

Compass Diversified (NYSE: CODI) - Q2 2026 Results, Outlook & Valuation

Quarter ended June 30, 2026. An externally managed, permanent-capital holding company that owns controlling stakes in middle-market Branded Consumer and Industrial businesses. This update reflects continued deleveraging, the Sterno sale, the amended manager agreement, a Lugano settlement, a CEO transition, and an activist campaign by a 19.3% holder.

A factual snapshot built from CODI's Q2 2026 filings, its own guidance, and verified market data. It contains no Blackspear forecast, price target, or recommendation. Prior-year non-GAAP comparisons exclude Lugano and the divested Sterno Food Service business.

NET REVENUES (Q2'26) \$424.0M approx. flat ex-divested vs Q2'25 down 11.4% GAAP (Lugano, Sterno)	SUBSIDIARY ADJ. EBITDA \$91.5M up 12.6% vs Q2'25 Consumer +24.2%, Industrial -12.8%	GAAP NET INCOME \$81.1M \$0.86 per share, but includes a \$182.3M Sterno gain, \$58M Lugano write-down	LEVERAGE (COVENANT) 4.8× down from 5.3× at Mar 31 senior secured net 0.66×
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SUBSIDIARY ADJUSTED EBITDA, Q2 2026 (EX-DIVESTED BASIS)

BUSINESS	ADJ. EBITDA	YOY	SEGMENT
BRANDED CONSUMER: \$270.8M SALES, +7.2%; \$69.3M EBITDA, +24.2%			
BOA	\$26.1M	+27%	Consumer
5.11 Tactical	\$18.0M	+14%	Consumer
PrimaLoft	\$13.8M	+28%	Consumer
The Honey Pot	\$10.9M	+32%	Consumer
Velocity Outdoor	\$0.5M	positive	Consumer
NICHE INDUSTRIAL: \$139.8M SALES, -11.5%; \$22.3M EBITDA, -12.8%			
Arnold Magnetics	\$6.2M	+50%	Industrial
Altor Solutions	\$7.9M	-50%	Industrial
Rimports (home fragrance)	\$8.3M	softer	Industrial
Subsidiary Adjusted EBITDA (ex-divested)	\$91.5M	+12.6%	\$410.6M rev

Branded Consumer drove the quarter: BOA, Honey Pot and PrimaLoft all grew 27 to 32%, aided by tariff refunds and order timing. Industrial fell on Altor (cold-chain and appliance softness, plus execution issues), partly offset by Arnold rare-earth magnet demand. Consolidated Adjusted EBITDA was \$65.6M (vs \$46.5M in Q2'25).

RECENT DEVELOPMENTS & GOVERNANCE

Deleveraging and the manager. CODI sold Sterno's Food Service business and applied more than \$280M to term-loan debt (total debt down to \$1.59B from \$1.89B), extended its credit facility to Jan 2028, and amended its Management Services Agreement to cut the base fee from 2.0% to 1.25% of adjusted net assets (2027 base fee capped at \$30M), for about \$20M of expected 2027 savings. **Lugano:** a settlement was reached to liquidate Lugano's assets in an orderly way, with roughly \$20M of recovery expected by early fall. **Leadership:** CEO Elias Sabo will retire on Dec 31, 2026; COO Zach Sawtelle is the named successor. **Activist:** ADW Capital, which reports a 19.3% beneficial stake, has publicly called for the board to internalize the external manager and run a strategic review or orderly liquidation, and says it may nominate its own directors (see page 2).

2026 OUTLOOK (MAINTAINED), PER THE AUG 10, 2026 RELEASE AND CALL

COMPANY FY2026 OUTLOOK: SUBSIDIARY ADJUSTED EBITDA				MAINTAINED · MIX RESHAPED
SUBSIDIARY ADJ. EBITDA	BRANDED CONSUMER	NICHE INDUSTRIAL	FREE CASH FLOW (COMPANY)	
\$320–365M	\$235–270M	\$85–95M	approx. \$50M	
midpoint approx. \$342.5M	raised from \$225–260M	lowered from \$95–105M	per year, after all	
H1 consol. adj. EBITDA \$122.1M	Consumer-led growth	Altor weakness	payments, per CFO	
Guidance is non-GAAP and includes roughly \$9M of Adjusted EBITDA from the Sterno Food Service business through its May 1 sale (not recurring). Corporate cost is guided toward roughly \$50M for 2027 (management fees of about \$30 to \$35M plus public-company costs of about \$20M), down as Lugano one-time costs roll off. It is before interest and preferred distributions.				

