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 March 31, 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 No. 001-40293

# DIVERSEY HOLDINGS, LTD.

(Exact name of registrant as specified in its charter)

| Cayman Islands | 2842 | Not applicable |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification No.) |

| 1300 Altura Road, Suite 125<br>Fort Mill, South Carolina | 29708 |
|---|---|
| (Address of registrant's principal executive offices) | (Zip Code) |

**(803) 746-2200**
(Registrant's telephone number, including area code)

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

| Title of each class | Trading Symbol | Name of the exchange on which registered |
|---|---|---|
| Ordinary Shares, par value $0.0001 | DSEY | The Nasdaq Stock Market LLC |

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 the definitions 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 April 30, 2022, there were 324,190,738 shares of the registrant's ordinary shares outstanding.

**DIVERSEY HOLDINGS, LTD.**
**FORM 10-Q**
**For the Three Months Ended March 31, 2022**

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PART I
FINANCIAL INFORMATION

**Item 1.** ***Condensed Consolidated Financial Statements***

**Diversey Holdings, Ltd.**
**Condensed Consolidated Balance Sheets**
**(Unaudited)**

| (in millions except per share amounts) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 216.2 | $ 207.6 |
| Trade receivables, net of allowance for doubtful accounts of $23.7 and $23.5 | 410.2 | 414.3 |
| Other receivables | 64.2 | 59.3 |
| Inventories | 378.2 | 337.6 |
| Prepaid expenses and other current assets | 85.0 | 69.4 |
| **Total current assets** | 1,153.8 | 1,088.2 |
| Property and equipment, net | 218.4 | 210.7 |
| Goodwill | 482.6 | 471.5 |
| Intangible assets, net | 2,106.0 | 2,147.3 |
| Other non-current assets | 389.7 | 382.3 |
| **Total assets** | $ 4,350.5 | $ 4,300.0 |
| **Liabilities and stockholders' equity** | | |
| **Current liabilities:** | | |
| Short-term borrowings | $ 3.5 | $ 10.7 |
| Current portion of long-term debt | 10.9 | 10.9 |
| Accounts payable | 500.5 | 434.3 |
| Accrued restructuring costs | 15.4 | 16.7 |
| Other current liabilities | 396.8 | 384.5 |
| **Total current liabilities** | 927.1 | 857.1 |
| Long-term debt, less current portion | 1,970.6 | 1,973.0 |
| Deferred taxes | 171.4 | 164.3 |
| Other non-current liabilities | 506.4 | 520.0 |
| **Total liabilities** | 3,575.5 | 3,514.4 |
| Commitments and contingencies | | |
| **Stockholders' equity:** | | |
| Ordinary shares, $0.01 par value per share, 1,000,000,000 shares authorized, 324,190,738 and 324,369,517 shares outstanding in 2022 and 2021 | — | — |
| Preferred shares, $0.0001 par value per share, 200,000,000 shares authorized, 0 shares outstanding in 2022 and 2021 | — | — |
| Additional paid-in capital | 1,677.8 | 1,662.7 |
| Accumulated deficit | (759.2) | (720.1) |
| Accumulated other comprehensive loss | (143.6) | (157.0) |
| **Total stockholders' equity** | 775.0 | 785.6 |
| **Total liabilities and stockholders' equity** | $ 4,350.5 | $ 4,300.0 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Diversey Holdings, Ltd.**
**Condensed Consolidated Statements of Operations**
**(Unaudited)**

| (in millions except per share amounts) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Net sales | $ 660.0 | $ 631.5 |
| Cost of sales | 423.9 | 385.1 |
| Gross profit | 236.1 | 246.4 |
| Selling, general and administrative expenses | 213.7 | 243.1 |
| Transaction and integration costs | 4.5 | 13.3 |
| Management fee | — | 19.4 |
| Amortization of intangible assets | 24.2 | 24.3 |
| Restructuring and exit costs | 9.8 | 2.6 |
| Operating loss | (16.1) | (56.3) |
| Interest expense | 30.3 | 43.7 |
| Foreign currency gain related to Argentina subsidiaries | (0.3) | (2.0) |
| Other (income) expense, net | (8.9) | 0.1 |
| Loss before income tax provision (benefit) | (37.2) | (98.1) |
| Income tax provision (benefit) | 1.9 | (2.4) |
| Net loss | $ (39.1) | $ (95.7) |
| | | |
| Basic and diluted loss per share | $ (0.12) | $ (0.39) |
| Basic and diluted weighted average shares outstanding | 319.6 | 247.3 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Diversey Holdings, Ltd.**
**Condensed Consolidated Statements of Comprehensive Loss**
**(Unaudited)**

| **(in millions)** | **Three Months Ended March 31, 2022** | **Three Months Ended March 31, 2021** |
|---|---|---|
| Net loss | $ (39.1) | $ (95.7) |
| Other comprehensive income (loss): | | |
| Pension plans and post-employment benefits, net of taxes of $0.1 and $0.0 | (0.5) | — |
| Cash flow hedging activities, net of taxes of $(6.6) and $(1.0) | 17.8 | 4.0 |
| Foreign currency translation adjustments | (3.9) | 32.6 |
| Other comprehensive income | 13.4 | 36.6 |
| Comprehensive loss | $ (25.7) | $ (59.1) |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Diversey Holdings, Ltd.**
**Condensed Consolidated Statements of Stockholders' Equity**
**(Unaudited)**

