
United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 8-K

Current Report

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

Date of Report (Date of earliest event reported): November 8, 2023

CADRE HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-40698
(Commission File Number)

38-3873146
(IRS Employer
Identification Number)

13386 International Pkwy
Jacksonville, Florida
(Address of principal executive offices)

32218
(Zip Code)

Registrant's telephone number, including area code: (904) 741-5400

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|----------------------------------|----------------|---|
| Common Stock, par value \$0.0001 | CDRE | New York Stock Exchange |

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

- Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition

On November 8, 2023, Cadre Holdings, Inc. (the “Company”) issued a press release announcing its financial results for the quarter ended September 30, 2023. A copy of this press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference. Attached hereto as Exhibit 99.2 and incorporated herein by reference is a presentation regarding the Company’s financial results for the quarter ended September 30, 2023.

The press release and presentation contain the non-GAAP measures earnings before interest, taxes, other income or expense, depreciation and amortization (“EBITDA”), adjusted EBITDA, adjusted EBITDA margin and last twelve months adjusted EBITDA. The Company believes that the presentation of these non-GAAP measures provides useful information for the understanding of its ongoing operations and enables investors to focus on period-over-period operating performance, and thereby enhances the user's overall understanding of the Company's current financial performance relative to past performance and provides, along with the nearest GAAP measures, a baseline for modeling future earnings expectations. The non-GAAP measures are reconciled to comparable GAAP financial measures within the press release and the presentation. The Company cautions that non-GAAP measures should be considered in addition to, but not as a substitute for, the Company’s reported GAAP results. Additionally, the Company notes that there can be no assurance that the above referenced non-GAAP financial measures are comparable to similarly titled financial measures used by other publicly traded companies.

The information in Items 2.02 and 7.01 of this Current Report on Form 8-K (including Exhibits 99.1 and 99.2 attached hereto) shall not be deemed “filed” for purposes of Section 18 of the Securities Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 7.01. Regulation FD Disclosure

The information set forth under Item 2.02 “Results of Operations and Financial Condition” is incorporated into this Item 7.01 by reference.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits.

| Exhibit | Description |
|---------|---|
| 99.1 | Press Release, dated November 8, 2023 (furnished only). |
| 99.2 | Slide Presentation for Conference Call held on November 8, 2023 (furnished only). |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: November 8, 2023

CADRE HOLDINGS, INC.

By: /s/ Blaine Browers

Name: Blaine Browers

Title: Chief Financial Officer

Cadre Holdings Reports Third Quarter 2023 Financial Results

Increased Quarterly Revenue, Net Income, and Gross Margin Sequentially and Year-Over-Year

Second Consecutive Quarter of Record Adjusted EBITDA and Adjusted EBITDA Margin

Expects Record Full-Year 2023 Net Sales Between \$477 to \$481 Million and Raises 2023 Full-Year Adjusted EBITDA Guidance Range to \$82 to \$85 Million

JACKSONVILLE, Fla., November 8, 2023 – Cadre Holdings, Inc. (NYSE: CDRE) ("Cadre" or "the Company"), a global leader in the manufacturing and distribution of safety and survivability equipment for first responders, announced today its consolidated operating results for the three and nine months ended September 30, 2023.

- Net sales of \$125.1 million for the third quarter; net sales of \$357.9 million for the nine months ended September 30, 2023
- Gross profit margin of 42.8% for the third quarter; gross profit margin of 42.2% for the nine months ended September 30, 2023
- Net income of \$11.1 million, or \$0.29 per diluted share, for the third quarter; net income of \$29.0 million, or \$0.77 per diluted share, for the nine months ended September 30, 2023
- Adjusted EBITDA of \$23.7 million for the third quarter; Adjusted EBITDA of \$65.1 million for the nine months ended September 30, 2023
- Adjusted EBITDA margin of 19.0% for the third quarter; Adjusted EBITDA margin of 18.2% for the nine months ended September 30, 2023
- Declared quarterly cash dividend of \$0.08 per share in October 2023

“Cadre’s outstanding third quarter is a testament to our team’s continued strategic execution, together with strong, sustained demand for our mission-critical safety and survivability equipment,” said Warren Kanders, CEO and Chairman. “The implementation of the Cadre operating model, focused on constant improvement and the optimization of outcomes, continued to drive our strong financial performance, highlighted by record Adjusted EBITDA margins and gross margins. For the second consecutive quarter, we achieved our highest Adjusted EBITDA in history, while generating increased net sales and net income both sequentially and year-over-year.”

Mr. Kanders added, “We are pleased to once again raise our full year Adjusted EBITDA outlook based on Cadre’s outperformance to date and confidence in our businesses’ fundamentals for the remainder of 2023. In both the US and internationally, we have seen a broad push to prioritize public safety and believe Cadre is ideally positioned to capitalize on these secular tailwinds over the medium and long term. We continue to actively pursue M&A opportunities to either enhance our market dominance or enter attractive, new adjacencies consistent with our key criteria. With entrenched positions in law enforcement, first responder and military markets, we are on pace to deliver record full year net sales in 2023 and remain excited about the opportunity to further grow our leading platform of premium safety brands moving forward.”

Third Quarter and Nine-Month 2023 Operating Results

For the quarter ended September 30, 2023, Cadre generated net sales of \$125.1 million, as compared to \$111.6 million for the quarter ended September 30, 2022. This increase was primarily the result of higher domestic demand for armor products and large international orders for crowd control products, partially offset by decreased agency demand for hard goods.

For the nine months ended September 30, 2023, Cadre generated net sales of \$357.9 million, as compared to \$334.2 million for the prior year period, mainly driven by recent acquisitions and higher demand for armor and crowd control products, partially offset by timing for our EOD products.

