with all of its affirmative and negative covenants under the New Term Loan Facility and Notes as of March 31, 2021. In addition, the Company was required to repay the principal under the New Term Loan Facility (as such term was defined in the New Term Loan Facility Agreement) in the greater amount of its excess cash flow, as defined in the New Term Loan Facility Agreement, or \$13.3 million, per annum, in quarterly payments. The Company made the minimum quarterly principal payments of \$3.3 million during the three months ended March 31, 2021 and no payments under the excess cash flow calculation were required. During the three months ended March 31, 2020, the Company made the minimum quarterly principal payments of \$6.5 million pursuant to its then outstanding first lien term loans that existed prior to consummation of the Transactions.

Future minimum principal payments on long-term debt are as follows as of March 31, 2021:

(in thousands)	
Remainder of 2021	\$ 9,987
2022	13,294
2023	13,293
2024	13,274
2025	13,277
Thereafter	2,036,536
Total future minimum principal payments	<u>\$2,099,661</u>

## 6. Fair Value of Financial Instruments

The Company measures fair value based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on a three-tier hierarchy that prioritizes the inputs used to measure fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following table sets forth the Company's financial assets and liabilities measured on a recurring basis at fair value, categorized by input level within the fair value hierarchy.

(in thousands)	March 31, 2021			
	Fair Value	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>				
Cash and cash equivalents	\$ 156,351	\$ 156,351	\$ —	\$ —
Derivative financial instruments	7,281	—	7,281	—
Total assets measured at fair value	<u>\$ 163,632</u>	<u>\$ 156,351</u>	<u>\$ 7,281</u>	<u>\$ —</u>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	\$ 1,515	\$ —	\$ 1,515	\$ —
Warrant liability	26,761	—	—	26,761
Contingent consideration liabilities	46,841	—	—	46,841
Total liabilities measured at fair value	<u>\$ 75,117</u>	<u>\$ —</u>	<u>\$ 1,515</u>	<u>\$ 73,602</u>

(in thousands)	December 31, 2020			
	Fair Value	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>				
Cash and cash equivalents	\$ 204,301	\$ 204,301	\$ —	\$ —
Derivative financial instruments	1,824	—	1,824	—
Total assets measured at fair value	<u>\$ 206,125</u>	<u>\$ 204,301</u>	<u>\$ 1,824</u>	<u>\$ —</u>
<b>Liabilities measured at fair value</b>				
Derivative financial instruments	\$ 1,882	\$ —	\$ 1,882	\$ —
Warrant liability	21,234	—	—	21,234
Contingent consideration liabilities	45,901	—	—	45,901
Total liabilities measured at fair value	<u>\$ 69,017</u>	<u>\$ —</u>	<u>\$ 1,882</u>	<u>\$ 67,135</u>

### Interest Rate Cap Agreements

The Company had interest rate cap contracts with an aggregate notional value of principal of \$2.2 billion as of each of March 31, 2021 and December 31, 2020, from various financial institutions to manage the Company's exposure to interest rate movements on variable rate credit facilities. As of March 31, 2021, the aggregate fair value of the Company's outstanding interest rate caps represented an outstanding net asset of \$7.3 million and an outstanding net liability of \$1.5 million. As of December 31, 2020, the aggregate fair value of the Company's outstanding interest rate caps represented an outstanding net asset of \$1.8 million and an outstanding net liability of \$1.9 million.

As of March 31, 2021, \$7.3 million and \$1.5 million of fair value of the Company's outstanding interest rate caps were included in "Prepaid expenses and other current assets" and "Other accrued expenses" in the Consolidated Balance Sheets, respectively, with changes in fair value recognized as a component of "Interest expense, net" in the Consolidated Statements of Operations and Comprehensive Loss. As of December 31, 2020, \$1.8 million, \$1.0 million, and \$0.9 million of fair value of the Company's outstanding interest rate caps were included in "Prepaid expenses and other current assets", "Other accrued expenses", and "Other long-term liabilities" in the Consolidated Balance Sheets, respectively, with changes in fair value recognized as a component of "Interest expense, net" in the Consolidated Statements of Operations and Comprehensive Loss.

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During the three months ended March 31, 2021 and 2020, the Company recorded a gain within interest expense, net in the amount of \$5.4 million, and \$0.1 million, respectively, related to changes in the fair value of its derivative instruments.

### *Forward Contracts*

As of March 31, 2021, the Company had two open Euro forward contracts to hedge foreign currency exposure on a total of €1.2 million, with maturities in fiscal year 2021. As of December 31, 2020, the Company had no open Euro forward contracts.

During the three months ended March 31, 2021 and 2020, the Company recognized a gain less than \$0.1 million and \$0.1 million, respectively, related to changes in fair value of the forward contracts as a component of “Selling, general and administrative expenses” in the Condensed Consolidated Statements of Comprehensive Loss.

### *Warrant Liability*

The estimated fair value of the liability is recorded using significant unobservable measures and other fair value inputs and is therefore classified as a Level 3 financial instrument.

The fair value of the warrants on the date of issuance and on each remeasurement date of certain warrants issued by the Company in a private placement in connection with the Closing (the “private placement warrants”) and classified as liabilities is estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Fair value warrants per share	\$ 3.65	\$ 2.90
Share Price	\$ 11.81	\$ 13.17
Exercise price per share	\$ 11.50	\$ 11.50
Term (years)	4.6 years	4.8 years
Implied volatility	34.0%	17.0%
Risk-free interest rate	0.9%	0.4%
Dividend yield	0.0%	0.0%

As of March 31, 2021, 7,333,333 private placement warrants remained outstanding at a fair value of \$26.7 million resulting in a \$5.5 million expense related to the change in fair value of warrant liability for the three months ended March 31, 2021. The warrant liability is stated at fair value at each reporting period with the change in fair value recorded on the Consolidated Statement of Operations and Comprehensive Loss until the warrants are exercised, expire or other facts and circumstances lead the warrant liability to be reclassified as an equity instrument.

### *Contingent Consideration Liabilities*

Each reporting period, the Company measures the fair value of its contingent liabilities by evaluating the significant unobservable inputs and probability weightings using Monte Carlo simulations. Any resulting decreases or increases in the fair value result in a corresponding gain or loss reported in “Selling, general, and administrative expenses” in the Condensed Consolidated Statements of Comprehensive Loss.



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As of March 31, 2021, the maximum potential payment outcomes were \$289.9 million. The following table summarizes the changes in the carrying value of estimated contingent consideration liabilities:

(in thousands)	March 31,	
	2021	2020
Beginning of the period	\$45,901	\$47,649
Fair value of acquisitions	2,692	17,210
Payments	—	(2,375)
Measurement period adjustments	(1,181)	—
Changes in fair value	(584)	4,577
Foreign exchange translation effects	13	(775)
End of the period	<u>\$46,841</u>	<u>\$66,286</u>

Since the initial preliminary estimates reported in 2020, the Company has updated certain amounts reflected in the preliminary purchase price allocation, as summarized in the fair values of assets acquired and liabilities assumed as set forth above. Specifically, contingent consideration decreased \$1.2 million due to fair value measurement period adjustments. Measurement period adjustments are recognized in the reporting period in which the adjustments are determined and calculated as if the accounting had been completed at the acquisition date.

### Long-term Debt

The following table sets forth the carrying values and fair values of the Company's financial liabilities measured on a recurring basis, categorized by input level within the fair value hierarchy:

(in thousands)	Carrying Value	Fair Value (Level 2)
<b>Balance at March 31, 2021</b>		
New Term Loan Credit Facility	\$ 1,321,688	\$1,451,134
Notes	775,000	902,118
Notes payable and deferred obligations	2,973	2,973
Total long-term debt	<u>\$ 2,099,661</u>	<u>\$2,356,225</u>

(in thousands)	Carrying Value	Fair Value (Level 2)
<b>Balance at December 31, 2020</b>		
New Term Loan Credit Facility	\$ 1,325,000	\$1,447,993
Notes	775,000	884,826
New Revolving Credit Facility	50,000	50,000
Notes payable and deferred obligations	3,618	3,618
Total long-term debt	<u>\$ 2,153,618</u>	<u>\$2,386,437</u>

## 7. Related Party Transactions

### Conyers Park and the Transactions

In May 2019, Conyers Park II Sponsor LLC, an affiliate of Centerview Capital Management, LLC, which was Conyer Park's sponsor prior to the Merger ("CP Sponsor") purchased 11,500,000 of Conyers Park's Class B ordinary shares for an aggregate purchase price of \$25,000 in cash, or approximately \$0.002 per share. In June 2019, CP Sponsor transferred 25,000 shares to each of four individuals, including a current member of the board of directors of the Company. At the time of the Closing, the 11,250,000 shares of Conyers Park Class B common stock, par value \$0.0001 per share, then held by CP Sponsor and its directors automatically converted into shares of our Class A common stock. CP Sponsor also purchased 7,333,333 private placement warrants for a purchase price of \$1.50 per whole warrant, or \$11,000,000 in the aggregate, in private placement transactions that occurred simultaneously with the closing of the Conyers Park's initial public offering and related over-allotment option. As a result of the Closing, each private placement warrant entitles CP Sponsor to purchase one share of our Class A Common Stock at \$11.50 per share.

Concurrent with the execution of the Merger Agreement, Conyers Park entered into the subscription agreements with certain investors (collectively, the "Subscription Agreements"), pursuant to which, among other things, Conyers Park agreed to issue and sell in a private placement shares of Conyers Park Class A common stock for a purchase price of \$10.00 per share. Certain of the Advantage Sponsors or their affiliates agreed to purchase an aggregate of 34,410,000 shares of Conyers Park Class A common stock. Conyers Park also entered into a stockholders agreement (the "Stockholders Agreement") with CP Sponsor, Topco, and certain of the Advantage Sponsors and their affiliates (collectively, the "Stockholder Parties"). The Stockholders Agreement provides, among other things, that the Stockholder Parties agree to cast their votes such that the Company's board of directors is constituted as set forth in the Stockholders Agreement and the Merger Agreement and will have certain rights to designate directors to the Company's board of directors, in each case, on the terms and subject to the conditions therein. Additionally, Conyers Park entered into a Registration Rights Agreement with CP Sponsor, Topco, the Advantage Sponsors and their affiliates and the other parties thereto, pursuant to which the Company have agreed to register for resale certain shares of Class A common stock and other equity securities that are held by the parties thereto from time to time.

### Overlapping Directors

Three members of the board of directors of Topco served as the members of the board of directors of a client of the Company. During the three months ended March 31, 2021, the Company recognized revenues of \$1.0 million from this client. Accounts receivable from this client were less than \$0.1 million as of March 31, 2021, and December 31, 2020, respectively.

From June 25, 2019 until October 28, 2020, a member of the board of directors of Topco served as a member of the board of directors of another client of the Company. During the three months ended March 31, 2020, the Company recognized revenues of \$4.8 million from this client. Accounts

receivable from this client were zero as of March 31, 2021 and December 31, 2020.

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Until February 2, 2020, a member of the board of directors of Topco served as a member of the board of directors for a holding company of a client. During the three months ended March 31, 2020, the Company recognized revenues of \$3.9 million, from this client. Accounts receivable from this client were zero as of March 31, 2021 and December 31, 2020.

### *Investment in Unconsolidated Affiliates*

During the three months ended March 31, 2021 and 2020, the Company recognized revenues of \$4.7 million and \$4.8 million, respectively, from a parent company of an unconsolidated affiliate. Accounts receivable from this client were \$2.5 million and \$2.2 million as of March 31, 2021 and December 31, 2020, respectively.

## **8. Income Taxes**

The Company's effective tax rate was 145.6% and (6.7)% during the three months ended March 31, 2021 and 2020, respectively. The effective tax rate is based upon the estimated income or loss before taxes for the year, by jurisdiction, and adjusted for estimated permanent tax adjustments. The fluctuation in the Company's effective tax rate was primarily due to a difference in projected book income/loss used in the annual effective tax rate and unfavorable permanent book/tax differences related to officers' compensation and fair value adjustments for warrant liabilities. Also, the company recorded a valuation allowance of \$1.3 million as a discrete item to the quarter for its Mexico operations which resulted in a higher tax provision overall for the three months ended March 31, 2021. Without the \$1.3 million valuation allowance, the Company's effective tax rate would be 31.5% during the three months ended March 31, 2021.