| (in millions) | Common Stock | Ordinary Shares | Additional Paid-in Capital | Accumulated Deficit | Accumulated Other Comprehensive Loss | Total |
|---|---|---|---|---|---|---|
| Balance as of December 31, 2021 | $ — | $ — | $ 1,662.7 | $ (720.1) | $ (157.0) | $ 785.6 |
| Share-based compensation | — | — | 15.1 | — | — | 15.1 |
| Pension and post-employment benefits | — | — | — | — | (0.5) | (0.5) |
| Cash flow hedging activities, net of tax | — | — | — | — | 17.8 | 17.8 |
| Foreign currency translation adjustments | — | — | — | — | (3.9) | (3.9) |
| Net loss | — | — | — | (39.1) | — | (39.1) |
| Balance as of March 31, 2022 | $ — | $ — | $ 1,677.8 | $ (759.2) | $ (143.6) | $ 775.0 |
| | | | | | | |
| Balance as of December 31, 2020 | $ 2.2 | $ — | $ 247.2 | $ (545.3) | $ (212.7) | $ (508.6) |
| Effect of reorganization transactions | (2.2) | — | (39.6) | — | — | (41.8) |
| Issuance of ordinary shares sold in IPO, net of offering costs | — | — | 654.3 | — | — | 654.3 |
| Exchange of preferred equity certificates for ordinary shares | — | — | 620.9 | — | — | 620.9 |
| Conversion of share-based awards | — | — | 68.1 | — | — | 68.1 |
| Share-based compensation | — | — | 37.5 | — | — | 37.5 |
| Tax receivable agreement | — | — | (255.7) | — | — | (255.7) |
| Cash flow hedging activities, net of tax | — | — | — | — | 4.0 | 4.0 |
| Foreign currency translation adjustments | — | — | — | — | 32.6 | 32.6 |
| Net loss | — | — | — | (95.7) | — | (95.7) |
| Balance as of March 31, 2021 | $ — | $ — | $ 1,332.7 | $ (641.0) | $ (176.1) | $ 515.6 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Diversey Holdings, Ltd.**
**Condensed Consolidated Statements of Cash Flows**
**(Unaudited)**

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| **Operating activities:** | | |
| Net loss | $ (39.1) | $ (95.7) |
| Adjustments to reconcile net loss to cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 47.4 | 47.1 |
| Amortization of deferred financing costs and original issue discount | 1.8 | 14.9 |
| Gain on cash flow hedges | 1.1 | 0.2 |
| Deferred taxes | (3.5) | 0.8 |
| Unrealized foreign exchange (gain) loss | (1.1) | 5.9 |
| Share-based compensation | 15.1 | 37.5 |
| Impact of highly inflationary economy - Argentina | (0.3) | (2.0) |
| Provision for bad debts | 1.9 | 2.0 |
| Provision for slow moving inventory | 0.4 | 3.0 |
| Non-cash pension benefit | (3.6) | (3.7) |
| Changes in operating assets and liabilities: | | |
| Trade receivables, net | 3.0 | (28.0) |
| Inventories, net | (39.9) | (41.2) |
| Accounts payable | 68.3 | 46.5 |
| Income taxes, net | (4.6) | (11.6) |
| Other assets and liabilities, net | (1.0) | (54.4) |
| **Cash provided by (used in) operating activities** | 45.9 | (78.7) |
| Investing activities: | | |
| Business acquired in purchase transactions, net of cash acquired | (41.4) | — |
| Dosing and dispensing equipment | (17.3) | (12.0) |
| Capital expenditures | (10.0) | (6.4) |
| Collection of deferred factored receivables | — | 24.4 |
| **Cash provided by (used in) investing activities** | (68.7) | 6.0 |
| Financing activities: | | |
| Contingent consideration payments | — | (0.1) |
| Proceeds from (payments on) short-term borrowings | (7.2) | 0.4 |
| Proceeds from revolving credit facility | 50.0 | — |
| Payments on revolving credit facility | (50.0) | — |
| Payments on long-term borrowings | (4.3) | (656.0) |
| Payment of deferred financing costs | — | (2.5) |
| Issuance of ordinary shares sold in IPO, net of offering costs | — | 654.3 |
| Proceeds from termination of derivatives | 45.3 | — |
| **Cash provided by (used in) financing activities** | 33.8 | (3.9) |
| Exchange rate changes on cash, cash equivalents and restricted cash | (2.4) | (3.9) |
| Decrease in cash, cash equivalents and restricted cash | 8.6 | (80.5) |
| Cash, cash equivalents and restricted cash at beginning of period[(a)] | 208.2 | 201.7 |
| **Cash, cash equivalents and restricted cash at end of period[(b)]** | $ 216.8 | $ 121.2 |
| | | |
| Supplemental Cash Flow Information: | | |
| Interest payments | $ 25.3 | $ 49.0 |
| Income tax payments | $ 9.8 | $ 8.4 |
| Non-cash conversion of preferred equity certificates to equity | $ — | $ 620.9 |
| Beneficial interest obtained in exchange for factored receivables | $ — | $ 6.9 |

Restricted cash (which includes compensating balance deposits) is recorded in Prepaid expenses and other current assets and Other non-current assets on the Condensed Consolidated Balance Sheets.

[(a)] Restricted cash was \$0.6 million and \$14.0 million as of December 31, 2021 and December 31, 2020, respectively.