For the quarter ended September 30, 2023, Cadre generated gross profit of \$53.6 million, as compared to \$43.7 million for the quarter ended September 30, 2022. For the nine months ended September 30, 2023, Cadre generated gross profit of \$151.0 million, as compared to \$127.2 million for the prior year period.

Gross profit margin was 42.9% for the quarter ended September 30, 2023, as compared to 39.2% for the quarter ended September 30, 2022. Gross profit margin was 42.2% for the nine months ended September 30, 2023, as compared to 38.0% for the prior year period, mainly driven by favorable pricing and product mix, prior year amortization of inventory step-up related to acquisitions, and productivity, partially offset by inflation.

Net income was \$11.1 million for the quarter ended September 30, 2023, as compared to a net income of \$4.9 million for the quarter ended September 30, 2022. The increase resulted primarily from the change in year-over-year sales and the increase in gross profit margin.

Net income was \$29.0 million for the nine months ended September 30, 2023, as compared to a net loss of \$0.8 million for the prior year period, primarily due to the change in year-over-year sales, the increase in gross profit margin, and a decrease in stock-based compensation expense.

Cadre generated \$23.7 million of Adjusted EBITDA for the quarter ended September 30, 2023, as compared to \$20.7 million for the quarter ended September 30, 2022. Adjusted EBITDA margin was 19.0% for the quarter ended September 30, 2023, as compared to 18.6% for the prior year period.

Cadre generated \$65.1 million of Adjusted EBITDA for the nine months ended September 30, 2023, as compared to \$53.3 million for the prior year period. Adjusted EBITDA margin was 18.2% for the nine months ended September 30, 2023, as compared to 16.0% for the prior year period.

Product segment gross margin was 44.3% and 43.9% for the third quarter and first nine months of 2023, respectively, compared to 41.6% and 40.2% for the respective prior year periods.

Distribution segment gross margin was 22.7% and 23.3% for the third quarter and first nine months of 2023, respectively, compared to 19.8% and 20.9% for the respective prior year periods.

Liquidity, Cash Flows and Capital Allocation

- Cash and cash equivalents increased by \$24.1 million from \$45.3 million as of December 31, 2022 to \$69.4 million as of September 30, 2023.
- Total debt decreased by \$6.1 million from \$149.7 million as of December 31, 2022, to \$143.6 million as of September 30, 2023.
- Net debt (total debt net of cash and cash equivalents) decreased by \$30.3 million from \$104.4 million as of December 31, 2022, to \$74.2 million as of September 30, 2023.
- Capital expenditures totaled \$1.8 million for the third quarter and \$4.3 million for the nine months ended September 30, 2023, compared with \$0.7 million for the third quarter and \$3.2 million for the nine months ended September 30, 2022.

Dividend

On October 24, 2023, the Company announced that its Board of Directors declared a quarterly cash dividend of \$0.08 per share, or \$0.32 per share on an annualized basis. Cadre's dividend payment will be made on November 17, 2023, to shareholders of record as of the close of business on the record date of November 3, 2023. The declaration of any future dividend is subject to the discretion of the Company's Board of Directors.

2023 Outlook Update

As a result of the Company's third-quarter performance and management's outlook for the remainder of the year, Cadre raised the midpoint of its full-year Adjusted EBITDA guidance range and increased net sales guidance. For the full year 2023, Cadre expects to generate net sales in the range of \$477 million to \$481 million and Adjusted EBITDA in the range of \$82 million to \$85 million. We expect capital expenditures to be in the range of \$7.0 million to \$8.0 million.

Conference Call

Cadre management will host a conference call on Wednesday, November 8, 2023, at 5:00 PM EST to discuss the latest corporate developments and financial results. The dial-in number for callers in the US is (888)-510-2553 and the dial-in number for international callers is 646-960-0473. The access code for all callers is 1410384. A live webcast will also be available on the Company's website at <https://www.cadre-holdings.com/>.

A replay of the call will be available through November 22, 2023. To access the replay, please dial 800-770-2030 in the U.S. or +1-647-362-9199 if outside the U.S., and then enter the access code 1410384.

About Cadre

Headquartered in Jacksonville, Florida, Cadre is a global leader in the manufacturing and distribution of safety and survivability products for first responders. Cadre's equipment provides critical protection to allow users to safely and securely perform their duties and protect those around them in hazardous or life-threatening situations. The Company's core products include body armor, explosive ordnance disposal equipment, and duty gear. Our highly engineered products are utilized in over 100 countries by federal, state and local law enforcement, fire and rescue professionals, explosive ordnance disposal teams, and emergency medical technicians. Our key brands include Safariland® and Med-Eng®, amongst others.

Use of Non-GAAP Measures

The Company reports its financial results in accordance with U.S. generally accepted accounting principles ("GAAP"). The press release contains the non-GAAP measures: (i) earnings before interest, taxes, other income or expense, depreciation and amortization ("EBITDA"), (ii) adjusted EBITDA, (iii) adjusted EBITDA margin and (iv) last twelve months adjusted EBITDA. The Company believes the presentation of these non-GAAP measures provides useful information for the understanding of its ongoing operations and enables investors to focus on period-over-period operating performance, and thereby enhances the user's overall understanding of the Company's current financial performance relative to past performance and provides, along with the nearest GAAP measures, a baseline for modeling future earnings expectations. Non-GAAP measures are reconciled to comparable GAAP financial measures within this press release. The Company cautions that non-GAAP measures should be considered in addition to, but not as a substitute for, the Company's reported GAAP results. Additionally, the Company notes that there can be no assurance that the above referenced non-GAAP financial measures are comparable to similarly titled financial measures used by other publicly traded companies.