## **9. Segments**

The Company's operations are organized into two reportable segments: sales and marketing. The operating segments reported below are the segments of the Company for which separate financial information is available and for which segment results are evaluated regularly by the chief operating decision maker (*i.e.*, the Company's Chief Executive Officer) in deciding how to allocate resources and in assessing performance. Through the Company's sales segment, the Company serves as a strategic intermediary between consumer goods manufacturers and retailer partners and performs critical merchandizing services on behalf of both consumer goods manufacturers and retail partners. Through the Company's marketing segment, the Company develops and executes marketing programs for manufacturers and retailers. These reportable segments are organized by the types of services provided, similar economic characteristics, and how the Company manages its business. The assets and liabilities of the Company are managed centrally and are reported internally in the same manner as the consolidated financial statements; therefore, no additional information is produced or included herein. The Company and its chief operating decision maker evaluate performance based on revenues and operating income.

(in thousands)	Sales	Marketing	Total
<b>Three Months Ended March 31, 2021</b>			
Revenues	\$534,324	\$256,697	\$791,021
Depreciation and amortization	\$ 42,564	\$ 17,049	\$ 59,613
Operating income	\$ 35,148	\$ 2,440	\$ 37,588
<b>Three Months Ended March 31, 2020</b>			
Revenues	\$507,798	\$371,598	\$879,396
Depreciation and amortization	\$ 43,107	\$ 17,102	\$ 60,209
Operating income	\$ 24,194	\$ 7,244	\$ 31,438

## 10. Commitments and Contingencies

### *Litigation*

The Company is involved in various legal matters that arise in the ordinary course of its business. Some of these legal matters purport or may be determined to be class and/or representative actions, or seek substantial damages, or penalties. The Company has accrued amounts in connection with certain legal matters, including with respect to certain of the matters described below. There can be no assurance, however, that these accruals will be sufficient to cover such matters or other legal matters or that such matters or other legal matters will not materially or adversely affect the Company's business, financial position, or results of operations.

### *Employment Matters*

The Company has also been involved in various litigation, including purported class or representative actions with respect to matters arising under the California Labor Code and Private Attorneys General Act. The Company has retained outside counsel to represent it in these matters and is vigorously defending its interests.

### *Legal Matters Related to Take 5*

On April 1, 2018, the Company acquired certain assets and assumed liabilities of Take 5 Media Group ("Take 5"). In June 2019, as a result of a review of internal allegations related to inconsistency of data provided by Take 5 to its clients, the Company commenced an investigation into Take 5's operations. In July 2019, as a result of the Company's investigation, the Company determined that revenue during the fiscal year ended December 31, 2018 attributable to the Take 5 business had been recognized for services that were not performed on behalf of clients of Take 5 and that inaccurate reports were made to Take 5 clients about those services (referred to as the "Take 5 Matter"). As a result of these findings, in July 2019, the Company terminated all operations of Take 5, including the use of its associated trade names and the offering of its services to its clients and offered refunds to Take 5 clients of collected revenues attributable to Take 5 since the Company's acquisition of Take 5.

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### *USAO and FBI Voluntary Disclosure and Investigation Related to Take 5*

The Company voluntarily disclosed to the United States Attorney's Office and the Federal Bureau of Investigation certain misconduct occurring at Take 5, a line of business that the Company closed in July 2019. The Company intends to cooperate in this and any other governmental investigations that may arise in connection with the Take 5 Matter. At this time, the Company cannot predict the ultimate outcome of any investigation related to the Take 5 Matter and is unable to estimate the potential impact such an investigation may have on the Company.

### *Arbitration Proceedings Related to Take 5*

In August 2019, as a result of the Take 5 Matter, the Company provided a written indemnification claim notice to the sellers of Take 5 (the "Take 5 Sellers") seeking monetary damages (including interest, fees and costs) based on allegations of breach of the asset purchase agreement (the "Take 5 APA"), as well as fraud. In September 2019, the Take 5 Sellers initiated arbitration proceedings against the Company, alleging breach of the Take 5 APA as a result of the Company's decision to terminate the operations of the Take 5 business, and seeking monetary damages equal to all unpaid earn-out payments under the Take 5 APA (plus interest, fees and costs). In 2020, the Take 5 sellers amended their statement of claim to allege defamation, relating to statements the Company made to customers in connection with terminating the operations of the Take 5 business, and seeking monetary damages for the alleged injury to their reputation. The Company filed its response to the Take 5 Sellers' claims, and asserted indemnification, fraud and other claims against the Take 5 Sellers as counterclaims and cross-claims in the arbitration proceedings. The Company is currently unable to estimate the potential impact related to these arbitration proceedings, but the Company has retained outside counsel to represent the Company in these matters and intends to vigorously pursue the Company's interests.

### *Other Legal Matters Related to Take 5*

The Take 5 Matter may result in additional litigation against the Company, including lawsuits from clients, or governmental investigations, which may expose the Company to potential liability in excess of the amounts being offered by the Company as refunds to Take 5 clients. The Company is currently unable to determine the amount of any potential liability, costs or expenses (above the amounts already being offered as refunds) that may result from any lawsuits or investigations associated with the Take 5 Matter or determine whether any such issues will have any future material adverse effect on the Company's financial position, liquidity, or results of operations. Although the Company has insurance covering certain liabilities, the Company cannot assure that the insurance will be sufficient to cover any potential liability or expenses associated with the Take 5 Matter.

### *Surety Bonds*

In the ordinary course of business, the Company is required to provide financial commitments in the form of surety bonds to third parties as a guarantee of its performance on and its compliance with certain obligations, including workers' compensation insurance. If the Company were to fail to perform or comply with these obligations, any draws upon surety bonds issued on its behalf would then trigger the Company's payment obligation to the surety bond issuer. The Company has outstanding surety bonds issued for its benefit of \$7.5 million and \$0.5 million as of March 31, 2021 and December 31, 2020, respectively.

## **11. Redeemable Noncontrolling Interest**

The Company is party to a put and call option agreement with respect to the common securities that represent the remaining noncontrolling interest from a majority-owned subsidiary, which was established through a majority-owned international joint venture during the three months ended March 31, 2021. The put and call option agreement representing 20% of the total outstanding noncontrolling equity interest of that subsidiary, may be exercised at the discretion of the noncontrolling interest holder by providing written notice to the Company beginning in 2026 and expiring in 2028. The redemption value of the put and call option agreement is based on a multiple of the majority-owned subsidiary earnings before interest, taxes, depreciation and amortization subject to certain adjustments. The noncontrolling interest is subject to a put option that is outside of the Company's control, and is presented as redeemable non-controlling interest in the temporary equity section of the Condensed Consolidated Balance Sheets. The Company recorded its redeemable noncontrolling interest at fair value on the

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date of the related business combination transaction and recognizes changes in the redemption value at the end of each reporting period. The carrying value of the redeemable noncontrolling interest was \$1.9 million as of March 31, 2021.

(in thousands)	2021
Beginning Balance	\$ —
Fair value at acquisition	1,804
Net income attributable to redeemable noncontrolling interests	38
Foreign currency translation adjustment	31
Ending Balance	<u>\$1,873</u>

## 12. Stock-based compensation

The Company has issued nonqualified stock options, restricted stock units, and performance share units under the Advantage Solutions Inc. 2020 Incentive Award Plan (the “Plan”). As of March 31, 2021, the number of nonqualified stock options outstanding was immaterial. Our restricted stock units and performance share units, as described below, are expensed and reported as non-vested shares. We recognized share-based compensation expense of \$8.7 million in the three months ended March 31, 2021.

### *Performance Stock Units*

Performance restricted stock units (“PSUs”) are subject to the achievement of certain performance conditions based on the Company’s Adjusted EBITDA and revenues targets in the respective measurement period and the recipient’s continued service to the Company. The PSUs are scheduled to vest over a three-year period from the date of grant and may vest from 0% to 150% of the number of shares set forth in the table below.

During the three months ended March 31, 2021, the following activity involving PSUs occurred under the Plan:

	Number of PSUs	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2021	—	\$ —
Granted	2,594,566	\$ 13.21
Vested	24,784	\$ 13.33
Forfeited	—	\$ —
Outstanding at March 31, 2021	<u>2,569,782</u>	<u>\$ 13.21</u>

### *Restricted Stock Units*

Restricted stock units (“RSUs”) are subject to the recipient’s continued service to the Company. The RSUs are generally scheduled to vest over three years (though RSUs associated with 125,000 shares of Class A common stock are scheduled to vest over two years) and are subject to the provisions of the agreement under the Plan.

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During the three months ended March 31, 2021, the following activity involving RSUs occurred under the Plan:

	<u>Number of RSUs</u>	<u>Weighted Average Grant Date Fair Value</u>
Outstanding at January 1, 2021	—	\$ —
Granted	1,745,087	\$ 13.19
Vested	—	\$ —
Forfeited	23,810	\$ 13.33
Outstanding at March 31, 2021	<u>1,721,277</u>	<u>\$ 13.18</u>

As of March 31, 2021, the total remaining unrecognized compensation cost related to non-vested PSUs, and RSUs amounted to \$29.1 million, \$21.1 million, respectively, which will be amortized over the weighted-average remaining requisite service periods of 2.8 years, and 2.7 years, respectively.

### *Joint Venture – Preferred Dividends*

The Company also has cumulative preferred dividends, undeclared and unpaid associated with its joint venture. These preferred shares do not represent a participating security, but preference dividends would be considered in determining income available to common stockholders. The amount of the preference dividends was immaterial to all periods presented.

## **13. Earnings Per Share**

The Company calculates earnings per share (“EPS”) using a dual presentation of basic and diluted earnings per share. Basic earnings per share is calculated by dividing net income (loss) attributable to stockholders’ of the Company by the weighted-average shares of common stock outstanding without the consideration for potential dilutive shares of common stock. Diluted earnings per share represents basic earnings per share adjusted to include the potentially dilutive effect of outstanding share option awards, non-vested share awards, common stock warrants, and Performance Shares (as defined below). Diluted earnings per share is computed by dividing the net income by the weighted-average number of common share equivalents outstanding for the period determined using the treasury stock method and if-converted method, as applicable. During periods of net loss, diluted loss per share is equal to basic loss per share because the antidilutive effect of potential common shares is disregarded. As a result of the Transactions, the Company has retrospectively adjusted the weighted-average number of common shares outstanding prior to October 28, 2020 by multiplying them by the exchange ratio used to determine the number of common shares into which they converted.

There were no adjustments required to be made to weighted-average common shares outstanding for purposes of computing basic and diluted earnings per share and there were no securities outstanding in any period presented, which were excluded from the computation of earnings per share other than antidilutive stock options, restricted stock awards, restricted stock units, and PSUs. For the three months ended March 31, 2021, there were 0.2 million stock options, outstanding that were antidilutive, as determined under the treasury stock method, and excluded from the computation of diluted earnings. The number of RSUs and PSUs that were antidilutive, as determined under the treasury stock method, were 1.7 million and 2.6 million for the three months ended March 31, 2021, respectively.

During periods of net loss, diluted loss per share is equal to basic loss per share because the antidilutive effect of potential common shares is disregarded.

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The following is a reconciliation of basic and diluted net loss per common share:

<i>(in thousands, except share and earnings per share data)</i>	<u>March 31, 2021</u>	<u>March 31, 2020</u>
<b>Basic and diluted:</b>		
Net loss attributable to stockholders of Advantage Solutions Inc.	\$ (116)	\$ (21,708)
Weighted-average number of common shares	317,601,345	203,750,000
Basic and diluted net loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.11)</u>

As part of the Transactions, 5,000,000 shares of Class A common stock were issued to Topco at Closing (the “Performance Shares”), which were subject to vesting upon satisfaction of a market performance condition for any period of 20 trading days out of 30 consecutive trading days during the five-year period after the Closing. Topco was not able to vote or sell such shares until vesting. The Performance Shares vested on January 15, 2021, when the closing price for the Class A common stock exceeded \$12.00 per share for 20 trading days out of 30 consecutive trading days and were included in the March 31, 2021 earnings per share calculation.

The Company had 18,583,333 warrants, including 7,333,333 private placement warrants held by the CP Sponsor, to purchase Class A common stock at \$11.50 per share at the Closing, and no such warrants were exercised during the three months ended March 31, 2021 and 2020, respectively.



## ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Executive Overview

We are a leading business solutions provider to consumer goods manufacturers and retailers. We have a strong platform of competitively advantaged sales and marketing services built over multiple decades – essential, business critical services like headquarter sales, retail merchandising, in-store sampling, digital commerce and shopper marketing. For brands and retailers of all sizes, we help get the right products on the shelf (whether physical or digital) and into the hands of consumers (however they shop). We use a scaled platform to innovate as a trusted partner with our clients, solving problems to increase their efficiency and effectiveness across a broad range of channels.

We have two reportable segments: sales and marketing.

