

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

FORM 10-Q

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

For the quarterly period ended **June 30, 2022**

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**

Advantage Solutions Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

**15310 Barranca Parkway, Suite 100
Irvine, CA 92618**

(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:

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

Indicate by check mark whether the registrant (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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 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 August 8, 2022, the registrant had 318,503,330 shares of Class A common stock outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ADVANTAGE SOLUTIONS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(in thousands, except share and per share data)	June 30, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 115,780	\$ 164,622
Restricted cash	17,883	16,015
Accounts receivable, net of allowance for expected credit losses of \$16,579 and \$15,916, respectively	804,906	797,677
Prepaid expenses and other current assets	156,184	126,000
Total current assets	1,094,753	1,104,314
Property and equipment, net	68,416	63,696
Goodwill	2,247,466	2,206,004
Other intangible assets, net	2,200,957	2,287,514
Investments in unconsolidated affiliates	125,207	125,158
Other assets	108,186	67,582
Total assets	<u>\$ 5,844,985</u>	<u>\$ 5,854,268</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	\$ 59,775	\$ 14,397
Accounts payable	250,593	277,366
Accrued compensation and benefits	128,003	139,157
Other accrued expenses	141,120	164,133
Deferred revenues	48,501	50,467
Total current liabilities	627,992	645,520
Long-term debt, net of current portion	2,025,978	2,028,882
Deferred income tax liabilities	474,250	483,165
Warrant liability	1,833	22,189
Other long-term liabilities	111,695	92,218
Total liabilities	3,241,748	3,271,974
Commitments and contingencies (Note 10)		
Redeemable noncontrolling interest	1,748	1,893
Equity attributable to stockholders of Advantage Solutions Inc.		
Common stock, \$0.0001 par value, 3,290,000,000 shares authorized; 318,465,449 and 316,963,552 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	32	32
Additional paid in capital	3,390,899	3,373,278
Accumulated deficit	(844,271)	(866,607)
Loans to Karman Topco L.P.	(6,351)	(6,340)
Accumulated other comprehensive loss	(16,362)	(4,479)
Treasury stock, at cost; 1,610,014 shares as of June 30, 2022 and December 31, 2021	(12,567)	(12,567)
Total equity attributable to stockholders of Advantage Solutions Inc.	2,511,380	2,483,317
Nonredeemable noncontrolling interest	90,109	97,084
Total stockholders' equity	2,601,489	2,580,401
Total liabilities, redeemable noncontrolling interest, and stockholders' equity	<u>\$ 5,844,985</u>	<u>\$ 5,854,268</u>

See Notes to the Condensed Consolidated Financial Statements.

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

(in thousands, except share and per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues	\$ 981,076	\$ 849,954	\$ 1,895,884	\$ 1,640,975
Cost of revenues (exclusive of depreciation and amortization shown separately below)	841,790	698,226	1,627,733	1,351,565
Selling, general, and administrative expenses	52,576	46,607	100,649	87,088
Depreciation and amortization	58,444	62,674	116,212	122,287
Total operating expenses	952,810	807,507	1,844,594	1,560,940
Operating income	28,266	42,447	51,290	80,035
Other (income) expenses:				
Change in fair value of warrant liability	(4,914)	(7,059)	(20,356)	(1,533)
Interest expense, net	28,188	37,189	40,071	68,054
Total other expenses (income)	23,274	30,130	19,715	66,521
Income before income taxes	4,992	12,317	31,575	13,514
Provision for income taxes	1,316	6,563	10,365	8,306
Net income	3,676	5,754	21,210	5,208
Less: net income (loss) attributable to noncontrolling interest	305	(367)	(1,126)	(797)
Net income attributable to stockholders of Advantage Solutions Inc.	3,371	6,121	22,336	6,005
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(13,272)	624	(11,883)	(1,796)
Total comprehensive (loss) income attributable to stockholders of Advantage Solutions Inc.	\$ (9,901)	\$ 6,745	\$ 10,453	\$ 4,209
Net income per common share:				
Basic	\$ 0.01	\$ 0.02	\$ 0.07	\$ 0.02
Diluted	\$ 0.01	\$ 0.00	\$ 0.07	\$ 0.01
Weighted-average number of common shares:				
Basic	318,418,746	318,464,596	318,103,452	318,035,355
Diluted	319,114,865	323,294,273	318,919,725	321,958,953

See Notes to the Condensed Consolidated Financial Statements.

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

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulat ed Deficit	Loans to Topco	Accumulated Other Comprehensi ve Income (Loss)	Advantage Solutions Inc. Stockholder s' Equity	Nonredeemabl e Noncontrolling Interests	Total Stockholder s' Equity
	Shares	Amount	Shares	Amount							
(in thousands, except share data)											
Balance at April 1, 2022	318,393,829	\$ 32	1,610,014	\$ (12,567)	\$ 3,379,350	\$ (847,642)	\$ (6,345)	\$ (3,090)	\$ 2,509,738	\$ 93,032	\$ 2,602,770
Comprehensive income (loss)											
Net income (loss)	—	—	—	—	—	3,371	—	—	3,371	267	3,638
Foreign currency translation adjustments	—	—	—	—	—	—	—	(13,272)	(13,272)	(3,190)	(16,462)
Total comprehensive income (loss)									(9,901)	(2,923)	(12,824)
Interest on loans to Karman L.P.	—	—	—	—	—	—	(6)	—	(6)	—	(6)
Equity-based compensation of Karman Topco L.P.	—	—	—	—	(3,519)	—	—	—	(3,519)	—	(3,519)
Shares issued under 2020 Incentive Award Plan	71,620	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	15,068	—	—	—	15,068	—	15,068
Balance at June 30, 2022	<u>318,465,449</u>	<u>\$ 32</u>	<u>1,610,014</u>	<u>\$ (12,567)</u>	<u>\$ 3,390,899</u>	<u>\$ (844,271)</u>	<u>\$ (6,351)</u>	<u>\$ (16,362)</u>	<u>\$ 2,511,380</u>	<u>\$ 90,109</u>	<u>\$ 2,601,489</u>

	Common Stock		Additional Paid-in Capital	Accumulat ed Deficit	Loans to Topco	Accumulated Other Comprehensiv e Income (Loss)	Advantage Solutions Inc. Stockholder s' Equity	Nonredeemable Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount							
(in thousands, except share data)									
Balance at April 1, 2021	318,449,966	\$ 32	\$ 3,354,383	\$ (921,217)	\$ (6,322)	\$ (1,746)	\$ 2,425,130	\$ 95,814	\$ 2,520,944
Comprehensive income (loss)									
Net income (loss)	—	—	—	6,121	—	—	6,121	(353)	5,768
Foreign currency translation adjustments	—	—	—	—	—	624	624	219	843
Total comprehensive income (loss)							6,745	(134)	6,611
Interest on loans to Karman Topco L.P.	—	—	—	—	(6)	—	(6)	—	(6)
Redemption of noncontrolling interest	—	—	(436)	—	—	—	(436)	236	(200)
Equity-based compensation of Karman Topco L.P.	—	—	(3,061)	—	—	—	(3,061)	—	(3,061)
Shares issued upon vesting of restricted stock units	41,424	—	—	—	—	—	—	—	—
Shares issued upon exercise of warrants	5,000	—	58	—	—	—	58	—	58
Stock-based compensation expense	—	—	10,318	—	—	—	10,318	—	10,318
Balance at June 30, 2021	<u>318,496,390</u>	<u>\$ 32</u>	<u>\$ 3,361,262</u>	<u>\$ (915,096)</u>	<u>\$ (6,328)</u>	<u>\$ (1,122)</u>	<u>\$ 2,438,748</u>	<u>\$ 95,916</u>	<u>\$ 2,534,664</u>

See Notes to the Condensed Consolidated Financial Statements.

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulat ed Deficit	Loans to Topco	Accumulated Other Comprehensi ve Income (Loss)	Advantage Solutions Inc. Stockholder s' Equity	Nonredeemabl e Noncontrolling Interests	Total Stockholder s' Equity
	Shares	Amount	Shares	Amount							
(in thousands, except share data)											
Balance at January 1, 2022	316,963,552	\$ 32	1,610,014	\$ (12,567)	\$ 3,373,278	\$ (866,607)	\$ (6,340)	\$ (4,479)	\$ 2,483,317	\$ 97,084	\$ 2,580,401
Comprehensive income (loss)											
Net income (loss)	—	—	—	—	—	22,336	—	—	22,336	(1,174)	21,162
Foreign currency translation adjustments	—	—	—	—	—	—	—	(11,883)	(11,883)	(5,801)	(17,684)
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	10,453	(6,975)	3,478
Interest on loans to Karman Topco L.P.	—	—	—	—	—	—	(11)	—	(11)	—	(11)
Equity-based compensation of Karman Topco L.P.	—	—	—	—	(6,314)	—	—	—	(6,314)	—	(6,314)
Shares issued under 2020 Employee Stock Purchase Plan	242,427	—	—	—	1,653	—	—	—	1,653	—	1,653
Shares issued under 2020 Incentive Award Plan	1,259,470	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	22,282	—	—	—	22,282	—	22,282
Balance at June 30, 2022	318,465,449	\$ 32	1,610,014	\$ (12,567)	\$ 3,390,899	\$ (844,271)	\$ (6,351)	\$ (16,362)	\$ 2,511,380	\$ 90,109	\$ 2,601,489

	Common Stock		Additional Paid-in Capital	Accumulat ed Deficit	Loans to Topco	Accumulated Other Comprehensiv e Income (Loss)	Advantage Solutions Inc. Stockholder s' Equity	Nonredeemable Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount							
(in thousands, except share data)									
Balance at January 1, 2021	318,425,182	\$ 32	\$ 3,348,546	\$ (921,101)	\$ (6,316)	\$ 674	\$ 2,421,835	\$ 96,954	\$ 2,518,789
Comprehensive income (loss)									
Net income (loss)	—	—	—	6,005	—	—	6,005	(783)	5,222
Foreign currency translation adjustments	—	—	—	—	—	(1,796)	(1,796)	(491)	(2,287)
Total comprehensive loss	—	—	—	—	—	—	4,209	(1,274)	2,935
Interest on loans to Karman Topco L.P.	—	—	—	—	(12)	—	(12)	—	(12)
Redemption of noncontrolling interest	—	—	(436)	—	—	—	(436)	236	(200)
Equity-based compensation of Karman Topco L.P.	—	—	(7,110)	—	—	—	(7,110)	—	(7,110)
Shares issued under 2020 Incentive Award Plan	24,784	—	—	—	—	—	—	—	—
Shares issued upon vesting of restricted stock units	41,424	—	—	—	—	—	—	—	—
Shares issued upon exercise of warrants	5,000	—	58	—	—	—	58	—	58
Stock-based compensation expense	—	—	20,204	—	—	—	20,204	—	20,204
Balance at June 30, 2021	318,496,390	\$ 32	\$ 3,361,262	\$ (915,096)	\$ (6,328)	\$ (1,122)	\$ 2,438,748	\$ 95,916	\$ 2,534,664

See Notes to the Condensed Consolidated Financial Statements.

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

(in thousands)	Six Months Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 21,210	\$ 5,208
Adjustments to reconcile net income to net cash provided by operating activities		
Noncash interest expense, net	(22,136)	419
Depreciation and amortization	116,212	122,287
Change in fair value of warrant liability	(20,356)	(1,533)
Fair value adjustments related to contingent consideration	5,788	3,361
Deferred income taxes	(11,648)	(7,403)
Equity-based compensation of Karman Topco L.P.	(6,314)	(7,110)
Stock-based compensation	22,732	20,204
Equity in earnings of unconsolidated affiliates	(4,687)	(3,260)
Distribution received from unconsolidated affiliates	1,143	1,154
Loss on disposal of property and equipment	—	6,199
Loss on divestiture	2,850	—
Changes in operating assets and liabilities, net of effects from purchases of businesses:		
Accounts receivable, net	(11,053)	(64,802)
Prepaid expenses and other assets	(42,580)	(3,447)
Accounts payable	(26,485)	8,901
Accrued compensation and benefits	(9,260)	(23,224)
Deferred revenues	(539)	1,717
Other accrued expenses and other liabilities	15,115	(2,747)
Net cash provided by operating activities	29,992	55,924
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of businesses, net of cash acquired	(67,611)	(20,426)
Purchase of property and equipment	(21,533)	(12,958)
Net cash used in investing activities	(89,144)	(33,384)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under lines of credit	67,134	41,736
Payments on lines of credit	(22,034)	(92,756)
Proceeds from issuance of long-term debt	278	—
Principal payments on long-term debt	(6,653)	(6,849)
Proceeds from issuance of common stock	1,653	—
Contingent consideration payments	(20,882)	(6,247)
Holdback payments	(715)	(173)
Redemption of noncontrolling interest	—	(200)
Net cash provided by (used in) financing activities	18,781	(64,489)
Net effect of foreign currency changes on cash	(6,603)	(855)
Net change in cash, cash equivalents and restricted cash	(46,974)	(42,804)
Cash, cash equivalents and restricted cash, beginning of period	180,637	219,966
Cash, cash equivalents and restricted cash, end of period	\$ 133,663	\$ 177,162
SUPPLEMENTAL CASH FLOW INFORMATION		
Purchase of property and equipment recorded in accounts payable and accrued expenses	\$ 311	\$ 628

See Notes to the Condensed Consolidated Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**1. Organization and Significant Accounting Policies**

Advantage Solutions Inc. (the “Company”) is a provider of outsourced solutions to consumer goods companies and retailers. 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 (“GAAP”). The Condensed Consolidated Balance Sheet at December 31, 2021 was derived from the audited Consolidated Balance Sheet at that date and does not include all the disclosures required by 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 June 30, 2022 and for the three and six months ended June 30, 2022 and 2021 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, 2021 and the related footnotes thereto. Operating results for the three and six months ended June 30, 2022 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

Beginning in March 2020 and continuing through the first quarter of 2021, the Company's services experienced the most severe effects from reductions in client spending due to the economic impact related to the COVID-19 pandemic. While mixed by services and geography, the spending reductions impacted all of the Company's services and markets. Globally, the most impacted services were the Company's experiential services. Most services began to recover in April 2021, and the recovery has continued through the second quarter of 2022.

Impact of the War in Ukraine

The Company has a minority interest in a European company that has majority-ownership interests in local agencies in Russia. During the first quarter of 2022, the war in Ukraine resulted in the imposition of sanctions by the United States, the United Kingdom, and the European Union, that affect the cross-border operations of businesses operating in Russia. In addition, Russian regulators have imposed currency restrictions and regulations that created uncertainty regarding the Company's ability to recover its investment in operations in Russia, as well as the Company's ability to exercise control or influence over operations by the local agencies in Russia. As a result, the Company intends to use its influence to cause the European company to dispose of its ownership interests in the local agencies in Russia. Accordingly, the Company recorded pretax charges of \$2.8 million in the first quarter of 2022, primarily consisting of its proportionate share of the net investment in its Russian interest in “Selling, general, and administrative expenses” in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

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

In March 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 GAAP to contracts, hedging relationships, and other transactions that reference the 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 and must be applied prospectively to contract modifications and hedging relationships through December 31, 2022. On April 1, 2022, the Company adopted the standard prospectively and determined that the adoption of this accounting guidance did not have a material impact on its condensed consolidated financial statements.

On January 1, 2022, the Company adopted ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (“ASU 2020-06”)*, which simplifies accounting for convertible instruments by removing major separation models required under current GAAP, simplifies the contract settlement assessment for equity classification, requires the use of the if-converted method for all convertible instruments in the diluted earnings per share calculation and expands disclosure requirements. The adoption of this accounting standard, under the full retrospective method, did not have a material impact on the Company’s condensed consolidated financial statements and use of the if-converted method did not have an impact on the Company’s overall earnings per share calculation.

On January 1, 2022, the Company adopted 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 guidance is applied prospectively to all modifications or exchanges that occur on or after the date of adoption and the adoption of this accounting standard did not have a material impact on the Company’s condensed consolidated financial statements.

On January 1, 2022, the Company adopted ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*. This update requires annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. The guidance is applied prospectively to all transactions within the scope of the amendments that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application. 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 October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 606): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires that an entity recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 as if it had originated the contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree’s financial statements, if the acquiree prepared financial statements in accordance with GAAP. The amendment in this update is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The guidance should be applied prospectively to business combinations occurring on or after the effective date of the amendment in this update. The Company is evaluating the potential impact of this adoption on its consolidated 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 merchandising 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.

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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(in thousands)				
Sales brand-centric services	\$ 332,874	\$ 321,876	\$ 662,230	\$ 615,407
Sales retail-centric services	271,258	239,768	533,871	480,561
Total sales revenues	604,132	561,644	1,196,101	1,095,968
Marketing brand-centric services	136,340	121,822	249,914	238,804
Marketing retail-centric services	240,604	166,488	449,869	306,203
Total marketing revenues	376,944	288,310	699,783	545,007
Total revenues	\$ 981,076	\$ 849,954	\$ 1,895,884	\$ 1,640,975

Contract liabilities represent deferred revenues which are cash payments that are received in advance of the Company's satisfaction of the applicable obligation 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 and six months ended June 30, 2022 that were included in Deferred revenues as of December 31, 2021 were \$6.2 million and \$27.9 million, respectively. Revenues recognized during the three and six months ended June 30, 2021 that were included in Deferred revenues as of December 31, 2020 were \$5.8 million and \$31.9 million, respectively.

3. Acquisitions

2022 Acquisitions

During the six months ended June 30, 2022, the Company acquired a sales business and two marketing businesses. 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 post-close adjustments to working capital. 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 have been included in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) since its respective date of acquisition.

The aggregate purchase price for the acquisitions referenced above was \$68.9 million, which includes \$67.6 million paid in cash, \$0.5 million recorded as contingent consideration liabilities, and \$0.8 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 are recorded at fair value. The maximum potential payment outcome related to the acquisitions is \$1.6 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, \$0.8 million is deductible for tax purposes.

The preliminary fair values of the identifiable assets and liabilities of the acquisitions completed during the six months ended June 30, 2022, as of the applicable acquisition dates, are as follows:

<i>(in thousands)</i>	
Consideration:	
Cash	\$ 67,611
Holdback	810
Fair value of contingent consideration	510
Total consideration	<u>\$ 68,931</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
<i>Assets</i>	
Accounts receivable	\$ 6,190
Other assets	2,815
Identifiable intangible assets	21,220
Total assets	<u>30,225</u>
<i>Liabilities</i>	
Accounts payable	5,266
Deferred tax liabilities and other	6,601
Total liabilities	<u>11,867</u>
Total identifiable net assets	18,358
Goodwill arising from acquisitions	<u>\$ 50,573</u>

The identifiable intangible assets are 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:

<i>(in thousands)</i>	Amount	Weighted Average Useful Life
Client relationships	\$ 21,220	6 years

The operating results of the businesses acquired during the six months ended June 30, 2022 contributed total revenues of \$8.0 million and \$8.5 million in the three and six months ended June 30, 2022, respectively. 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 and six months ended June 30, 2022, the Company incurred immaterial amounts 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 Operations and Comprehensive Income (Loss).