Forward-Looking Statements

Except for historical information, certain matters discussed in this press release may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include but are not limited to all projections and anticipated levels of future performance. Forward-looking statements involve risks, uncertainties and other factors that may cause our actual results to differ materially from those discussed herein. Any number of factors could cause actual results to differ materially from projections or forward-looking statements, including without limitation, changes to global, social and political economic conditions, spending patterns of government agencies, competitive pressures, the impact of acquisitions and related integration activities, logistical challenges related to disruptions and delays, product liability claims, the success of new product introductions, currency exchange rate fluctuations and the risks of doing business in the markets in which we operate, including foreign countries. More information on potential factors that could affect the Company's financial results are more fully described from time to time in the Company's public reports filed with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K. All forward-looking statements included in this press release are based upon information available to the Company as of the date of this press release, and speak only as of the date hereof. We assume no obligation to update any forward-looking statements to reflect events or circumstances after the date of this press release.

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Joele Frank, Wilkinson Brimmer Katcher

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CADRE HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In thousands, except share and per share amounts)

| | <u>September 30, 2023</u> | <u>December 31, 2022</u> |
|--|---------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 69,412 | \$ 45,286 |
| Accounts receivable, net of allowance for doubtful accounts of \$819 and \$924, respectively | 61,261 | 64,557 |
| Inventories | 82,546 | 70,273 |
| Prepaid expenses | 14,667 | 10,091 |
| Other current assets | 8,836 | 6,811 |
| Total current assets | 236,722 | 197,018 |
| Property and equipment, net of accumulated depreciation and amortization of \$48,994 and \$42,694, respectively | 43,657 | 45,285 |
| Operating lease assets | 6,643 | 8,489 |
| Deferred tax assets, net | 2,299 | 2,255 |
| Intangible assets, net | 44,333 | 50,695 |
| Goodwill | 81,212 | 81,576 |
| Other assets | 5,639 | 6,634 |
| Total assets | \$ 420,505 | \$ 391,952 |
| Liabilities, Mezzanine Equity and Shareholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 30,733 | \$ 23,406 |
| Accrued liabilities | 38,673 | 38,720 |
| Income tax payable | 7,049 | 4,584 |
| Liabilities held for sale | — | — |
| Current portion of long-term debt | 13,251 | 12,211 |
| Total current liabilities | 89,706 | 78,921 |
| Long-term debt | 130,309 | 137,476 |
| Long-term operating lease liabilities | 3,603 | 4,965 |
| Deferred tax liabilities | 5,047 | 3,508 |
| Other liabilities | 1,843 | 1,192 |
| Total liabilities | 230,508 | 226,062 |
| Mezzanine equity | | |
| Preferred stock (\$0.0001 par value, 10,000,000 shares authorized, no shares issued and outstanding as of September 30, 2023 and December 31, 2022) | — | — |
| Shareholders' equity | | |
| Common stock (\$0.0001 par value, 190,000,000 shares authorized, 37,586,031 and 37,332,271 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively) | 4 | 4 |
| Additional paid-in capital | 210,543 | 206,540 |
| Accumulated other comprehensive income | 2,143 | 2,087 |
| Accumulated deficit | (22,693) | (42,741) |
| Total shareholders' equity | 189,997 | 165,890 |
| Total liabilities, mezzanine equity and shareholders' equity | \$ 420,505 | \$ 391,952 |

CADRE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except share and per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|-----------------|---------------------------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net sales | \$ 125,114 | \$ 111,554 | \$ 357,949 | \$ 334,192 |
| Cost of goods sold | 71,511 | 67,814 | 206,981 | 207,042 |
| Gross profit | 53,603 | 43,740 | 150,968 | 127,150 |
| Operating expenses | | | | |
| Selling, general and administrative | 36,314 | 31,732 | 105,615 | 118,431 |
| Restructuring and transaction costs | 439 | 1,578 | 1,132 | 3,380 |
| Related party expense | 116 | 112 | 379 | 1,346 |
| Total operating expenses | 36,869 | 33,422 | 107,126 | 123,157 |
| Operating income | 16,734 | 10,318 | 43,842 | 3,993 |
| Other expense | | | | |
| Interest expense | (1,073) | (1,567) | (3,727) | (4,496) |
| Other (expense) income, net | (315) | (1,851) | 395 | (2,812) |
| Total other expense, net | (1,388) | (3,418) | (3,332) | (7,308) |
| Income (loss) before provision for income taxes | 15,346 | 6,900 | 40,510 | (3,315) |
| (Provision) benefit for income taxes | (4,293) | (1,959) | (11,463) | 2,536 |
| Net income (loss) | \$ 11,053 | \$ 4,941 | \$ 29,047 | \$ (779) |
| Net income (loss) per share: | | | | |
| Basic | \$ 0.29 | \$ 0.13 | \$ 0.77 | \$ (0.02) |
| Diluted | \$ 0.29 | \$ 0.13 | \$ 0.77 | \$ (0.02) |
| Weighted average shares outstanding: | | | | |
| Basic | 37,586,031 | 37,289,880 | 37,515,976 | 35,697,891 |
| Diluted | 37,930,888 | 37,747,614 | 37,830,790 | 35,697,891 |