Through our sales segment, which generated approximately 67.5% and 57.7% of our total revenues in the three months ended March 31, 2021 and 2020, respectively, we offer headquarter sales representation services to consumer goods manufacturers, for whom we prepare and present to retailers a business case to increase distribution of manufacturers’ products and optimize how they are displayed, priced and promoted. We also make in-store merchandising visits for both manufacturer and retailer clients to ensure the products we represent are adequately stocked and properly displayed.

Through our marketing segment, which generated approximately 32.5% and 42.3% of our total revenues in the three months ended March 31, 2021 and 2020, respectively, we help brands and retailers reach consumers through two main categories within the marketing segment. The first and largest is our retail experiential business, also known as in-store sampling or demonstrations, where we create manage highly customized large-scale sampling programs (both in-store and online) for leading retailers. The second business is our collection of specialized agency businesses, in which we provide private label services to retailers and develop granular marketing programs for brands and retailers through our shopper, consumer and digital marketing agencies.

### ***Business Combination with Conyers Park***

On September 7, 2020, Advantage Solutions Inc., now known as ASI Intermediate Corp. (“ASI”), entered into an agreement and plan of merger (as amended, modified, supplemented or waived, the “Merger Agreement”), with Conyers Park II Acquisition Corp., a Delaware corporation now known as Advantage Solutions Inc. (“Conyers Park”), CP II Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Conyers Park (“Merger Sub”), and Topco.

In September 2020 and in connection with its entry into the Merger Agreement, Conyers Park entered into subscription agreements (collectively, the “Subscription Agreements”) pursuant to which certain investors, including participating equityholders of Topco (the “Advantage Sponsors”), agreed to purchase Class A Common Stock of Conyers Park (“Common Stock”) at a purchase price of \$10.00 per share (the “PIPE Investment”).

On October 27, 2020, Conyers Park held a special meeting of stockholders (the “Special Meeting”), at which the Conyers Park stockholders considered and adopted, among other matters, a proposal to approve the business combination, including (a) adopting the Merger Agreement and (b) approving the other transactions contemplated by the Merger Agreement and related agreements. Pursuant to the terms of the Merger Agreement, following the Special Meeting, on October 28, 2020 (the “Closing Date”), Merger Sub was merged with and into ASI with ASI being the surviving company in the merger (the “Merger” and, together with the other transactions contemplated by the Merger Agreement, the “Transactions”). On the Closing Date, the PIPE Investment was consummated, and 85,540,000 shares of Common Stock were sold for aggregate gross proceeds of \$855.4 million. Of the 85,540,000 shares of Common Stock, the Advantage Sponsors acquired 34,410,000 shares of Common Stock, and other purchasers acquired 51,130,000 shares of Common Stock.

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Holders of 32,114,818 shares of Common Stock sold in its initial public offering properly exercised their right to have such shares redeemed for a full pro rata portion of the trust account holding the proceeds from Conyers Park's initial public offering, calculated as of two business days prior to the consummation of the business combination, \$10.06 per share, or \$323.1 million in the aggregate (collectively, the "Redemptions").

As a result of the Merger, among other things, pursuant to the Merger Agreement, Conyers Park issued to Topco, as sole stockholder of ASI prior to the Merger, aggregate consideration equal to (a) 203,750,000 shares of Common Stock, and (b) 5,000,000 shares of Common Stock that vested upon achievement of a market performance condition on January 15, 2021. After giving effect to the Transactions, the Redemptions, and the consummation of the PIPE Investment, there were 313,425,182 shares of Common Stock issued and outstanding as of the Closing Date, excluding the 5,000,000 shares of Common Stock subject to the market performance condition. The Common Stock and outstanding warrants of Conyers Park (renamed "Advantage Solutions Inc." following the Transactions) commenced trading on the Nasdaq Global Select Market under the symbols "ADV" and "ADVWW", respectively, on October 29, 2020.

As noted above, an aggregate of \$323.1 million was paid from the Conyers Park's trust account to holders in connection with the Redemption, and the remaining balance immediately prior to the closing of the Transactions of approximately \$131.2 million remained in the trust account. The remaining amount in the trust account was used to fund the Transactions, including the entry into the New Senior Secured Credit Facilities (as defined below).

In connection with the Merger, ASI repaid and terminated \$3.3 billion of debt arrangements under its First Lien Credit Agreement, Second Lien Credit Agreement, and accounts receivable securitization facility (the "AR Facility") that existed in 2020 (collectively, the "Credit Facilities") with incremental costs of \$86.8 million. This amount was repaid by ASI through a combination of (i) cash on hand, (ii) proceeds from certain private investments in Common Stock, (iii) the entry by Advantage Sales & Marketing Inc., a wholly owned subsidiary of ASI, into (a) a new senior secured asset-based revolving credit facility, which permits borrowing in an aggregate principal amount of up to \$400.0 million, subject to borrowing base capacity (the "New Revolving Credit Facility"), of which \$100.0 million of principal amount was borrowed as of October 28, 2020, and (b) a new secured first lien term loan credit facility in an aggregate principal amount of \$1.325 billion (the "New Term Loan Facility" and, together with the New Revolving Credit Facility, the "New Senior Secured Credit Facilities"), and (iv) the issuance by Advantage Solutions FinCo LLC, a direct subsidiary of Advantage Sales & Marketing Inc., of \$775.0 million aggregate principal amount of 6.50% Senior Secured Notes due 2028 (the "Notes").

The Merger was accounted for as a reverse recapitalization in accordance with GAAP. Under this method of accounting, Conyers Park was treated as the "acquired" company for financial reporting purposes. This determination was primarily based on Topco having a relative majority of the voting power of the combined entity, the operations of ASI prior to the Merger comprising the only ongoing operations of the combined entity, and senior management of ASI comprising the senior management of the combined entity. Accordingly, for accounting purposes, the financial statements of the combined entity represent a continuation of the financial statements of ASI with the acquisition being treated as the equivalent of ASI issuing stock for the net assets of Conyers Park, accompanied by a recapitalization. The net assets of Conyers Park was stated at historical cost, with no goodwill or other intangible assets recorded.

### **Impacts of the COVID-19 Pandemic**

The COVID-19 pandemic has had, and is likely to continue to have, a severe and unprecedented impact on the world. Measures to prevent its spread, including government-imposed restrictions on large gatherings, closures of face-to-face events, "shelter in place" health orders and travel restrictions have had a significant effect on certain of our business operations. In response to these business disruptions, we have taken several actions including reducing certain of our discretionary expenditures, eliminating non-essential travel, terminating or amending certain office leases, furloughing, instituting pay reductions and deferrals and terminating some of our employees, particularly with respect to COVID-19 impacted operations.

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These measures to prevent the spread of COVID-19 have adversely impacted certain areas of our business operations, including our in-store sampling, foodservice and European businesses. Most notably, we temporarily suspended all in-store sampling in all U.S. locations starting in March and April of 2020 as well as in certain international locations. More recently, we have started to re-open in-store sampling activities in certain retailers in certain geographies on a prudent, phased basis. While the restrictions relating to in-store sampling services have materially and adversely affected our results of operations during the year ended December 31, 2020 and three months ended March 31, 2021, we have been successful in growing other adjacent services in our experiential marketing business such as online grocery pick-up sampling and virtual product demonstrations, both of which have seen increased adoption and demand. Our foodservice business continues to be negatively impacted by lower away-from-home demand resulting from the impact of the COVID-19 pandemic on various channels, including restaurants, education and travel and lodging. Our European business continues to be negatively impacted by activity restrictions implemented in the various European geographies in which we operate.

We have also experienced a positive impact in our headquarter sales and private label services where, due to the large increase in consumer purchases at retail to support incremental at-home consumption, our operations have experienced a favorable increase in volume and demand. Additionally, our e-commerce services have benefited due to the increase in consumer purchasing with online retailers.

These differing impacts are reflected in our financial results for the three months ended March 31, 2021, which show that compared to the three months ended March 31, 2020:

- our sales segment revenues, operating income, and Adjusted EBITDA increased 5.2%, 45.3%, and 7.0%, respectively, and;
- our market segment revenues, operating income and Adjusted EBITDA decreased 30.9%, 66.3% and 1.6%, respectively.

We expect the ultimate significance of the impact of the pandemic on our financial condition, results of operations and cash flows will be dictated by the length of time that such circumstances continue, which will depend on the currently unknowable extent and duration of the COVID-19 pandemic and the nature and effectiveness of governmental, commercial and personal actions taken in response. We expect the COVID-19 pandemic will continue to impact our various businesses through at least the first half of 2021; however, we do believe the impact will decrease in the second half of 2021 as businesses and individuals choose to have more in-person activities.

### **Summary**

Our financial performance for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020 includes:

- revenues decreasing by \$88.4 million, or 10.0%, to \$791.0 million;
- operating income increasing by \$6.2 million, or 19.6%, to \$37.6 million;
- net loss decreasing by \$21.2 million, or 97.5%, to \$0.5 million;
- Adjusted Net Income increasing by \$19.4 million, or 72.3%, to \$46.3 million; and
- Adjusted EBITDA increasing by \$5.1 million, or 4.8%, to \$111.4 million.

We acquired two businesses during the three months ended March 31, 2021, which were two sales agencies. The aggregate purchase price for these two acquisitions was \$18.1 million, of which \$14.0 million was paid in cash, \$2.7 million in contingent consideration and \$1.4 million in holdbacks.

## Factors Affecting Our Business and Financial Reporting

There are a number of factors, in addition to the impact of the ongoing COVID-19 pandemic, that affect the performance of our business and the comparability of our results from period to period including:

- **Organic Growth.** Part of our strategy is to generate organic growth by expanding our existing client relationships, continuing to win new clients, pursuing channel expansion and new industry opportunities, enhancing our digital technology solutions, developing our international platform, delivering operational efficiencies and expanding into logical adjacencies. We believe that by pursuing these organic growth opportunities we will be able to continue to enhance our value proposition to our clients and thereby grow our business.
- **Acquisitions.** We have grown and expect to continue to grow our business in part by acquiring quality businesses, both domestic and international. In December 2017, we completed the Daymon Acquisition, a leading provider of retailer-centric services, including private label development and management, merchandising and experiential marketing services. In addition to the Daymon Acquisition, we have completed 65 acquisitions from January 2014 to March 31, 2021, ranging in purchase prices from approximately \$0.3 million to \$98.5 million. Many of our acquisition agreements include contingent consideration arrangements, which are described below. We have completed acquisitions at what we believe are attractive purchase prices and have regularly structured our agreements to result in the generation of long-lived tax assets, which have in turn reduced our effective purchase prices when incorporating the value of those tax assets. We continue to look for strategic and tuck-in acquisitions that can be completed at attractive purchase prices.
- **Contingent Consideration.** Many of our acquisition agreements include contingent consideration arrangements, which are generally based on the achievement of financial performance thresholds by the operations attributable to the acquired businesses. The contingent consideration arrangements are based upon our valuations of the acquired businesses and are intended to share the investment risk with the sellers of such businesses if projected financial results are not achieved. The fair values of these contingent consideration arrangements are included as part of the purchase price of the acquired companies on their respective acquisition dates. For each transaction, we estimate the fair value of contingent consideration payments as part of the initial purchase price. We review and assess the estimated fair value of contingent consideration on a quarterly basis, and the updated fair value could differ materially from our initial estimates. Changes in the estimated fair value of contingent consideration liabilities related to the time component of the present value calculation are reported in “Interest expense, net.” Adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in “Selling, general and administrative expenses” in the Consolidated Statements of Operations and Comprehensive Loss.
- **Depreciation and Amortization.** As a result of the acquisition of our business by Topco on July 25, 2014 (the “2014 Topco Acquisition”), we acquired significant intangible assets, the value of which is amortized, on a straight-line basis, over 15 years from the date of the 2014 Topco Acquisition, unless determined to be indefinite-lived. The amortization of such intangible assets recorded in our consolidated financial statements has a significant impact on our operating income (loss) and net loss. Our historical acquisitions have increased, and future acquisitions likely will increase, our intangible assets. We do not believe the amortization expense associated with the intangibles created from our purchase accounting adjustments reflect a material economic cost to our business. Unlike depreciation expense which has an economic cost reflected by the fact that we must re-invest in property and equipment to maintain the asset base delivering our results of operations, we do not have any capital re-investment requirements associated with the acquired intangibles, such as client relationships and trade names, that comprise the majority of the finite-lived intangibles that create our amortization expense.
- **Foreign Exchange Fluctuations.** Our financial results are affected by fluctuations in the exchange rate between the U.S. dollar and other currencies, primarily Canadian dollars, British pounds and euros, due to our operations in such foreign jurisdictions. See also “— Quantitative and Qualitative Disclosure of Market Risk—Foreign Currency Risk.”