2021 Acquisitions

During the six months ended June 30, 2021, the Company acquired three sales businesses. 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 estimates and assumptions. The results of operations of each acquired business has been included in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) since its respective date of acquisition.

The aggregate purchase price for the acquisitions referenced above was \$27.0 million, which includes \$20.4 million paid in cash, \$5.1 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 are recorded at fair value. The maximum potential payment outcome related to the acquisitions is \$13.5 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, \$9.0 million is deductible for tax purposes.

The fair values of the identifiable assets and liabilities of the acquisitions completed during the six months ended June 30, 2021, as of the applicable acquisition dates, are as follows:

(in thousands)

Consideration	
Cash	\$ 20,426
Holdbacks	1,442
Fair value of contingent consideration	5,116
Total consideration	<u>\$ 26,984</u>
Recognized amounts of identifiable assets acquired and liabilities assumed:	
<i>Assets</i>	
Accounts receivable	\$ 3,382
Property and equipment	86
Identifiable intangible assets	11,083
Total assets	<u>14,551</u>
<i>Liabilities</i>	
Total liabilities	4,222
Redeemable noncontrolling interest	1,804
Total identifiable net assets	<u>8,525</u>
Goodwill arising from acquisitions	<u>\$ 18,459</u>

The identifiable intangible assets are 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	\$ 10,082	7 years
Trade Names	1,001	10 years
Total identifiable intangible assets	<u>\$ 11,083</u>	

The operating results of the businesses acquired during the six months ended June 30, 2021 contributed total revenues of \$6.3 million and \$10.9 million in the three and six months ended June 30, 2021, respectively. 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 and six months ended June 30, 2021, the Company incurred immaterial amounts 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 Operations and Comprehensive Income (Loss).

Supplemental Pro-Forma Information (unaudited)

Supplemental information on an unaudited pro-forma basis, presented as if the acquisitions executed during the period from January 1, 2021 to August 9, 2022 had been consummated as of the beginning of the comparative prior period, is as follows:

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues	\$ 981,076	\$ 902,973	\$ 1,903,280	\$ 1,749,443
Net income	\$ 3,258	\$ 6,476	\$ 22,597	\$ 6,375

4. Goodwill and Intangible Assets

Changes in goodwill for the six months ended June 30, 2022 are as follows:

(in thousands)	Sales	Marketing	Total
Balance at January 1, 2021	\$ 1,462,378	\$ 700,961	\$ 2,163,339
Acquisitions	32,087	13,315	45,402
Measurement period adjustments	179	(1,043)	(864)
Foreign exchange translation effects	(1,873)	—	(1,873)
Balance at December 31, 2021	<u>\$ 1,492,771</u>	<u>\$ 713,233</u>	<u>\$ 2,206,004</u>
Acquisitions	347	50,226	50,573
Measurement period adjustments	(446)	—	(446)
Foreign exchange translation effects	(8,665)	—	(8,665)
Balance at June 30, 2022	<u>\$ 1,484,007</u>	<u>\$ 763,459</u>	<u>\$ 2,247,466</u>

Accumulated impairment losses related to goodwill were \$652.0 million as of June 30, 2022 and 2021.

The following tables set forth information for intangible assets:

(amounts in thousands)	Weighted Average Useful Life	June 30, 2022		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:				
Client relationships	14 years	\$ 2,491,082	\$ 1,247,588	\$ 1,243,494
Trade names	8 years	135,918	82,836	53,082
Developed technology	5 years	13,260	9,443	3,817
Covenant not to compete	5 years	6,100	5,536	564
Total finite-lived intangible assets		2,646,360	1,345,403	1,300,957
Indefinite-lived intangible assets:				
Trade names		900,000	—	900,000
Total other intangible assets		\$ 3,546,360	\$ 1,345,403	\$ 2,200,957

(amounts in thousands)	Weighted Average Useful Life	December 31, 2021		
		Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Finite-lived intangible assets:				
Client relationships	14 years	\$ 2,480,167	\$ 1,158,732	\$ 1,321,435
Trade names	8 years	138,206	78,355	59,851
Developed technology	5 years	13,260	8,206	5,054
Covenant not to compete	5 years	6,100	4,926	1,174
Total finite-lived intangible assets		2,637,733	1,250,219	1,387,514
Indefinite-lived intangible assets:				
Trade names		900,000	—	900,000
Total other intangible assets		\$ 3,537,733	\$ 1,250,219	\$ 2,287,514

Accumulated impairment losses related to indefinite-lived intangibles assets were \$580.0 million as of June 30, 2022 and December 31, 2021.

Amortization of intangible assets was \$50.7 million and \$49.2 million for the three months ended June 30, 2022 and 2021, respectively, and \$100.9 million and \$98.6 million for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, estimated future amortization expense of the Company's existing intangible assets are as follows:

(in thousands)	
Remainder of 2022	\$ 99,832
2023	197,807
2024	196,443
2025	190,396
2026	186,405
Thereafter	430,074
Total amortization expense	\$ 1,300,957

5. Debt

(in thousands)	June 30, 2022	December 31, 2021
Term Loan Facility	\$ 1,305,125	\$ 1,311,750
Notes	775,000	775,000
Revolving Credit Facility	45,000	—
Government loans for COVID-19 relief	4,411	5,212
Other	1,585	1,113
Total long-term debt	2,131,121	2,093,075
Less: current portion	59,775	14,397
Less: debt issuance costs	45,368	49,796
Long-term debt, net of current portion	<u>\$ 2,025,978</u>	<u>\$ 2,028,882</u>

As of June 30, 2022, the Company had \$1.3 billion of debt outstanding under the Term Loan Facility (as defined in the Annual Report on Form 10-K filed March 1, 2022 for the year ended December 31, 2021) and \$775.0 million of debt outstanding under the Notes (as defined in the Annual Report on Form 10-K filed March 1, 2022 for the year ended December 31, 2021) 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 Term Loan Facility and Notes as of June 30, 2022. In addition, the Company is required to repay the principal under the Term Loan Facility in the greater amount of its excess cash flow, as such term is defined in the agreement governing the Term Loan Facility, or \$13.3 million, per annum, in quarterly payments. The Company made the minimum quarterly principal payments of \$3.3 million and \$6.6 million during the three and six months ended June 30, 2022 and 2021, respectively. No payments under the excess cash flow calculation were required in such periods.

As of June 30, 2022, the Company had \$45.0 million of borrowing under the Revolving Credit Facility (as defined in the Annual Report on Form 10-K filed March 1, 2022 for the year ended December 31, 2021). All borrowings under the Revolving Credit Facility are subject to the satisfaction of certain customary conditions. Borrowings under the credit agreement bear interest at a floating rate, which at the option may be either (i) a base rate plus a margin ranging from 1.0% to 1.50% per annum or (ii) LIBOR plus a margin ranging from 2.00% to 2.50% per annum. The Company is required to pay a commitment fee ranging from 0.250% to 0.375% per annum in respect of the average daily unused commitments under the Revolving Credit Facility. The interest rate on the Revolving Credit Facility as of June 30, 2022 was 5.75%.

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.

	June 30, 2022			
(in thousands)	Fair Value	Level 1	Level 2	Level 3
Assets measured at fair value				
Derivative financial instruments	\$ 36,717	\$ —	\$ 36,717	\$ —
Total assets measured at fair value	<u>\$ 36,717</u>	<u>\$ —</u>	<u>\$ 36,717</u>	<u>\$ —</u>
Liabilities measured at fair value				
Warrant liability	\$ 1,833	\$ —	\$ 1,833	\$ —
Contingent consideration liabilities	43,385	—	—	43,385
Total liabilities measured at fair value	<u>\$ 45,218</u>	<u>\$ —</u>	<u>\$ 1,833</u>	<u>\$ 43,385</u>

	December 31, 2021			
(in thousands)	Fair Value	Level 1	Level 2	Level 3
Assets measured at fair value				
Derivative financial instruments	\$ 10,164	\$ —	\$ 10,164	\$ —
Total assets measured at fair value	<u>\$ 10,164</u>	<u>\$ —</u>	<u>\$ 10,164</u>	<u>\$ —</u>
Liabilities measured at fair value				
Derivative financial instruments	\$ 385	\$ —	\$ 385	\$ —
Warrant liability	22,189	—	—	22,189
Contingent consideration liabilities	58,366	—	—	58,366
Total liabilities measured at fair value	<u>\$ 80,940</u>	<u>\$ —</u>	<u>\$ 385</u>	<u>\$ 80,555</u>

Interest Rate Cap Agreements

The Company had interest rate cap contracts with an aggregate notional value of principal of \$650.0 million and \$2.2 billion as of June 30, 2022 and December 31, 2021, respectively, from various financial institutions to manage the Company's exposure to interest rate movements on variable rate credit facilities. As of June 30, 2022, \$36.7 million of fair value of the Company's outstanding interest rate caps were included in "Prepaid expenses and other current assets" in the Condensed Consolidated Balance Sheets with changes in fair value recognized as a component of "Interest expense, net" in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss). As of December 31, 2021, \$10.2 million and \$0.4 million of the Company's fair value of 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 Income (Loss).

During the three months ended June 30, 2022 and 2021, the Company recorded a gain of \$5.6 million and a loss of \$1.2 million, respectively, within Interest expense, net, related to changes in the fair value of its derivative instruments. During the six months ended June 30, 2022 and 2021, the Company recorded gains of \$26.6 million and \$4.3 million, respectively, within Interest expense, net, related to changes in the fair value of its derivative instruments.

Forward Contracts

As of June 30, 2022, the Company had open euro forward contracts to hedge foreign currency exposure on a total of €22.1 million with maturities in fiscal year 2022. As of December 31, 2021, the Company had no open euro forward contracts. During the three and six months ended June 30, 2022 and 2021, the changes in fair value of the forward contracts were \$1.7 million for both periods.

Warrant Liability

As of June 30, 2022 and December 31, 2021, 7,333,333 private placement warrants, which were owned by Conyers Park II Sponsor LLC ("CP Sponsor"), remained outstanding at fair value of \$1.8 million and \$22.2

million, respectively. The warrant liability was remeasured to fair value with adjustment of \$4.9 million and \$20.4 million reflected in “Change in fair value of warrant liability” in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) during the three and six months ended June 30, 2022, respectively. The warrant liability was remeasured to fair value with adjustments of \$7.1 million and \$1.5 million reflected in “Change in fair value of warrant liability” in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) during the three and six months ended June 30, 2021, respectively. 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 Income (Loss) until the warrants are exercised, expire or other facts and circumstances lead the warrant liability to be reclassified as an equity instrument.

The Company previously valued its private placement warrants using a Black-Scholes Model. The private placement warrants were classified as Level 3 at the initial measurement date due to the use of unobservable inputs. Beginning in the first quarter of 2022, they are classified as Level 2 based on the period of time the public warrants have been trading. The Company determined the fair value of the liability classified private placement warrants by approximating the value with the share price of the public warrants which is inherently less subjective and judgmental given it is based on observable inputs. Therefore, the value of the private placement warrants are measured at an indirectly observable quoted price in active markets for the public warrants. Transfers to/from Levels 1, 2 and 3 are recognized at the end of the reporting period in which a change in valuation technique or methodology occurs.

Contingent Consideration Liabilities

During 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 Operations and Comprehensive Income (Loss).

As of June 30, 2022, the maximum potential payment outcomes were \$148.1 million. The following table summarizes the changes in the carrying value of estimated contingent consideration liabilities:

(in thousands)	June 30,	
	2022	2021
Beginning of the period	\$ 58,366	\$ 45,901
Fair value of acquisitions	510	5,116
Changes in fair value	5,788	3,361
Payments	(20,882)	(6,399)
Measurement period adjustments	—	(1,181)
Foreign exchange translation effects	(397)	45
End of the period	<u>\$ 43,385</u>	<u>\$ 46,843</u>

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)
Balance at June 30, 2022		
Term Loan Facility	\$ 1,305,125	\$ 1,297,766
Notes	775,000	730,536
Revolving Credit Facility	45,000	45,000
Government loans for COVID-19 relief	4,411	4,625
Other	1,585	1,585
Total long-term debt	<u>\$ 2,131,121</u>	<u>\$ 2,079,512</u>

(in thousands)	Carrying Value	Fair Value (Level 2)
Balance at December 31, 2021		
Term Loan Facility	\$ 1,311,750	\$ 1,406,552
Notes	775,000	894,611
Government loans for COVID-19 relief	5,212	5,615
Other	1,113	1,113
Total long-term debt	<u>\$ 2,093,075</u>	<u>\$ 2,307,891</u>

7. Related Party Transactions

Overlapping Directors

Nine members of the board of directors of the Company serve as a member of the board of directors of eight clients of the Company.

The information below details the Company's financial relationships with those clients as of and for the periods indicated:

(in thousands)	Revenues				Accounts Receivable	
	Three Months Ended June 30,		Six Months Ended June 30,		As of June 30,	As of December 31,
	2022	2021	2022	2021	2022	2021
Client 1	\$ 450	\$ —	\$ 825	\$ —	\$ 376	\$ 176
Client 2	239	32	532	32	225	190
Client 3	173	116	308	333	115	—
All other clients	65	2,479	123	5,242	15	170
Total	<u>\$ 927</u>	<u>\$ 2,627</u>	<u>\$ 1,788</u>	<u>\$ 5,607</u>	<u>\$ 731</u>	<u>\$ 536</u>

Investment in Unconsolidated Affiliates

During the three months ended June 30, 2022 and 2021, the Company recognized revenues of \$3.8 million and \$4.7 million, respectively, from a parent company of an unconsolidated affiliate. During the six months ended June 30, 2022 and 2021, the Company recognized revenues of \$7.6 million and \$9.3 million, respectively, from a parent company of an unconsolidated affiliate. Accounts receivable from this client were \$2.5 million and \$2.4 million as of June 30, 2022 and December 31, 2021, respectively.

8. Income Taxes

The Company's effective tax rates were 26.4% and 53.3% for the three months ended June 30, 2022 and 2021, 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 the three months pretax book income differences and the discrete impact of tax rate changes of \$3.1 million for the three months ended June 30, 2021, not included in the three months ended June 30, 2022.

The Company's effective tax rates were 32.8% and 61.5% for the six months ended June 30, 2022 and 2021, 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 the six months pretax book income differences and the discrete impact of tax rate changes of \$3.1 million for the six months ended June 30, 2021, not included in the six months ended June 30, 2022.

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 retailer 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
Three Months Ended June 30, 2022			
Revenues	\$ 604,132	\$ 376,944	\$ 981,076
Depreciation and amortization	\$ 40,543	\$ 17,901	\$ 58,444
Operating income	\$ 15,177	\$ 13,089	\$ 28,266
Three Months Ended June 30, 2021			
Revenues	\$ 561,644	\$ 288,310	\$ 849,954
Depreciation and amortization	\$ 44,710	\$ 17,964	\$ 62,674
Operating income (loss)	\$ 44,673	\$ (2,226)	\$ 42,447

(in thousands)	Sales	Marketing	Total
Six Months Ended June 30, 2022			
Revenues	\$ 1,196,101	\$ 699,783	\$ 1,895,884
Depreciation and amortization	\$ 81,512	\$ 34,700	\$ 116,212
Operating income	\$ 34,150	\$ 17,140	\$ 51,290
Six Months Ended June 30, 2021			
Revenues	\$ 1,095,968	\$ 545,007	\$ 1,640,975
Depreciation and amortization	\$ 87,274	\$ 35,013	\$ 122,287
Operating income	\$ 79,822	\$ 213	\$ 80,035

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 financial position, liquidity, 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.

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. In August 2022, the arbitrator made an interim award in favor of the Company. The Company is currently unable to estimate if or when it will be able to collect any amounts associated with this arbitration.

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 insurance may not be sufficient to cover any potential liability or expenses associated with the Take 5 Matter.

11. Stock-Based Compensation

The Company has issued nonqualified stock options, restricted stock units, and performance restricted stock units under the Advantage Solutions Inc. 2020 Incentive Award Plan (the "Plan"). The Company's restricted stock units and performance restricted stock units, as described below, are expensed and reported as non-vested shares. The Company recognized stock-based compensation expense of \$12.5 million and \$10.3 million during the three months ended June 30, 2022 and 2021, respectively. The related deferred tax benefit for stock-based compensation recognized was \$3.0 million and \$1.5 million for the three months ended June 30, 2022 and 2021, respectively. The Company recognized stock-based compensation expense of \$20.3 million and \$20.2 million during the six months ended June 30, 2022 and 2021, respectively. The related deferred tax benefit for stock-based compensation recognized was \$4.5 million and \$3.1 million for the six months ended June 30, 2022 and 2021, respectively.

Performance Restricted Stock Units

Performance restricted stock units ("PSUs") are subject to the achievement of certain performance conditions based on the Company's revenues and Adjusted EBITDA 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. The number of PSUs earned shall be adjusted to be proportional to the partial performance between the Threshold Goals, Target Goals and Maximum Goals. Details for each aforementioned defined term for each grant have been provided in the table below.

During the first quarter of 2022, the Compensation Committee determined that the achievement of the performance objective applicable to the PSU EBITDA 2021 objective was 64.6% of target and the achievement of the performance objective applicable to the PSU Revenues 2021 objective was 126.2% of target. In the first quarter of 2022, the Compensation Committee determined that the PSU EBITDA and Revenue metrics will be measured separately when determining whether above-target performance has been maintained for future year performance. Such determination is applicable to the PSUs grants made in 2021 and in 2022. As a result, the 26.2% above-target performance on Revenues for 2021 must be maintained in 2022 and 2023 in order for the corresponding above-target PSUs to vest in January 2024. Assuming there is no decline in performance with respect to Revenues in 2022 and 2023, an amount equal to approximately 9.2% of the target number of PSUs granted in January 2021 will vest in full in January 2024 as a result of the above-target Revenue performance for fiscal 2021. The performance period for those awards ended on December 31, 2021 but remain subject to service-based vesting conditions.

Under the provision of ASC 718 *Compensation—Stock Compensation*, the Company determined that 2021 PSUs granted were modified as of March 11, 2022 related to 205,834 above-target Revenue Metric PSUs. The stock-based compensation expense for such modification was accounted for as a cancellation of the original award and the issuance of a new award using the fair value of the award on the date of modification, resulting in a \$1.1 million gain upon cancellation during the six months ended June 30, 2022 and an intrinsic value associated with the new award of \$1.2 million that is expected to be recognized over the remaining service-based vesting term.

The fair value of PSU grants is equal to the closing price of the Company's Class A common stock on the date of the applicable grant. The maximum potential remaining expense if the Maximum Goals were met for these awards has been provided in the table below for awards in which the performance period has not yet concluded. Recognition of expense associated with performance-based stock is not permitted until achievement of the performance targets are probable of occurring.