VALUATION SNAPSHOT, AS OF AUGUST 11, 2026 CLOSE

Share price (Aug 11, 2026)	\$12.32	EV / FY26 subsidiary adj. EBITDA (mid)	approx. 8.5×
Common market cap (75.2M shares)	approx. \$927M	Leverage (company, covenant basis)	4.8×
Preferred (A/B/C, carrying)	approx. \$478M	Common divided by EV (junior slice)	approx. 32%
Net debt (Jun 30)	approx. \$1,505M	Common dividend	Suspended
Enterprise value	approx. \$2,910M	52-week range · shares out.	\$4.58–\$13.24 · 75.2M

Multiples move with the share price; refresh before relying on them. EV adds approximately \$478M of preferred (carrying; approximately \$503M liquidation preference) and approximately \$1,505M of net debt to an approximately \$927M common cap, so the common is roughly 32% of enterprise value. EV / Subsidiary Adjusted EBITDA uses CODI's guided metric, which is before corporate expense, interest and preferred distributions. GAAP continuing operations run near breakeven once the one-time Sterno gain is excluded, so a P/E is not meaningful and is not presented. See page 2 for valuation, the value gap, and risks.

Full Excel model, linked tabs (subsidiary detail, segment EBITDA, guidance bridge, capital structure and EV/EBITDA, leverage and Lugano tracker, source tie-outs), available on request. Email info@blackspearllc.com for a copy.

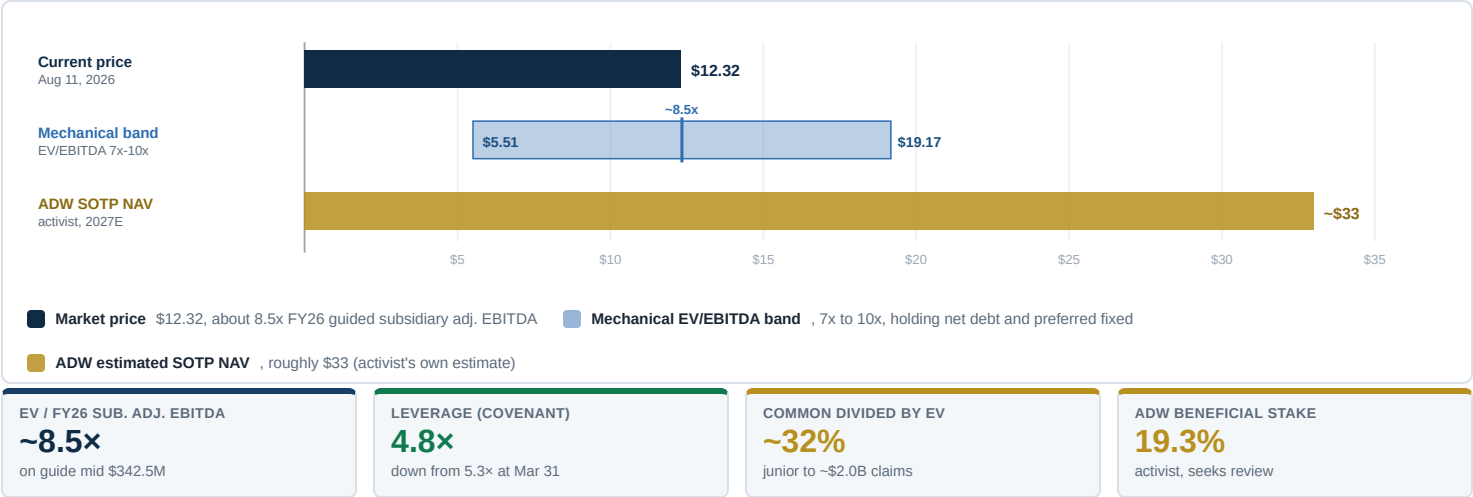
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Compass Diversified (NYSE: CODI) - Valuation, the Value Gap & Key Risks

CODI is a levered, externally managed holding company whose common is a junior slice behind about \$2.0B of net debt and preferred. Continuing operations run near breakeven once the one-time Sterno gain is removed, so this page values the enterprise on EV / Subsidiary Adjusted EBITDA and frames the wide gap between the share price and estimates of intrinsic value that an activist is now pressing to close.