- **Seasonality.** Our quarterly results are seasonal in nature, with the fourth fiscal quarter typically generating a higher proportion of our revenues than other fiscal quarters, as a result of higher consumer spending. We generally record slightly lower revenues in the first fiscal quarter of each year, as our clients begin to roll out new programs for the year, and consumer spending generally is less in the first fiscal quarter than other quarters. Timing of our clients' marketing expenses, associated with marketing campaigns and new product launches, can also result in fluctuations from one quarter to another.

## How We Assess the Performance of Our Business

### Revenues

Revenues related to our sales segment are primarily comprised of commissions, fee-for-service and cost-plus fees for providing retail services, category and space management, headquarter relationship management, technology solutions and administrative services. A small portion of our arrangements include performance incentive provisions, which allow us to earn additional revenues on our performance relative to specified quantitative or qualitative goals. We recognize the incentive portion of revenues under these arrangements when the related services are transferred to the customer.

Marketing segment revenues are primarily recognized in the form of a fee-for-service (including retainer fees, fees charged to clients based on hours incurred, project-based fees or fees for executing in-person consumer engagements or experiences, which engagements or experiences we refer to as events), commissions or on a cost-plus basis, in each case, related to services including experiential marketing, shopper and consumer marketing services, private label development or our digital, social and media services.

Given our acquisition strategy, we analyze our financial performance, in part, by measuring revenue growth in two ways—revenue growth attributable to organic activities and revenue growth attributable to acquisitions, which we refer to as organic revenues and acquired revenues, respectively.

We define organic revenues as any revenues that are not acquired revenues. Our organic revenues exclude the impacts of acquisitions and divestitures, when applicable, which improves comparability of our results from period to period.

In general, when we acquire a business, the acquisition includes a contingent consideration arrangement (*e.g.*, an earn-out provision) and, accordingly, we separately track the financial performance of the acquired business. In such cases, we consider revenues generated by such a business during the 12 months following its acquisition to be acquired revenues. For example, if we completed an acquisition on July 1, 2019 for a business that included a contingent consideration arrangement, we would consider revenues from the acquired business from July 1, 2019 to June 30, 2020 to be acquired revenues. We generally consider growth attributable to the financial performance of an acquired business after the 12-month anniversary of the date of acquisition to be organic.

In limited cases, when the acquisition of an acquired business does not include a contingent consideration arrangement, or we otherwise do not separately track the financial performance of the acquired business due to operational integration, we consider the revenues that the business generated in the 12 months prior to its acquisition to be our acquired revenues for the 12 months following its acquisition, and any differences in revenues actually generated during the 12 months after its acquisition to be organic. For example, if we completed an acquisition on July 1, 2020 for a business that did not include a contingent consideration arrangement, we would consider the amount of revenues from the acquired business from July 1, 2019 to June 30, 2020 to be acquired revenues during the period from July 1, 2020 to June 30, 2021, with any differences from that amount actually generated during the latter period to be organic revenues.

All revenues generated by our acquired businesses are considered to be organic revenues after the 12-month anniversary of the date of acquisition.

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When we divest a business, we consider the revenues that the divested business generated in the 12 months prior to its divestiture to be subtracted from acquired revenues for the 12 months following its divestiture. For example, if we completed a divestiture on July 1, 2020 for a business, we would consider the amount of revenues from the divested business from July 1, 2019 to June 30, 2020 to be subtracted from acquired revenues during the period from July 1, 2020 to June 30, 2021.

We measure organic revenue growth and acquired revenue growth by comparing the organic revenues or acquired revenues, respectively, period over period, net of any divestitures.

### **Cost of Revenues**

Our cost of revenues consists of both fixed and variable expenses primarily attributable to the hiring, training, compensation and benefits provided to both full-time and part-time associates, as well as other project-related expenses. A number of costs associated with our associates are subject to external factors, including inflation, increases in market specific wages and minimum wage rates at federal, state and municipal levels and minimum pay levels for exempt roles. Additionally, when we enter into certain new client relationships, we may experience an initial increase in expenses associated with hiring, training and other items needed to launch the new relationship.

### **Selling, General and Administrative Expenses**

Selling, general and administrative expenses consist primarily of salaries, payroll taxes and benefits for corporate personnel. Other overhead costs include information technology, occupancy costs for corporate personnel, professional services fees, including accounting and legal services, and other general corporate expenses. Additionally, included in selling, general and administrative expenses are costs associated with the changes in fair value of the contingent consideration of acquisitions and other acquisition-related costs. Acquisition-related costs are comprised of fees related to change of equity ownership, transaction costs, professional fees, due diligence and integration activities.

We also expect to incur additional expenses as a result of operating as a public company, including expenses necessary to comply with the rules and regulations applicable to companies listed on a national securities exchange and related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, as well as higher expenses for general and director and officer insurance, investor relations, and professional services.

### **Other Expenses**

#### ***Change in Fair Value of Warrant Liability***

Change in fair value of warrant liability represents a non-cash (income) expense resulting from a fair value adjustment to warrant liability with respect to the private placement warrants and based on the input assumptions used in the Black-Scholes option pricing model, including our stock price at the end of the reporting period, the implied volatility or other inputs to the model and the number of private placement warrants outstanding, which may vary from period to period. We believe these amounts are not correlated to future business operations.

#### ***Interest Expense***

Interest expense relates primarily to borrowings under our first lien credit agreement and second lien credit agreement, which were paid off in connection with the Merger, and New Senior Secured Credit Facilities as described below. See “—*Liquidity and Capital Resources.*”

## **Depreciation and Amortization**

### ***Amortization Expense***

Included in our depreciation and amortization expense is amortization of acquired intangible assets. We have ascribed value to identifiable intangible assets other than goodwill in our purchase price allocations for companies we have acquired. These assets include, but are not limited to, client relationships and trade names. To the extent we ascribe value to identifiable intangible assets that have finite lives, we amortize those values over the estimated useful lives of the assets. Such amortization expense, although non-cash in the period expensed, directly impacts our results of operations. It is difficult to predict with any precision the amount of expense we may record relating to future acquired intangible assets.

As a result of the 2014 Topco Acquisition, we acquired significant intangible assets, the value of which is amortized, on a straight-line basis, over 15 years from the date of the 2014 Topco Acquisition, unless determined to be indefinite-lived. We recognized a non-cash intangible asset impairment charge of \$580.0 million during the year ended December 31, 2018, related to our sales trade name resulting from the 2014 Topco Acquisition considered to be indefinite lived. The impairment charge has been reflected in “Impairment of goodwill and indefinite-lived assets” in our Consolidated Statements of Operations and Comprehensive Loss, in addition to a \$652.0 million non-cash goodwill impairment charge in the sales reporting unit.

### ***Depreciation Expense***

Depreciation expense relates to the property and equipment that we own, which represented less than 1% of our total assets at March 31, 2021.

## **Income Taxes**

Income tax (benefit) expense and our effective tax rates can be affected by many factors, including state apportionment factors, our acquisition strategy, tax incentives and credits available to us, changes in judgment regarding our ability to realize our deferred tax assets, changes in our worldwide mix of pre-tax losses or earnings, changes in existing tax laws and our assessment of uncertain tax positions.

## **Cash Flows**

We have positive cash flow characteristics, as described below, due to the limited required capital investment in the fixed assets and working capital needs to operate our business in the normal course. See “—*Liquidity and Capital Resources.*”

Prior to the consummation of the Transactions (including our entry into the New Senior Secured Credit Facilities), our principal sources of liquidity have been cash flows from operations, borrowings under the Revolving Credit Facility (as herein defined) and other debt. Following the Transactions, our principal sources of liquidity are cash flows from operations, borrowings under the New Revolving Credit Facility, and other debt. Our principal uses of cash are operating expenses, working capital requirements, acquisitions and repayment of debt.

## **Adjusted Net Income**

Adjusted Net Income is a non-GAAP financial measure. Adjusted Net Income means net loss before (i) impairment of goodwill and indefinite-lived assets, (ii) amortization of intangible assets, (iii) equity based compensation of Topco and Advantage Sponsors’ management fee, (iv) changes in fair value of warrant liability, (v) fair value adjustments of contingent consideration related to acquisitions, (vi) acquisition-related expenses, (vii) costs associated with COVID-19, net of benefits received, (viii) EBITDA for economic interests in investments, (ix) restructuring expenses, (x) litigation expenses, (xi) (Recovery from) loss on Take 5, (xii) deferred financing fees, (xiii) costs associated with the Take 5 Matter, (xiv) other adjustments that management believes are helpful in evaluating our operating performance and (xv) related tax adjustments.

We present Adjusted Net Income because we use it as a supplemental measure to evaluate the performance of our business in a way that also considers our ability to generate profit without the impact of items that we do not believe are indicative of our operating performance or are unusual or infrequent in nature and aid in the comparability of our performance from period to period. Adjusted Net Income should not be considered as an alternative for net loss, our most directly comparable measure presented on a GAAP basis.

### Adjusted EBITDA and Adjusted EBITDA by Segment

Adjusted EBITDA and Adjusted EBITDA by segment are supplemental non-GAAP financial measures of our operating performance. Adjusted EBITDA means net loss before (i) interest expense, net, (ii) (benefit from) provision for income taxes, (iii) depreciation, (iv) impairment of goodwill and indefinite-lived assets, (v) amortization of intangible assets, (vi) equity based compensation of Topco and Advantage Sponsors' management fee, (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, (xv) (Recovery from) loss on Take 5, (xvi) costs associated with the Take 5 Matter and (xvii) other adjustments that management believes are helpful in evaluating our operating performance.

We present Adjusted EBITDA and Adjusted EBITDA by segment because they are key operating measures used by us to assess our financial performance. These measures adjust for items that we believe do not reflect the ongoing operating performance of our business, such as certain noncash items, unusual or infrequent items or items that change from period to period without any material relevance to our operating performance. We evaluate these measures in conjunction with our results according to GAAP because we believe they provide a more complete understanding of factors and trends affecting our business than GAAP measures alone. Furthermore, the agreements governing our indebtedness contain covenants and other tests based on measures substantially similar to Adjusted EBITDA. Neither Adjusted EBITDA nor Adjusted EBITDA by segment should be considered as an alternative for net loss, for our most directly comparable measure presented on a GAAP basis.

### Results of Operations for the Three Months Ended March 31, 2021 and 2020

The following table sets forth items derived from the Company's consolidated statements of operations for the three months ended March 31, 2021 and 2020 in dollars and as a percentage of total revenues.

(amounts in thousands)	Three Months Ended March 31,			
	2021		2020	
Revenues	\$791,021	100.0%	\$879,396	100.0%
Cost of revenues	653,339	82.6%	746,693	84.9%
Selling, general, and administrative expenses	40,481	5.1%	41,056	4.7%
Depreciation and amortization	59,613	7.5%	60,209	6.8%
Total expenses	753,433	95.2%	847,958	96.4%
Operating income	37,588	4.8%	31,438	3.6%
Other expenses:				
Change in fair value of warrant liability	5,526	0.7%	—	0.0%
Interest expense, net	30,865	3.9%	51,794	5.9%
Total other expenses	36,391	4.6%	51,794	5.9%
Loss before income taxes	1,197	0.2%	(20,356)	(2.3)%
Provision for income taxes	1,743	0.2%	1,367	0.2%
Net loss	\$ (546)	(0.1)%	\$ (21,723)	(2.5)%
<b>Other Financial Data</b>				
Adjusted Net Income <sup>(1)</sup>	\$ 46,264	5.8%	\$ 26,849	3.1%
Adjusted EBITDA <sup>(1)</sup>	\$ 111,428	14.1%	\$ 106,351	12.1%

(1) Adjusted Net Income and Adjusted EBITDA is a financial measure that is not calculated in accordance with GAAP. For a discussion of our presentation of Adjusted Net Income and Adjusted EBITDA and reconciliations of net loss to Adjusted Net Income and Adjusted EBITDA, see “—Non-GAAP Financial Measures.”



**Comparison of the Three Months Ended March 31, 2021 and 2020****Revenues**

(amounts in thousands)	Three Months Ended March 31,		Change	
	2021	2020	\$	%
Sales	\$534,324	\$507,798	\$ 26,526	5.2%
Marketing	256,697	371,598	(114,901)	(30.9)%
Total revenues	<u>\$791,021</u>	<u>\$879,396</u>	<u>\$ (88,375)</u>	<u>(10.0)%</u>

Total revenues decreased by \$88.4 million, or 10.0%, during the three months ended March 31, 2021, as compared to the three months ended March 31, 2020.