[(b)] Restricted cash was \$0.6 million and \$8.2 million as of March 31, 2022 and March 31, 2021, respectively.

The accompanying notes are an integral part of the condensed consolidated financial statements.

## NOTE 1 - THE COMPANY AND BASIS OF PRESENTATION

### Description of Business

Diversey Holdings, Ltd. (hereafter the "Company", “we”, “us”, and “our”) is a leading provider of hygiene, infection prevention and cleaning solutions. We develop mission-critical products, services and technologies that save lives and protect our environment. We were formed as an exempted company incorporated under the laws of the Cayman Islands with limited liability on November 3, 2020 for the purpose of completing a public offering and related transactions and in order to carry on the business of our indirect wholly-owned operating subsidiaries.

On March 29, 2021, we completed an initial public offering of 46,153,846 Ordinary Shares at a public offering price of $15.00 per Ordinary Share (the "IPO"), receiving $654.3 million in net proceeds, after deducting the underwriting discount and offering expenses. On April 9, 2021, we issued and sold an additional 5,000,000 Ordinary Shares pursuant to the underwriters' partial exercise of their option to purchase additional shares, receiving an incremental $71.4 million in net proceeds, after deducting the underwriting discount and offering expenses. Our Ordinary Shares trade on The Nasdaq Global Select Market under the ticker symbol "DSEY".

On November 15, 2021, we issued and sold 15,000,000 Ordinary Shares at a public offering price of $15.00 per Ordinary Share, receiving $214.4 million in net proceeds, after deducting the underwriting discount and offering expenses.

Prior to the formation of Diversey Holdings, Ltd., the organizational structure consisted of Constellation (BC) 2 S.à r.l ("Constellation"), which was incorporated on June 30, 2017, and organized under the laws of Luxembourg as a Société à Responsabilité Limitée for an unlimited period under the direction of Bain Capital, LP (“Bain Capital”). Diamond (BC) B.V., an indirect wholly-owned subsidiary of Constellation, was formed on March 15, 2017 for the purpose of consummating the acquisition of the Diversey Care division and the food hygiene and cleaning business of Sealed Air Corporation (“Sealed Air”) (together, the “Diversey Business”), including certain assets and all the capital stock of certain entities engaged in the Diversey Business (the “Diversey Acquisition”), which acquisition closed on September 6, 2017.

Prior to closing of the IPO, we effected a series of transactions (the "Reorganization Transactions") pursuant to which:

(i) Constellation (BC) PoolCo SCA (“Poolco”), an entity incorporated for the purpose of pooling the interests of our employees, directors and officers in Constellation (BC) S.à r.l (“Topco”), a direct subsidiary of Constellation, repurchased shares from certain equity holders in exchange for a note receivable;

(ii) all other equity holders of Poolco contributed their shares of Poolco to Constellation in exchange for new shares of Constellation; and

(iii) the equity holders of Constellation, including Bain Capital and the individuals referred to in the foregoing clause (ii), contributed a portion of their shares of Constellation to the Company, and the equity holders referred to in the foregoing clause (i) contributed a portion of their note receivable to the Company, in each case, in exchange for ordinary shares of the Company (in which the Company withheld a portion of the ordinary shares otherwise issuable solely to the extent necessary to satisfy (y) any outstanding loans owned by such employee equity holders and (z) any tax consequences resulting to the equity holders from the repurchase, and the aggregate fair market value of such withheld ordinary shares will be paid by the Company or a subsidiary thereof to satisfy such tax consequence) and the equity holders of Constellation, including Bain Capital and the individuals referred to in the foregoing clause (ii), contributed the remaining portion of their shares of Constellation to one of our subsidiaries, and the equity holders referred to in the foregoing clause (i) contributed the remaining portion of their note receivable to one of our subsidiaries, in each case, in exchange for payments to be made under the Tax Receivable Agreement entered into in connection with the IPO and certain other consideration.

The Reorganization Transactions resulted in the Company becoming the ultimate parent company of Constellation and its subsidiaries, and Bain Capital and all other equity holders of Constellation and Poolco becoming shareholders of the Company. In order to simplify our corporate structure, we merged or liquidated certain of our wholly-owned subsidiaries, including Constellation, Poolco and Topco, prior to December 31, 2021. The Reorganization Transactions were considered transactions between entities under common control. As a result, the financial statements for periods prior to the IPO and the Reorganization Transactions have been adjusted to combine the previously separate entities for presentation purposes.

**Nature of Operations**

We are a leading global provider of high performance hygiene, infection prevention, and cleaning solutions for the Institutional and Food & Beverage markets. In addition, we offer a wide range of value added services, including food safety and application training and consulting, as well as auditing of hygiene and water management. Our Institutional business provides solutions serving end-users such as healthcare facilities, food service providers, retail and grocery outlets, educational institutions, hospitality establishments, and building service contractors. Our Food & Beverage business provides solutions serving manufacturers in the brewing, beverage, dairy, processed foods, pharmaceutical, and agricultural markets. Although our cleaning products represent only a small portion of our customers' total cleaning costs, they are typically viewed as being non discretionary because they can have a meaningful impact on the efficacy of food safety, operational excellence, and sustainability. The COVID-19 pandemic has further reinforced the essential nature of our solutions and increased hygiene, infection prevention, and cleaning standards across all markets.