(in thousands, except share and per share data)	Number of Shares Threshold	Number of Shares Target	Number of Shares Maximum	Weighted Average Fair Value per Share	Maximum Remaining Unrecognized Compensation Expense	Weighted-average remaining requisite service periods
Performance Period						
January 1, 2022— December 31, 2022	2,353,171	4,706,342	7,059,513	\$ 5.87	\$ 36,924	2.3 years
January 1, 2021— December 31, 2021	1,234,552	1,234,552	1,449,902	\$ 11.99	\$ 6,370	1.6 years

The following table summarizes the PSU activity for the six months ended June 30, 2022:

	Performance Share Units	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2022	2,609,079	\$ 13.07
Granted	4,814,118	\$ 5.87
Distributed	636,404	\$ 13.21
Forfeited	252,977	\$ 10.45
PSU performance adjustment	(377,572)	\$ 11.19
Outstanding at June 30, 2022	6,156,244	\$ 7.31

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 and are subject to the provisions of the agreement under the Plan.

During the six months ended June 30, 2022, the following activities involving RSUs occurred under the Plan:

	Number of RSUs	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2022	3,660,553	\$ 10.64
Granted	6,011,028	\$ 5.83
Distributed	623,066	\$ 12.78
Forfeited	436,889	\$ 8.61
Outstanding at June 30, 2022	8,611,626	\$ 7.23

As of June 30, 2022, the total remaining unrecognized compensation cost related to RSUs amounted to \$40.0 million, which is expected to be amortized over the weighted-average remaining requisite service periods of 2.4 years.

Stock Options

Pursuant to the Plan, a total of 945,664 non-qualified stock options were granted during the six months ended June 30, 2022 and 945,664 remained outstanding as of June 30, 2022 with a weighted average exercise price of \$5.99 per share. A total of 261,324 non-qualified stock options were forfeited during the six months ended June 30, 2022, with a weighted average exercise price of \$9.20.

The fair value of the employee stock options granted was estimated using the following weighted average assumptions for the six months ended:

	June 30, 2022
Share Price	\$ 5.99
Dividend yield	0.0%
Expected volatility	30.0%
Risk-free interest rate	2.0%
Expected term (years)	6.5

As of June 30, 2022, the Company had approximately \$1.6 million of total unrecognized compensation expense related to stock options, net of related forfeiture estimates, which the Company expects to recognize over a weighted-average period of approximately 1.7 years. The intrinsic value of all outstanding options as of June 30, 2022 was zero based on the market price of the Company's common stock of \$3.80 per share.

12. Earnings Per Share

The Company calculates earnings per share 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 performance stock units, restricted stock units, public and private placement warrants, the employee stock purchase plan and stock options. Diluted earnings per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding and the potential dilutive shares of common stock for the period determined using the treasury stock method. 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.

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

<i>(in thousands, except share and earnings per share data)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Basic earnings per share computation:				
Numerator:				
Net income attributable to stockholders of Advantage Solutions Inc.	\$ 3,371	\$ 6,121	\$ 22,336	\$ 6,005
Denominator:				
Weighted average common shares - basic	318,418,746	318,464,596	318,103,452	318,035,355
Basic earnings per common share	<u>\$ 0.01</u>	<u>\$ 0.02</u>	<u>\$ 0.07</u>	<u>\$ 0.02</u>
Diluted earnings per share computation:				
Numerator:				
Net income attributable to stockholders of Advantage Solutions Inc.	\$ 3,371	\$ 6,121	\$ 22,336	\$ 6,005
Change in fair value of warrant liability	—	(7,059)	—	(1,553)
Numerator for diluted earnings per share	<u>\$ 3,371</u>	<u>\$ (938)</u>	<u>\$ 22,336</u>	<u>\$ 4,452</u>
Denominator:				
Weighted average common shares outstanding	318,418,746	318,464,596	318,103,452	318,035,355
Performance and Restricted Stock Units	99,902	3,457,299	444,169	3,207,047
Warrants	—	1,276,669	—	638,335
Employee stock purchase plan and stock options	596,217	95,709	372,104	78,216
Weighted average common shares - diluted	<u>319,114,865</u>	<u>323,294,273</u>	<u>318,919,725</u>	<u>321,958,953</u>
Diluted earnings per common share	<u>\$ 0.01</u>	<u>\$ 0.00</u>	<u>\$ 0.07</u>	<u>\$ 0.01</u>

The Company had 18,578,321 warrants to purchase Class A common stock at \$11.50 per share outstanding at June 30, 2022, which have been excluded in the calculation of diluted earnings per common share as the weighted average market price of the common stock during the three and six months ended June 30, 2022 did not exceed the exercise price of the warrants. The Company had 18,578,325 warrants to purchase Class A common stock at \$11.50 per share outstanding at June 30, 2021.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the section titled “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements that are based on current expectations, estimates, forecasts and projections about us, our future performance, our business, our beliefs and our management’s assumptions. Such words as “expect,” “anticipate,” “outlook,” “could,” “target,” “project,” “intend,” “plan,” “believe,” “seek,” “estimate,” “should,” “may,” “assume” and “continue” as well as variations of such words and similar expressions are intended to identify such forward-looking statements, although not all forward-looking statements contain such terms. These statements are not guarantees of future performance and they involve certain risks, uncertainties and assumptions that are difficult to predict. We have based our forward-looking statements on our management’s beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that actual outcomes and results may differ materially from what is expressed, implied or forecasted by our forward-looking statements. More information regarding these risks and uncertainties and other important factors that could cause actual results to differ materially from those in the forward-looking statements is set forth in Part II, Item 1A “Risk Factors” of this report. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. Except as required under the federal securities laws and the rules and regulations of the Securities and Exchange Commission, we do not have any intention or obligation to update publicly any forward-looking statements after the distribution of this report, whether as a result of new information, future events, changes in assumptions or otherwise.

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 63.1% and 66.8% of our total revenues in the six months ended June 30, 2022 and 2021, 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 36.9% and 33.2% of our total revenues in the six months ended June 30, 2022 and 2021, respectively, we help brands and retailers reach consumers through two main categories within the marketing segment. The first and largest category is our retail experiential business, also known as in-store sampling or demonstrations, where we manage highly customized large-scale sampling programs (both in-store and online) for leading retailers. The second category is our collection of specialized agency services, 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 October 28, 2020, Conyers Park II Acquisition Corp. (“Conyers Park”), a Delaware corporation, consummated a merger with ASI Intermediate Corp. (“ASI”), formerly known as Advantage Solutions Inc., with ASI 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 October 28, 2020, and in connection with the closing of the Transactions, Conyers Park changed its name to Advantage Solutions Inc.

Impacts of the COVID-19 Pandemic

Beginning in March 2020 and continuing through the first quarter of 2021, our services experienced the effects from reductions in client spending due to the economic impact related to the COVID-19 pandemic. While mixed by services and geography, the spending reductions impacted all of our services and markets. Globally, the most impacted services were our experiential services. Most services began to improve in April 2021, and the improvement has continued through the second quarter of 2022.

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 and any future restrictions imposed on our business and operations, which will depend on the currently unknowable extent and duration of the COVID-19 pandemic, any new variants and the nature and effectiveness of governmental, commercial and personal actions taken in response, along with the effectiveness of ongoing vaccination and other mitigation efforts to limit the magnitude of infections and hospitalizations across the United States and globally.

Summary

Our financial performance for the three months ended June 30, 2022 as compared to the three months ended June 30, 2021 includes:

- Revenues increased by \$131.1 million, or 15.4%, to \$981.1 million;
- Operating income decreased by \$14.2 million, or 33.4%, to \$28.3 million;
- Net income decreased by \$2.1 million, or 36.1% to \$3.7 million;
- Adjusted Net Income decreased by \$0.7 million, or 1.6%, to \$40.7 million; and
- Adjusted EBITDA decreased by \$13.6 million, or 11.2%, to \$108.3 million.

Our financial performance for the six months ended June 30, 2022 as compared to the six months ended June 30, 2021 includes:

- Revenues increased by \$254.9 million, or 15.5% to \$1,895.9 million;
- Operating income decreased by \$28.7 million, or 35.9% to \$51.3 million;
- Net income increased by \$16.0 million, or 307.3% to \$21.2 million;
- Adjusted Net Income increased by \$2.2 million, or 2.5% to \$89.9 million; and
- Adjusted EBITDA decreased by \$28.3 million, or 12.1% to \$205.1 million.

During the six months ended June 30, 2022, we acquired three businesses. The aggregate purchase price was \$68.9 million, of which \$67.6 million was paid in cash, \$0.5 million in contingent consideration and \$0.8 million in holdback.

Factors Affecting Our Business and Financial Reporting

There are a number of factors, in addition to the impact of the COVID-19 pandemic and inflation, 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. Excluding the 2017 acquisition of Daymon Worldwide Inc., we have completed 73 acquisitions from January 2014 to August 9, 2022, 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 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. Adjustments to the estimated fair value related to changes in all other unobservable inputs are reported in “Selling, general and administrative expenses” in our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).
- **Depreciation and Amortization.** As a result of the acquisition of our business by Karman Topco L.P. (“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 income (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 merchandising 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 relevant metrics associated with the earnout agreement 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, 2021 for a business that included a contingent consideration arrangement, we would consider revenues from the acquired business from July 1, 2021 to June 30, 2022 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, 2021 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, 2020 to June 30, 2021 to be acquired revenues during the period from July 1, 2021 to June 30, 2022, 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.

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, 2021 for a business, we would consider the amount of revenues

from the divested business from July 1, 2020 to June 30, 2021 to be subtracted from acquired revenues during the period from July 1, 2021 to June 30, 2022.

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.

Other (Income) 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. Based on the period of time the public warrants have now been trading, we determined the fair value of the liability classified private placement warrants by approximating the value with the share price of the public warrants at the respective period end, which is inherently less subjective and judgmental given it is based on observable inputs. Previously, the fair value of the warrant liability was 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 the 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.

Depreciation Expense

Depreciation expense relates to the property and equipment that we own, which represented less than 1% of our total assets at June 30, 2022 and 2021, respectively.

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.*”

Our principal sources of liquidity are cash flows from operations, borrowings under the 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 income (loss) before (i) impairment of goodwill and indefinite-lived assets, (ii) amortization of intangible assets, (iii) equity based compensation of Karman Topco L.P., (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 (recovery), (xi) costs associated with the Take 5 Matter, (xii) other adjustments that management believes are helpful in evaluating our operating performance and (xiii) 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 income (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 income (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 Karman Topco L.P., (vii) changes in fair value

of warrant liability, (viii) stock-based compensation expense, (ix) fair value adjustments of contingent consideration related to acquisitions, (x) acquisition-related expenses, (xi) costs associated with COVID-19, net of benefits received, (xii) EBITDA for economic interests in investments, (xiii) restructuring expenses, (xiv) litigation expenses (recovery), (xv) costs associated with the Take 5 Matter and (xvi) other adjustments that management believes are helpful in evaluating our operating performance.

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 income (loss), for our most directly comparable measure presented on a GAAP basis.

Results of Operations for the Three Months Ended June 30, 2022 and 2021

The following table sets forth items derived from the Company's consolidated statements of operations for the three months ended June 30, 2022 and 2021 in dollars and as a percentage of total revenues.

(amounts in thousands)	Three Months Ended June 30,				Six Months Ended June 30,			
	2022		2021		2022		2021	
Revenues	\$ 981,076	100.0 %	\$ 849,954	100.0 %	\$ 1,895,884	100.0 %	\$ 1,640,975	100.0 %
Cost of revenues	841,790	85.8 %	698,226	82.1 %	1,627,733	85.9 %	1,351,565	82.4 %
Selling, general, and administrative expenses	52,576	5.4 %	46,607	5.5 %	100,649	5.3 %	87,088	5.3 %
Depreciation and amortization	58,444	6.0 %	62,674	7.4 %	116,212	6.1 %	122,287	7.5 %
Total expenses	952,810	97.1 %	807,507	95.0 %	1,844,594	97.3 %	1,560,940	95.1 %
Operating income	28,266	2.9 %	42,447	5.0 %	51,290	2.7 %	80,035	4.9 %
Other (income) expenses:								
Change in fair value of warrant liability	(4,914)	(0.5) %	(7,059)	(0.8) %	(20,356)	(1.1) %	(1,533)	(0.1) %
Interest expense, net	28,188	2.9 %	37,189	4.4 %	40,071	2.1 %	68,054	4.1 %
Total other expenses (income)	23,274	2.4 %	30,130	3.5 %	19,715	1.0 %	66,521	4.1 %
Income before income taxes	4,992	0.5 %	12,317	1.4 %	31,575	1.7 %	13,514	0.8 %
Provision for income taxes	1,316	0.1 %	6,563	0.8 %	10,365	0.5 %	8,306	0.5 %
Net income	\$ 3,676	0.4 %	\$ 5,754	0.7 %	\$ 21,210	1.1 %	\$ 5,208	0.3 %
Other Financial Data								
Adjusted Net Income ⁽¹⁾	\$ 40,744	4.2 %	\$ 41,397	4.9 %	\$ 89,859	4.7 %	\$ 87,661	5.3 %
Adjusted EBITDA ⁽¹⁾	\$ 108,322	11.0 %	\$ 121,971	14.4 %	\$ 205,061	10.8 %	\$ 233,399	14.2 %

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

Comparison of the Three Months Ended June 30, 2022 and 2021

Revenues

(amounts in thousands)	Three Months Ended June 30,		Change	
	2022	2021	\$	%
Sales	\$ 604,132	\$ 561,644	\$ 42,488	7.6 %
Marketing	376,944	288,310	88,634	30.7 %
Total revenues	\$ 981,076	\$ 849,954	\$ 131,122	15.4 %

Total revenues increased by \$131.1 million, or 15.4%, during the three months ended June 30, 2022, as compared to the three months ended June 30, 2021.

The sales segment revenues increased \$42.5 million during the three months ended June 30, 2022 as compared to the three months ended June 30, 2021, of which \$42.8 million were revenues from acquired businesses. Excluding revenues from acquired businesses and unfavorable foreign exchange rates of \$12.0 million, the segment experienced an increase of \$11.7 million in organic revenues primarily due to growth in our retail merchandising services and international businesses, partially offset by a decrease in our foodservice and third party selling and retailing services.

The marketing segment revenues increased \$88.6 million during the three months ended June 30, 2022 as compared to the three months ended June 30, 2021, of which \$10.0 million were revenues from acquired businesses. Excluding revenues from acquired businesses, the segment experienced an increase of \$78.6 million in organic revenues. The increase in revenues was primarily due to an increase in our in-store product demonstration and sampling services which continue to recover from the temporary suspensions as a result of the COVID-19 pandemic.

Cost of Revenues

Cost of revenues as a percentage of revenues for the three months ended June 30, 2022 was 85.8%, as compared to 82.1% for the three months ended June 30, 2021. The increase as a percentage of revenues was largely attributable to the change in the revenue mix of our services as a result of recoveries from the COVID-19 pandemic and acquired businesses, the ongoing investment in recruiting, labor and wage spend.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of revenues for the three months ended June 30, 2022 was 5.4% compared to 5.5% for the three months ended June 30, 2021, which stayed relatively consistent year over year.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased by \$4.2 million or 6.7% to \$58.4 million for the three months ended June 30, 2022 compared to \$62.7 million for the three months ended June 30, 2021. The decrease was primarily due to a decrease in amortization expenses from our internally developed software.

Operating Income

(amounts in thousands)	Three Months Ended June 30,		Change	
	2022	2021	\$	%
Sales	\$ 15,177	\$ 44,673	\$ (29,496)	(66.0)%
Marketing	13,089	(2,226)	15,315	(688.0)%
Total operating income	\$ 28,266	\$ 42,447	\$ (14,181)	(33.4)%

In the sales segment, the decrease in operating income during the three months ended June 30, 2022 was primarily attributable to ongoing investments in labor and wage spend, partially offset by a decrease in depreciation expense.

In the marketing segment, the increase in operating income during the three months ended June 30, 2022 was primarily attributable to the growth in revenues as described above.

Change in Fair Value of Warrant Liability

Change in fair value of warrant liability represents \$4.9 million of non-cash gain resulting from a fair value adjustment to warrant liability with respect to the private placement warrants for the three months ended June 30, 2022, approximating the fair value with the warrant price of the public warrants.

Interest Expense, net

Interest expense, net decreased \$9.0 million, or 24.2%, to \$28.2 million for the three months ended June 30, 2022, from \$37.2 million for the three months ended June 30, 2021. The decrease in interest expense, net was primarily due to the increase in fair value changes in derivatives instruments.

Provision for Income Taxes

Provision for income taxes was \$1.3 million for the three months ended June 30, 2022 as compared to \$6.6 million for the three months ended June 30, 2021. The fluctuation was primarily attributable to the decrease in pre-tax income during the three months ended June 30, 2022 and decrease of \$2.8 million of discrete items for the three months ended June 30, 2022.

Net Income

Net income was \$3.7 million for the three months ended June 30, 2022, compared to net income of \$5.8 million for the three months ended June 30, 2021. The decrease in net income was primarily driven by the decrease in operating income, partially offset by the decrease in interest expense, net as described above.

Adjusted Net Income

Adjusted Net Income for the three months ended June 30, 2022 stayed materially consistent year over year. For a reconciliation of Adjusted Net Income to Net income (loss), see “—Non-GAAP Financial Measures.”

Adjusted EBITDA and Adjusted EBITDA by Segment

(amounts in thousands)	Three Months Ended June 30,		Change	
	2022	2021	\$	%
Sales	\$ 71,753	\$ 89,523	\$ (17,770)	(19.8)%
Marketing	36,569	32,448	4,121	12.7%
Total Adjusted EBITDA	\$ 108,322	\$ 121,971	\$ (13,649)	(11.2)%

Adjusted EBITDA decreased by \$13.6 million, or 11.2%, to \$108.3 million for the three months ended June 30, 2022, from \$122.0 million for the three months ended June 30, 2021. In the sales segment, the decrease in Adjusted EBITDA was primarily attributable to the increase in cost of revenues as described above. In the marketing segment, the increase in the Adjusted EBITDA was primarily attributable to the growth in revenues as described above. For a reconciliation of Adjusted EBITDA to net income, see “—Non-GAAP Financial Measures.”

Comparison of the Six Months Ended June 30, 2022 and 2021

Revenues

(amounts in thousands)	Six Months Ended June 30,		Change	
	2022	2021	\$	%
Sales	\$ 1,196,101	\$ 1,095,968	\$ 100,133	9.1%
Marketing	699,783	545,007	154,776	28.4%
Total revenues	<u>\$ 1,895,884</u>	<u>\$ 1,640,975</u>	<u>\$ 254,909</u>	<u>15.5%</u>

Total revenues increased by \$254.9 million, or 15.5%, during the six months ended June 30, 2022, as compared to the six months ended June 30, 2021.

The sales segment revenues increased \$100.1 million during the six months ended June 30, 2022 as compared to the six months ended June 30, 2021, of which \$90.6 million were revenues from acquired businesses. Excluding revenues from acquired businesses and unfavorable foreign exchange rates of \$17.0 million, the segment experienced an increase of \$26.5 million in organic revenues primarily due to our European joint venture which experienced continued recoveries from temporary reduction in services as a result of the COVID-19 pandemic and growth in our retail merchandising services partially offset by a decrease in our foodservice and third party selling and retailing services.