The sales segment revenues increased \$26.5 million, of which \$2.4 million were revenues from acquired businesses during the three months ended March 31, 2021 as compared to the three months ended March 31, 2020. Excluding revenues from acquired businesses, the sales segment experienced an increase of \$24.1 million in organic revenues primarily due to growth in our headquarter sales and retail services where we benefitted from several new clients and an increase in eat-at-home consumption due to the COVID-19 pandemic, as well as expansion in our e-commerce services. These increases were partially offset by weakness in both our foodservice and our European businesses due to the temporary closures affecting those industries and locations and other adverse impacts of the COVID-19 pandemic has had on these services.

The marketing segment revenues declined \$114.9 million, of which \$3.9 million were revenues from acquired businesses during the three months ended March 31, 2021 as compared to the three months ended March 31, 2020. Excluding revenues from acquired businesses, the segment experienced a decline of \$118.8 million in organic revenues. The decrease in revenues were primarily due to temporary suspensions or reductions of certain in-store sampling services as a result of the COVID-19 pandemic partially offset by continued growth in our digital marketing services.

**Cost of Revenues**

Cost of revenues as a percentage of revenues for the three months ended March 31, 2021 was 82.6%, as compared to 84.9 % for the three months ended March 31, 2020. The decrease as a percentage of revenues was largely attributable to the change in the revenue mix of our services as a result of the COVID-19 pandemic including the temporary suspension or reduction of certain in-store sampling services and reduced travel-related expenses.

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses as a percentage of revenues for three months ended March 31, 2021 was 5.1%, as compared to 4.7% for the three months ended March 31, 2020. The increase as a percentage of revenues for the three months ended March 31, 2021 was primarily attributable to an increase in stock-based compensation expense related to issuance of performance restricted stock units (“PSUs”), restricted stock units (“RSUs”), and stock options with respect to our Class A common stock under the Advantage Solutions Inc. 2020 Incentive Award Plan (the “2020 Plan”). The Company recognized non-cash compensation expenses of \$8.7 million in connection with the 2020 Plan for the three months ended March 31, 2021.

### Depreciation and Amortization Expense

Depreciation and amortization expense decreased \$0.6 million, or 1.0%, to \$59.6 million for the three months ended March 31, 2021, from \$60.2 million for the three months March 31, 2020. Beginning in mid-March of 2020, in response to the COVID-19 pandemic, the Company established a global work from home policy. A significant portion of the Company's office-based workforce temporarily transitioned to working from home and the Company commenced a plan to strategically exit certain offices. As a result, the reduction to the leasehold improvements related to these leases resulted in the decrease in the amortization expenses during the three months ended March 31, 2021, compared to the three months ended March 31, 2020.

### Operating Income

(amounts in thousands)	Three Months Ended March 31,		Change	
	2021	2020	\$	%
Sales	\$35,148	\$24,194	\$10,954	45.3%
Marketing	2,440	7,244	(4,804)	(66.3)%
Total operating income	\$37,588	\$31,438	\$ 6,150	19.6%

In the sales segment, the increase in operating income during the three months ended March 31, 2021 was primarily attributable to the growth in revenues in the sales segment as described above.

In the marketing segment, the decrease in operating income during the three months ended March 31, 2021 was primarily attributable to the decrease in revenues as described above.

### Change in Fair Value of Warrant Liability

Change in fair value of warrant liability represents \$5.5 million of non-cash expense resulting from a fair value adjustment to warrant liability with respect to the private placement warrants for the three months ended March 31, 2021. Fair value adjustment are based on the input assumptions used in the Black-Scholes option pricing model, including our Class A common stock price at the end of the reporting period, the implied volatility or other inputs to the model and the number of private placement warrants outstanding, which may vary from period to period.

### Interest Expense, net

Interest expense, net decreased \$20.9 million, or 40.4%, to \$30.9 million for the three months ended March 31, 2021, from \$51.8 million for the three months ended March 31, 2020. The decrease in interest expense, net was primarily due to the decrease in total debt as a result of the Transactions.

### Provision for Income Taxes

Provision for income taxes was \$1.7 million for the three months ended March 31, 2021 as compared to a provision for income taxes of \$1.4 million for the three months ended March 31, 2020. The fluctuation was primarily attributable to the greater pre-tax income, unfavorable permanent book/tax differences related to officers' compensation, fair value adjustments for warrant liabilities, and valuation allowance for the Company's Mexico operations recorded for the three months ended March 31, 2021.

### Net Loss

Net loss was \$0.5 million for the three months ended March 31, 2021, compared to net loss of \$21.7 million for the three months ended March 31, 2020. The decrease in net loss was primarily driven by the increase in operating income and decrease in interest expense as a result of the consummation of the Transactions partially offset by the fair value adjustment of warrant liability and unfavorability associated with the provision for income taxes as described above.

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### Adjusted Net Income

The increase in Adjusted Net Income for the three months ended March 31, 2021 was attributable to the decrease in interest expense as a result of the consummation of the Transactions offset by the decline in the marketing segment related to the temporary suspension or reductions of in-store sampling programs during the pandemic and increase in provision for income taxes. For a reconciliation of Adjusted Net Income to Net loss, see “—Non-GAAP Financial Measures”.

### Adjusted EBITDA and Adjusted EBITDA by Segment

(amounts in thousands)	Three Months Ended March 31,		Change	
	2021	2020	\$	%
Sales	\$ 84,076	\$ 78,563	\$5,513	7.0%
Marketing	27,352	27,788	(436)	(1.6)%
Total Adjusted EBITDA	<u>\$111,428</u>	<u>\$106,351</u>	<u>\$5,077</u>	<u>4.8%</u>

Adjusted EBITDA increased \$5.1 million, or 4.8 %, to \$111.4 million for the three months ended March 31, 2021, from \$106.4 million for the three months ended March 31, 2020.

The increase in Adjusted EBITDA was primarily attributable to the growth in revenues in the sales segment with favorable margin contributions from our headquarter sales services as described above. For a reconciliation of Adjusted EBITDA to net income, see “—Non-GAAP Financial Measures.”

### Non-GAAP Financial Measures

Adjusted Net Income is a non-GAAP financial measure. Adjusted Net Income means net loss before (i) impairment of goodwill and indefinite-lived assets, (ii) amortization of intangible assets, (iii) equity based compensation of Topco and Advantage Sponsors' management fee, (iv) change in fair value of warrant liability, (v) fair value adjustments of contingent consideration related to acquisitions, (vi) acquisition-related expenses, (vii) costs associated with COVID-19, net of benefits received, (viii) EBITDA for economic interests in investments, (ix) restructuring expenses, (x) litigation expenses, (xi) (Recovery from) loss on Take 5, (xii) deferred financing fees, (xiii) costs associated with the Take 5 Matter, (xiv) other adjustments that management believes are helpful in evaluating our operating performance and (xv) related tax adjustments.

We present Adjusted Net Income because we use it as a supplemental measure to evaluate the performance of our business in a way that also considers our ability to generate profit without the impact of items that we do not believe are indicative of our operating performance or are unusual or infrequent in nature and aid in the comparability of our performance from period to period. Adjusted Net Income should not be considered as an alternative for our Net loss, our most directly comparable measure presented on a GAAP basis.

A reconciliation of Adjusted Net Income to Net loss is provided in the following table:

(in thousands)	Three Months Ended	
	March 31,	
	2021	2020
Net loss	\$ (546)	\$ (21,723)
Less: Net loss attributable to noncontrolling interest	(430)	(15)
Add:		
Equity based compensation of Topco and Advantage Sponsors' management fee <sup>(a)</sup>	(2,814)	3,837
Change in fair value of warrant liability	5,526	—
Fair value adjustments related to contingent consideration related to acquisitions <sup>(c)</sup>	(1,043)	4,095
Acquisition-related expenses <sup>(d)</sup>	5,146	5,529
Restructuring expenses <sup>(e)</sup>	4,096	1,098
Litigation expenses <sup>(f)</sup>	(818)	104
Amortization of intangible assets <sup>(g)</sup>	49,438	47,846
Costs associated with COVID-19, net of benefits received <sup>(h)</sup>	1,293	1,000
Costs associated with the Take 5 Matter <sup>(i)</sup>	901	939
Tax adjustments related to non-GAAP adjustments <sup>(j)</sup>	(15,345)	(15,891)
Adjusted Net Income	<u>\$ 46,264</u>	<u>\$ 26,849</u>

Adjusted EBITDA and Adjusted EBITDA by segment are supplemental non-GAAP financial measures of our operating performance. Adjusted EBITDA means net loss before (i) interest expense, net, (ii) (benefit from) provision for income taxes, (iii) depreciation, (iv) impairment of goodwill and indefinite-lived assets, (v) amortization of intangible assets, (vi) equity based compensation of Topco and Advantage Sponsors' management fee, (vii) change 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, (xv) (Recovery from) loss on Take 5, (xvi) costs associated with the Take 5 Matter and (xvii) other adjustments that management believes are helpful in evaluating our operating performance.

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We present Adjusted EBITDA and Adjusted EBITDA by segment because they are key operating measures used by us to assess our financial performance. These measures adjust for items that we believe do not reflect the ongoing operating performance of our business, such as certain noncash items, unusual or infrequent items or items that change from period to period without any material relevance to our operating performance. We evaluate these measures in conjunction with our results according to GAAP because we believe they provide a more complete understanding of factors and trends affecting our business than GAAP measures alone. Furthermore, the agreements governing our indebtedness contain covenants and other tests based on measures substantially similar to Adjusted EBITDA. Neither Adjusted EBITDA nor Adjusted EBITDA by segment should be considered as an alternative for our Net loss, our most directly comparable measure presented on a GAAP basis.

A reconciliation of Adjusted EBITDA to Net income (loss) is provided in the following table:

Consolidated (in thousands)	Three Months Ended March 31,	
	2021	2020
Net loss	\$ (546)	\$ (21,723)
Add:		
Interest expense, net	30,865	51,794
Provision for income taxes	1,743	1,367
Depreciation and amortization	59,613	60,209
Equity based compensation of Topco and Advantage Sponsors' management fee <sup>(a)</sup>	(2,814)	3,837
Change in fair value of warrant liability	5,526	—
Stock based compensation expense <sup>(b)</sup>	8,655	—
Fair value adjustments related to contingent consideration related to acquisitions <sup>(c)</sup>	(1,043)	4,095
Acquisition-related expenses <sup>(d)</sup>	5,146	5,529
EBITDA for economic interests in investments <sup>(k)</sup>	(1,189)	(1,898)
Restructuring expenses <sup>(e)</sup>	4,096	1,098
Litigation expenses <sup>(f)</sup>	(818)	104
Costs associated with COVID-19, net of benefits received <sup>(h)</sup>	1,293	1,000
Costs associated with the Take 5 Matter <sup>(i)</sup>	901	939
Adjusted EBITDA	<u>\$111,428</u>	<u>\$106,351</u>

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Financial information by segment, including a reconciliation of Adjusted EBITDA by segment to operating income, the closest GAAP financial measure, is provided in the following table:

Sales Segment	Three Months Ended March 31,	
	2021	2020
(in thousands)		
Operating income	\$35,148	\$24,194
Add:		
Depreciation and amortization	42,564	43,107
Equity based compensation of Topco and Advantage Sponsors' management fee <sup>(a)</sup>	(1,838)	3,199
Stock based compensation expense <sup>(b)</sup>	4,694	—
Fair value adjustments related to contingent consideration related to acquisitions <sup>(c)</sup>	778	4,312
Acquisition-related expenses <sup>(d)</sup>	3,320	4,156
EBITDA for economic interests in investments <sup>(k)</sup>	(1,487)	(2,071)
Restructuring expenses <sup>(e)</sup>	780	752
Litigation expenses <sup>(f)</sup>	(516)	104
Costs associated with COVID-19, net of benefits received <sup>(h)</sup>	633	810
Sales Segment Adjusted EBITDA	<u>\$84,076</u>	<u>\$78,563</u>
Marketing Segment	Three Months Ended March 31,	
	2021	2020
(in thousands)		
Operating income	\$ 2,440	\$ 7,244
Add:		
Depreciation and amortization	17,049	17,102
Equity based compensation of Topco and Advantage Sponsors' management fee <sup>(a)</sup>	(976)	638
Stock based compensation expense <sup>(b)</sup>	3,961	—
Fair value adjustments related to contingent consideration related to acquisitions <sup>(c)</sup>	(1,821)	(217)
Acquisition-related expenses <sup>(d)</sup>	1,826	1,373
EBITDA for economic interests in investments <sup>(k)</sup>	298	173
Restructuring expenses <sup>(e)</sup>	3,316	346
Litigation expenses <sup>(f)</sup>	(302)	—
Costs associated with COVID-19, net of benefits received <sup>(h)</sup>	660	190
Costs associated with the Take 5 Matter <sup>(i)</sup>	901	939
Marketing Segment Adjusted EBITDA	<u>\$27,352</u>	<u>\$27,788</u>

- (a) Represents the management fees and reimbursements for expenses paid to certain of the Advantage Sponsors (or certain of the management companies associated with it or its advisors) pursuant to a management services agreement in the three months ended March 31, 2021 and 2020. Also represents expenses related to (i) equity-based compensation expense associated with grants of Common Series D Units of Topco made to one of the Advantage Sponsors, (ii) equity-based compensation expense associated with the Common Series C Units of Topco as a result of the Transactions, (iii) compensation amounts associated with the Company's Management Incentive Plan originally scheduled for potential payment March 2022 that were accelerated and terminated as part of the Transactions, and (iv) compensation amounts associated with the anniversary payments to Tanya Domier. Certain of Ms. Domier's anniversary payments were accelerated as part of the Transactions.