The product range of Diversey®-branded solutions includes fully integrated lines of products and dispensing systems for hard surface cleaning, disinfecting and sanitizing, hand washing, deodorizing, mechanical and manual ware washing, hard surface and carpeted floor cleaning systems, cleaning tools and utensils, fabric care for professional laundry applications comprising detergents, stain removers, bleaches and a broad range of dispensing equipment for process control and management information systems. Floor care machines are commercialized under the well-established Taski® brand.

We are globally operated with manufacturing facilities, sales centers, administrative offices and warehouses located throughout the world, and we have a global team of approximately 8,700 employees as of March 31, 2022.

**Basis of Presentation**

Our Condensed Consolidated Financial Statements include all of the accounts of the Company and our subsidiaries. These Condensed Consolidated Financial Statements reflect our financial position, results of operations, cash flows and changes in stockholders' equity in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany accounts and transactions have been eliminated. All amounts are in US Dollar denominated millions, except per share amounts and unless otherwise noted, and are approximate due to rounding.

The accompanying unaudited financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete annual financial statements. In the opinion of management, the accompanying unaudited financial statements include all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation. Interim results are not necessarily indicative of the results that may be expected for the full year. The accompanying unaudited interim financial statements should be read in conjunction with the annual audited financial statements of the Company and notes thereto for the year ended December 31, 2021 included in the Company's Annual Report on Form 10-K. Certain amounts within Transaction and integration costs (formerly described as "Transition and transformation costs") in the prior year's Condensed Consolidated Statement of Operations have been reclassified into Restructuring and exit costs to conform to the current year presentation, with no impact on net loss or accumulated deficit.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

### Use of Estimates

The preparation of the Condensed Consolidated Financial Statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the periods. These estimates include, among other items, purchase price accounting, assessing the collectability of receivables, the use and recoverability of inventory, the estimation of the fair value of financial instruments, useful lives and recoverability of tangible and intangible assets and impairment of goodwill, assumptions used in our defined benefit pension plans and other post-employment benefit plans, fair value measurement of assets, rebate costs, costs for incentive compensation, the valuation allowance on deferred tax assets and accruals for commitments and contingencies. Management reviews these estimates and assumptions periodically and reflects the effects of any revisions in the Condensed Consolidated Financial Statements in the period management determines any revisions to be necessary. Actual results could differ materially from these estimates.

### New Accounting Guidance

We consider the applicability and impact of all Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"). ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our consolidated financial statements.

### Recently Issued Accounting Standards

### Facilitation of the Effects of rate reform

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference the London Inter-bank Offered Rate ("LIBOR") or another reference rate expected to be discontinued. The Company can elect to apply the amendments in this update as of March 12, 2020 through December 31, 2022, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. The Company continues to evaluate this new standard update and the impact of this guidance on the Condensed Consolidated Financial Statements.

In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848): Scope, which explicitly clarifies which contracts, hedging relationships, and other transactions are within the scope of the optional expedients and exceptions allowed under Topic 848. The Company has not utilized any of the optional expedients or exceptions available under Topic 848. The Company continues to assess whether this ASU is applicable throughout the effective period, in conjunction with our assessment of ASU 2020-4.

## NOTE 3 - REVENUE RECOGNITION

### Description of Revenue Generating Activities

We provide high-performance cleaning, infection prevention and hygiene products for the food safety and service, food and beverage plant operations, healthcare, floor care, housekeeping and room care, laundry and hand care markets. In addition, we offer a wide range of value-added solutions, including food safety and application training and consulting, as well as auditing of hygiene and water management. Many of our products are sold through distributors who then sell the product to end users.

We recognize revenue based on the expected amount of consideration to be received for the provided goods or services, taking into account the expected value of variable consideration. Our variable considerations include, but are not limited to, rebates, prebates, discounts, and returns. The amount of variable consideration is estimated at contract inception by using the most likely amount method pending on the nature of the variable consideration. Such variable consideration is re-evaluated each reporting period, and accruals are booked based on the re-evaluated estimates and variable consideration recognized to date.

Charges for rebates and other allowances are recognized as a deduction from revenue on an accrual basis in the period in which the associated revenue is recorded. When we estimate our rebate accruals, we consider customer-specific contractual commitments including stated rebate rates and history of actual rebates paid. Our rebate accruals are reviewed at each reporting period and adjusted to reflect data available at that time. We adjust the accruals to reflect any differences between estimated and actual amounts. These adjustments impact the amount of net sales recognized by us in the corresponding period of adjustment. Charges for rebates and other allowances were 24.9% and 24.5% of gross sales for the three months ended March 31, 2022 and March 31, 2021, respectively.

**Disaggregated Revenue**

Revenues from contracts with customers summarized by region were as follows:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Europe | $ 291.6 | $ 232.9 |
| North America | 169.3 | 219.2 |
| Asia Pacific | 83.8 | 79.1 |
| Middle East and Africa | 61.5 | 52.8 |
| Latin America | 48.8 | 42.1 |
| Revenue from contracts with customers | 655.0 | 626.1 |
| Other revenue (Leasing: Sales-type and Operating) | 5.0 | 5.4 |
| Total revenue | $ 660.0 | $ 631.5 |

**Assets Recognized For the Costs to Obtain a Contract**

In certain instances, we incur incremental direct costs of a transaction, such as prebates, equipment provided free on loan, or other related expenses in the contract negotiation phase. Because these costs are likely incurred to transition to a new relationship or part of a negotiated renewal of a long-term relationship, these costs are considered costs to obtain a contract and are deferred and amortized over the period in which revenue is recognized, provided that unamortized deferred costs are considered recoverable. These amounts are recorded within Other non-current assets on our Condensed Consolidated Balance Sheets.