The marketing segment revenues increased \$154.8 million during the six months ended June 30, 2022 as compared to the six months ended June 30, 2021, of which \$12.2 million were revenues from acquired businesses. Excluding revenues from acquired businesses, the segment experienced an increase of \$142.6 million in organic revenues. The increase in revenues was primarily due to an increase in our in-store product demonstration and sampling services which continue to recover from the temporary suspensions as a result of the COVID-19 pandemic, partially offset by a decrease in certain of our client media spend.

Cost of Revenues

Cost of revenues as a percentage of revenues for the six months ended June 30, 2022 was 85.9%, as compared to 82.4% for the six months ended June 30, 2021. The increase as a percentage of revenues was largely attributable to the change in the revenue mix of our services as a result of recoveries from the COVID-19 pandemic and acquired businesses, the ongoing investment in recruiting, labor and wage spend.

Selling, General and Administrative Expenses

Selling, general and administrative expenses as a percentage of revenues for the six months ended June 30, 2022 and 2021 were 5.3%, respectively, which stayed relatively consistent year over year.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased by \$6.1 million or 5.0% to \$116.2 million for six months ended June 30, 2022 compared to \$122.3 million for the six months ended June 30, 2021. The decrease was primarily due to decrease in depreciation expenses from our internally developed software.

Operating Income

(amounts in thousands)	Six Months Ended June 30,		Change	
	2022	2021	\$	%
Sales	\$ 34,150	\$ 79,822	\$ (45,672)	(57.2%)
Marketing	17,140	213	16,927	7,946.9%
Total operating income	\$ 51,290	\$ 80,035	\$ (28,745)	(35.9%)

In the sales segment, the decrease in operating income during the six months ended June 30, 2022 was primarily attributable to ongoing investments in labor and wage spend, partially offset by a decrease in depreciation expense.

In the marketing segment, the increase in operating income during the six months ended June 30, 2022 was primarily attributable to the growth in revenues as described above.

Change in Fair Value of Warrant Liability

Change in fair value of warrant liability represents \$20.4 million of non-cash gain resulting from a fair value adjustment to warrant liability with respect to the private placement warrants for the six months ended June 30, 2022, approximating the fair value with the warrant price of the public warrants.

Interest Expense, net

Interest expense, net decreased \$28.0 million, or 41.1%, to \$40.1 million for the six months ended June 30, 2022, from \$68.1 million for the six months ended June 30, 2021. The decrease in interest expense, net was primarily due to the increase in fair value changes in derivatives instruments.

Provision for Income Taxes

Provision for income taxes was \$10.4 million for the six months ended June 30, 2022 as compared to \$8.3 million for the six months ended June 30, 2021. The fluctuation was primarily attributable to the increase in pre-tax income during the six months ended June 30, 2022 and an offset of discrete tax rate changes for the six months ended June 30, 2021, not included in the six months ended June 30, 2022.

Net Income

Net income was \$21.2 million for the six months ended June 30, 2022, compared to net income of \$5.2 million for the six months ended June 30, 2021. The increase in net income was primarily driven by the decrease in change in fair value of warrant liability and interest expense, net, partially offset by the decrease in operating income as described above.

Adjusted Net Income

The increase in Adjusted Net Income for the six months ended June 30, 2022 was attributable to the decrease in change in fair value of warrant liability, interest expense, net as described above. For a reconciliation of Adjusted Net Income to Net income (loss), see “—Non-GAAP Financial Measures.”

Adjusted EBITDA and Adjusted EBITDA by Segment

(amounts in thousands)	Six Months Ended June 30,		Change	
	2022	2021	\$	%
Sales	\$ 139,986	\$ 173,600	\$ (33,614)	(19.4)%
Marketing	65,075	59,799	5,276	8.8%
Total Adjusted EBITDA	<u>\$ 205,061</u>	<u>\$ 233,399</u>	<u>\$ (28,338)</u>	<u>(12.1)%</u>

Adjusted EBITDA decreased by \$28.3 million, or 12.1%, to \$205.1 million for the six months ended June 30, 2022, from \$233.4 million for the six months ended June 30, 2021. In the sales segment, the decrease in Adjusted EBITDA was primarily attributable to the increase in cost of revenues as described above. In the marketing segment, the increase in the Adjusted EBITDA was primarily attributable to the growth in revenues 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 income (loss) before (i) impairment of goodwill and indefinite-lived assets, (ii) amortization of intangible assets, (iii) equity based compensation of Karman Topco L.P., (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 (recovery), (xi) costs associated with the Take 5 Matter, (xii) other adjustments that management believes are helpful in evaluating our operating performance and (xiii) 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 income, our most directly comparable measure presented on a GAAP basis.

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

(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	\$ 3,676	\$ 5,754	\$ 21,210	\$ 5,208
Less: Net income attributable to noncontrolling interest	305	(367)	(1,126)	(797)
Add:				
Equity based compensation of Karman Topco L.P. ^(a)	(3,519)	(1,642)	(6,314)	(4,456)
Change in fair value of warrant liability	(4,914)	(7,059)	(20,356)	(1,533)
Fair value adjustments related to contingent consideration related to acquisitions ^(c)	3,654	3,598	5,788	2,555
Acquisition-related expenses ^(d)	5,998	2,797	15,583	7,943
Restructuring expenses ^(e)	253	6,934	896	11,030
Litigation ^(f)	(800)	—	(800)	(818)
Amortization of intangible assets ^(g)	50,656	49,172	100,933	98,610
Costs associated with COVID-19, net of benefits received ^(h)	1,362	(3,328)	2,936	(2,035)
Costs associated with the Take 5 Matter ⁽ⁱ⁾	723	1,310	1,810	2,211
Tax adjustments related to non-GAAP adjustments ^(j)	(16,040)	(16,506)	(32,953)	(31,851)
Adjusted Net Income	\$ 40,744	\$ 41,397	\$ 89,859	\$ 87,661

Adjusted EBITDA and Adjusted EBITDA by segment are supplemental non-GAAP financial measures of our operating performance. Adjusted EBITDA means net income (loss) before (i) interest expense, net, (ii) provision for income taxes, (iii) depreciation, (iv) impairment of goodwill and indefinite-lived assets, (v) amortization of intangible assets, (vi) equity based compensation of Karman Topco L.P., (vii) 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 (recovery), (xv) costs associated with the Take 5 Matter and (xvi) 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 our Net income, our most directly comparable measure presented on a GAAP basis.

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

Consolidated	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(in thousands)				
Net income	\$ 3,676	\$ 5,754	\$ 21,210	\$ 5,208
Add:				
Interest expense, net	28,188	37,189	40,071	68,054
Provision for income taxes	1,316	6,563	10,365	8,306
Depreciation and amortization	58,444	62,674	116,212	122,287
Equity based compensation of Karman Topco L.P. ^(a)	(3,519)	(1,642)	(6,314)	(4,456)
Change in fair value of warrant liability	(4,914)	(7,059)	(20,356)	(1,533)
Stock-based compensation expense ^(b)	14,961	8,988	22,732	17,643
Fair value adjustments related to contingent consideration related to acquisitions ^(c)	3,654	3,598	5,788	2,555
Acquisition-related expenses ^(d)	5,998	2,797	15,583	7,943
EBITDA for economic interests in investments ^(k)	(1,020)	(1,807)	(5,072)	(2,996)
Restructuring expenses ^(e)	253	6,934	896	11,030
Litigation ^(f)	(800)	—	(800)	(818)
Costs associated with COVID-19, net of benefits received ^(h)	1,362	(3,328)	2,936	(2,035)
Costs associated with the Take 5 Matter ⁽ⁱ⁾	723	1,310	1,810	2,211
Adjusted EBITDA	<u>\$ 108,322</u>	<u>\$ 121,971</u>	<u>\$ 205,061</u>	<u>\$ 233,399</u>

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

Sales Segment	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(in thousands)				
Operating income	\$ 15,177	\$ 44,673	\$ 34,150	\$ 79,822
Add:				
Depreciation and amortization	40,543	44,710	81,512	87,274
Equity based compensation of Karman Topco L.P. ^(a)	(2,032)	(678)	(3,684)	(2,516)
Stock-based compensation expense ^(b)	9,171	4,730	13,929	9,424
Fair value adjustments related to contingent consideration related to acquisitions ^(c)	6,090	(5,027)	6,893	(4,249)
Acquisition-related expenses ^(d)	3,540	2,280	10,854	5,600
EBITDA for economic interests in investments ^(k)	(1,155)	(2,110)	(5,362)	(3,597)
Restructuring expenses ^(e)	340	1,176	1,159	1,956
Litigation ^(f)	(100)	—	(100)	(516)
Costs associated with COVID-19, net of benefits received ^(h)	179	(231)	635	402
Sales Segment Adjusted EBITDA	<u>\$ 71,753</u>	<u>\$ 89,523</u>	<u>\$ 139,986</u>	<u>\$ 173,600</u>

Marketing Segment	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
(in thousands)				
Operating income (loss)	\$ 13,089	\$ (2,226)	\$ 17,140	\$ 213
Add:				
Depreciation and amortization	17,901	17,964	34,700	35,013
Equity based compensation of Karman Topco L.P. ^(a)	(1,487)	(964)	(2,630)	(1,940)
Stock-based compensation expense ^(b)	5,790	4,258	8,803	8,219
Fair value adjustments related to contingent consideration related to acquisitions ^(c)	(2,436)	8,625	(1,105)	6,804
Acquisition-related expenses ^(d)	2,458	517	4,729	2,343
EBITDA for economic interests in investments ^(k)	135	303	290	601
Restructuring expenses ^(e)	(87)	5,758	(263)	9,074
Litigation ^(f)	(700)	—	(700)	(302)
Costs associated with COVID-19, net of benefits received ^(h)	1,183	(3,097)	2,301	(2,437)
Costs associated with the Take 5 Matter ⁽ⁱ⁾	723	1,310	1,810	2,211
Marketing Segment Adjusted EBITDA	<u>\$ 36,569</u>	<u>\$ 32,448</u>	<u>\$ 65,075</u>	<u>\$ 59,799</u>

- (a) 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 (as defined below) and (ii) equity-based compensation expense associated with the Common Series C Units of Topco.
- (b) Represents non-cash compensation expense related to the 2020 Incentive Award Plan and the 2020 Employee Stock Purchase Plan.
- (c) Represents adjustments to the estimated fair value of our contingent consideration liabilities related to our acquisitions. See Note 6—*Fair Value of Financial Instruments* to our unaudited condensed financial statements for the three and six months ended June 30, 2022 and 2021.
- (d) Represents fees and costs associated with activities related to our acquisitions and restructuring activities, including professional fees, due diligence, and integration activities.
- (e) Represents 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 costs associated with the Take 5 Matter, primarily, professional fees and other related costs, for the three and six months ended June 30, 2022 and 2021, 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 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.

Cash Flows

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

(in thousands)	Six Months Ended June 30,	
	2022	2021
Net cash provided by operating activities	\$ 29,992	\$ 55,924
Net cash used in investing activities	(89,144)	(33,384)
Net cash provided by (used in) financing activities	18,781	(64,489)
Net effect of foreign currency fluctuations on cash	(6,603)	(855)
Net change in cash, cash equivalents and restricted cash	\$ (46,974)	\$ (42,804)

Net Cash Provided by Operating Activities

Net cash used in operating activities during the six months ended June 30, 2022 consisted of net income of \$21.2 million adjusted for certain non-cash items, including depreciation and amortization of \$116.2 million and effects of changes in working capital. Net cash provided by operating activities during the six months ended June 30, 2021 consisted of net income of \$5.2 million adjusted for certain non-cash items, including depreciation and amortization of \$122.3 million and effects of changes in working capital. The decrease in cash provided by operating activities during the six months ended June 30, 2022 relative to the same period in 2021 was primarily due to increased working capital requirements to stand up services during the six months ended June 30, 2022.

Net Cash Used in Investing Activities

Net cash used in investing activities during the six months ended June 30, 2022 primarily consisted of the purchase of businesses, net of cash acquired of \$67.6 million and purchase of property and equipment of \$21.5 million. Net cash used in investing activities during the six months ended June 30, 2021 primarily consisted of the purchase of businesses, net of cash acquired of \$20.4 million and purchase of property and equipment of \$13.0 million.

Net Cash Provided by (Used in) 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. 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.

Cash flows provided by financing activities during the six months ended June 30, 2022 were primarily related to borrowings of \$67.1 million, and offset by repayment of \$22.0 million, on our lines of credit, payment of principal on our Term Loan Facility of \$6.7 million, partially offset by \$1.7 million related to proceeds from the issuance of Class A common stock. Cash flows related to financing activities during the six months ended June 30, 2021 were primarily related to borrowings of \$41.7 million and repayment of \$92.8 million on the Revolving Credit Facility and our lines of credit and \$6.4 million related to payments of contingent consideration and holdback payments.

Description of Credit Facilities

Senior Secured Credit Facilities

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

Revolving Credit Facility

Our 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 Revolving Credit Facility then in effect. Loans under the 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 Revolving Credit Facility is scheduled to mature in October 2025. We may use borrowings under the Revolving Credit Facility to fund working capital and for other general corporate purposes, including permitted acquisitions and other investments. As of June 30, 2022, we had unused capacity under our Revolving Credit Facility available to us of \$400.0 million, subject to borrowing base limitations (without giving effect to approximately \$54.5 million of outstanding letters of credit and the borrowing base limitations for additional borrowings).

Borrowings under the 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 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 Revolving Credit Facility. The Borrower’s ability to draw under the 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 Revolving Credit Facility and the absence of any default or event of default thereunder.

The Borrower’s obligations under the 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 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 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 Term Loan Facility discussed below), in each case, subject to other permitted liens.

The 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 Revolving Credit Facility, depending on average excess availability under the 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.

The 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 Revolving Credit Facility will require the maintenance of a fixed charge coverage ratio (as set forth in the credit agreement governing the 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 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.

On October 28, 2021, the Borrower and Holdings entered into the First Amendment to ABL Revolving Credit Agreement (the "ABL Amendment"), which amended the ABL Revolving Credit Agreement, dated October 28, 2020, by and among the Borrower, Holdings, the lenders from time to time party thereto and Bank of America, as administrative agent. The ABL Amendment was entered into by the Borrower to amend certain terms and provisions, including (i) reducing the interest rate floor for Eurocurrency rate loans from 0.50% to 0.00% and base rate loans from 1.50% to 1.00%, and (ii) updating the provisions by which U.S. Dollar LIBOR will eventually be replaced with the Secured Oversight Financing Rate ("SOFR") or another interest rate benchmark to reflect the most recent standards and practices used in the industry.

Term Loan Facility

The Term Loan Facility is a term loan facility denominated in U.S. dollars in an aggregate principal amount of \$1.325 billion. Borrowings under the 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 Term Loan Facility are 4.50% with respect to Eurodollar rate borrowings and 3.50% with respect to base rate borrowings.

The Borrower may voluntarily prepay loans or reduce commitments under the 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 six months after the effective date of the First Lien Amendment).

The Borrower will be required to prepay the 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 Term Loan Facility are guaranteed by Holdings and the Guarantors. Our 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 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 Revolving Credit Facility), in each case, subject to other permitted liens.

The 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 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.

On October 28, 2021 (the "First Lien Amendment Effective Date"), the Borrower, Holdings, and certain of the Borrower's subsidiaries, entered into Amendment No. 1 to the First Lien Credit Agreement (the "First Lien Amendment"), which amended the First Lien Credit Agreement, dated October 28, 2020, by and among the Borrower, Holdings, Bank of America, as administrative agent and collateral agent, each lender party from time to time thereto, and the other parties thereto. The First Lien Amendment was entered into by the Borrower to reduce the applicable interest rate on the term loan to 5.25% per annum, resulting in estimated interest savings of approximately \$9.9 million or \$7.3 million, net of tax, per annum. Additional terms and provisions amended include (i) resetting the period for six months following the First Lien Amendment Effective Date in which a 1.00% prepayment premium shall apply to any prepayment of the term loan in connection with certain repricing events, and (ii) updating the provisions by which U.S. Dollar LIBOR will eventually be replaced with SOFR or another interest rate benchmark to reflect the most recent standards and practices used in the industry and by Bank of America.

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. (in its capacity as the issuer of the Notes, 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 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 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 Revolving Credit Facility and equal in priority with liens securing the 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 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 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 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 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.

Future Cash Requirement

There were no material changes to our contractual future cash requirements from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Cash and Cash Equivalents Held Outside the United States

As of June 30, 2022 and December 31, 2021, \$82.1 million and \$86.2 million, respectively, of our cash and cash equivalents and marketable securities were held by foreign subsidiaries. As of June 30, 2022, and December 31, 2021, \$29.2 million and \$40.0 million, respectively, of our cash and cash equivalents 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 \$2.5 million of withholding tax as of December 31, 2021 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 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, 2021, to be indefinitely reinvested and, accordingly, no provision has been made for taxes in excess of the \$2.5 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 filed March 1, 2022 for the year ended December 31, 2021 and did not materially change during the six months ended June 30, 2022.

Recently Issued Accounting Pronouncements

See the information set forth in Note 1, *Organization and Significant Accounting Policies – Recent Accounting Standards*, to our unaudited condensed consolidated financial statements for the three and six months ended June 30, 2022 and 2021 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 \$1.1 million for the six months ended June 30, 2022.

Interest Rate Risk

Interest rate exposure relates primarily to the effect of interest rate changes on borrowings outstanding under the Term Loan Facility, Revolving Credit Facility and Notes.

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 Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

As of June 30, 2022, 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 \$36.7 million as of June 30, 2022.

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 Term Loan Facility and Revolving Credit Facility would have resulted in an increase of \$0.4 million in interest expense, net of gains from interest rate caps, for the six months ended June 30, 2022.

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

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 June 30, 2022, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and (2) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

There were no changes in internal control over financial reporting that occurred during the quarter ended June 30, 2022, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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.

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’s Labor Code (the “Labor Code”) and California’s Labor Code Private Attorneys General Act (“PAGA”). 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 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 PAGA. We filed a motion for summary judgment. The court granted our motion for summary judgment in March 2020, and the 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.

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.

In August 2022, the arbitrator made an interim award in our favor. We are currently unable to estimate if or when we will be able to collect any amounts associated with this arbitration.

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

Investing in our securities involves risks. Before you make a decision regarding our securities, in addition to the risks and uncertainties discussed above under “Forward-Looking Statements,” you should carefully consider the specific risks set forth herein. If any of these risks actually occur, it may materially harm our business, financial condition, liquidity and results of operations. As a result, the market price of our securities could decline, and you could lose all or part of your investment. Additionally, the risks and uncertainties described in this Quarterly Report are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may become material and adversely affect our business. The following discussion should be read in conjunction with the financial statements and notes to the financial statements included herein.