CADRE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

| | Nine Months Ended September 30, | |
|--|---------------------------------|------------------|
| | 2023 | 2022 |
| Cash Flows From Operating Activities: | | |
| Net income (loss) | \$ 29,047 | \$ (779) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 12,385 | 11,319 |
| Amortization of original issue discount and debt issue costs | 359 | 554 |
| Amortization of inventory step-up | — | 3,055 |
| Deferred income taxes | 1,317 | (2,755) |
| Stock-based compensation | 7,060 | 28,988 |
| Gain on sale of fixed assets | (98) | — |
| Provision for losses on accounts receivable | 37 | 245 |
| Foreign exchange (gain) loss | (243) | 3,006 |
| Other | (296) | — |
| Changes in operating assets and liabilities, net of impact of acquisitions: | | |
| Accounts receivable | 3,429 | (3,271) |
| Inventories | (12,229) | (7,187) |
| Prepaid expenses and other assets | (3,131) | 986 |
| Accounts payable and other liabilities | 8,623 | (4,660) |
| Net cash provided by operating activities | <u>46,260</u> | <u>29,501</u> |
| Cash Flows From Investing Activities: | | |
| Purchase of property and equipment | (4,248) | (2,938) |
| Proceeds from disposition of property and equipment | 206 | — |
| Business acquisitions, net of cash acquired | — | (55,039) |
| Net cash used in investing activities | <u>(4,042)</u> | <u>(57,977)</u> |
| Cash Flows From Financing Activities: | | |
| Proceeds from revolving credit facilities | — | 43,000 |
| Principal payments on revolving credit facilities | — | (43,000) |
| Principal payments on term loans | (7,500) | (7,514) |
| Proceeds from insurance premium financing | 3,949 | 3,989 |
| Principal payments on insurance premium financing | (2,909) | (3,878) |
| Payment of capital leases | — | (26) |
| Taxes paid in connection with employee stock transactions | (2,725) | (6,216) |
| Proceeds from secondary offering, net of underwriter discounts | — | 56,329 |
| Deferred offering costs | — | (2,953) |
| Dividends distributed | (8,999) | (8,521) |
| Net cash (used in) provided by financing activities | <u>(18,184)</u> | <u>31,210</u> |
| Effect of foreign exchange rates on cash and cash equivalents | 92 | (241) |
| Change in cash and cash equivalents | 24,126 | 2,493 |
| Cash and cash equivalents, beginning of period | 45,286 | 33,857 |
| Cash and cash equivalents, end of period | <u>\$ 69,412</u> | <u>\$ 36,350</u> |
| Supplemental Disclosure of Cash Flows Information: | | |
| Cash paid for income taxes, net | \$ 7,923 | \$ 710 |
| Cash paid for interest | \$ 7,389 | \$ 3,860 |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities: | | |
| Accruals and accounts payable for capital expenditures | \$ 24 | \$ 272 |

CADRE HOLDINGS, INC.
SEGMENT INFORMATION
(Unaudited)
(In thousands)

| | Three Months Ended September 30, 2023 | | | |
|--------------------|---------------------------------------|-----------------|-------------------------------------|------------------|
| | Product | Distribution | Reconciling Items ⁽¹⁾ | Total |
| Net sales | \$ 108,495 | \$ 24,208 | \$ (7,589) | \$ 125,114 |
| Cost of goods sold | 60,380 | 18,724 | (7,593) | 71,511 |
| Gross profit | <u>\$ 48,115</u> | <u>\$ 5,484</u> | <u>\$ 4</u> | <u>\$ 53,603</u> |

| | Three Months Ended September 30, 2022 | | | |
|--------------------|---------------------------------------|-----------------|-------------------------------------|------------------|
| | Product | Distribution | Reconciling Items ⁽¹⁾ | Total |
| Net sales | \$ 92,718 | \$ 26,012 | \$ (7,176) | \$ 111,554 |
| Cost of goods sold | 54,125 | 20,859 | (7,170) | 67,814 |
| Gross profit | <u>\$ 38,593</u> | <u>\$ 5,153</u> | <u>\$ (6)</u> | <u>\$ 43,740</u> |

| | Nine Months Ended September 30, 2023 | | | |
|--------------------|--------------------------------------|------------------|-------------------------------------|-------------------|
| | Product | Distribution | Reconciling Items ⁽¹⁾ | Total |
| Net sales | \$ 305,057 | \$ 74,594 | \$ (21,702) | \$ 357,949 |
| Cost of goods sold | 171,204 | 57,200 | (21,423) | 206,981 |
| Gross profit | <u>\$ 133,853</u> | <u>\$ 17,394</u> | <u>\$ (279)</u> | <u>\$ 150,968</u> |

| | Nine Months Ended September 30, 2022 | | | |
|--------------------|--------------------------------------|------------------|-------------------------------------|-------------------|
| | Product | Distribution | Reconciling Items ⁽¹⁾ | Total |
| Net sales | \$ 277,941 | \$ 73,836 | \$ (17,585) | \$ 334,192 |
| Cost of goods sold | 166,192 | \$ 58,437 | \$ (17,587) | 207,042 |
| Gross profit | <u>\$ 111,749</u> | <u>\$ 15,399</u> | <u>\$ 2</u> | <u>\$ 127,150</u> |

⁽¹⁾ Reconciling items consist primarily of intercompany eliminations and items not directly attributable to operating segments.