**NOTE 4 - ACQUISITIONS**

We make business acquisitions that align with its strategic business objectives. The assets and liabilities of acquired businesses are recorded in the Condensed Consolidated Balance Sheet at fair value as of their acquisition date. The purchase price allocation is based on estimates of the fair value of assets acquired, liabilities assumed and consideration paid. Purchase consideration is reduced by the amount of cash or cash equivalents acquired. Acquisitions during 2022 were not significant to our condensed consolidated financial statements; therefore, pro forma financial information is not presented. No acquisitions occurred during the first quarter of 2021. Costs incurred related to acquisitions are included as part of Transaction and integration costs in the Condensed Consolidated Statements of Operations.

On January 24, 2022, we acquired Shorrock Trichem Ltd, a distributor of cleaning and hygiene solutions and services based in northwest England. Certain valuation estimates and net asset adjustments are not yet finalized and are subject to change, but are expected to be finalized in the second quarter of 2022.

In the first quarter of 2022, we recorded purchase accounting adjustments associated with our 2021 acquisition of Birko Corporation. As a result, the acquisition related net assets increased by $1.6 million, goodwill decreased by $1.7 million, and we paid $0.1 million in additional consideration related a net working capital adjustment.

The following table summarizes the fair values of the net assets acquired during 2022:

| (in millions) | Three Months Ended March 31, 2022 |
|---|---|
| Cash and cash equivalents | $ 10.7 |
| Trade receivables | 7.1 |
| Inventories | 3.9 |
| Prepaid expenses and other current assets | 1.8 |
| Property, plant and equipment | 6.3 |
| Intangible assets | 19.7 |
| Accounts payable | (4.1) |
| Other current liabilities | (5.0) |
| Other non-current liabilities | (0.1) |
| Deferred taxes | (5.6) |
| Net assets acquired before goodwill on acquisition | 34.7 |
| Goodwill on acquisition | 17.4 |
| Net cash paid for acquisitions | $ 52.1 |

## NOTE 5 - FINANCIAL STATEMENT DETAILS

### Inventories

Our net inventory balances were:

| (in millions) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Raw materials | $ 82.4 | $ 74.2 |
| Work in process | 3.5 | 2.8 |
| Finished goods | 292.3 | 260.6 |
| | $ 378.2 | $ 337.6 |

### Factoring of trade receivables

On October 25, 2021, we terminated our Master Agreement with Factofrance, S.A. (“Factofrance”) to sell certain trade receivables, without recourse, of eight Diversey companies located in the United Kingdom, Spain, France, Netherlands, Poland, Germany, Italy and Portugal under individually executed Receivable Purchase Agreements (“RPAs”).

We accounted for transfers of receivables pursuant to the RPAs as a sale and removed them from our Condensed Consolidated Balance Sheets. We maintained a “beneficial interest,” or a right to collect cash, in the sold receivables in which we do not immediately collect cash. Cash receipts from the beneficial interests on sold receivables (which are cash receipts on the underlying trade receivables that have already been sold in these agreements) are classified as investing activities and presented as cash receipts on sold receivables on our Condensed Consolidated Statements of Cash Flows.

We sold $142.6 million of receivables to Factofrance and received cash from Factofrance of $158.3 million during the three months ended March 31, 2021. We collected from our customers and remitted to Factofrance $184.1 million during the three months ended March 31, 2021.

**Securitization of trade receivables**

We sell certain North American and European customer receivables to PNC Bank ("PNC") without recourse on a revolving basis. This arrangement provided for maximum funding of up to $100.0 million for receivables sold. As customers pay their balances, we transfer additional receivables into the program. The transferred receivables are fully guaranteed by a bankruptcy-remote wholly owned subsidiary of the Company, which holds additional receivables in the amount of $95.3 million as of March 31, 2022 that are pledged as collateral under this agreement.

Fees associated with the arrangement were $0.5 million for each of the three months ended March 31, 2022 and March 31, 2021.

We transferred and derecognized $272.8 million of receivables and collected $253.3 million in connection with our arrangement with PNC during the three months ended March 31, 2022.

We transferred and derecognized $149.5 million of receivables and collected $152.9 million in connection with our arrangement with PNC during the three months ended March 31, 2021.

**Credit losses**

Our allowance for expected credit losses on trade and lease receivables is assessed at the end of each quarter based on an analysis of historical losses and assessment of future expected losses. We continue to monitor the impact that COVID-19 may have on outstanding receivables.