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- (b) Represents non-cash compensation expense related to issuance of PSUs, RSUs and stock options under the 2020 plan.
- (c) 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. See Note 6—*Fair Value of Financial Instruments* to our unaudited condensed financial statements for the three months ended March 31, 2021 and 2020.
- (d) Represents fees and costs associated with activities related to our acquisitions and restructuring activities related to our equity ownership, including transaction bonuses paid in connection with the Transactions, professional fees, due diligence, public company readiness and integration activities.
- (e) Represents fees and costs associated with various internal reorganization activities among our consolidated entities.
- (f) Represents legal settlements that are unusual or infrequent costs associated with our operating activities.
- (g) Represents the amortization of intangible assets recorded in connection with the 2014 Topco Acquisition and our other acquisitions.
- (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 \$0.9 million and \$0.9 million of costs associated with investigation and remediation activities related to the Take 5 Matter, primarily, professional fees and other related costs, respectively for the three months ended March 31, 2021 and 2020, respectively.
- (j) Represents the tax provision or benefit associated with the adjustments above, taking into account the Company's applicable tax rates, after excluding adjustments related to items that do not have a related tax impact.
- (k) 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.

## Liquidity and Capital Resources

Our principal sources of liquidity were cash flows from operations, borrowings under the New Revolving Credit Facility, and other debt. Our principal uses of cash are operating expenses, working capital requirements, acquisitions, interest on debt and repayment of debt. Our principal sources of liquidity prior to the Transactions included \$3.3 billion of outstanding debt under our then-existing first and second lien credit agreements, which we repaid on October 28, 2020 in connection with the Transactions and were scheduled to mature in July 2021 and July 2022, respectively.

### Cash Flows

A summary of our cash operating, investing and financing activities are shown in the following table:

(in thousands)	Three Months Ended March 31,	
	2021	2020
Net cash provided by operating activities	\$ 29,887	\$ 50,965
Net cash used in investing activities	(19,281)	(59,842)
Net cash (used in) provided by financing activities	(54,514)	71,152
Net effect of foreign currency fluctuations on cash	(2,234)	(6,883)
Net change in cash, cash equivalents and restricted cash	<u>\$ (46,142)</u>	<u>\$ 55,392</u>

### *Net Cash Provided by Operating Activities*

Net cash provided by operating activities during the three months ended March 31, 2021 consisted of net loss of \$0.5 million adjusted for certain non-cash items, including depreciation and amortization of \$59.6 million and effects of changes in working capital. Net cash provided by operating activities during the three months ended March 31, 2020 consisted of net loss of \$21.7 million adjusted for certain non-cash items, including depreciation and amortization of \$60.2 million and effects of changes in working capital. The decrease in cash provided by operating activities during the three months ended March 31, 2021 relative to the same period in 2020 was primarily due to the increase in working capital as a result of timing of payroll funding and an increase in inventory from our digital commerce business during the three months ended March 31, 2021.

### *Net Cash Used in Investing Activities*

Net cash used in investing activities during the three months ended March 31, 2021 primarily consisted of the purchase of businesses, net of cash acquired of \$14.0 million and purchase of property and equipment of \$5.2 million. Net cash used in investing activities during the three months ended March 31, 2020 primarily consisted of the purchase of businesses, net of cash acquired of \$51.4 million and purchase of property and equipment of \$8.5 million.

### *Net Cash (Used in) Provided by Financing Activities*

We primarily finance our growth through cash flows from operations, however, we also incur long-term debt or borrow under lines of credit when necessary to execute acquisitions. Cash flows from financing activities consisted of borrowings related to these lines of credit and subsequent payments of principal and financing fees. Additionally, many of our acquisition agreements include contingent consideration arrangements, which are generally based on the achievement of future financial performance by the operations attributable to the acquired companies. The portion of the cash payment up to the acquisition date fair value of the contingent consideration liability are classified as financing outflows, and amounts paid in excess of the acquisition date fair value of that liability are classified as operating outflows.



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Cash flows related to financing activities during the three months ended March 31, 2021 were primarily related to repayment of \$50.0 million on the New Revolving Credit Facility and borrowings and repayments on our lines of credit.

Cash flows related to financing activities during the three months ended March 31, 2020 were primarily related to \$80.0 million of borrowing under the revolving credit facility then in place, principal payments of \$9.7 million on our lines of credit, principal payments of \$6.5 million on our long-term debt and \$2.2 million related to payments of contingent consideration and holdback payments.

### ***Description of Credit Facilities***

#### ***New Senior Secured Credit Facilities***

In connection with the consummation of the Transactions, Advantage Sales & Marketing Inc., an indirect wholly-owned subsidiary of the Company (the “Borrower”) entered into the New Senior Secured Credit Facilities consisting of (i) the New Revolving Credit Facility, which is a senior secured asset-based revolving credit facility in an aggregate principal amount of up to \$400.0 million, subject to borrowing base capacity and (ii) the New Term Loan Facility, which is a secured first lien term loan credit facility in an aggregate principal amount of \$1.325 billion.

#### ***New Revolving Credit Facility***

Our New Revolving Credit Facility provides for revolving loans and letters of credit in an aggregate amount of up to \$400.0 million, subject to borrowing base capacity. Letters of credit are limited to the lesser of (a) \$150.0 million and (b) the aggregate unused amount of commitments under our New Revolving Credit Facility then in effect. Loans under the New Revolving Credit Facility may be denominated in either U.S. dollars or Canadian dollars. Bank of America, N.A., is administrative agent and ABL Collateral Agent. The New Revolving Credit Facility is scheduled to mature in October 2025. We may use borrowings under the New Revolving Credit Facility to fund working capital and for other general corporate purposes, including permitted acquisitions and other investments.

Borrowings under the New Revolving Credit Facility are limited by borrowing base calculations based on the sum of specified percentages of eligible accounts receivable plus specified percentages of qualified cash, minus the amount of any applicable reserves. Borrowings will bear interest at a floating rate, which can be either an adjusted Eurodollar rate plus an applicable margin or, at the Borrower’s option, a base rate plus an applicable margin. The applicable margins for the New Revolving Credit Facility are 2.00%, 2.25% or 2.50%, with respect to Eurodollar rate borrowings and 1.00%, 1.25% or 1.50%, with respect to base rate borrowings, in each case depending on average excess availability under the New Revolving Credit Facility. The Borrower’s ability to draw under the New Revolving Credit Facility or issue letters of credit thereunder will be conditioned upon, among other things, the Borrower’s delivery of prior written notice of a borrowing or issuance, as applicable, the Borrower’s ability to reaffirm the representations and warranties contained in the credit agreement governing the New Revolving Credit Facility and the absence of any default or event of default thereunder.

The Borrower’s obligations under the New Revolving Credit Facility are guaranteed by Karman Intermediate Corp. (“Holdings”) and all of the Borrower’s direct and indirect wholly owned material U.S. subsidiaries (subject to certain permitted exceptions) and Canadian subsidiaries (subject to certain permitted exceptions, including exceptions based on immateriality thresholds of aggregate assets and revenues of Canadian subsidiaries) (the “Guarantors”). The New Revolving Credit Facility is secured by a lien on substantially all of Holdings’, the Borrower’s and the Guarantors’ assets (subject to certain permitted exceptions). The Borrower’s New Revolving Credit Facility has a first-priority lien on the current asset collateral and a second-priority lien on security interests in the fixed asset collateral (second in priority to the liens securing the Notes and the New Term Loan Facility discussed below), in each case, subject to other permitted liens.

The New Revolving Credit Facility has the following fees: (i) an unused line fee of 0.375% or 0.250% per annum of the unused portion of the New Revolving Credit Facility, depending on average excess availability under the New Revolving Credit Facility; (ii) a letter of credit participation fee on the aggregate stated amount of each letter of credit equal to the applicable margin for adjusted Eurodollar rate loans, as applicable; and (iii) certain other customary fees and expenses of the lenders and agents thereunder.

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The New Revolving Credit Facility contains customary covenants, including, but not limited to, restrictions on the Borrower's ability and that of our subsidiaries to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends, sell or otherwise transfer assets, optionally prepay or modify terms of any junior indebtedness, enter into transactions with affiliates or change our line of business. The New Revolving Credit Facility will require the maintenance of a fixed charge coverage ratio (as set forth in the credit agreement governing the New Revolving Credit Facility) of 1.00 to 1.00 at the end of each fiscal quarter when excess availability is less than the greater of \$25 million and 10% of the lesser of the borrowing base and maximum borrowing capacity. Such fixed charge coverage ratio will be tested at the end of each quarter until such time as excess availability exceeds the level set forth above.

The New Revolving Credit Facility provides that, upon the occurrence of certain events of default, the Borrower's obligations thereunder may be accelerated and the lending commitments terminated. Such events of default include payment defaults to the lenders thereunder, material inaccuracies of representations and warranties, covenant defaults, cross-defaults to other material indebtedness, voluntary and involuntary bankruptcy, insolvency, corporate arrangement, winding-up, liquidation or similar proceedings, material money judgments, material pension-plan events, certain change of control events and other customary events of default.

### ***New Term Loan Facility***

The New Term Loan Facility consists of a term loan facility denominated in US dollars in an aggregate principal amount of \$1.325 billion. Borrowings under the New Term Loan Facility amortize in equal quarterly installments in an amount equal to 1.00% per annum of the principal amount. Borrowings will bear interest at a floating rate, which can be either an adjusted Eurodollar rate plus an applicable margin or, at the Borrower's option, a base rate plus an applicable margin. The applicable margins for the New Term Loan Facility are 5.25% with respect to Eurodollar rate borrowings and 4.25% with respect to base rate borrowings.

The Borrower may voluntarily prepay loans or reduce commitments under the New Term Loan Facility, in whole or in part, subject to minimum amounts, with prior notice but without premium or penalty (other than a 1.00% premium on any prepayment in connection with a repricing transaction prior to the date that is twelve months after the date we entered into the New Term Loan Facility).

The Borrower will be required to prepay the New Term Loan Facility with 100% of the net cash proceeds of certain asset sales (such percentage subject to reduction based on the achievement of specific first lien net leverage ratios) and subject to certain reinvestment rights, 100% of the net cash proceeds of certain debt issuances and 50% of excess cash flow (such percentage subject to reduction based on the achievement of specific first lien net leverage ratios).

The Borrower's obligations under the New Term Loan Facility are guaranteed by Holdings and the Guarantors. Our New Term Loan Facility is secured by a lien on substantially all of Holdings', the Borrower's and the Guarantors' assets (subject to certain permitted exceptions). The New Term Loan Facility has a first-priority lien on the fixed asset collateral (equal in priority with the liens securing the Notes) and a second-priority lien on security interests in the current asset collateral (second in priority to the liens securing the New Revolving Credit Facility), in each case, subject to other permitted liens.

The New Term Loan Facility contains certain customary negative covenants, including, but not limited to, restrictions on the Borrower's ability and that of our restricted subsidiaries to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, pay dividends or make other restricted payments, sell or otherwise transfer assets or enter into transactions with affiliates.

The New Term Loan Facility provides that, upon the occurrence of certain events of default, the Borrower's obligations thereunder may be accelerated. Such events of default will include payment defaults to the lenders thereunder, material inaccuracies of representations and warranties, covenant defaults, cross-defaults to other material indebtedness, voluntary and involuntary bankruptcy, insolvency, corporate arrangement, winding-up, liquidation or similar proceedings, material money judgments, change of control and other customary events of default.