CADRE HOLDINGS, INC.
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(Unaudited)
(In thousands)

| | Year ended December 31, 2022 | Three Months Ended June 30, 2023 | Three Months Ended September 30, | | Nine Months Ended September 30, | | Last Twelve Months September 30, 2023 |
|---|------------------------------------|--|-------------------------------------|------------------|------------------------------------|------------------|---|
| | | | 2023 | 2022 | 2023 | 2022 | |
| Net income (loss) | \$ 5,820 | \$ 10,992 | \$ 11,053 | \$ 4,941 | \$ 29,047 | \$ (779) | \$ 35,646 |
| Add back: | | | | | | | |
| Depreciation and amortization | 15,651 | 3,959 | 4,165 | 3,939 | 12,385 | 11,319 | 16,717 |
| Interest expense | 6,206 | 1,013 | 1,073 | 1,567 | 3,727 | 4,496 | 5,437 |
| Provision (benefit) for income taxes | 3,553 | 4,229 | 4,293 | 1,959 | 11,463 | (2,536) | 17,552 |
| EBITDA | \$ 31,230 | \$ 20,193 | \$ 20,584 | \$ 12,406 | \$ 56,622 | \$ 12,500 | \$ 75,352 |
| Add back: | | | | | | | |
| Restructuring and transaction costs(1) | 5,355 | 693 | 439 | 1,578 | 1,132 | 4,380 | 2,107 |
| Other general income(2) | (159) | — | — | — | — | — | (159) |
| Other expense (income), net(3) | 1,137 | (346) | 315 | 1,851 | (395) | 2,812 | (2,070) |
| Stock-based compensation expense(4) | 32,239 | 2,105 | 2,208 | 2,820 | 7,060 | 29,361 | 9,938 |
| Stock-based compensation payroll tax expense(5) | 305 | — | — | — | 220 | 305 | 220 |
| LTIP bonus(6) | 1,369 | 160 | 185 | 375 | 489 | 933 | 925 |
| Amortization of inventory step-up(7) | 4,255 | — | — | 1,711 | — | 3,055 | 1,200 |
| Adjusted EBITDA | \$ 75,731 | \$ 22,805 | \$ 23,731 | \$ 20,741 | \$ 65,128 | \$ 53,346 | \$ 87,513 |
| Adjusted EBITDA margin(8) | 16.5 % | 18.8 % | 19.0 % | 18.6 % | 18.2 % | 16.0 % | |

- (1) Reflects the “Restructuring and transaction costs” line item on our condensed consolidated statement of operations, which primarily includes transaction costs composed of legal and consulting fees, and \$1.0 million paid to Kanders & Company, Inc., a company controlled by our Chief Executive Officer, for services related to the acquisition of Cyalume, which is included in related party expense in the Company’s consolidated statements of operations for the year ended December 31, 2022.
- (2) Reflects the “Other general income” line item on our condensed consolidated statement of operations and includes a gain from a long-lived asset sale.
- (3) Reflects the “Other (income) expense, net” line item on our condensed consolidated statement of operations and primarily includes gains and losses on foreign currency transactions.
- (4) Reflects compensation expense related to equity and liability classified stock-based compensation plans.
- (5) Reflects payroll taxes associated with vested stock-based compensation awards.
- (6) Reflects the cost of a cash-based long-term incentive plan awarded to employees that vests over three years.
- (7) Reflects amortization expense related to the step-up inventory adjustment recorded as a result of our recent acquisitions.
- (8) Reflects Adjusted EBITDA / Net Sales for the relevant periods.

ADRE
HOLDINGS

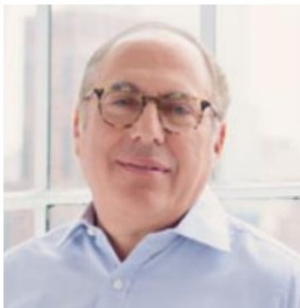
THIRD QUARTER
2023



FORWARD-LOOKING STATEMENTS

Except for historical information, certain matters discussed in this presentation may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include but are not limited to all projections and anticipated levels of future performance. Forward-looking statements involve risks, uncertainties and other factors that may cause our actual results to differ materially from those discussed herein. Any number of factors could cause actual results to differ materially from projections or forward-looking statements, including without limitation, changes to global economic, social and political conditions, spending patterns of government agencies, competitive pressures, the impact of acquisitions and related integration activities, logistical challenges related to disruptions and delays, product liability claims, the success of new product introductions, currency exchange rate fluctuations and the risks of doing business in the markets in which we operate, including foreign countries. More information on potential factors that could affect the Company's financial results are more fully described from time to time in the Company's public reports filed with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K. All forward-looking statements included in this presentation are based upon information available to the Company as of the date of this presentation, and speak only as of the date hereof. We assume no obligation to update any forward-looking statements to reflect events or circumstances after the date of this presentation.

TODAY'S PRESENTERS



WARREN KANDERS

Chief Executive Officer and
Chairman of the Board



BRAD WILLIAMS

President



BLAINE BROWERS

Chief Financial Officer

AGENDA

- Q3 Highlights
- Business Overview
- Financial Summary
- Full Year Outlook
- Conclusion and Q&A



CONTINUED EXECUTION IN Q3

Cadre continues to deliver on strategic objectives, generating record quarterly Adj. EBITDA and achieving significant margin expansion

Commentary:

- Pricing Growth:** ✓ *Exceeded target*
- Q3 Mix:** ✓ *Favorable armor demand resulted in continued solid product and portfolio mix*
- Orders Backlog:** ✓ *Increased by \$8.3 million in 2023, driven by higher demand for EOD products*
- Healthy M&A Funnel:** ✓ *Continue to actively evaluate pipeline of opportunities*
- Returned Capital to Shareholders:** ✓ *Declared eighth consecutive quarterly dividend of \$0.08*

MACRO TAILWINDS SUPPORT LONG TERM SUSTAINABLE GROWTH OPPORTUNITY



Police protection expenditures have continued to trend upward even during previous financial and industrial recessions

Major US cities continue to increase police budgets

The American Rescue Plan provides \$350 billion to hire more police

Two-thirds of all NATO countries spend less than 2% of GDP targets on defense and security

Amidst current geopolitical turmoil, European leaders have advocated for significant increases in defense budgets