Summary of Principal Risks Associated with Our Business

Set forth below is a summary of some of the principal risks we face:

- the COVID-19 pandemic and the measures taken to mitigate its spread including its adverse effects on our business, results of operations, financial condition and liquidity;
- market-driven wage changes or changes to labor laws or wage or job classification regulations, including minimum wage;
- our ability to hire, timely train, and retain talented individuals for our workforce, and to maintain our corporate culture as we grow;
- developments with respect to retailers that are out of our control;
- our ability to continue to generate significant operating cash flow;
- consolidation within the industry of our clients creating pressure on the nature and pricing of our services;
- our reliance on continued access to retailers’ platforms;
- consumer goods manufacturers and retailers reviewing and changing their sales, retail, marketing, and technology programs and relationships;
- our ability to successfully develop and maintain relevant omni-channel services for our clients in an evolving industry and to otherwise adapt to significant technological change;
- client procurement strategies putting additional operational and financial pressure on our services;
- our ability to maintain proper and effective internal control over financial reporting in the future;
- potential and actual harms to our business arising from the matter related to the 2018 acquisition of Take 5 Media Group (the “Take 5 Matter”);
- our ability to identify attractive acquisition targets, acquire them at attractive prices, and successfully integrate the acquired businesses;
- our ability to avoid or manage business conflicts among competing brands;

- difficulties in integrating acquired businesses;
- our substantial indebtedness and our ability to refinance at favorable rates;
- limitations, restrictions, and business decisions involving our joint ventures and minority investments;
- our ability to respond to changes in digital practices and policies;
- exposure to foreign currency exchange rate fluctuations and risks related to our international operations;
- disruptions in global financial markets relating to terrorist attacks or geopolitical risk and the recent conflict between Russia and Ukraine;
- the ability to maintain applicable listing standards;
- changes in applicable laws or regulations; and
- the possibility that we may be adversely affected by other political, economic, business, and/or competitive factors.

Risks Related to the Company’s Business and Industry

The COVID-19 pandemic and the measures taken to mitigate its spread have had, and are likely to continue to have, an adverse effect on our business, results of operations, financial condition and liquidity.

The COVID-19 pandemic, including the measures taken to mitigate its spread, have had, and are likely to continue to have, adverse effects on our business and operations. There are many uncertainties regarding the current COVID-19 pandemic, including the scope of potential public health issues, the anticipated duration of the pandemic and the extent of local and worldwide social, political and economic disruption it has caused and may cause in the future. To date, the COVID-19 pandemic and measures taken to mitigate the spread of COVID-19, including restrictions on large gatherings, closures of face-to-face events and indoor dining facilities, “shelter in place” health orders and travel restrictions, have had far-reaching direct and indirect impacts on many aspects of our operations, including temporary termination of certain in-store demonstration services and other services, as well as on consumer behavior and purchasing patterns, in particular with respect to the foodservice industries, and declines in consumer demand for restaurant, school and hotel dining, where we promote our clients’ products. Since March 2020, our marketing segment has experienced a significant decline in revenues, primarily due to the temporary suspension or reduction of certain in-store demonstration services and decreased demand in our digital marketing services, both of which we believe were caused by the COVID-19 pandemic and the various governmental and private responses to the pandemic, and which may continue in the future. In our sales segment, we have experienced significant shifts in consumer spending preferences and habits. We can provide no assurances that the strength of that segment will continue or that we will be able to continue to evolve our business in the future as the COVID-19 pandemic continues to impact our clients’ businesses.

We have taken several actions in response to these business disruptions, including reducing certain of our discretionary expenditures, reducing our real estate foot print, through lease terminations and amendments (including abandoning several office leases prior to reaching termination agreements with its landlords), eliminating non-essential travel and terminating, furloughing or instituting pay reductions and deferrals for some of our associates. However, the pandemic has had, and may continue to have, an adverse effect on our results of operations, including our revenues, our financial condition and liquidity.

The COVID-19 pandemic also may have the effect of heightening many of the other risks described in these “Risk Factors”, including:

- potential changes in the policies of retailers in response to the COVID-19 pandemic, including changes to or restrictions on their outsourcing of sales and marketing functions and restrictions on the performance of in-store demonstration services, if permitted at all;
- potential changes in the demand for services by our clients in response to the COVID-19 pandemic;
- our ability to hire, timely train and retain talented individuals for our workforce;
- disruptions, delays and strains in certain domestic and internal supply changes that have had, and may continue to have, a negative effect on the flow or availability of certain products;

- the need for us to adapt to technological change and otherwise develop and maintain omni-channel solutions;
- our ability to generate sufficient cash to service our substantial indebtedness;
- our ability to maintain our credit rating;
- our ability to offer high-quality customer support and maintain our reputation;
- our ability to identify, perform adequate diligence on and consummate acquisitions of attractive business targets, and then subsequently integrate such acquired businesses;
- our ability to maintain our corporate culture;
- severe disruption and instability in the U.S. and global financial markets or deteriorations in credit and financing conditions, which could make it difficult for us to access debt and equity capital on attractive terms, or at all;
- our ability to effectively manage our operations while a significant amount of our associates continue to work remotely due to the COVID-19 pandemic;
- deteriorating economic conditions, declines in labor force participation rates, public transportation disruptions or other disruptions as a result of the COVID-19 pandemic;
- potential cost-saving strategies implemented by clients that reduce fees paid to third-party service providers such as ourselves; and
- our ability to implement additional internal control measures to improve our internal control over financial reporting.

We cannot predict the full extent to which the COVID-19 pandemic may affect our business, financial condition, results of operations and liquidity as such effects will depend on how the COVID-19 pandemic and the measures taken in response to the COVID-19 pandemic continue to develop. However, these effects may continue, evolve or increase in severity, each of which could further negatively impact our business, financial condition, results of operations and liquidity.

Market-driven wage increases and changes to wage or job classification regulations, including minimum wages could adversely affect our business, financial condition or results of operations.

Market competition has and may continue to cause us to increase the salaries or wages paid to our associates or the benefits packages that they receive. If we experience further market-driven increases in salaries, wage rates or benefits or if we fail to increase our offered salaries, wages or benefits packages competitively, the quality of our workforce could decline, causing our client service to suffer. Low unemployment rates or lower levels of labor force participation rates may increase the likelihood or impact of such market pressures. Any of these changes affecting wages or benefits for our associates could adversely affect our business, financial condition or results of operations.

Changes in labor laws related to employee hours, wages, job classification and benefits, including health care benefits, could adversely affect our business, financial condition or results of operations. As of June 30, 2022, we employed approximately 72,000 associates, many of whom are paid above, but near, applicable minimum wages, and their wages may be affected by changes in minimum wage laws.

Additionally, many of our salaried associates are paid at rates that could be impacted by changes to minimum pay levels for exempt roles. Certain state or municipal jurisdictions in which we operate have recently increased their minimum wage by a significant amount, and other jurisdictions are considering or plan to implement similar actions, which may increase our labor costs. Any increases at the federal, state or municipal level to the minimum pay rate required to remain exempt from overtime pay may adversely affect our business, financial condition or results of operations.

An inability to hire, timely train and retain talented individuals for our workforce could slow our growth and adversely impact our ability to operate our business.

Our ability to meet our workforce needs, while controlling associate-related costs, including salaries, wages and benefits, is subject to numerous external factors, including the availability of talented persons in the workforce

in the local markets in which we operate, prevailing unemployment rates and competitive wage rates in such markets. We may find that there is an insufficient number of qualified individuals to fill our associate positions with the qualifications we seek. Competition in these communities for qualified staff could require us to pay higher wages and provide greater benefits, especially if there is significant improvement in regional or national economic conditions. We must also train and, in some circumstances, certify these associates under our policies and practices and any applicable legal requirements. If we are unable to hire, timely train or retain talented individuals may result in higher turnover and increased labor costs, and could compromise the quality of our service, all of which could adversely affect our business.

Our business and results of operations are affected by developments with and policies of retailers that are out of our control.

A limited number of national retailers account for a large percentage of sales for our consumer goods manufacturer clients. We expect that a significant portion of these clients' sales will continue to be made through a relatively small number of retailers and that this percentage may increase if the growth of mass retailers and the trend of retailer consolidation continues. As a result, changes in the strategies of large retailers, including a reduction in the number of brands that these retailers carry or an increase in shelf space that they dedicate to private label products, could materially reduce the value of our services to these clients or these clients' use of our services and, in turn, our revenues and profitability. Many retailers have critically analyzed the number and variety of brands they sell, and have reduced or discontinued the sale of certain of our clients' product lines at their stores, and more retailers may continue to do so. If this continues to occur and these clients are unable to improve distribution for their products at other retailers, our business or results of operations could be adversely affected. These trends may be accelerated as a result of the COVID-19 pandemic.

Additionally, many retailers, including several of the largest retailers in North America, which own and operate a significant number of the locations at which we provide our services, have implemented or may implement in the future, policies that designate certain service providers to be the exclusive provider or one of their preferred providers for specified services, including many of the services that we provide to such retailers or our clients.

Some of these designations apply across all of such retailers' stores, while other designations are limited to specific regions. If we are unable to respond effectively to the expectations and demands of such retailers or if retailers do not designate us as their exclusive provider or one of their preferred providers for any reason, they could reduce or restrict the services that we are permitted to perform for our clients at their facilities or require our clients to purchase services from other designated services providers, which include our competitors, either of which could adversely affect our business or results of operations.

Consolidation in the industries we serve could put pressure on the pricing of our services, which could adversely affect our business, financial condition or results of operations.

Consolidation in the consumer goods and retail industries we serve could reduce aggregate demand for our services in the future and could adversely affect our business or our results of operations. When companies consolidate, the services they previously purchased separately are often purchased by the combined entity, leading to the termination of relationships with certain service providers or demands for reduced fees and commissions. The combined company may also choose to insource certain functions that were historically outsourced, resulting in the termination of existing relationships with third-party service providers. While we attempt to mitigate the revenue impact of any consolidation by maintaining existing or winning new service arrangements with the combined companies, there can be no assurance as to the degree to which we will be able to do so as consolidation continues in the industries we serve, and our business, financial condition or results of operations may be adversely affected.

Consumer goods manufacturers and retailers may periodically review and change their sales, retail, marketing and technology programs and relationships to our detriment.

The consumer goods manufacturers and retailers to whom we provide our business solutions operate in highly competitive and rapidly changing environments. From time to time these parties may put their sales, retail, marketing and technology programs and relationships up for competitive review, which may increase in frequency as a result of the COVID-19 pandemic and its impacts on the consumer goods manufacturers and retailer industries.

We have occasionally lost accounts with significant clients as a result of these reviews in the past, and our clients are typically able to reduce or cancel current or future spending on our services on short notice for any reason. We believe that key competitive considerations for retaining existing and winning new accounts include our ability to develop solutions that meet the needs of these manufacturers and retailers in this environment, the quality and effectiveness of our services and our ability to operate efficiently. To the extent that we are not able to develop these solutions, maintain the quality and effectiveness of our services or operate efficiently, we may not be able to retain key clients, and our business, financial condition or results of operations may be adversely affected.

Our largest clients generate a significant portion of our revenues.

Our three largest clients generated approximately 11% of our revenues in the fiscal year ended December 31, 2021. These clients are generally able to reduce or cancel spending on our services on short notice for any reason. A significant reduction in spending on our services by our largest clients, or the loss of one or more of our largest clients, if not replaced by new clients or an increase in business from existing clients, would adversely affect our business and results of operations. In addition, when large retailers suspend or reduce in-store demonstration services, such as in response to the COVID-19 pandemic, our business and results of operations can be adversely affected.

We are reliant on continued access to retailer platforms on commercially reasonable terms for the provision of certain of our e-commerce services in which our clients' products are resold by us, as the vendor of record, directly to the consumer.

A portion of the e-commerce services we provide involve the purchase and resale by us, as the vendor of record, of our clients' products through retailer platforms. The control that retailers such as Amazon have over the access and fee structures and/or pricing for products on their platforms could impact the volume of purchases of these products made on their platform and our revenues from the provision of such e-commerce services. If such retailers establish terms that restrict the offering of these products on their platform, significantly impact the financial terms on which such products are offered, or do not approve the inclusion of such products on their platform, our business could be negatively impacted. Additionally, we also generally rely on a retailer's payment processing services for purchases made on its platform by consumers. To the extent such payment processing services are offered to us on less favorable terms, or become unavailable to us for any reason, our costs of revenue with respect to this aspect of our business could increase, and our margins could be materially adversely impacted. We cannot assure you that we will be successful in maintaining access to these retailer platforms on commercially reasonable terms, or at all.

The retail industry is evolving, and if we do not successfully develop and maintain relevant omni-channel services for our clients, our business, financial condition or results of operations could be adversely impacted.

Historically, substantially all of our sales segment revenues were generated by sales and services that ultimately occurred in traditional retail stores. The retail industry is evolving, as demonstrated by the number of retailers that offer both traditional retail stores and e-commerce platforms or exclusively e-commerce platforms. In addition, the COVID-19 pandemic has placed pressure on the traditional retail store model, including store closures, changes in consumer spending, and extensive health and safety risks and compliance requirements. Consumers are increasingly using computers, tablets, mobile phones and other devices to comparison shop, determine product availability and complete purchases online, a trend that has accelerated during the COVID-19 pandemic, and which may continue thereafter. If consumers continue to purchase more products online and e-commerce continues to displace brick-and-mortar retail sales, there may be a decrease in the demand for certain of our services. Omni-channel retailing is rapidly evolving and we believe we will need to keep pace with the changing consumer expectations and new developments by our competitors.

While we continue to seek to develop effective omni-channel solutions for our clients that support both their e-commerce and traditional retail needs, there can be no assurances that these efforts will result in revenue gains sufficient to offset potential decreases associated with a decline in traditional retail sales or that we will be able to maintain our position as a leader in our industry. If we are unable to provide, improve or develop innovative digital services and solutions in a timely manner or at all, our business, financial condition or results of operations could be adversely impacted.

We may be unable to adapt to significant technological change, which could adversely affect our business, financial condition or results of operations.

We operate businesses that require sophisticated data collection, processing and software for analysis and insights. Some of the technologies supporting the industries we serve are changing rapidly, particularly as a result of the COVID-19 pandemic. We will be required to continue to adapt to changing technologies, either by developing and marketing new services or by enhancing our existing services, to meet client demand.

Moreover, the introduction of new services embodying new technologies, including automation of certain of our in-store services, and the emergence of new industry standards could render existing services obsolete. Our continued success will depend on our ability to adapt to changing technologies, manage and process increasing amounts of data and information and improve the performance, features and reliability of our existing services in response to changing client and industry demands. We may experience difficulties that could delay or prevent the successful design, development, testing, introduction or marketing of our services. New services or enhancements to existing services may not adequately meet the requirements of current and prospective clients or achieve market acceptance.

Our ability to maintain our competitive position depends on our ability to attract and retain talented executives.

We believe that our continued success depends to a significant extent upon the efforts, abilities and relationships of our senior executives and the strength of our middle management team. Although we have entered into employment agreements with certain of our senior executives, each of them may terminate their employment with us at any time. The replacement of any of our senior executives likely would involve significant time and costs and may significantly delay or prevent the achievement of our business objectives and could therefore have an adverse impact on our business. In addition, we do not carry any “key person” insurance policies that could offset potential loss of service under applicable circumstances. Furthermore, if we are unable to attract and retain a talented team of middle management executives, it may be difficult to maintain the expertise and industry relationships that our clients value, and they may terminate or reduce their relationship with us.

Client procurement and fee reduction strategies could put additional operational and financial pressure on our services or negatively impact our relationships, business, financial condition or results of operations.

Many of our clients seek opportunities to reduce their costs through procurement strategies that reduce fees paid to third-party service providers. As a result, certain of our clients have sought, and may continue to seek, more aggressive terms from us, including with respect to pricing and payment terms. Such activities put operational and financial pressure on our business, which could limit the amounts we earn or delay the timing of our cash receipts. Such activities may also cause disputes with our clients or negatively impact our relationships or financial results. Our clients have experienced, and may continue to experience, increases in their expenses associated with materials and logistics, which may cause them to reduce expenses elsewhere. While we attempt to mitigate negative implications to client relationships and the revenue impact of any pricing pressure by aligning our revenues opportunity with satisfactory client outcomes, there can be no assurance as to the degree to which we will be able to do so successfully. Additionally, price concessions can lead to margin compression, which in turn could adversely affect our business, financial condition or results of operations.

If we fail to offer high-quality customer support, our business and reputation may suffer.

High-quality education, training and customer support are important for successful marketing and sales and for the renewal of existing customers. Providing this education, training and support requires that our personnel who manage our online training resource or provide customer support have specific inbound experience domain knowledge and expertise, making it more difficult for us to hire qualified personnel and to scale up our support operations. The importance of high-quality customer support will increase as we expand our business and pursue new customers. If we do not help our customers use multiple applications and provide effective ongoing support, our ability to sell additional functionality and services to, or to retain, existing customers may suffer and our reputation with existing or potential customers may be harmed.

We may be adversely affected if clients reduce their outsourcing of sales and marketing functions.

Our business and growth strategies depend in large part on companies continuing to elect to outsource sales and marketing functions. Our clients and potential clients will outsource if they perceive that outsourcing may provide quality services at a lower overall cost and permit them to focus on their core business activities and have done so in the past. We cannot be certain that the industry trend to outsource will continue or not be reversed or that clients that have historically outsourced functions will not decide to perform these functions themselves. Unfavorable developments with respect to outsourcing could adversely affect our business, financial conditions and results of operations.

We previously identified material weaknesses in our internal control over financial reporting. If we fail to maintain proper and effective internal control over financial reporting in the future, our ability to produce accurate and timely financial statements could be impaired, investors' views of us could be harmed, and we could be subject to enforcement actions by the SEC.

During 2021, we completed the remediation measures related to the material weaknesses previously identified and concluded that our internal control over financial reporting was effective as of December 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. If we are unable to maintain effective internal control over financial reporting or disclosure controls and procedures, our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods could be adversely affected, which could subject us to litigation or investigations requiring management resources and payment of legal and other expenses, negatively affect investor confidence in our financial statements and adversely impact our stock price.

If we are unable to identify attractive acquisition targets, acquire them at attractive prices or successfully integrate the acquired businesses, we may be unsuccessful in growing our business.

A significant portion of our growth has been as a result of our acquisition of complementary businesses that grow our service offerings, expand our geographic reach and strengthen valuable relationships with clients. However, there can be no assurance that we will find attractive acquisition targets, that we will acquire them at attractive prices, that we will succeed at effectively managing the integration of acquired businesses into our existing operations or that such acquired businesses or technologies will be well received by our clients, potential clients or our investors. We could also encounter higher-than-expected earn-out payments, unforeseen transaction- and integration-related costs or delays or other circumstances such as disputes with or the loss of key or other personnel from acquired businesses, challenges or delays in integrating systems or technology of acquired businesses, a deterioration in our associate and client relationships, harm to our reputation with clients, interruptions in our business activities or unforeseen or higher-than-expected inherited liabilities. Many of these potential circumstances are outside of our control and any of them could result in increased costs, decreased revenue, decreased synergies or the diversion of management time and attention.

In order for us to continue to grow our business through acquisitions we will need to identify appropriate acquisition opportunities and acquire them at attractive prices. We may choose to pay cash, incur debt or issue equity securities to pay for any such acquisition. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations. The sale of equity to finance any such acquisition could result in dilution to our stockholders.