### **Senior Secured Notes**

In connection with the Transactions, Advantage Solutions FinCo LLC (“Finco”) issued \$775.0 million aggregate principal amount of 6.50% Senior Secured Notes due 2028 (the “Notes”). Substantially concurrently with the Transactions, Finco merged with and into Advantage Sales & Marketing Inc. (the “Issuer”), with the Issuer continuing as the surviving entity and assuming the obligations of Finco. The Notes were sold to BofA Securities, Inc., Deutsche Bank Securities Inc., Morgan Stanley & Co. LLC and Apollo Global Securities, LLC. The Notes were resold to certain non-U.S. persons pursuant to Regulation S under the Securities Act of 1933, as amended (the “Securities Act”), and to persons reasonably believed to be qualified institutional buyers pursuant to Rule 144A under the Securities Act at a purchase price equal to 100% of their principal amount. The terms of the Notes are governed by an Indenture, dated as of October 28, 2020 (the “Indenture”), among Finco, the Issuer, the guarantors named therein (the “Notes Guarantors”) and Wilmington Trust, National Association, as trustee and collateral agent.

#### *Interest and maturity*

Interest on the Notes is payable semi-annually in arrears on May 15 and November 15 at a rate of 6.50% per annum, commencing on May 15, 2021. The Notes will mature on November 15, 2028.

#### *Guarantees*

The Notes are guaranteed by Holdings and each of the Issuer’s direct and indirect wholly owned material U.S. subsidiaries (subject to certain permitted exceptions) and Canadian subsidiaries (subject to certain permitted exceptions, including exceptions based on immateriality thresholds of aggregate assets and revenues of Canadian subsidiaries) that is a borrower or guarantor under the New Term Loan Facility.

#### *Security and Ranking*

The Notes and the related guarantees are the general, senior secured obligations of the Issuer and the Notes Guarantors, are secured on a first-priority *pari passu* basis by security interests on the fixed asset collateral (equal in priority with liens securing the New Term Loan Facility), and are secured on a second-priority basis by security interests on the current asset collateral (second in priority to the liens securing the New Revolving Credit Facility and equal in priority with liens securing the New Term Loan Facility), in each case, subject to certain limitations and exceptions and permitted liens.

The Notes and related guarantees rank (i) equally in right of payment with all of the Issuer’s and the Guarantors’ senior indebtedness, without giving effect to collateral arrangements (including the New Senior Secured Credit Facilities) and effectively equal to all of the Issuer’s and the Guarantors’ senior indebtedness secured on the same priority basis as the Notes, including the New Term Loan Facility, (ii) effectively subordinated to any of the Issuer’s and the Guarantors’ indebtedness that is secured by assets that do not constitute collateral for the Notes to the extent of the value of the assets securing such indebtedness and to indebtedness that is secured by a senior-priority lien, including the New Revolving Credit Facility to the extent of the value of the current asset collateral and (iii) structurally subordinated to the liabilities of the Issuer’s non-Guarantor subsidiaries.

#### *Optional redemption for the Notes*

The Notes are redeemable on or after November 15, 2023 at the applicable redemption prices specified in the Indenture plus accrued and unpaid interest. The Notes may also be redeemed at any time prior to November 15, 2023 at a redemption price equal to 100% of the aggregate principal amount of such Notes to be redeemed plus a “make-whole” premium, plus accrued and unpaid interest. In addition, the Issuer may redeem up to 40% of the

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original aggregate principal amount of Notes before November 15, 2023 with the net cash proceeds of certain equity offerings at a redemption price equal to 106.5% of the aggregate principal amount of such Notes to be redeemed, plus accrued and unpaid interest. Furthermore, prior to November 15, 2023 the Issuer may redeem during each calendar year up to 10% of the original aggregate principal amount of the Notes at a redemption price equal to 103% of the aggregate principal amount of such Notes to be redeemed, plus accrued and unpaid interest. If the Issuer or its restricted subsidiaries sell certain of their respective assets or experience specific kinds of changes of control, subject to certain exceptions, the Issuer must offer to purchase the Notes at par. In connection with any offer to purchase all Notes, if holders of no less than 90% of the aggregate principal amount of Notes validly tender their Notes, the Issuer is entitled to redeem any remaining Notes at the price offered to each holder.

### *Restrictive covenants*

The Notes are subject to covenants that, among other things limit the Issuer's ability and its restricted subsidiaries' ability to: incur additional indebtedness or guarantee indebtedness; pay dividends or make other distributions in respect of, or repurchase or redeem, the Issuer's or a parent entity's capital stock; prepay, redeem or repurchase certain indebtedness; issue certain preferred stock or similar equity securities; make loans and investments; sell or otherwise dispose of assets; incur liens; enter into transactions with affiliates; enter into agreements restricting the Issuer's subsidiaries' ability to pay dividends; and consolidate, merge or sell all or substantially all of the Issuer's assets. Most of these covenants will be suspended on the Notes so long as they have investment grade ratings from both Moody's Investors Service, Inc. and S&P Global Ratings and so long as no default or event of default under the Indenture has occurred and is continuing.

### *Events of default*

The following constitute events of default under the Notes, among others: default in the payment of interest; default in the payment of principal; failure to comply with covenants; failure to pay other indebtedness after final maturity or acceleration of other indebtedness exceeding a specified amount; certain events of bankruptcy; failure to pay a judgment for payment of money exceeding a specified aggregate amount; voidance of subsidiary guarantees; failure of any material provision of any security document or intercreditor agreement to be in full force and effect; and lack of perfection of liens on a material portion of the collateral, in each case subject to applicable grace periods.

### ***First Lien Credit Agreement and Second Lien Credit Agreement***

In connection with the Transactions, our debt arrangements under the First Lien Credit Agreement and Second Lien Credit Agreement as well as the AR Facility that existed as of September 30, 2020 were repaid and terminated with incremental costs of \$86.8 million. For a description of the First Lien Credit Agreement and Second Lien Credit Agreement that were refinanced in connection with the consummation of the Transactions on October 28, 2020, please see the additional information set forth in Note 7—*Debt*, to our audited consolidated financial statements for the year ended December 31, 2020.

### **Cash and Cash Equivalents Held Outside the United States**

As of March 31, 2021 and December 31, 2020, \$76.2 million and \$87.7 million, respectively, of our cash and cash equivalents and marketable securities were held by foreign subsidiaries. As of March 31, 2021, and December 31, 2020, \$30.2 million and \$28.9 million, respectively, of our cash and cash equivalents and marketable securities were held by foreign branches.

We assessed our determination as to our indefinite reinvestment intent for certain of our foreign subsidiaries and recorded a deferred tax liability of approximately \$2.1 million of withholding tax as of December 31, 2020 for unremitted earnings in Canada with respect to which the Company does not have an indefinite reinvestment assertion. We will continue to evaluate our cash needs, however we currently do not intend, nor do we foresee a need, to repatriate funds from the foreign subsidiaries except for Canada. We have continued to assert indefinite reinvestment on all other earnings as it is necessary for continuing operations and to grow the business. If at a point in the future our assertion changes, we will evaluate tax-efficient means to repatriate the income. In addition, we

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expect existing domestic cash and cash flows from operations to continue to be sufficient to fund our domestic operating activities and cash commitments for investing and financing activities, such as debt repayment and capital expenditures, for at least the next 12 months and thereafter for the foreseeable future.

If we should require more capital in the United States than is generated by our domestic operations, for example, to fund significant discretionary activities such as business acquisitions, we could elect to repatriate future earnings from foreign jurisdictions. These alternatives could result in higher tax expense or increased interest expense. We consider the majority of the undistributed earnings of our foreign subsidiaries, as of December 31, 2020, to be indefinitely reinvested and, accordingly, no provision has been made for taxes in excess of the \$2.1 million noted above.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet financing arrangements or liabilities, guarantee contracts, retained or contingent interests in transferred assets or any obligation arising out of a material variable interest in an unconsolidated entity. We do not have any majority-owned subsidiaries that are not included in our consolidated financial statements. Additionally, we do not have an interest in, or relationships with, any special-purpose entities.

### **Critical Accounting Policies and Estimates**

Our critical accounting policies and estimates are included in our Annual Report on Form 10-K/A filed May 17, 2021 for the year ended December 31, 2020 and did not materially change during the three months ended March 31, 2021.

### **Recently Issued Accounting Pronouncements**

See the information set forth in Note 1, *Organization and Significant Accounting Policies – Recent Accounting Pronouncements*, to our unaudited condensed consolidated financial statements for the three months ended March 31, 2021 and 2020. included in “Part I, Financial Information - Item 1. Financial Statements” in this Quarterly Report.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Foreign Currency Risk

Our exposure to foreign currency exchange rate fluctuations is primarily the result of foreign subsidiaries and foreign branches primarily domiciled in Europe and Canada. We use financial derivative instruments to hedge foreign currency exchange rate risks associated with our Canadian subsidiary.

The assets and liabilities of our foreign subsidiaries and foreign branches, whose functional currencies are primarily Canadian dollars, British pounds and euros, respectively, are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the period. The cumulative translation effects for subsidiaries using a functional currency other than the U.S. dollar are included in accumulated other comprehensive loss as a separate component of stockholders' equity. We estimate that had the exchange rate in each country unfavorably changed by ten percent relative to the U.S. dollar, our consolidated income before taxes would have decreased by approximately \$0.1 million for the three months ended March 31, 2021.

#### Equity Price Risk

As of March 31, 2021, 7,333,333 private placement warrants remained outstanding at a fair value of \$26.7 million as of March 31, 2021. The warrant liability is stated at fair value at each reporting period with the change in fair value recorded on the Consolidated Statement of Operations and Comprehensive Loss until the warrants are exercised, expire or other facts and circumstances lead the warrant liability to be reclassified as an equity instrument. Based on the fair value of the private placement warrants outstanding as of March 31, 2021, a hypothetical decrease of 10% in the share price of the Company's common stock would reduce the fair value of the warrant liability and result in an unrealized gain recognized in Change in fair value of warrant liability on the Consolidated Statement of Operations and Comprehensive Loss of \$5.6 million. Similarly, based on the fair value of the private placement warrants outstanding as of March 31, 2021, a hypothetical increase of 10% in the share price of the Company's common stock would increase the fair value of the warrant liability and result in an unrealized loss recognized in Change in fair value of warrant liability on the Consolidated Statement of Operations and Comprehensive Loss of \$6.0 million.

#### Interest Rate Risk

Prior to the Transactions, interest rate exposure related primarily to the effect of interest rate changes on borrowings outstanding under our AR Facility, the revolving credit facility then in place, First Lien Term Loans, and Second Lien Term Loans.

Subsequent to the Transactions, interest rate exposure relates primarily to the effect of interest rate changes on borrowings outstanding under the New Term Loan Facility, New Revolving Credit Facility and Notes. As of the closing of the Transactions, we drew \$100.0 million on the New Revolving Credit Facility, which was subject to an assumed interest rate of 2.75%. Additionally, we borrowed an aggregate principal amount of \$1.325 billion on the New Term Loan Facility, which are subject to an assumed interest rate of 6.0% and \$775.0 million in Notes, which is subject to a fixed interest rate of 6.5%.

We manage our interest rate risk through the use of derivative financial instruments. Specifically, we have entered into interest rate cap agreements to manage our exposure to potential interest rate increases that may result from fluctuations in LIBOR. We do not designate these derivatives as hedges for accounting purposes, and as a result, all changes in the fair value of derivatives, used to hedge interest rates, are recorded in "Interest expense, net" in our Consolidated Statements of Operations and Comprehensive Loss.

As of March 31, 2021, we had interest rate cap contracts on \$2.2 billion of notional value of principal from various financial institutions, with a maturity dates of January 24, 2022 to manage our exposure to interest rate movements on variable rate credit facilities when three-months LIBOR on term loans exceeds caps ranging from 3.25% to 3.50%. The aggregate fair value of our interest rate caps represented an outstanding net liability of \$1.5 million as of March 31, 2021.

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In addition, we had interest rate cap contracts on an additional \$650.0 million of notional value of principal from other financial institutions, with a maturity date of December 16, 2024 to manage our exposure to interest rate movements on variable rate credit facilities when one-month LIBOR on term loans exceeding a cap of 0.75%. The aggregate fair value of our interest rate caps represented an outstanding net asset of \$7.3 million as of March 31, 2021.

Holding other variables constant, a change of one-eighth percentage point in the weighted average interest rate above the floor of 0.75% on the New Term Loan Facility and New Revolving Credit Facility would have resulted in an increase of \$ 0.2 million in interest expense, net of gains from interest rate caps, for the three months ended March 31, 2021.