LATEST MARKET TRENDS

| | |
|--------------------------------|--|
| North American Law Enforcement | <ul style="list-style-type: none">• Spend per officer increasing but police departments still struggling to fill open positions |
| Geopolitical Landscape | <ul style="list-style-type: none">• Larger opportunities to provide safety and survivability equipment—primarily EOD products—as war in Ukraine de-escalates |
| Supply Chain/Labor | <ul style="list-style-type: none">• Improving supply chain with limited pockets of extended lead times• Managing labor force for long-term |
| Consumer | <ul style="list-style-type: none">• Demand for Cadre’s products is strong with new product introductions driving growth |
| New Products/Innovation | <ul style="list-style-type: none">• Continue to hear positive feedback on HyperX tactical armor platform, Xpertfit 3D body sizing app and SafariVault line of holsters |

CADRE'S KEY M&A CRITERIA

Business

- Leading market position
- Cost structure where material > labor
- High cost of substitution
- Leading and defensible technology
- Mission-critical to customer
- Strong brand recognition

Financial

- Recurring revenue profile
- Asset-light
- Attractive ROIC

Market

- Niche market
- No large-cap competition
- Resiliency through market cycles



THIRD QUARTER 2023 FINANCIAL PERFORMANCE



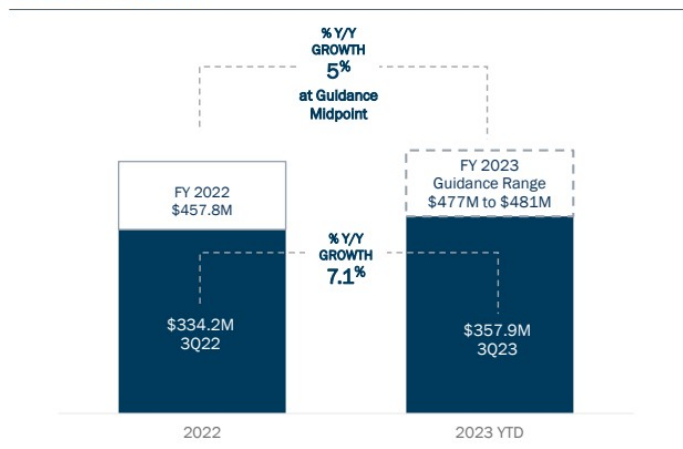
| | Q3 2023 | Q2 2023 | Q3 2022 |
|--|--|--|---|
| NET SALES | \$125.1M | \$121.1M | \$111.6M |
| GROSS MARGIN | 42.9% | 41.9% | 39.2% |
| NET INCOME | \$11.1M / \$0.29 per diluted share | \$11.0M / \$0.29 per diluted share | \$4.9M / \$0.13 per diluted share |
| ADJUSTED EBITDA ¹ | \$23.7M | \$22.8M | \$20.7M |
| ADJUSTED EBITDA MARGIN ¹ | 19.0% | 18.8% | 18.6% |

- Second consecutive quarter of record adjusted EBITDA and adjusted EBITDA margin
- Achieved pricing growth that exceeded target and grew orders backlog YTD

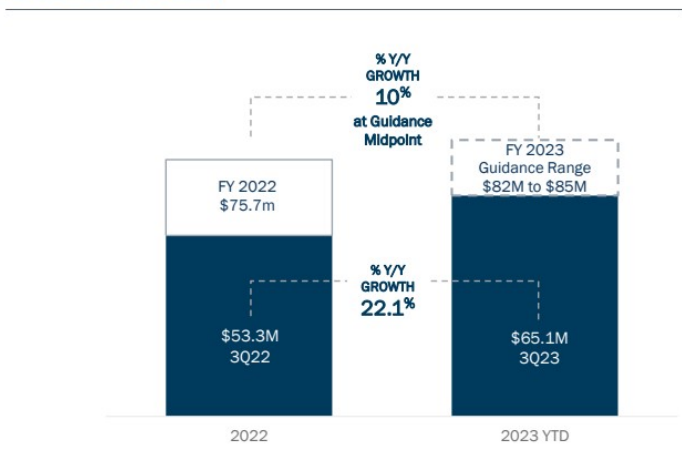
NET SALES AND ADJUSTED EBITDA

■ Current Period Net Sales and Adj. EBITDA
 □ Full Year Guidance for Net Sales and Adj. EBITDA

NET SALES (\$MM)



ADJ. EBITDA¹ (\$MM)



1. A non-GAAP financial measure. See slide 19 for definitions and reconciliations to the nearest GAAP measures

Q3 2023 CAPITAL STRUCTURE

September 30, 2023

(in thousands)

| | | |
|--|-----------|----------------|
| Cash and cash equivalents | \$ | 69,412 |
| Debt: | | |
| Revolver | \$ | — |
| Current portion of long-term debt | | 13,251 |
| Long-term debt | | 131,573 |
| Capitalized discount/issuance costs | | (1,264) |
| Total debt, net | \$ | 143,560 |
| Net debt (Total debt net of cash) | \$ | 74,148 |
| Total debt / Adj. EBITDA ⁽¹⁾ | | 1.6 |
| Net debt / Adj. EBITDA ⁽¹⁾ | | 0.8 |
| LTM Adj. EBITDA ⁽¹⁾ | \$ | 87,513 |

2023 MANAGEMENT OUTLOOK



2023 GUIDANCE

NET SALES
\$477M to \$481M
Previous: \$472M to \$484M

ADJ. EBITDA
\$82M to \$85M
Previous: \$80M to \$84M

CAPITAL EXPENDITURES
\$7M to \$8M

CONCLUSION



-  *Outstanding execution in Q3*
-  *Ongoing implementation of Cadre operating model*
-  *Revenue, Net Income and Adjusted EBITDA Growth Y/Y*
-  *Committed to improving gross and Adj. EBITDA margins*
-  *Continuously focused on M&A opportunities*
-  *Capitalizing on strong macro tailwinds driving demand and visibility for Cadre's mission-critical products*