We may encounter significant difficulties integrating acquired businesses.

The integration of any businesses is a complex, costly and time-consuming process. As a result, we have devoted, and will continue to devote, significant management attention and resources to integrating acquired businesses. The failure to meet the challenges involved in integrating businesses and to realize the anticipated benefits of any acquisition could cause an interruption of, or a loss of momentum in, the activities of our combined business and could adversely affect our results of operations. The difficulties of combining acquired businesses with our own include, among others:

- the diversion of management attention to integration matters;
- difficulties in integrating functional roles, processes and systems, including accounting systems; •challenges in conforming standards, controls, procedures and accounting and other policies, business cultures and compensation structures between the two companies;
- difficulties in assimilating, attracting and retaining key personnel;
- challenges in keeping existing clients and obtaining new clients;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects from an acquisition;
- difficulties in managing the expanded operations of a significantly larger and more complex business;
- contingent liabilities, including contingent tax liabilities or litigation, that may be larger than expected; and
- potential unknown liabilities, adverse consequences or unforeseen increased expenses associated with an acquisition, including possible adverse tax consequences to the combined business pursuant to changes in applicable tax laws or regulations.

Many of these factors are outside of our control, and any one of them could result in increased costs, decreased expected revenues and diversion of management time and energy, all of which could adversely impact our business and results of operations. These difficulties have been enhanced further during the COVID-19 pandemic as a result of our office closures and work-from home policies, which may hinder assimilation of key personnel.

If we are not able to successfully integrate an acquisition, if we incur significantly greater costs to achieve the expected synergies than we anticipate or if activities related to the expected synergies have unintended consequences, our business, financial condition or results of operations could be adversely affected.

Our corporate culture has contributed to our success and, if we are unable to maintain it as we evolve, our business, operating results and financial condition could be harmed.

We believe our corporate culture has been a significant factor in our success. However, as our company evolves, including through acquisitions and the impacts of the COVID-19 pandemic, such as working remotely and reductions in workforce, it may be difficult to maintain our culture, which could reduce our ability to innovate and operate effectively. The failure to maintain the key aspects of our culture as our organization evolves could result in decreased employee satisfaction, increased difficulty in attracting top talent, increased turnover and compromised the quality of our client service, all of which are important to our success and to the effective execution of our business strategy. If we are unable to maintain our corporate culture as we evolve and execute our growth strategies, our business, operating results and financial condition could be harmed.

Acquiring new clients and retaining existing clients depends on our ability to avoid or manage business conflicts among competing brands.

Our ability to acquire new clients and to retain existing clients, whether by expansion of our own operations or through an acquired business may in some cases be limited by the other parties' perceptions of, or policies concerning, perceived competitive conflicts arising from our other relationships. Some of our contracts expressly restrict our ability to represent competitors of the counterparty. These perceived competitive conflicts may also become more challenging to avoid or manage as a result of continued consolidation in the consumer goods and retail industries and our own acquisitions. If we are unable to avoid or manage business conflicts among competing manufacturers and retailers, we may be unable to acquire new clients or be forced to terminate existing client relationships, and in either case, our business and results of operations may be adversely affected.

Limitations, restrictions and business decisions involving our joint ventures and minority investments may adversely affect our growth and results of operations.

We have made substantial investments in joint ventures and minority investments and may use these and other similar methods to expand our service offerings and geographical coverage in the future. These arrangements typically involve other business services companies as partners that may be competitors of ours in certain markets. Joint venture agreements may place limitations or restrictions on our services. As part of our joint venture with, and

investments in Smollan, we are restricted under certain circumstances from making direct acquisitions and otherwise expanding our service offerings into markets outside of North America and Europe. As a result of our acquisition of Daymon Worldwide Inc. pursuant to the terms of our arrangements with Smollan and our joint venture, Smollan and our joint venture may elect to purchase from us, and have purchased, certain Daymon business units that operate outside of North America. If Smollan or our joint venture do not elect to purchase those business units, we may, under certain circumstances, elect to retain, sell or discontinue those business units. The limitations and restrictions tied to our joint venture and minority investments limit our potential business opportunities and reduce the economic opportunity for certain prospective international investments and operations. Additionally, though we control our joint ventures, we may rely upon our equity partners or local management for operational and compliance matters associated with our joint ventures or minority investments. Moreover, our other equity partners and minority investments may have business interests, strategies or goals that are inconsistent with ours. Business decisions, including actions or omissions, of a joint venture or other equity partner or management for a business unit may adversely affect the value of our investment, result in litigation or regulatory action against us or adversely affect our growth and results of operations.

Our international operations expose us to risks that could impede growth in the future, and our attempts to grow our business internationally may not be successful.

We continue to explore opportunities in major international markets. International operations expose us to various additional risks that could adversely affect our business, including:

- costs of customizing services for clients outside of the United States;
- the burdens of complying with a wide variety of foreign laws;
- potential difficulty in enforcing contracts;
- being subject to U.S. laws and regulations governing international operations, including the U.S. Foreign Corrupt Practices Act and sanctions regimes;
- being subject to foreign anti-bribery laws in the jurisdictions in which we operate, such as the UK Bribery Act;
- reduced protection for intellectual property rights;
- increased financial accounting and reporting complexity;
- additional legal compliance requirements, including custom and import requirements with respect to products imported to and exported across international borders;
- exposure to foreign currency exchange rate fluctuations;
- exposure to local economic conditions;
- limitations on the repatriation of funds or profits from foreign operations;
- exposure to local or regional political conditions, including adverse tax policies and civil unrest;
- the risks of a natural disaster, public health crisis (including the occurrence of a contagious disease or illness, such as the coronavirus), an outbreak of war (such as Russia's invasion of Ukraine), the escalation of hostilities and acts of terrorism in the jurisdictions in which we operate; and
- the disparate impact of the COVID-19 pandemic, including the measures taken to mitigate its spread, across various jurisdictions.

Additionally, the withdrawal of the United Kingdom from the European Union, or “Brexit,” has created economic and political uncertainty, including volatility in global financial markets and the value of foreign currencies. The impact of Brexit may not be fully realized for several years. Additionally, in many countries outside of the United States, there has not been a historical practice of using third parties to provide sales and marketing services. Accordingly, while it is part of our strategy to expand into international markets, it may be difficult for us to grow our international business units on a timely basis, or at all.

The ongoing conflict between Russia and Ukraine may adversely affect our business and results of operations.

Given the nature of our business and our international operations, political, economic, and other conditions in foreign countries and regions, including geopolitical risks such as those arising from the current conflict between Russia and Ukraine, may adversely affect our business and results of operations. The broader consequences of this

conflict, which may include further sanctions, embargoes, regional instability, and geopolitical shifts; disruptions to transportation and distribution routes, or strategic decisions to alter certain routes; potential retaliatory action by the Russian government against companies, including us, including nationalization of foreign businesses and/or assets in Russia; increased tensions between the United States and countries in which we operate; and the extent of the conflict's effect on our business and results of operations as well as the global economy, cannot be predicted.

Additionally, we have a minority interest in a European company that owns majority interests in local agencies in Russia. In addition to the imposition of sanctions by the United States, the United Kingdom, and the European Union that affect the cross-border operations of businesses operating in Russia, Russian regulators have imposed currency restrictions and regulations that created uncertainty regarding our ability to recover our investment in operations in Russia, as well as our ability to exercise control or influence involving operations by the local agencies in Russia. As a result, we intend to use our influence to cause the European company to dispose of our ownership interests in the local agencies in Russia. Accordingly, we recorded pretax charges of \$2.8 million in the first quarter of 2022, primarily consisting of our proportionate share of the net investment in our Russian interest in "Selling, general, and administrative expenses" in the Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

To the extent the current conflict between Russia and Ukraine adversely affects our business, particularly in Russia, it may also have the effect of heightening many other risks disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021 and this Quarterly Report on Form 10-Q, any of which could materially and adversely affect our business and results of operations. Such risks include, but are not limited to, adverse effects on macroeconomic conditions, including inflation and business spending; disruptions to our information technology infrastructure, including through cyberattack, ransom attack, or cyber-intrusion; adverse changes in international trade policies and relations; our ability to maintain or increase our prices, our ability to implement and execute our business strategy, disruptions in global supply chains, our exposure to foreign currency fluctuations, and constraints, volatility, or disruption in the capital markets, difficulty staffing and managing impacted operations, and the recoverability of assets in the region.

We may be subject to unionization, work stoppages, slowdowns or increased labor costs.

Currently, none of our associates in the United States are represented by a union. However, our associates have the right under the National Labor Relations Act to choose union representation. If all or a significant number of our associates become unionized and the terms of any collective bargaining agreement were significantly different from our current compensation arrangements, it could increase our costs and adversely impact our profitability. Moreover, if a significant number of our associates participate in labor unions, it could put us at increased risk of labor strikes and disruption of our operations or adversely affect our growth and results of operations. In December 2019, a union which commonly represents employees in the supermarket industry filed a petition with the National Labor Relations Board to represent approximately 120 of our associates who work in and around Boston. An election was held, and based on certified results of the election we prevailed in this election. Notwithstanding this successful election, we could face future union organization efforts or elections, which could lead to additional costs, distract management or otherwise harm our business.

If goodwill or other intangible assets in connection with our acquisitions become impaired, we could take significant non-cash charges against earnings.

We have made acquisitions to complement and expand the services we offer and intend to continue to do so when attractive acquisition opportunities exist in the market. As a result of prior acquisitions, including the acquisition of our business in 2014 by our current parent entity, Topco, we have goodwill and intangible assets recorded on our balance sheet of \$2.2 billion and \$2.2 billion, respectively, as of June 30, 2022, as further described in Note 4 to our condensed consolidated financial statements for the three and six months ended June 30, 2022.

Under accounting guidelines, we must assess, at least annually, whether the value of goodwill and other intangible assets has been impaired. We have recognized non-cash goodwill and non-cash intangible asset impairment charges, and we can make no assurances that we will not record any additional impairment charges in the future. Any future reduction or impairment of the value of goodwill or other intangible assets will similarly result in charges against earnings, which could adversely affect our reported financial results in future periods.

Failures in, or incidents involving, our technology infrastructure could damage our business, reputation and brand and substantially harm our business and results of operations.

Our business is highly dependent on our ability to manage operations and process a large number of transactions on a daily basis. We rely heavily on our operating, payroll, financial, accounting and other data processing systems which require substantial support and maintenance, and may be subject to disabilities, errors, or other harms. If our data and network infrastructure were to fail, or if we were to suffer a data security breach, or an interruption or degradation of services in our data center, third-party cloud, and other infrastructure environments, we could lose important data, which could harm our business and reputation, and cause us to incur significant liabilities. Our facilities, as well as the facilities of third-parties that provide or maintain, or have access to our data or network infrastructure, are vulnerable to damage or interruption from earthquakes, hurricanes, floods, fires, cyber security attacks, terrorist attacks, power losses, telecommunications failures and similar events. In the event that our or any third-party provider's systems or service abilities are hindered by any of the events discussed above, our ability to operate may be impaired. Our information technology systems, and the information technology systems of our current or future third-party vendors, collaborators, consultants and service providers, could be penetrated by internal or external parties intent on extracting information, corrupting information, stealing intellectual property or trade secrets, or disrupting business processes. A third party's decision to close facilities or terminate services without adequate notice, or other unanticipated problems, could adversely impact our operations. Any of the aforementioned risks may be augmented if our or any third-party provider's business continuity and disaster recovery plans prove to be inadequate in preventing the loss of data, service interruptions, disruptions to our operations or damages to important systems or facilities. Our data center, third-party cloud, and managed service provider infrastructure also could be subject to break-ins, cyber-attacks (including through the use of malware, software bugs, computer viruses, ransomware, social engineering, and denial of service), sabotage, intentional acts of vandalism and other misconduct, from a spectrum of actors ranging in sophistication from threats common to most industries to more advanced and persistent, highly organized adversaries. Any security breach or incident, including personal data breaches, that we experience could result in unauthorized access to, or misuse, modification, destruction or unauthorized acquisition of, our internal sensitive corporate data, such as personal data, financial data, trade secrets, intellectual property, or other competitively sensitive or confidential data. Such unauthorized access, misuse, acquisition, or modification of sensitive data may result in data loss, corruption or alteration, interruptions in our operations or damage to our computer hardware or systems or those of our employees or customers. Our systems have been the target of cyber-attacks. Although we have taken and continue to take steps to enhance our cybersecurity posture, we cannot assure that future cyber incidents will not occur or that our systems will not be targeted or breached in the future. Any such breach or unauthorized access could result in a disruption of the Company's operations, the theft, unauthorized use or publication of the Company's intellectual property, other proprietary information or the personal information of customers, employees, licensees or suppliers, a reduction of the revenues the Company is able to generate from its operations, damage to the Company's brand and reputation, a loss of confidence in the security of the Company's business and products, and significant legal and financial exposure. If any such incident results in litigation, we may be required to make significant expenditures in the course of such litigation and may be required to pay significant amounts in damages. We may not carry sufficient business interruption insurance to compensate us for losses that may occur as a result of any events that cause interruptions in our service. Significant unavailability of our services due to attacks could cause us to incur significant liability, could cause users to cease using our services and materially and adversely affect our business, prospects, financial condition and results of operations.

We use complex software in our technology infrastructure, which we seek to continually update and improve. Replacing such systems is often time-consuming and expensive and can also be intrusive to daily business operations. Further, we may not always be successful in executing these upgrades and improvements, which may result in a failure of our systems. We may experience periodic system interruptions from time to time. Any slowdown or failure of our underlying technology infrastructure could harm our business and reputation, which could materially adversely affect our results of operations. Our disaster recovery plan or those of our third-party providers may be inadequate, and our business interruption insurance may not be sufficient to compensate us for the losses that could occur.

Failure to comply with federal, state and foreign laws and regulations relating to privacy, data protection and consumer protection, or the expansion of current or the enactment of new laws or regulations relating to

privacy, data protection and consumer protection, could adversely affect our business and our financial condition.

A variety of federal, state and foreign laws and regulations govern the collection, use, retention, sharing and security of personal information. The information, security and privacy requirements imposed by such governmental laws and regulations relating to privacy, data protection and consumer protection are increasingly demanding, quickly evolving and may be subject to differing interpretations. These requirements may not be harmonized, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or our practices. As a result, our practices may not have complied or may not comply in the future with all such laws, regulations, requirements and obligations. Our actual or perceived failure to comply with such laws and regulations could result in fines, investigations, enforcement actions, penalties, sanctions, claims for damages by affected individuals, and damage to our reputation, among other negative consequences, any of which could have a material adverse effect on its financial performance.

We are subject to the California Consumer Protection Act of 2018 (“CCPA”), which became effective in 2020 and regulates the collection, use and processing of personal information relating to California residents, and which grants certain privacy rights to California residents, including rights to request access to and to request deletion of personal information relating to such individuals under certain circumstances. Compliance with the new obligations imposed by the CCPA depends in part on how its requirements are interpreted and applied by the California attorney general and courts. Alleged violations of the CCPA may result in substantial civil penalties or statutory damages when applied at scale, up to \$2,500 per violation or \$7,500 per intentional violation of any CCPA requirement, which may be applied on a per-person or per-record basis. The CCPA also establishes a private right of action if certain personal information of individuals is subject to an unauthorized access and exfiltration, theft, or disclosure as a result of a business’s violation of the duty to implement and maintain reasonable security procedures and practices, which authorizes statutory damages \$100 to \$750 per person per incident even if there is no actual harm or damage to plaintiffs. This private right of action may increase the likelihood of, and risks associated with, data breach litigation. Further, in November 2020, the State of California adopted the California Privacy Rights Act of 2020 (“CPRA”) which goes into effect January 1, 2023 and provides for expansion and amendment to the CCPA, including additional and strengthened privacy rights for California residents, new requirements regarding sensitive data and data sharing for digital advertising, and tripled damages for violations involving children’s data. The CPRA establishes a dedicated privacy regulator under California law, with rulemaking and enforcement responsibilities. Regulations implementing the CPRA are expected in draft and final form in 2022, which will need to be accounted for in time for the CPRA’s January 1, 2023 effective date.

Two other states, Virginia and Colorado, have passed their own comprehensive privacy laws to go into effect on January 1, 2023. Like the CCPA and CPRA, Virginia’s Consumer Data Protection Act (“CDPA”) and the Colorado Privacy Act (“CPA”) regulates the collection, use and processing of personal information relating to Virginia and Colorado residents respectively, and grants certain privacy rights to those residents. The CDPA and CPA also have key differences, such as requiring affirmative consent before businesses may process sensitive personal information and requiring data protection assessments. Other states are expected to consider and potentially pass similar privacy laws in 2022.

We are also subject to international privacy laws and regulations, many of which, such as the General Data Privacy Regulation (“GDPR”) and national laws implementing or supplementing the GDPR, such as the United Kingdom Data Protection Law 2018 (which retains key features of GDPR post-Brexit), are significantly more stringent than those currently enforced in the United States. The GDPR requires companies to meet requirements regarding the handling of personal data of individuals located in the European Economic Area (the “EEA”). The GDPR imposes mandatory data breach notification requirements subject to a 72-hour notification deadline. The GDPR also includes significant penalties for noncompliance, which may result in monetary penalties of up to the higher of €20.0 million or 4% of a group’s worldwide turnover for the preceding financial year for the most serious violations. The GDPR and other similar regulations require companies to give specific types of notice and informed consent is required for the placement of a cookie or similar technologies on a user’s device for online tracking for behavioral advertising and other purposes and for direct electronic marketing, and the GDPR also imposes additional conditions in order to satisfy such consent, such as a prohibition on pre-checked tick boxes and bundled consents. Enforcement of the GDPR and related regulations varies by each EU Member State and is ongoing. Further laws and regulations on these topics are forthcoming, including the Regulation on Privacy and Electronic Communications (“ePrivacy Regulation”), Digital Services Act (“DSA”), and Digital Markets Act (“DMA”). The

GDPR may increase our responsibility and liability in relation to personal data that we process where that processing is subject to the GDPR. In addition, we may be required to put in place additional mechanisms to ensure compliance with the GDPR, including GDPR requirements as implemented by individual countries. Compliance with the GDPR will be a rigorous and time-intensive process that may increase our cost of doing business or require us to change our business practices.