In the future, in order to manage our interest rate risk, we may refinance our existing debt, enter into additional interest rate cap agreements or modify our existing interest rate cap agreement. However, we do not intend or expect to enter into derivative or interest rate cap transactions for speculative purposes.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Material Weaknesses in Internal Control over Financial Reporting**

On August 15, 2019, we concluded that our previously-issued audited consolidated financial statements and related notes as of and for the year ended December 31, 2018, should be restated to reflect the corrections of misstatements as a result of the Take 5 Matter. In connection with our investigation into the Take 5 Matter and the other error corrections, we identified material weaknesses in our internal control over financial reporting that continue to exist as of March 31, 2021. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Specifically, we identified material weaknesses in the design and operating effectiveness of our risk assessment and information and communication processes which contributed to the following material weaknesses:

- We determined that we did not design and maintain effective controls related to our due diligence procedures for potential acquisitions with respect to databases and information technology systems used to recognize revenue and determine the satisfaction of performance obligations. Specifically, internal controls were not designed and maintained to assess the risks associated with potential acquisitions and the need to perform due diligence as part of purchase accounting with respect to databases and information technology systems utilized to determine the satisfaction of performance obligations, and to communicate and evaluate the results of due diligence.
- We determined that we did not design and maintain effective controls to establish an appropriate basis for reliance on data and information in our information technology systems used for revenue recognition in certain of our newly acquired businesses. Specifically, internal controls were not designed and maintained to ensure the completeness and accuracy of system generated reports used to verify the satisfaction of performance obligations.
- We determined that we did not design and maintain effective controls related to information and communication specifically with respect to our whistleblower complaint process to properly investigate, communicate and resolve whistleblower complaints and allegations related to accounting or other misconduct in a timely manner, and with respect to communication with appropriate parties. Specifically, internal controls were not designed and maintained to ensure that individuals conducting investigations into allegations of accounting or other misconduct had the appropriate expertise and supervision, and that the results of the investigations have been communicated to the appropriate parties or that other transactions are communicated to the appropriate parties.

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These material weaknesses resulted in restatement of our previously issued annual financial statements as of and for the year ended December 31, 2018 and interim consolidated financial information for the three months ended September 30, 2018, December 31, 2018, and March 31, 2019.

The Company re-evaluated its historical accounting for its warrants and concluded it must amend the accounting treatment of the private placement warrants (collectively, the “Warrants”) issued in connection with the initial public offering of Conyers Park II Acquisition Corp., (“Conyers Park”) and recorded to the Company’s consolidated financial statements as a result of the Company’s merger with Conyers Park (the “Merger”) and the reverse recapitalization that occurred on October 28, 2020. At that time, the Warrants were presented within equity and did not impact any reporting periods prior to the Merger. As such, we concluded that the Company’s previously issued consolidated financial statements as of and for the year ended December 31, 2020 included in our Annual Report on Form 10-K originally filed on March 16, 2021 should be and were revised. In connection with our re-evaluation of this matter, we identified an additional material weakness in our internal control over financial reporting that continues to exist as of March 31, 2021, as we did not design and maintain effective controls related to the evaluation of settlement features used to determine the classification of certain warrant instruments.

Additionally, all of the material weaknesses described above could result in a misstatement of our annual or interim consolidated financial statements or disclosures that would result in a material misstatement to our annual or interim financial statements that would not be prevented or detected.

### **Remediation Plan**

We are in the process of designing and implementing measures to improve our internal control over financial reporting and remediate the material weaknesses. Our efforts include the following actions:

- In order to validate more fully an acquisition target with databases and information technology systems used to recognize revenue and determine the satisfaction of performance obligations, we are designing and implementing policies and procedures to perform more robust risk assessment and due diligence procedures in connection with such potential acquisitions, including engaging third-party experts to evaluate such target companies’ databases or information technology, and enhancing the communication and evaluation of due diligence results, as appropriate. During the quarter ended March 31, 2021, we completed the design of policies and procedures related to the risk assessment and due diligence procedures in connection with potential acquisitions. We are in the process of implementing the policies and procedures as part of our internal control over financial reporting.
- We are enhancing our procedures related to the risk assessment, and evaluation of the completeness and accuracy of our internal reporting processes with respect to newly acquired businesses, including with respect to the completeness and accuracy of reports used to verify the satisfaction of performance obligations under client contracts and the accuracy of recognized revenues. During the quarter ended March 31, 2021, we continued to make progress in enhancing our risk assessment procedures over newly acquired businesses, including establishing certain additional procedures to be performed over reports used in the recognition of revenue. Our efforts are ongoing in designing and implementing the related internal controls.



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- We are designing, enhancing and implementing procedures and policies to promote timely and proper risk assessment, investigation, resolution, communication and disclosure of any whistleblower complaints or reported allegations of accounting or other misconduct. During the quarter ended March 31, 2021, we completed the design of the related internal controls and have begun implementing the associated changes in our internal controls.
- We are designing and implementing various controls, including additional policies, procedures and training, to enhance our disclosure committee process and communication of pertinent information to the appropriate parties in connection with the issuance or reissuance of our consolidated financial statements. During the quarter ended March 31, 2021, we completed the design of the related internal controls and have begun implementing the associated changes in our internal controls.
- We plan to design and implement a control activity to evaluate the settlement features used to determine the classification of certain warrant instruments. Specifically, this will include the evaluation and research of the complex accounting standards that apply to these instruments.

While these actions and planned actions are subject to ongoing management evaluation and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles, we are committed to the continuous improvement of our internal control over financial reporting and will continue to diligently review our internal control over financial reporting. The material weaknesses will not be considered remediated until management completes the design and implementation of the measures described above and the controls operate for a sufficient period of time and management has concluded, through testing, that these controls are effective.

### **Limitations on Effectiveness of Disclosure Controls and Procedures**

In designing and evaluating our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of March 31, 2021, our disclosure controls and procedures were not effective because of the material weaknesses in our internal control over financial reporting described above.

However, after giving full consideration to these material weaknesses, and the additional analyses and other procedures that we performed to ensure that our consolidated financial statements included in this Quarterly Report were prepared in accordance with U.S. generally accepted accounting principles, our management has concluded that our consolidated financial statements included in this Quarterly Report fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We are involved in various legal matters that arise in the ordinary course of our business. Some of these legal matters purport or may be determined to be class and/or representative actions, or seek substantial damages or penalties. Some of these legal matters relate to disputes regarding acquisitions. In connection with certain of the below matters and other legal matters, we have accrued amounts that we believe are appropriate. There can be no assurance, however, that the above matters and other legal matters will not result in us having to make payments in excess of such accruals or that the above matters or other legal matters will not materially or adversely affect our business, financial position or results of operations.

#### Employment-Related Matters

We have also been involved in various litigation, including purported class or representative actions with respect to matters arising under the U.S. Fair Labor Standards Act, California Labor Code and Private Attorneys General Act. Many involve allegations for allegedly failing to pay wages and/or overtime, failing to provide meal and rest breaks and failing to pay reporting time pay, waiting time penalties and other penalties.

A former employee filed a complaint in California Superior Court, Santa Clara County in July 2017, which seeks civil damages and penalties on behalf of the plaintiff and similarly situated persons for various alleged wage and hour violations under the California Labor Code, including failure to pay wages and/or overtime, failure to provide meal and rest breaks, failure to pay reporting time pay, waiting time penalties and penalties pursuant to California's Private Attorneys General Act. We filed a motion for summary judgment. The court granted our motion for summary judgment in March 2020, and plaintiff filed an appeal of the court's ruling in May 2020. We have retained outside counsel to represent us and intend to vigorously defend our interests in this matter.

A former employee filed a complaint in California Superior Court, Orange County in September 2019, which seeks damages, penalties and injunctive relief on behalf of the plaintiff and similarly situated persons for various alleged wage and hour violations under the California Labor Code, including failure to pay wages and/or overtime, failure to provide meal and rest breaks, failure to reimburse employee expenses, failure to pay reporting time pay, failure to comply with wage statement requirements, waiting time penalties, violations of California law regarding post-employment nonsolicitation agreements and violations of California's unfair competition law. In November 2019, the former employee filed a first amended complaint adding a claim for civil penalties on behalf of the plaintiff and similarly situated persons pursuant to California's Private Attorneys General Act ("PAGA") based on the preceding allegations. Plaintiff's counsel requested dismissal of the class and individual claims so that only the PAGA claim will remain, and the court granted such action. The parties have previously pursued mediation, and in the future the parties may pursue further mediation, other dispute resolutions approaches, or continue with the discovery or motion process on this litigation. We have retained outside counsel to represent us and intend to vigorously defend our interests in this matter.

#### Proceedings Relating to Take 5

The following proceedings relate to the Take 5 Matter, which is discussed in greater detail in "*PART I, Financial Information—Item 1. Financial Statements—Note 10. Commitments and Contingencies*" and "*Risk Factors—Risks Related to the Company's Business and Industry*" in this Quarterly Report.

#### USAO and FBI Voluntary Disclosure and Investigation Related to Take 5

In connection with the Take 5 Matter, we voluntarily disclosed to the United States Attorney's Office and the Federal Bureau of Investigation certain misconduct occurring at Take 5. We intend to cooperate in this and any other governmental investigation that may arise in connection with the Take 5 Matter. At this time, we cannot predict the ultimate outcome of any investigation related to the Take 5 Matter and are unable to estimate the potential impact such an investigation may have on us.

***Arbitration Proceedings Related to Take 5***

In August 2019, as a result of the Take 5 Matter, we provided a written indemnification claim notice to the sellers of Take 5, or the Take 5 Sellers, seeking monetary damages (including interest, fees and costs) based on allegations of breach of the asset purchase agreement, or Take 5 APA, as well as fraud. In September 2019, the Take 5 Sellers initiated arbitration proceedings in the state of Delaware against us, alleging breach of the Take 5 APA as a result of our decision to terminate the operations of the Take 5 business and seeking monetary damages equal to all unpaid earn-out payments under the Take 5 APA (plus interest fees and costs). In 2020, the Take 5 Sellers amended their statement of claim to allege defamation, relating to statements we made to customers in connection with terminating the operations of the Take 5 business, and seeking monetary damages for the alleged injury to their reputation. We have filed our response to the Take 5 Sellers' claims and asserted indemnification, fraud and other claims against the Take 5 Sellers as counterclaims and cross-claims in the arbitration proceedings. We are currently unable to estimate the potential impact related to these arbitration proceedings, but we have retained outside counsel to represent us in these matters and are vigorously pursuing our interests. The arbitration hearing for this matter is currently scheduled for the fourth quarter of 2021.

***Other Legal Matters Related to Take 5***

The Take 5 Matter may result in additional litigation against us, including lawsuits from clients, or governmental investigations, which may expose us to potential liability in excess of the amounts being offered by us as refunds to Take 5 clients. We are currently unable to determine the amount of any potential liability, costs or expenses (above the amounts already being offered as refunds) that may result from any lawsuits or investigations associated with the Take 5 Matter or determine whether any such issues will have any future material adverse effect on our financial position, liquidity or results of operations. Although we have insurance covering certain liabilities, we cannot assure that the insurance will be sufficient to cover any potential liability or expenses associated with the Take 5 Matter.

**ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors disclosed under Part I, Item 1A "Risk Factors" in the 2020 Annual Report on Form 10-K/A, the current effects of which are discussed in more detail in Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q. In addition, the known and unknown impacts caused by the COVID-19 pandemic and actions taken in response to it by governments, businesses, and individuals, may give rise to or amplify the risk factors disclosed in the 2020 Annual Report on Form 10-K. These risks are not the only risks that may affect us. Additional risks that we are not aware of or do not believe are material at the time of this filing may also become important factors that adversely affect our business.

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

None

**Item 3. Defaults Upon Senior Securities**

None

**Item 4. Mine Safety Disclosures**

None

**Item 5. Other Information**

None

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### **ITEM 6. Exhibits**

The following exhibits are filed with this Report:

<u>Exhibit Number</u>	<u>Description</u>
31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</a>
31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</a>
32.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350</a>
32.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350</a>
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

By: /s/ Tanya Domier  
Tanya Domier  
Chief Executive Officer and Director

Date: May 17, 2021

By: /s/ Brian Stevens  
Brian Stevens  
Chief Financial Officer and Chief Operating Officer  
(Principal Financial Officer)

Date: May 17, 2021

## CERTIFICATIONS

I, Tanya Domier, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Advantage Solutions Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 17, 2021

By: /s/ Tanya Domier

Tanya Domier  
Chief Executive Officer  
(Principal Executive Officer)

## CERTIFICATIONS

I, Brian Stevens, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Advantage Solutions Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 17, 2021

By: /s/ Brian Stevens

Brian Stevens  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADDED BY  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Advantage Solutions Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Tanya Domier, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

May 17, 2021

By: /s/ Tanya Domier

Tanya Domier  
Chief Executive Officer  
*(Principal Executive Officer)*



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADDED BY  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Advantage Solutions Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Brian Stevens, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

May 17, 2021

By /s/ Brian Stevens

Brian Stevens

Chief Financial Officer

*(Principal Financial Officer)*