The following represents the activity in our allowance for credit losses for trade and lease receivables:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Balance, beginning of period | $ 44.2 | $ 35.1 |
| Provision for bad debts | 1.9 | 2.0 |
| Write-offs | (3.6) | (1.1) |
| Balance, end of period | $ 42.5 | $ 36.0 |

**Prepaid expenses and other current assets**

The components of prepaid expenses and other current assets were as follows:

| (in millions) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Prepaid expenses | $ 40.5 | $ 36.1 |
| Income tax receivables | 24.9 | 20.2 |
| Derivatives | 17.6 | 11.3 |
| Other current assets | 2.0 | 1.8 |
| | $ 85.0 | $ 69.4 |

**Other non-current assets**

The components of other non-current assets were as follows:

| (in millions) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Dosing and dispensing equipment | $ 141.3 | $ 142.0 |
| Operating lease right-of-use assets, net | 92.2 | 94.6 |
| Deferred taxes | 50.2 | 51.8 |
| Derivatives | 39.7 | 25.9 |
| Tax indemnification asset | 17.9 | 17.8 |
| Lease receivables | 16.3 | 18.0 |
| Customer prebates | 15.1 | 16.6 |
| Finance lease right-of-use assets, net | 3.9 | 4.3 |
| Other non-current assets | 13.1 | 11.3 |
| | $ 389.7 | $ 382.3 |

Depreciation expense for our dosing and dispensing equipment was $17.3 million and $17.4 million for the three months ended March 31, 2022 and March 31, 2021, respectively.

**Other Current and Non-current Liabilities**

The components of other current liabilities were as follows:

| (in millions) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Accrued customer volume rebates | $ 136.4 | $ 138.1 |
| Accrued salaries, wages and related costs | 97.9 | 86.2 |
| Value added, general and sales tax payable | 32.3 | 25.3 |
| Operating lease liability | 20.7 | 21.4 |
| Accrued interest payable | 12.4 | 11.0 |
| Derivatives | 8.8 | 8.2 |
| Income taxes payable | 7.1 | 8.4 |
| Accrued share-based compensation | 5.8 | 5.4 |
| Contingent consideration | 4.6 | 4.4 |
| Other accrued liabilities | 70.8 | 76.1 |
| | $ 396.8 | $ 384.5 |

The components of other non-current liabilities were as follows:

| (in millions) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Tax receivable agreement | $ 224.9 | $ 238.1 |
| Defined benefit pension plan liability | 119.0 | 127.3 |
| Operating lease liability | 75.9 | 72.5 |
| Uncertain tax positions | 45.0 | 44.5 |
| Derivatives | 11.2 | 4.9 |
| Asset retirement obligations | 6.4 | 6.4 |
| Accrued share-based compensation | 3.6 | 6.0 |
| Other post-employment benefit plan liability | 2.1 | 2.1 |
| Other non-current liabilities | 18.3 | 18.2 |
| | $ 506.4 | $ 520.0 |

**Other (Income) Expense, net**

The following table provides details of our Other (Income) Expense, net:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Interest income | $ (0.7) | $ (0.9) |
| Unrealized foreign exchange (gain) loss | (1.1) | 5.9 |
| Realized foreign exchange (gain) loss | 1.2 | (0.3) |
| Non-cash pension and other post-employment benefit plan | (3.6) | (3.8) |
| Adjustment for tax indemnification asset | (0.1) | — |
| Factoring and securitization fees | 0.9 | 1.0 |
| Tax receivable agreement adjustments | (6.4) | — |
| Other, net | 0.9 | (1.8) |
| | $ (8.9) | $ 0.1 |

**NOTE 6 - PROPERTY AND EQUIPMENT, NET**

Our property and equipment and accumulated depreciation balances were as follows:

| (in millions) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Land and improvements | $ 42.2 | $ 41.3 |
| Buildings | 58.2 | 55.4 |
| Machinery and equipment | 106.6 | 95.4 |
| Other property and equipment | 52.3 | 51.6 |
| Construction-in-progress | 55.6 | 49.4 |
| Property and equipment, gross | 314.9 | 293.1 |
| Less: Accumulated depreciation | (96.5) | (82.4) |
| Property and equipment, net | $ 218.4 | $ 210.7 |

Depreciation expense was $5.8 million and $5.4 million for the three months ended March 31, 2022 and March 31, 2021, respectively.

## NOTE 7 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS

### Goodwill

The following table represents a roll forward of our goodwill balances by reportable segments:

| (in millions) | Institutional | Food & Beverage | Total |
|---|---|---|---|
| Balance at December 31, 2021 | $ 330.4 | $ 141.1 | $ 471.5 |
| Acquisitions | 17.4 | — | 17.4 |
| Acquisition adjustments[1] | — | (1.7) | (1.7) |
| Foreign currency translation | (3.5) | (1.1) | (4.6) |
| Balance at March 31, 2022 | $ 344.3 | $ 138.3 | $ 482.6 |

[1] Represents measurement period adjustments related to the acquisition of Birko Corporation.

### Identifiable Intangible Assets

The following table summarizes the gross carrying amounts and accumulated amortization of identifiable intangible assets by major class with definite and indefinite lives at March 31, 2022:

| (in millions) | Gross Carrying Value | Accumulated Amortization | Accumulated Impairment | Net Book Value |
|---|---|---|---|---|
| Customer relationships | $ 926.5 | $ (189.8) | $ — | $ 736.7 |
| Brand name | 597.3 | (136.0) | — | 461.3 |
| Capitalized software | 85.6 | (72.6) | — | 13.0 |
| Intellectual property | 44.7 | (7.8) | — | 36.9 |
| Trademarks | 27.0 | (7.1) | — | 19.9 |
| Non-compete agreements | 8.8 | (8.2) | — | 0.6 |
| Favorable leases | 4.4 | (3.3) | — | 1.1 |
| Total intangible assets with definite lives | 1,694.3 | (424.8) | — | 1,269.5 |
| Trade name with indefinite life | 836.5 | — | — | 836.5 |
| Total identifiable intangible assets | $ 2,530.8 | $ (424.8) | $ — | $ 2,106.0 |

