



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

November 9, 2022

IRVINE, Calif., Nov. 09, 2022 (GLOBE NEWSWIRE) -- Advantage Solutions Inc. (NASDAQ: ADV) ("Advantage," "Advantage Solutions," the "Company," "we" or "our"), a leading provider of outsourced sales and marketing services to consumer goods manufacturers and retailers, today reported financial results for its third quarter ended September 30, 2022.

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

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

### Third Quarter 2022 Highlights

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

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

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

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

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

### Balance Sheet Highlights

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

### Fiscal Year 2022 Outlook

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

### Conference Call Details

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

on the Investor Relations section of the Advantage website at [ir.advantagesolutions.net](http://ir.advantagesolutions.net).

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

## **About Advantage Solutions**

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

## **Forward-Looking Statements**

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

These forward-looking statements are based upon estimates and assumptions that, while considered reasonable by Advantage and its management at the time of such statements, are inherently uncertain. Factors that may cause actual results to differ materially from current expectations include, but are not limited to, the COVID-19 pandemic and the measures taken in response thereto; the availability, acceptance, administration and effectiveness of any COVID-19 vaccine; market-driven wage changes or changes to labor laws or wage or job classification regulations, including minimum wage; Advantage's ability to continue to generate significant operating cash flow; client procurement strategies and consolidation of Advantage's clients' industries creating pressure on the nature and pricing of its services; consumer goods manufacturers and retailers reviewing and changing their sales, retail, marketing and technology programs and relationships; Advantage's ability to successfully develop and maintain relevant omni-channel services for our clients in an evolving industry and to otherwise adapt to significant technological change; Advantage's ability to maintain proper and effective internal control over financial reporting in the future; potential and actual harms to Advantage's business arising from the Take 5 Matter; Advantage's substantial indebtedness and our ability to refinance at favorable rates; and other risks and uncertainties set forth in the section titled "Risk Factors" in the Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed by the Company with the Securities and Exchange Commission (the "SEC") on March 1, 2022 and November 9, 2022, respectively, and in its other filings made from time to time with the SEC. These filings identify and address other important risks and uncertainties that could cause actual events and results to differ materially from those contained in the forward-looking statements. Forward-looking statements speak only as of the date they are made. Readers are cautioned not to put undue reliance on forward-looking statements, and Advantage assumes no obligation and does not intend to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## **Non-GAAP Financial Measures and Related Information**

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

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

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

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

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

reflect the absolute figures.

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

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

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

(a) Represents expenses related to (i) equity-based compensation expense associated with grants of Common Series D Units of Karman Topco L.P. ("Topco") made to one of the equity holders of Topco and (ii) equity-based compensation expense associated with the Common Series C Units of Topco.

(b) Represents non-cash compensation expense related to the 2020 Incentive Award Plan and the 2020 Employee Stock Purchase Plan.

(c) Represents adjustments to the estimated fair value of our contingent consideration liabilities related to our acquisitions. See Note 6—*Fair Value of Financial Instruments* to our unaudited condensed financial statements for the three and nine months ended September 30, 2022 and 2021.

(d) Represents fees and costs associated with activities related to our acquisitions and restructuring activities including professional fees, due diligence, and integration activities.

(e) Represents additions to reflect our proportional share of Adjusted EBITDA related to our equity method investments and reductions to remove the Adjusted EBITDA related to the minority ownership percentage of the entities that we fully consolidate in our financial statements.

(f) Represents fees and costs associated with various internal reorganization activities among our consolidated entities.

(g) Represents legal settlements that are unusual or infrequent costs associated with our operating activities.

(h) Represents (i) costs related to implementation of strategies for workplace safety in response to COVID-19, including employee-relief fund, additional sick pay for front-line associates, medical benefit payments for furloughed associates, and personal protective equipment; and (ii) benefits received from government grants for COVID-19 relief.

(i) Represents costs associated with the Take 5 Matter, primarily, professional fees and other related costs, for the three and nine months ended September 30, 2022 and 2021, respectively.

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

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

**Total Net Debt**

**\$ 1,986.2**

**Contacts:**

Lasse Glassen

Addo Investor Relations

[investorrelations@advantagesolutions.net](mailto:investorrelations@advantagesolutions.net)

(424) 238-6249