Multiples and the reference band are mechanical Blackspear calculations from CODI filings and market data. The activist NAV shown is ADW Capital's own estimate, attributed and not endorsed. Nothing here is a Blackspear valuation, price target, or recommendation.

PER-SHARE VALUE REFERENCES: MARKET PRICE VS. MECHANICAL BAND VS. ACTIVIST NAV



VALUATION & THE VALUE GAP

Current price (Aug 11, 2026)	\$12.32
Enterprise value	approx. \$2,910M
EV / FY26 sub. adj. EBITDA (mid \$342.5M)	~8.5x
EV / range (\$320 to \$365M)	~8.0 to 9.1x
Net debt / adj. EBITDA (company covenant)	4.8x
Mechanical per-share band (7x to 10x)	\$5.51 to \$19.17
Each 1x turn of EV/EBITDA	approx. \$4.55/sh
ADW estimated SOTP NAV (2027E)	~\$33
Free cash flow, after all payments (CFO)	approx. \$50M/yr

The mechanical band capitalizes FY26 guided EBITDA and holds net debt and preferred fixed, so each turn of the multiple moves the common by about \$4.55 per share. ADW's roughly \$33 uses 2027 estimates and premium exit multiples; it is the activist's estimate, not Blackspear's, and depends on selling businesses at those multiples.

THE READ: A VALUE GAP AND WHO CLOSES IT

CHEAP ON THE PARTS, HEAVY ON STRUCTURE AND RISK

A self-help and governance story, not a clean value multiple

Bull case: leverage has fallen from 5.3x to 4.8x, the manager fee is being cut (about \$20M from 2027), the businesses are largely healthy (Consumer up 24%), and both management and a 19.3% activist say the shares trade well below intrinsic value. Bear case: the common is a thin junior slice behind about \$2.0B of debt and preferred, Lugano and Industrial remain unresolved, and closing the gap depends on divestitures, a contested board, and a CEO handoff. The catalyst is execution and governance, not the headline 8.5x.

ADW Capital (July 16, 2026 letter) calls on the board to internalize the external manager and pursue a strategic review or orderly liquidation, and says it may nominate its own director slate. Management says it is focused on the same gap through deleveraging, divestitures and capital return. Both point to a discount; they disagree on the path.

- TOP RISK FACTORS (SUMMARIZED FROM CODI FILINGS; ACTIVIST ITEMS ARE ADW'S STATED POSITIONS; NOT EXHAUSTIVE)
- Lugano tail. Deconsolidated in 2025 after an accounting-irregularities investigation; the intercompany receivable was written down by \$58M (carried near \$39M); SEC and DOJ inquiries, litigation and remediation continue; recovery is uncertain despite the liquidation settlement.

External manager and activist contest. The manager (CGM) is a related party; ADW (19.3%) demands internalization and a strategic review and may run a proxy contest. Outcome, cost and governance changes are uncertain and could be contentious.

Industrial weakness and execution. Altor adjusted EBITDA fell about 50% on soft cold-chain and appliance demand and acknowledged execution issues; Industrial guidance was lowered; results are cyclical.

Leverage and a junior common. About \$1.5B net debt plus about \$478M preferred rank ahead of a roughly \$927M common, so modest moves in EBITDA or leverage swing the equity sharply. The common distribution is suspended.

Leadership transition. Founder and CEO Elias Sabo retires Dec 31, 2026, with COO Zach Sawtelle as successor, a key-person change during a contested and transitional period.

Structure and capital return. A permanent-capital, externally managed vehicle dependent on divestitures for capital return; forward Subsidiary Adjusted EBITDA is not reconciled to GAAP, and preferred distributions are discretionary or non-cumulative.
- On the numbers. Q2 2026 results, segment figures, leverage and the 2026 outlook are from CODI's Aug 10, 2026 earnings release, 10-Q and call; the outlook (\$320 to \$365M Subsidiary Adjusted EBITDA) is the company's own and is not reconciled to GAAP. EV, EV/EBITDA, the mechanical per-share band and the leverage math are Blackspear calculations using public market data as of August 11, 2026 (price \$12.32; approximately \$927M common cap; approximately \$478M preferred; approximately \$1,505M net debt; EV approximately \$2,910M). The roughly \$33 SOTP NAV and the internalization value claims are ADW Capital's own estimates from its July 16, 2026 letter, attributed and not verified or endorsed by Blackspear. Mechanical constructs only, not a valuation, forecast, price target, or recommendation.
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