The following table summarizes the gross carrying amounts and accumulated amortization of identifiable intangible assets by major class with definite and indefinite lives at December 31, 2021:

| (in millions) | Gross Carrying Value | Accumulated Amortization | Accumulated Impairment | Net Book Value |
|---|---|---|---|---|
| Customer relationships | $ 920.6 | $ (181.0) | $ — | $ 739.6 |
| Brand name | 610.4 | (131.4) | — | 479.0 |
| Capitalized software | 84.2 | (70.1) | — | 14.1 |
| Intellectual property | 44.5 | (6.7) | — | 37.8 |
| Trademarks | 27.7 | (7.5) | — | 20.2 |
| Non-compete agreements | 8.8 | (8.2) | — | 0.6 |
| Favorable leases | 4.4 | (3.1) | — | 1.3 |
| Total intangible assets with definite lives | 1,700.6 | (408.0) | — | 1,292.6 |
| Trade name with indefinite life | 854.7 | — | — | 854.7 |
| Total identifiable intangible assets | $ 2,555.3 | $ (408.0) | $ — | $ 2,147.3 |

Amortization expense for acquired intangibles was $24.2 million and $24.3 million for three months ended March 31, 2022 and March 31, 2021, respectively.

## NOTE 8 - DEBT AND CREDIT FACILITIES

The components of debt and credit facilities were as follows:

| (in millions) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Senior Secured Credit Facilities | | |
| 2021 U.S. Dollar Term Loan | $ 1,496.3 | $ 1,500.0 |
| Revolving Credit Facility | — | — |
| 2021 Senior Notes | 500.0 | 500.0 |
| Short-term borrowings | 3.5 | 10.7 |
| Finance lease obligations | 4.0 | 4.4 |
| Financing obligations | 23.2 | 23.1 |
| Unamortized deferred financing costs | (34.0) | (35.3) |
| Unamortized original issue discount | (8.0) | (8.3) |
| Total debt | 1,985.0 | 1,994.6 |
| Less: Current portion of long-term debt | (10.9) | (10.9) |
| Short-term borrowings | (3.5) | (10.7) |
| Long-term debt | $ 1,970.6 | $ 1,973.0 |

### Senior Secured Credit Facilities

On September 29, 2021, the Company entered into an amendment to its Senior Secured Credit Facilities, which provided for a new $1,500.0 million senior secured U.S. dollar denominated term loan (the “2021 U.S. Dollar Term Loan”) in addition to the existing $450.0 million revolving credit facility (the “Revolving Credit Facility", and together with the 2021 U.S. Dollar Term Loan, the “New Senior Secured Credit Facilities”). The 2021 U.S. Dollar Term Loan matures on September 29, 2028, while the Revolving Credit Facility matures on March 28, 2026.

The interest rate under the 2021 U.S. Dollar Term Loan is equal to (i) the Adjusted LIBOR rate (as defined in the New Senior Secured Credit Facilities), with a LIBOR floor of 0.50%, plus 3.00%, or (ii) ABR (as defined in the

New Senior Secured Credit Facilities) plus 2.00%; provided that, such percentages per annum shall permanently step-down to 2.75% and 1.75%, respectively, if on the later of (x) the date of delivery of a compliance certificate to the administrative agent for the fiscal quarter ending December 31, 2021 and (y) the first date of delivery of a compliance certificate to the administrative agent, in either case, demonstrating that the Total Net Leverage Ratio (as defined in the New Senior Secured Credit Facilities) as of the last day of a fiscal quarter is less than or equal to 4.50 to 1.00. As of December 31, 2021, our Total Net Leverage Ratio was less than 4.50 to 1.00, and the interest rate step-downs noted above were effective during the fiscal quarter ending March 31, 2022. As of March 31, 2022, the interest rate for the 2021 U.S. Dollar Term Loan is 3.25%.

As of March 31, 2022, the Company had no borrowings outstanding under the Revolving Credit Facility and $7.7 million of letters of credit outstanding, which reduced the available borrowing capacity thereunder to approximately $442.3 million.

As of December 31, 2021, the Company had no borrowings outstanding under the Revolving Credit Facility and $7.9 million of letters of credit outstanding, which reduced the available borrowing capacity thereunder to approximately $442.1 million.

The New Senior Secured Credit Facilities contain normal and customary affirmative and negative covenants. Some of the more restrictive covenants are (a) limitations on our ability to pay dividends, (b) limitations on asset sales, and (c) limitations on our ability to incur additional indebtedness. The New Senior Secured Credit Facilities also contain various events of default, the occurrence of which could result in the acceleration of all obligations. As of March 31, 2022, we were in full compliance with the provisions contained within the covenants.

**2021 Senior Notes**

On September 29, 2021, the Company completed the sale of $500.0 million in aggregate principal amount of Senior Notes due 2029 (the “2021 Senior Notes”) in a private placement to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and to non-U.S. persons (as defined in Regulation S) pursuant to Regulation S under the Securities Act. The Company used the net proceeds from the issuance of the 2021 Senior Notes, together with borrowings under its New Senior Secured Credit Facilities and cash on hand, to redeem all of the €450.0 million aggregate principal amount of 5.625% Senior Notes due 2025 (the “2017 Senior Notes”), pay fees and/or expenses incurred in connection with the issuance of the 2021 Senior Notes and for general corporate purposes. The 2021 Senior Notes mature on October 1, 2029, bear interest at 4.625%, and interest is payable semi-annually on April 1 and October 1 of each year, beginning on April 1, 2022.