In addition, under GDPR, transfers of personal data are prohibited to countries outside of the EEA that have not been determined by the European Commission to provide adequate protections for personal data, including the United States. There are mechanisms to permit the transfer of personal data from the EEA to the United States, but there is also uncertainty as to the future of such mechanisms, which have been under consistent scrutiny and challenge. In July 2020, decision of the Court of Justice of the European Union invalidated the EU-U.S. Privacy Shield Framework, a means that previously permitted transfers of personal data from the EEA to companies in the United States that certified adherence to the Privacy Shield Framework. It is currently unclear what, if any, arrangement may replace the Privacy Shield Framework. Standard contractual clauses approved by the European Commission to permit transfers from the EU to third countries currently remain as a basis on which to transfer personal data from the EEA to other countries. However, the standard contractual clauses are also subject to legal challenge, and in November 2020, the European Commission published a draft of updated standard contractual clauses. In January 2022, for example, Austria's data protection authority determined that the use of Google Analytics violated the GDPR and the Court of Justice of the European Union's "Schrems II" decision on international data transfers. We presently rely on standard contractual clauses to transfer personal data from EEA member countries, and we may be impacted by changes in law as a result of future review or invalidation of, or changes to, this mechanism by European courts or regulators. While we will continue to undertake efforts to conform to current regulatory obligations and evolving best practices, we may be unsuccessful in conforming to permitted means of transferring personal data from the European Economic Area. We may also experience hesitancy, reluctance, or refusal by European or multi-national customers to continue to use some of our services due to the potential risk exposure of personal data transfers and the current data protection obligations imposed on them by certain data protection authorities. Such customers may also view any alternative approaches to the transfer of any personal data as being too costly, too burdensome, or otherwise objectionable, and therefore may decide not to do business with us if the transfer of personal data is a necessary requirement.

Although we take reasonable efforts to comply with all applicable laws and regulations and have invested and continue to invest human and technology resources into data privacy compliance efforts, there can be no assurance that we will not be subject to regulatory action, including fines, in the event of an incident or other claim. Data protection laws and requirements may also be enacted, interpreted or applied in a manner that creates inconsistent or contradictory requirements on companies that operate across jurisdictions. We or our third-party service providers could be adversely affected if legislation or regulations are expanded to require changes in our or our third-party service providers' business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our or our third-party service providers' business, results of operations or financial condition. For example, we may find it necessary to establish alternative systems to maintain personal data in the EEA, which may involve substantial expense and may cause us to divert resources from other aspects of our business, all of which may adversely affect our results from operations. Further, any inability to adequately address privacy concerns in connection with our solutions, or comply with applicable privacy or data protection laws, regulations and policies, could result in additional cost and liability to us, and adversely affect our ability to offer our solutions. GDPR, CCPA, CPRA and other similar laws and regulations, as well as any associated inquiries or investigations or any other government actions, may be costly to comply with, result in negative publicity, increase our operating costs, require significant management time and attention and subject us to remedies that may harm our business, including fines or demands or orders that we modify or cease existing business practices. Our systems may not be able to satisfy these changing requirements and manufacturer, retailer and associate expectations, or may require significant additional investments or time in order to do so.

We expect that new industry standards, laws and regulations will continue to be proposed regarding privacy, data protection and information security in many jurisdictions, including the European e-Privacy Regulation, which is currently in draft form, as well as at the U.S. federal and state levels. In addition, new data processes and datasets associated with emerging technologies are coming under increased regulatory scrutiny, such as biometrics and automated decision-making. We cannot yet determine the impact such future laws, regulations and standards may have on our business. Complying with these evolving obligations is challenging, time consuming and expensive, and federal regulators, state attorneys general and plaintiff's attorneys have been, and will likely continue to be,

active in this space. Expanding definitions and interpretations of what constitutes “personal data” (or the equivalent) within the United States, the EEA and elsewhere may increase our compliance costs and legal liability. For example, various state privacy proposals have included a private right of action for basic privacy violations which, if passed, would dramatically increase both the legal costs of defending frivolous lawsuits and the penalties and costs associated with alleged violations.

A data breach or any failure, or perceived failure, by us to comply with any federal, state or foreign privacy or consumer protection-related laws, regulations or other principles or orders to which we may be subject or other legal obligations relating to privacy or consumer protection could adversely affect our reputation, brand and business, and may result in fines, enforcement actions, sanctions, claims (including claims for damages by affected individuals), investigations, proceedings or actions against us by governmental entities or others, or other penalties or liabilities or require us to change our operations and/or cease using certain data sets, among other negative consequences, any of which could have a material adverse effect on our business. Moreover, the proliferation of supply chain-based cyberattacks and vendor security incidents increases these potential risks and costs even in cases where the attack did not target us, occur on our systems, or result from any action or inaction by us. Depending on the nature of the information compromised, we may also have obligations to notify users, law enforcement, regulators, business partners or payment companies about the incident and provide some form of remedy, such as refunds or identity theft monitoring services, for the individuals affected by the incident.

The Take 5 Matter may lead to additional harms, risks and uncertainties for us, including litigation and governmental investigations, a reduction in revenue, a potential deterioration in our relationships or reputation and a loss in investor confidence.

On April 1, 2018, we acquired certain assets and assumed certain liabilities of Take 5 Media Group. In June 2019, as a result of a review of internal allegations related to inconsistency of data provided by Take 5 to its clients, we commenced an investigation into Take 5’s operations. In July 2019, as a result of our investigation, we 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 our acquisition of Take 5.

As a result of these matters, we may be subject to a number of additional harms, risks and uncertainties, including substantial costs for professional services fee, potential lawsuits by clients or other interested parties who claim to have been harmed by the misconduct at Take 5, other costs and fees related to the Take 5 Matter (in excess of the amounts already offered as refunds), potential governmental investigations arising from the Take 5 Matter, a reduction in our current and anticipated revenue and a potential deterioration in our associate and client relationships or our reputation. In addition, if we do not prevail in any litigation or governmental investigation related to these matters, we could be subject to costs related to such litigation or governmental investigation, including equitable relief, civil monetary damages, treble damages, repayment or criminal penalties, which may not be covered by insurance or may materially increase our insurance costs. We have incurred and will continue to incur additional substantial professional fees regardless of the outcome of any such litigation or governmental investigation. In addition, there can be no assurance to what degree, if any, we will be able to recover any such costs or damages from the former owners of Take 5 or whether such former owners of Take 5 engaged in further unknown improper activities that may subject us to further costs or damages, including potential reputational harm. Likewise, such events have caused and may cause further diversion of our management’s time and attention. Any adverse outcome related to these matters cannot be predicted at this time, and may materially harm our business, reputation, financial condition and/or results of operations, or the trading price of our securities.

Our business is seasonal in nature and quarterly operating results can fluctuate.

Our services are seasonal in nature, with the fourth fiscal quarter typically generating a higher proportion of our revenues than other fiscal quarters. Adverse events, such as deteriorating economic conditions, higher unemployment, higher gas prices, public transportation disruptions, public health crises (including the COVID-19 pandemic) or unanticipated adverse weather, could result in lower-than-planned sales during key revenue-producing seasons. For example, frequent or unusually heavy snowfall, ice storms, rainstorms, windstorms or other extreme weather conditions over a prolonged period could make it difficult for consumers to travel to retail stores or foodservice locations. Such events could lead to lower revenues, negatively impacting our financial condition and results of operations.

Our business is competitive, and increased competition could adversely affect our business and results of operations.

The sales, marketing and merchandising services industry is competitive. We face competition from a few other large, national or super-regional agencies as well as many niche and regional agencies. Remaining competitive in this industry requires that we closely monitor and respond to trends in all industry sectors. We cannot assure you that we will be able to anticipate and respond successfully to such trends in a timely manner. Moreover, some of our competitors may choose to sell services competitive to ours at lower prices by accepting lower margins and profitability or may be able to sell services competitive to ours at lower prices due to proprietary ownership of data or technical superiority, which could negatively impact the rates that we can charge. If we are unable to compete successfully, it could have a material adverse effect on our business, financial condition and our results of operations. If certain competitors were to combine into integrated sales, marketing and merchandising services companies, additional sales, marketing and merchandising service companies were to enter the market or existing participants in this industry were to become more competitive, including through technological innovation such as social media and crowdsourcing, it could have a material adverse effect on our business, financial condition or results of operations.

Inflation may adversely affect our operating results.

Inflationary factors such as increases in the labor costs, material costs and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation, including a continuation of inflation at the current rate, may have an adverse effect on our ability to maintain current levels of gross margin and general and administrative expenses as a percentage of total revenue, if we are unable to pass on these costs through increased prices, revised budget estimates, or offset them in other ways.

Damage to our reputation could negatively impact our business, financial condition and results of operations.

Our reputation and the quality of our brand are critical to our business and success in existing markets and will be critical to our success as we enter new markets. We believe that we have built our reputation on the high quality of our sales and marketing services, our commitment to our clients and our performance-based culture, and we must protect and grow the value of our brand in order for us to continue to be successful. Any incident that erodes client loyalty to our brand could significantly reduce its value and damage our business. Also, there has been a marked increase in the use of social media platforms and similar devices, including blogs, social media websites, Twitter and other forms of internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish the content their subscribers and participants post, often without filters or checks on accuracy of the content posted. Information concerning us may be posted on such platforms at any time. Information posted may be adverse to our interests or may be inaccurate, each of which may harm our performance, prospects or business. The harm may be immediate without affording us an opportunity for redress or correction.

We rely on third parties to provide certain data and services in connection with the provision of our services.

We rely on third parties to provide certain data and services for use in connection with the provision of our services. For example, we contract with third parties to obtain the raw data on retail product sales and inventories. These suppliers of data may impose restrictions on our use of such data, fail to adhere to our quality control standards, increase the price they charge us for this data or refuse altogether to license the data to us. If we are unable to use such third-party data and services or if we are unable to contract with third parties, when necessary, our business, financial condition or our results of operations could be adversely affected. In the event that such data and services are unavailable for our use or the cost of acquiring such data and services increases, our business could be adversely affected.

We may be unable to timely and effectively respond to changes in digital practices and policies, which could adversely affect our business, financial condition or results of operations.

Changes to practices and policies of operating systems, websites and other digital platforms, including, without limitation, Apple's or Android's transparency policies, may reduce the quantity and quality of the data and

metrics that can be collected or used by us and our clients or reduce the value of our digital services. These limitations may adversely affect both our and our clients' ability to effectively target and measure the performance of our digital services. In addition, our clients and third party vendors routinely evaluate their digital practices and policies, and if in the future they determine to modify such practices and policies for any reasons, including, without limitation, privacy, targeting, age or content concerns, this could decrease the desire for our digital services as compared to other alternatives. If we are unable to timely or effectively respond to changes in digital practices and policies, or if our clients do not believe that our digital services will generate a competitive return on investment relative to alternatives, then our business, financial condition or results of operations could be adversely affected.

We may not be able to adequately protect our intellectual property, which, in turn, could harm the value of our brands and adversely affect our business.

Our ability to implement our business plan successfully depends in part on our ability to further build brand recognition using our trade names, service marks, trademarks, proprietary products and other intellectual property, including our name and logos. We rely on U.S. and foreign trademark, copyright and trade secret laws, as well as license agreements, nondisclosure agreements and confidentiality and other contractual provisions to protect our intellectual property. Nevertheless, these laws and procedures may not be adequate to prevent unauthorized parties from attempting to copy or otherwise obtain our processes and technology or deter our competitors from developing similar business solutions and concepts, and adequate remedies may not be available in the event of an unauthorized use or disclosure of our trade secrets and other intellectual property.

The success of our business depends on our continued ability to use our existing trademarks and service marks to increase brand awareness and further develop our brand in both domestic and international markets. We have registered and applied to register our trade names, service marks and trademarks in the United States and foreign jurisdictions. However, the steps we have taken to protect our intellectual property in the United States and in foreign countries may not be adequate, and third parties may misappropriate, dilute, infringe upon or otherwise harm the value of our intellectual property. If any of our registered or unregistered trademarks, trade names or service marks is challenged, infringed, circumvented or declared generic or determined to be infringing on other marks, it could have an adverse effect on our sales or market position. In addition, the laws of some foreign countries do not protect intellectual property to the same extent as the laws of the United States. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain jurisdictions. This could make it difficult to stop the infringement or misappropriation of our intellectual property rights in foreign jurisdictions.

We rely upon trade secrets and other confidential and proprietary know-how to develop and maintain our competitive position. While it is our policy to enter into agreements imposing nondisclosure and confidentiality obligations upon our employees and third parties to protect our intellectual property, these obligations may be breached, may not provide meaningful protection for our trade secrets or proprietary know-how, or adequate remedies may not be available in the event of an unauthorized access, use or disclosure of our trade secrets and know-how. Furthermore, despite the existence of such nondisclosure and confidentiality agreements, or other contractual restrictions, we may not be able to prevent the unauthorized disclosure or use of our confidential proprietary information or trade secrets by consultants, vendors and employees. In addition, others could obtain knowledge of our trade secrets through independent development or other legal means.

Any claims or litigation initiated by us to protect our proprietary technology could be time consuming, costly and divert the attention of our technical and management resources. If we choose to go to court to stop a third party from infringing our intellectual property, that third party may ask the court to rule that our intellectual property rights are invalid and/or should not be enforced against that third party. Even if the action that we take to protect our intellectual property rights is successful, any infringement may still have a material adverse effect on our business, financial condition and results of operations.

We may be subject to claims of infringement of third-party intellectual property rights that are costly to defend, result in the diversion of management's time and efforts, require the payment of damages, limit our ability to use particular technologies in the future or prevent us from marketing our existing or future products and services.

Third parties may assert that we infringe, misappropriate or otherwise violate their intellectual property, including with respect to our digital solutions and other technologies that are important to our business, and may

sue us for intellectual property infringement. We may not be aware of whether our products or services do or will infringe existing or future patents or the intellectual property rights of others. In addition, there can be no assurance that one or more of our competitors who have developed competing technologies or our other competitors will not be granted patents for their technology and allege that we have infringed on such patents.

Any claims that our business infringes the intellectual property rights of others, regardless of the merit or resolution of such claims, could incur substantial costs, and the time and attention of our management and other personnel may be diverted in pursuing these proceedings. An adverse determination in any intellectual property claim could require us to pay damages, be subject to an injunction, and/or stop using our technologies, trademarks, copyrighted works and other material found to be in violation of another party's rights, and could prevent us from licensing our technologies to others unless we enter into royalty or licensing arrangements with the prevailing party or are able to redesign our products and services to avoid infringement. With respect to any third-party intellectual property that we use or wish to use in our business (whether or not asserted against us in litigation), we may not be able to enter into licensing or other arrangements with the owner of such intellectual property at a reasonable cost or on reasonable terms. Any of the foregoing could harm our commercial success.

We are dependent on proprietary technology licensed from others. If we lose our licenses, we may not be able to continue developing our products.

We have obtained licenses that give us rights to third party intellectual property that is necessary or useful to our business. These license agreements may impose various royalty and other obligations on us. One or more of our licensors may allege that we have breached our license agreement with them, and could seek to terminate our license, which could adversely affect our competitive business position and harm our business prospects. In addition, any claims brought against us by our licensors could be costly, time-consuming and divert the attention of our management and key personnel from our business operations.

Consumer goods manufacturers and retailers, including some of our clients, are subject to extensive governmental regulation and we and they may be subject to enforcement in the event of noncompliance with applicable requirements.

Consumer goods manufacturers and retailers, including some of our clients, are subject to a broad range of federal, state, local and international laws and regulations governing, among other things, the research, development, manufacture, distribution, marketing and post-market reporting of consumer products. These include laws administered by the U.S. Food and Drug Administration (the "FDA"), the U.S. Drug Enforcement Administration, the U.S. Federal Trade Commission, the U.S. Department of Agriculture and other federal, state, local and international regulatory authorities. For example, certain of our clients market and sell products containing cannabidiol ("CBD"). CBD products are subject to a number of federal, state, local and international laws and regulations restricting their use in certain categories of products and in certain jurisdictions. In particular, the FDA has publicly stated it is prohibited to sell into interstate commerce food, beverages or dietary supplements that contain CBD. These laws are broad in scope and subject to evolving interpretations, which could require us to incur costs associated with new or modified compliance requirements or require us or our clients to alter or limit our activities, including marketing and promotion, of such products, or to remove them from the market altogether.

If a regulatory authority determines that we or our current or future clients have not complied with the applicable regulatory requirements, our business may be materially impacted and we or our clients could be subject to enforcement actions or loss of business. We cannot predict the nature of any future laws, regulations, interpretations or applications of the laws, nor can we determine what effect additional laws, regulations or administrative policies and procedures, if and when enacted, promulgated and implemented, could have on our business.

We may be subject to claims for products for which we are the vendor of record or may otherwise be in the chain of title.

For certain of our clients' products, we become the vendor of record or otherwise may be in the chain of title. For these products, we could be subject to potential claims for misbranded, adulterated, contaminated, damaged or spoiled products, or could be subject to liability in connection with claims related to infringement of intellectual property, product liability, product recalls or other liabilities arising in connection with the sale or marketing of these products. As a result, we could be subject to claims or lawsuits (including potential class action lawsuits), and

we could incur liabilities that are not insured or exceed our insurance coverage or for which the manufacturer of the product does not indemnify us. Even if product claims against us are not successful or fully pursued, these claims could be costly and time consuming and may require our management to spend time defending the claims rather than operating our business.

A product that has been actually or allegedly misbranded, adulterated or damaged or is actually or allegedly defective could result in product withdrawals or recalls, destruction of product inventory, negative publicity and substantial costs of compliance or remediation. Any of these events, including a significant product liability judgment against us, could result in monetary damages and/or a loss of demand for our products, both of which could have an adverse effect on our business or results of operations.

We generate revenues and incur expenses throughout the world that are subject to exchange rate fluctuations, and our results of operations may suffer due to currency translations.

Our U.S. operations earn revenues and incur expenses primarily in U.S. dollars, while our international operations earn revenues and incur expenses primarily in Canadian dollars, British pounds or euros. Because of currency exchange rate fluctuations, including possible devaluations, we are subject to currency translation exposure on the results of our operations, in addition to economic exposure. There has been, and may continue to be, volatility in currency exchange rates as a result of the United Kingdom's withdrawal from the European Union, especially between the U.S. dollar and the British pound. These risks could adversely impact our business or results of operations.

Fluctuations in our tax obligations and effective tax rate and realization of our deferred tax assets may result in volatility of our operating results.

We are subject to taxes by the U.S. federal, state, local and foreign tax authorities, and our tax liabilities will be affected by the allocation of expenses to differing jurisdictions. We record tax expense based on our estimates of future payments, which may include reserves for uncertain tax positions in multiple tax jurisdictions, and valuation allowances related to certain net deferred tax assets. At any one time, many tax years may be subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these matters. We expect that throughout the year there could be ongoing variability in our quarterly tax rates as events occur and exposures are evaluated. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowance;
- tax effects of equity-based compensation;
- changes in tax laws, regulations or interpretations thereof; or
- future earnings being lower than anticipated in jurisdictions where we have lower statutory tax rates and higher than anticipated earnings in jurisdictions where we have higher statutory tax rates.

In addition, our effective tax rate in a given financial statement period may be materially impacted by a variety of factors including but not limited to changes in the mix and level of earnings, varying tax rates in the different jurisdictions in which we operate, fluctuations in the valuation allowance, deductibility of certain items or changes to existing accounting rules or regulations. Further, tax legislation may be enacted in the future which could negatively impact our current or future tax structure and effective tax rates. We may be subject to audits of our income, sales and other transaction taxes by U.S. federal, state, local and foreign taxing authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition.

Risks Related to Ownership of Our Common Stock

We are controlled by Topco, the Advantage Sponsors, and the CP Sponsor, whose economic and other interests in our business may be different from yours.