APPENDIX



BALANCE SHEET

UNAUDITED (IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

| | September 30, 2023 | December 31, 2022 |
|--|--------------------|-------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 69,412 | \$ 45,286 |
| Accounts receivable, net of allowance for doubtful accounts of \$819 and \$924, respectively | 61,261 | 64,557 |
| Inventories | 82,546 | 70,273 |
| Prepaid expenses | 14,667 | 10,091 |
| Other current assets | 8,836 | 6,811 |
| Total current assets | 236,722 | 197,018 |
| Property and equipment, net of accumulated depreciation and amortization of \$48,994 and \$42,694, respectively | 43,657 | 45,285 |
| Operating lease assets | 6,643 | 8,489 |
| Deferred tax assets, net | 2,299 | 2,255 |
| Intangible assets, net | 44,333 | 50,695 |
| Goodwill | 81,212 | 81,576 |
| Other assets | 5,639 | 6,634 |
| Total assets | \$ 420,505 | \$ 391,952 |
| Liabilities, Mezzanine Equity and Shareholders' Equity | | |
| Current liabilities | | |
| Accounts payable | \$ 30,733 | \$ 23,406 |
| Accrued liabilities | 38,673 | 38,720 |
| Income tax payable | 7,049 | 4,584 |
| Liabilities held for sale | — | — |
| Current portion of long-term debt | 13,251 | 12,211 |
| Total current liabilities | 89,706 | 78,921 |
| Long-term debt | 130,309 | 137,476 |
| Long-term operating lease liabilities | 3,603 | 4,965 |
| Deferred tax liabilities | 5,047 | 3,508 |
| Other liabilities | 1,843 | 1,192 |
| Total liabilities | 230,508 | 226,062 |
| Mezzanine equity | | |
| Preferred stock (\$0.0001 par value, 10,000,000 shares authorized, no shares issued and outstanding as of September 30, 2023 and December 31, 2022) | — | — |
| Shareholders' equity | | |
| Common stock (\$0.0001 par value, 190,000,000 shares authorized, 37,586,031 and 37,332,271 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively) | 4 | 4 |
| Additional paid-in capital | 210,543 | 206,540 |
| Accumulated other comprehensive income | 2,143 | 2,087 |
| Accumulated deficit | (22,693) | (42,741) |
| Total shareholders' equity | 189,997 | 185,890 |
| Total liabilities, mezzanine equity and shareholders' equity | \$ 420,505 | \$ 391,952 |

STATEMENT OF OPERATIONS

UNAUDITED (IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|------------|---------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net sales | \$ 125,114 | \$ 111,554 | \$ 357,949 | \$ 334,192 |
| Cost of goods sold | 71,511 | 67,814 | 206,981 | 207,042 |
| Gross profit | 53,603 | 43,740 | 150,968 | 127,150 |
| Operating expenses | | | | |
| Selling, general and administrative | 36,314 | 31,732 | 105,615 | 118,431 |
| Restructuring and transaction costs | 439 | 1,578 | 1,132 | 3,380 |
| Related party expense | 116 | 112 | 379 | 1,346 |
| Total operating expenses | 36,869 | 33,422 | 107,126 | 123,157 |
| Operating income | 16,734 | 10,318 | 43,842 | 3,993 |
| Other expense | | | | |
| Interest expense | (1,073) | (1,567) | (3,727) | (4,496) |
| Other (expense) income, net | (315) | (1,851) | 395 | (2,812) |
| Total other expense, net | (1,388) | (3,418) | (3,332) | (7,308) |
| Income (loss) before provision for income taxes | 15,346 | 6,900 | 40,510 | (3,315) |
| (Provision) benefit for income taxes | (4,293) | (1,959) | (11,463) | 2,536 |
| Net income (loss) | \$ 11,053 | \$ 4,941 | \$ 29,047 | \$ (779) |
| Net income (loss) per share: | | | | |
| Basic | \$ 0.29 | \$ 0.13 | \$ 0.77 | \$ (0.02) |
| Diluted | \$ 0.29 | \$ 0.13 | \$ 0.77 | \$ (0.02) |
| Weighted average shares outstanding: | | | | |
| Basic | 37,586,031 | 37,289,880 | 37,515,976 | 35,697,891 |
| Diluted | 37,930,888 | 37,747,614 | 37,830,790 | 35,697,891 |

STATEMENT OF CASH FLOWS

UNAUDITED (IN THOUSANDS)

| | Nine Months Ended September 30, | |
|--|---------------------------------|-----------------|
| | 2023 | 2022 |
| Cash Flows From Operating Activities: | | |
| Net income (loss) | \$ 29,047 | \$ (779) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 12,385 | 11,319 |
| Amortization of original issue discount and debt issue costs | 359 | 554 |
| Amortization of inventory step-up | — | 3,055 |
| Deferred income taxes | 1,317 | (2,755) |
| Stock-based compensation | 7,060 | 28,988 |
| Gain on sale of fixed assets | (98) | — |
| Provision for losses on accounts receivable | 37 | 245 |
| Foreign exchange (gain) loss | (243) | 3,006 |
| Other | (296) | — |
| Changes in operating assets and liabilities, net of impact of acquisitions: | | |
| Accounts receivable | 3,429 | (3,271) |
| Inventories | (12,229) | (7,187) |
| Prepaid expenses and other assets | (3,131) | 986 |
| Accounts payable and other liabilities | 8,623 | (4,660) |
| Net cash provided by operating activities | 46,260 | 29,501 |
| Cash Flows From Investing Activities: | | |
| Purchase of property and equipment | (4,248) | (2,938) |
| Proceeds from disposition of property and equipment | 206 | — |
| Business acquisitions, net of cash acquired | — | (55,039) |
| Net cash used in investing activities | (4,042) | (57,977) |

Continued on next slide

STATEMENT OF CASH FLOWS - CONTINUED

UNAUDITED (IN THOUSANDS)

| | Nine Months Ended September 30, | |
|--|---------------------------------|------------------|
| | 2023 | 2022 |
| Cash Flows From Financing Activities: | | |
| Proceeds from revolving credit facilities | — | 43,000 |
| Principal payments on revolving credit facilities | — | (43,000) |
| Principal payments on term loans | (7,500) | (7,514) |
| Proceeds from insurance premium financing | 3,949 | 3,989 |
| Principal payments on insurance premium financing | (2,909) | (3,878) |
| Payment of capital leases | — | (26) |
| Taxes paid in connection with employee stock transactions | (2,725) | (6,216) |
| Proceeds from secondary offering, net of underwriter discounts | — | 56,329 |
| Deferred offering costs | — | (2,953) |
| Dividends distributed | (8,999) | (8,521) |
| Net cash (used in) provided by financing activities | (18,184) | 31,210 |
| Effect of foreign exchange rates on cash and cash equivalents | 92 | (241) |
| Change in cash and cash equivalents | 24,126 | 2,493 |
| Cash and cash equivalents, beginning of period | 45,286 | 33,857 |
| Cash and cash equivalents, end of period | \$ 69,412 | \$ 36,350 |
| Supplemental Disclosure of Cash Flows Information: | | |
| Cash paid for income taxes, net | \$ 7,923 | \$ 710 |
| Cash paid for interest | \$ 7,389 | \$ 3,860 |
| Supplemental Disclosure of Non-Cash Investing and Financing Activities: | | |
| Accruals and accounts payable for capital expenditures | \$ 24 | \$ 272 |

NON-GAAP RECONCILIATION

(IN THOUSANDS)

| | Year ended | | Three Months | | Three Months Ended | | Nine Months Ended | | Last Twelve |
|---|------------------|------------------|------------------|------------------|--------------------|------------------|-------------------|--------------------|-------------|
| | December 31, | | Ended June 30, | | September 30, | | September 30, | | Months |
| | 2022 | 2023 | 2023 | 2022 | 2023 | 2022 | 2023 | September 30, 2023 | |
| Net income (loss) | \$ 5,820 | \$ 10,992 | \$ 11,053 | \$ 4,941 | \$ 29,047 | \$ (779) | \$ 35,646 | | |
| Add back: | | | | | | | | | |
| Depreciation and amortization | 15,651 | 3,959 | 4,165 | 3,939 | 12,385 | 11,319 | 16,717 | | |
| Interest expense | 6,206 | 1,013 | 1,073 | 1,567 | 3,727 | 4,496 | 5,437 | | |
| Provision (benefit) for income taxes | 3,553 | 4,229 | 4,293 | 1,959 | 11,463 | (2,536) | 17,552 | | |
| EBITDA | \$ 31,230 | \$ 20,193 | \$ 20,584 | \$ 12,406 | \$ 56,622 | \$ 12,500 | \$ 75,352 | | |
| Add back: | | | | | | | | | |
| Restructuring and transaction costs ⁽¹⁾ | 5,335 | 693 | 439 | 1,578 | 1,132 | 4,380 | 2,107 | | |
| Other general income ⁽²⁾ | (159) | — | — | — | — | — | (159) | | |
| Other expense (income), net ⁽³⁾ | 1,137 | (346) | 315 | 1,851 | (395) | 2,812 | (2,070) | | |
| Stock-based compensation expense ⁽⁴⁾ | 32,239 | 2,105 | 2,208 | 2,820 | 7,060 | 29,361 | 9,938 | | |
| Stock-based compensation payroll tax expense ⁽⁵⁾ | 305 | — | — | — | 220 | 305 | 220 | | |
| LTIP bonus ⁽⁶⁾ | 1,369 | 160 | 185 | 375 | 489 | 933 | 925 | | |
| Amortization of inventory step-up ⁽⁷⁾ | 4,255 | — | — | 1,711 | — | 3,055 | 1,200 | | |
| Adjusted EBITDA | \$ 75,731 | \$ 22,805 | \$ 23,731 | \$ 20,741 | \$ 65,128 | \$ 53,346 | \$ 87,513 | | |
| Adjusted EBITDA margin⁽⁸⁾ | 16.5% | 18.8% | 19.0% | 18.6% | 18.2% | 16.0% | | | |

1. Reflects the "Restructuring and transaction costs" line item on our condensed consolidated statement of operations, which primarily includes transaction costs composed of legal and consulting fees, and \$1.0 million paid to Kanders & Company, Inc., a company controlled by our Chief Executive Officer, for services related to the acquisition of Cyalume, which is included in related party expense in the Company's consolidated statements of operations for the year ended December 31, 2022.
2. Reflects the "Other general income" line item on our condensed consolidated statement of operations and includes a gain from a long-lived asset sale.
3. Reflects the "Other (income) expense, net" line item on our condensed consolidated statement of operations and primarily includes gains and losses on foreign currency transactions.
4. Reflects compensation expense related to equity and liability classified stock-based compensation plans.
5. Reflects payroll taxes associated with vested stock-based compensation awards.
6. Reflects the cost of a cash-based long-term incentive plan awarded to employees that vests over three years.
7. Reflects amortization expense related to the step-up inventory adjustment recorded as a result of our recent acquisitions.
8. Reflects Adjusted EBITDA / Net Sales for the relevant periods.