Our authorized capital stock consists of 3,290,000,000 shares of common stock and 10,000,000 shares of preferred stock, and as of August 8, 2022, certain equityholders of Topco (the “Advantage Sponsors”), Topco and Conyers Park II Sponsor LLC, an affiliate of Centerview Capital Management, LLC, which was Conyers Park’s sponsor prior to the Merger (the “CP Sponsor”), collectively own 254,310,000 shares, or 79.85% (including 65.54% held by Topco), of our outstanding common stock. Subject to applicable law, the Advantage Sponsors, through their direct ownership of our common stock and their ownership of equity interests of Topco, and the CP Sponsor are able to exert significant influence in the election of our directors and control actions to be taken by our stockholders, including amendments to our third amended and restated certificate of incorporation and approval of mergers, sales of substantially all of our assets, and other significant corporate transactions. It is possible that the interests of Topco, the Advantage Sponsors and the CP Sponsor may in some circumstances conflict with our interests and the interests of our other stockholders, including you.

We are a controlled company within the meaning of the Nasdaq Stock Market LLC listing requirements and as a result, may rely on exemptions from certain corporate governance requirements. To the extent we rely on such exemptions, you will not have the same protections afforded to stockholders of companies that are subject to such corporate governance requirements.

Because of the voting power over our company held by Topco, the Advantage Sponsors, and the CP Sponsor and the voting arrangement between such parties, we are considered a controlled company for the purposes of the Nasdaq Stock Market LLC (“Nasdaq”) listing requirements. As such, we are exempt from the corporate governance requirements that our board of directors, compensation committee, and nominating and corporate governance committee meet the standard of independence established by those corporate governance requirements. The independence standards are intended to ensure that directors who meet the independence standards are free of any conflicting interest that could influence their actions as directors.

We do not currently utilize the exemptions afforded to a controlled company, though we are entitled to do so. To the extent we utilize these exemptions, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

The anti-takeover provisions of our certificate of incorporation and bylaws could prevent or delay a change in control of us, even if such change in control would be beneficial to our stockholders.

Provisions of our certificate of incorporation and bylaws, as well as provisions of Delaware law, could discourage, delay, or prevent a merger, acquisition, or other change in control of us, even if such change in control would be beneficial to our stockholders. These include:

- authorizing the issuance of “blank check” preferred stock that could be issued by our board of directors to increase the number of outstanding shares and thwart a takeover attempt;
- provision for a classified board of directors so that not all members of our board of directors are elected at one time;
- not permitting the use of cumulative voting for the election of directors;
- permitting the removal of directors only for cause;
- limiting the ability of stockholders to call special meetings; •requiring all stockholder actions to be taken at a meeting of our stockholders;
- requiring approval of the holders of at least two-thirds of the shares entitled to vote at an election of directors to adopt, amend, or repeal the proposed bylaws or repeal the provisions of the third amended and restated certificate of incorporation regarding the election and removal of directors; and
- establishing advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, although we have opted out of Section 203 of the Delaware General Corporation Law (“DGCL”), our certificate of incorporation contain similar provisions providing that we may not engage in certain “business combinations” with any “interested stockholder” for a three-year period following the time that the stockholder became an interested stockholder, subject to certain exceptions. Generally, a “business combination” includes a merger, asset, or stock sale or other transaction resulting in a financial benefit to the interested stockholder.

Subject to certain exceptions, an “interested stockholder” is a person who, together with that person’s affiliates and associates, owns, or within the previous three years owned, 15% or more of our outstanding voting stock.

Under certain circumstances, this provision will make it more difficult for a person who would be an “interested stockholder” to effect various business combinations with us for a three-year period. These provisions also may have the effect of preventing changes in our board of directors and may make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

Moreover, our certificate of incorporation provides that Topco and its affiliates do not constitute “interested stockholders” for purposes of this provision, and thus any business combination transaction between us and Topco and its affiliates would not be subject to the protections otherwise provided by this provision. Topco and its affiliates are not prohibited from selling a controlling interest in us to a third party and may do so without your approval and without providing for a purchase of your shares of common stock, subject to the lock-up restrictions applicable to Topco. Accordingly, your shares of common stock may be worth less than they would be if Topco and its affiliates did not maintain voting control over us.

The provisions of our certificate of incorporation and bylaws requiring exclusive venue in the Court of Chancery in the State of Delaware or the federal district courts of the United States of America for certain types of lawsuits may have the effect of discouraging lawsuits against our directors and officers.

Our certificate of incorporation and bylaws require, to the fullest extent permitted by law, that (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the DGCL or our certificate of incorporation or bylaws, or (iv) any action asserting a claim against us governed by the internal affairs doctrine will have to be brought only in the Court of Chancery in the State of Delaware (or the federal district court for the District of Delaware or other state courts of the State of Delaware if the Court of Chancery in the State of Delaware does not have jurisdiction).

Our certificate of incorporation and bylaws also require that the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act; however, there is uncertainty as to whether a court would enforce such provision, and investors cannot waive compliance with federal securities laws and the rules and regulations thereunder. Although we believe these provisions benefit us by providing increased consistency in the application of applicable law in the types of lawsuits to which they apply, the provisions may have the effect of discouraging lawsuits against our directors and officers. These provisions do not apply to any suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts of the United States have exclusive jurisdiction.

Because we have no current plans to pay cash dividends on our Class A common stock, you may not receive any return on investment unless you sell your Class A common stock for a price greater than that which you paid for it.

We have no current plans to pay cash dividends on our Class A common stock. The declaration, amount and payment of any future dividends on our Class A common stock will be at the discretion of our board of directors and will depend upon our results of operations, financial condition, capital requirements, and other factors that our board of directors deems relevant. The payment of cash dividends is also restricted under the terms of the agreements governing our debt and our ability to pay dividend may also be restricted by the terms of any future credit agreement or any securities we or our subsidiaries may issue.

An active, liquid trading market for our Class A common stock may not be available.

We cannot predict the extent to which investor interest in our company will lead to availability of a trading market on Nasdaq or otherwise in the future or how active and liquid that market may be for our Class A common stock. If an active and liquid trading market is not available, you may have difficulty selling any of our Class A common stock. Among other things, in the absence of a liquid public trading market:

- you may not be able to liquidate your investment in shares of Class A common stock;
- you may not be able to resell your shares of Class A common stock at or above the price attributed to them in the Transactions;
- the market price of shares of Class A common stock may experience significant price volatility; and
- there may be less efficiency in carrying out your purchase and sale orders.

The trading price of our Class A common stock may be volatile or may decline regardless of our operating performance.

The market prices for our Class A common stock are likely to be volatile and may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

- quarterly variations in our operating results compared to market expectations;
- changes in preferences of our clients;
- announcements of new products or services or significant price reductions;
- the size of our public float;
- fluctuations in stock market prices and volumes;
- defaults on our indebtedness;
- changes in senior management or key personnel;
- the granting, vesting, or exercise of employee stock options, restricted stock, or other equity rights;
- the payment of any dividends thereon in shares of our common stock;
- changes in financial estimates or recommendations by securities analysts;
- negative earnings or other announcements by us;
- downgrades in our credit ratings;
- material litigation or governmental investigations;
- issuances of capital stock;
- global economic, legal, and regulatory factors unrelated to our performance, including the COVID-19 pandemic; or
- the realization of any risks described in this Quarterly Report under “*Risk Factors*.”

In addition, in the past, stockholders have instituted securities class action litigation against companies following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

We cannot provide any guaranty that we will continue to repurchase our common stock pursuant to our stock repurchase program.

In November 2021, our board of directors authorized a share repurchase program, under which we may repurchase up to \$100 million of our outstanding Class A common stock (the “2021 Share Repurchase Program”). As of June 30, 2022, the remaining amount available for repurchase pursuant to the 2021 Share Repurchase Program is \$87.4 million. However, we are not obligated to make any further purchases under the 2021 Share Repurchase Program and we may suspend or permanently discontinue this program at any time or significantly reduce the amount of repurchases under the program. Any announcement of a suspension, discontinuance or reduction of this program may negatively impact our reputation and investor confidence.

The valuation of our private placement warrants could increase the volatility in our net income (loss) in our consolidated statements of earnings (loss).

The change in fair value of our private placement warrants is determined using the fair value of the liability classified private placement warrants by approximating the value with the share price of the public warrants. The change in fair value of warrant liability represents the mark-to-market fair value adjustments to the outstanding private placement warrants issued in connection with the initial public offering of Conyers Park. Significant changes in share price of the public warrants may adversely affect the volatility in our net income (loss) in our Condensed Consolidated Statements of Operations and Comprehensive Income (Loss).

Risks Related to Indebtedness

We need to continue to generate significant operating cash flow in order to fund acquisitions and to service our debt.

Our business currently generates operating cash flow, which we use to fund acquisitions to grow our business and to service our substantial indebtedness. If, because of loss of revenue, pressure on pricing from customers, increases in our costs (including increases in costs related to servicing our indebtedness or labor costs), general economic, financial, competitive, legislative, regulatory conditions or other factors, including any acceleration of the foregoing as a result of the COVID-19 pandemic, many of which are outside of our control our business generates less operating cash flow, we may not have sufficient funds to grow our business or to service our indebtedness.

If we are unable to generate sufficient cash flow or are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants in the agreements governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the lenders under our credit facilities could elect to terminate their commitments thereunder, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to obtain waivers from the required lenders under our credit agreements to avoid being in default. If we or any of our subsidiaries breach the covenants under our credit agreements and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our credit agreements, the lenders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation.

Our substantial indebtedness could adversely affect our financial health, restrict our activities, and affect our ability to meet our obligations.

We have a significant amount of indebtedness. As of June 30, 2022, we had total indebtedness of \$2.1 billion, excluding debt issuance costs, with an additional \$54.5 million of letters of credit outstanding under our revolving credit facility. The agreements governing our indebtedness contain customary covenants that restrict us from taking certain actions, such as incurring additional debt, permitting liens on pledged assets, making investments, paying dividends or making distributions to equity holders, prepaying junior debt, engaging in mergers or restructurings, and selling assets, among other things, which may restrict our ability to successfully execute on our business plan. For a more detailed description of the covenants and material terms of our material indebtedness, please see “*Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources*” in this Quarterly Report.

Despite current indebtedness levels, we and our subsidiaries may still be able to incur additional indebtedness, which could increase the risks associated with our indebtedness.

We and our subsidiaries may be able to incur additional indebtedness in the future because the terms of our indebtedness do not fully prohibit us or our subsidiaries from doing so. Subject to covenant compliance and certain conditions, as of June 30, 2022, the agreements governing our indebtedness would have permitted us to borrow up to an additional \$300.5 million under our revolving credit facility. In addition, we and our subsidiaries have, and will have, the ability to incur additional indebtedness as incremental facilities under our credit agreement and we or

our subsidiaries may issue additional notes in the future. If additional debt is added to our current debt levels and our subsidiaries' current debt levels, the related risks that we and they now face could increase.

Failure to maintain our credit ratings could adversely affect our liquidity, capital position, ability to hedge certain financial risks, borrowing costs, and access to capital markets.

Our credit risk is evaluated by the major independent rating agencies, and such agencies have in the past downgraded, and could in the future downgrade, our ratings. Our credit rating may impact the interest rates on any future indebtedness as well as the applicability of certain covenants in the agreements governing our indebtedness. We cannot assure you that we will be able to maintain our current credit ratings, and any additional, actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, may have a negative impact on our liquidity, capital position, ability to hedge certain financial risks, and access to capital markets.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our credit facilities are at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. On a pro forma basis, assuming no other prepayments of the credit facility and that our revolving credit facility is fully drawn (and to the extent that LIBOR is in excess of the 0.00% and 0.75% floors applicable to our revolving credit facility and our term loan credit facility, respectively), each one-eighth percentage point change in interest rates would result in an approximately \$0.6 million change in interest expense, net of gains from interest rate caps, for the three months ended June 30, 2022. In the future, we may enter into interest rate swaps that involve the exchange of floating- for fixed-rate interest payments in order to reduce interest rate volatility or risk. However, we may not maintain interest rate swaps with respect to any of our variable rate indebtedness, and any swaps we enter into may not fully or effectively mitigate our interest rate risk.

We are subject to risks related to recent proposals for reform regarding LIBOR.

Certain of our financial arrangements, including the Senior Secured Credit Facilities were made at variable rates that use the London Interbank Offered Rate, or LIBOR (or metrics derived from or related to LIBOR), as a benchmark for establishing the interest rate. LIBOR is the subject of recent proposals for reform. On July 27, 2017, the United Kingdom's Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. However, in November 2020, the Intercontinental Exchange Benchmark Administration, the administrator of LIBOR, announced that it intends to extend the cessation date for most LIBOR tenors to June 30, 2023. In the United States, efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee (the "ARRC") of the Federal Reserve Board and the Federal Reserve Bank of New York. On July 29, 2021, the ARRC formally recommended the SOFR as its preferred alternative to LIBOR in derivatives and other financial contracts. However, there continues to be uncertainty regarding the nature of potential changes to and future utilization of specific LIBOR tenors, the development and acceptance of alternative reference rates, and other reforms. These consequences cannot be entirely predicted and could have an adverse impact on the market value for or value of LIBOR-linked securities, loans and other financial obligations or extensions of credit held by or due to us. Changes in market interest rates may influence our financing costs, returns on financial investments and the valuation of derivative contracts and could reduce our earnings and cash flows.

General Risk Factors

Our business and financial results may be affected by various litigation and regulatory proceedings.

We are subject to litigation and regulatory proceedings in the normal course of business and could become subject to additional claims in the future. These proceedings have included, and in the future may include, matters involving personnel and employment issues, workers' compensation, personal and property injury, disputes relating to acquisitions (including contingent consideration), governmental investigations and other proceedings. Some historical and current legal proceedings and future legal proceedings may purport to be brought as class actions or

representative basis on behalf of similarly situated parties including with respect to employment-related matters. We cannot be certain of the ultimate outcomes of any such claims, and resolution of these types of matters against us may result in significant fines, judgments or settlements, which, if uninsured, or if the fines, judgments and settlements exceed insured levels, could adversely affect our business or financial results. See “*Legal Proceedings*.”

We are subject to many federal, state, local and international laws with which compliance is both costly and complex.

Our business is subject to various, and sometimes complex, laws and regulations, including those that have been or may be implemented in response to the COVID-19 pandemic. In order to conduct our operations in compliance with these laws and regulations, we must obtain and maintain numerous permits, approvals and certificates from various federal, state, local and international governmental authorities. We may incur substantial costs in order to maintain compliance with these existing laws and regulations. In addition, our costs of compliance may increase if existing laws and regulations are revised or reinterpreted or if new laws and regulations become applicable to our operations. These costs could have an adverse impact on our business or results of operations. Moreover, our failure to comply with these laws and regulations, as interpreted and enforced, could lead to fines, penalties or management distraction or otherwise harm our business.

Our insurance may not provide adequate levels of coverage against claims.

We believe that we maintain insurance customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. Further, insurance may not continue to be available to us on acceptable terms, if at all, and, if available, coverage may not be adequate. If we are unable to obtain insurance at an acceptable cost or on acceptable terms, we could be exposed to significant losses.

We have incurred and will continue to incur increased costs as a public company.

As a public company, we have incurred and will continue to incur significant legal, accounting, insurance, and other expenses that we did not incur as a private company, including costs associated with public company reporting requirements. We also have incurred and will incur costs associated with the Sarbanes-Oxley Act and related rules implemented by the SEC. The expenses incurred by public companies for reporting and corporate governance purposes generally have been increasing. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities more time-consuming and costly, although we are currently unable to estimate these costs with any degree of certainty. In estimating these costs, we took into account expenses related to insurance, legal, accounting, and compliance activities, as well as other expenses not currently incurred. These laws and regulations could also make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on our board committees, or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our Class A common stock, fines, sanctions, and other regulatory action and potentially civil litigation.

Our management has limited experience in operating a public company.

Our executive officers have limited experience in the management of a publicly traded company. Our management team may not successfully or effectively manage our transition to a public company that will be subject to significant regulatory oversight and reporting obligations under federal securities laws. Their limited experience in dealing with the increasingly complex laws pertaining to public companies could be a significant disadvantage in that it is likely that an increasing amount of their time may be devoted to these activities which will result in less time being devoted to the management and growth of the Company. We may not have adequate personnel with the appropriate level of knowledge, experience, and training in the accounting policies, practices or internal control over financial reporting required of public companies in the United States. The development and implementation of the standards and controls necessary for the Company to achieve the level of accounting standards required of a public company in the United States may require costs greater than expected. It is possible

that we will be required to expand our employee base and hire additional employees to support our operations as a public company which will increase our operating costs in future periods.

If securities analysts do not publish research or reports about our business or if they publish negative evaluations of our common stock, the price of our Class A common stock could decline.

The trading market for our Class A common stock will rely in part on the research and reports that industry or financial analysts publish about us or our business. If few analysts commence coverage of us, the trading price of our stock could be negatively affected. Even with analyst coverage, if one or more of the analysts covering our business downgrade their evaluations of our stock, the price of our Class A common stock could decline. If one or more of these analysts cease to cover our common stock, we could lose visibility in the market for our Class A common stock, which in turn could cause our Class A common stock price to decline.

Substantial future sales of our Class A common stock, or the perception in the public markets that these sales may occur, may depress our stock price.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect the price of our common stock and could impair our ability to raise capital through the sale of additional shares. Certain shares of our common stock are freely tradable without restriction under the Securities Act, except for any shares of our common stock that may be held or acquired by our directors, executive officers, and other affiliates, as that term is defined in the Securities Act, which are to be restricted securities under the Securities Act. Restricted securities may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available. Topco, the Advantage Sponsors, the CP Sponsor and members of our management have rights, subject to certain conditions, to require us to file registration statements covering Topco's shares of our common stock or to include shares in registration statements that we may file for ourselves or other stockholders. In each of November 2019 and March 2021, we filed a registration statement on Form S-1 under which certain of our shareholders may sell, from time to time, 50,000,000 shares and 255,465,000 shares of our Class A common stock, respectively, that, if sold, will be freely tradable without restriction under the Securities Act. In the event a large number of shares of Class A common stock are sold in the public market, such sales could reduce the market price of our Class A common stock.

We may also issue shares of our common stock or securities convertible into our common stock from time to time in connection with financings, acquisitions, investments, or otherwise. Any such issuance could result in ownership dilution to you as a stockholder and cause the trading price of our common stock to decline.

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

ITEM 6. EXHIBITS

The following exhibits are filed with this Report:

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1	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
32.2	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
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)

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/ Jill Griffin
Jill Griffin
Chief Executive Officer (Principal Executive Officer)

Date: August 9, 2022

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

Date: August 9, 2022

CERTIFICATIONS

I, Jill Griffin, 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.

August 9, 2022

By: /s/ Jill Griffin

Jill Griffin
Chief Executive Officer and Director
(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.

August 9, 2022

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 June 30, 2022, as filed with the Securities and Exchange Commission (the "Report"), I, Jill Griffin, 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.

August 9, 2022

By: /s/ Jill Griffin

Jill Griffin

Chief Executive Officer and Director

(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 June 30, 2022, 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.

August 9, 2022

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