The Company may redeem the 2021 Senior Notes, in whole or in part, at any time prior to October 1, 2024, at a price equal to 100% of the principal amount of the 2021 Senior Notes redeemed, plus additional amounts, if any, a make-whole premium and accrued and unpaid interest to, but excluding, the redemption date.

The Company may redeem the 2021 Senior Notes, in whole or in part, on or after October 1, 2024, at the redemption prices (expressed as percentages of principal amount) set forth in the indenture governing the 2021 Senior Notes, together with accrued and unpaid interest and additional amounts, if any, to, but excluding, the applicable redemption date:

| Year | Percentage |
|---|---|
| October 1, 2024 to September 30, 2025 | 102.313% |
| October 1, 2025 to September 30, 2026 | 101.156% |
| On or after October 1, 2026 | 100.000% |

Additionally, at any time on or before October 1, 2024, the Company may elect to redeem up to 40% of the aggregate principal amount of the 2021 Senior Notes at a redemption price equal to 104.625% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, with the net cash proceeds received from one or more equity offerings of the Company.

The indenture governing the 2021 Senior Notes contains covenants that limit the Company's ability to, among other things: (i) incur additional indebtedness, issue preferred equity and guarantee indebtedness; (ii) pay dividends or make other distributions in respect of, or repurchase or redeem, capital stock; (iii) prepay, redeem or repurchase certain material debt; (iv) make loans and investments; (v) sell or otherwise dispose of assets; (vi) sell stock of the Company's subsidiaries; (vii) incur liens; (viii) enter into transactions with affiliates; (ix) enter into agreements restricting the Company's subsidiaries' ability to pay dividends and (x) consolidate, merge or sell all or substantially all of the Company's assets.

The 2021 Senior Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by a subsidiary of the Company, BCPE Diamond Netherlands TopCo B.V., a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid) incorporated under the laws of the Netherlands, and the Company's existing and subsequently acquired or organized direct and indirect material wholly owned restricted subsidiaries that guarantee indebtedness under the New Senior Secured Credit Facilities (other than those organized in Italy).

**Short-term Borrowings**

Our short-term borrowings comprise primarily of bank overdrafts within our notional cash pooling system.

**Sale-Leaseback Transactions**

During March 2020, the Company completed sale-leaseback transactions under which it sold two properties to an unrelated third-party for a total of $22.9 million. Concurrent with this sale, the Company entered into agreements to lease the properties back from the purchaser over initial lease terms of 15 years. The leases for the two properties include an initial term of 15 years and four, five-year renewal options and provides for the Company to evaluate each property individually upon certain events during the life of the lease, including individual renewal options.

The Company classified the leases as a financing obligation to be paid over 15 years. The current and non-current portions are included in Current portion of long-term debt and Long-term debt, less current portion, respectively, on the Consolidated Balance Sheets.

**NOTE 9 - DERIVATIVES AND HEDGING ACTIVITIES**

As a large global organization, we face exposure to market risks, such as fluctuations in foreign currency exchange rates and interest rates. To manage the volatility relating to these exposures, we enter into various derivative instruments from time to time under our risk management policies. We designate derivative instruments as hedges on a transactional basis to support hedge accounting. The changes in fair value of these hedging instruments offset in part or in whole corresponding changes in the fair value or cash flows of the underlying exposures being hedged. We assess the initial and ongoing effectiveness of our hedging relationships in accordance with our policy. We do not purchase, hold or sell derivative financial instruments for trading purposes. Our practice is to terminate derivative transactions if the underlying asset or liability matures or is sold or terminated, or if we determine the underlying forecasted transaction is no longer probable of occurring.

**Derivative Positions Summary**

The following table details the fair value of our derivative instruments, which are included as a part of our Other non-current assets, Other current liabilities and Other non-current liabilities in our Condensed Consolidated Balance Sheets.

| (in millions) | March 31, 2022 | December 31, 2021 |
|---|---|---|
| Derivatives designated as hedging instruments: | | |
| *Derivative assets* | | |
| Foreign currency forward contracts | $ — | $ 0.6 |
| Interest rate caps | 17.9 | 2.9 |
| Cross currency swaps | 28.9 | 32.6 |
| Total derivative assets | $ 46.8 | $ 36.1 |
| *Derivative liabilities* | | |
| Foreign currency forward contracts | $ (0.5) | $ — |
| Interest rate caps | — | (0.7) |
| Total derivative liabilities | $ (0.5) | $ (0.7) |
| Derivatives not designated as hedging instruments: | | |
| *Derivative assets* | | |
| Foreign currency forward contracts | $ 2.2 | $ 1.1 |
| Interest rate swaps | 8.3 | — |
| Total derivative assets | $ 10.5 | $ 1.1 |
| *Derivative liabilities* | | |
| Foreign currency forward contracts | $ (1.8) | $ (1.1) |
| Interest rate swaps | (17.7) | (11.3) |
| Total derivative liabilities | $ (19.5) | $ (12.4) |

Our derivatives consist of the following:

| (in millions) | | Notional Amount | Original Maturity in Months |
|---|---|---|---|
| Floating to fixed interest rate swap[(1)] [(2)] | $ | 720.0 | 60 |
| Fixed to floating interest rate swap[(1)] [(2)] | $ | 720.0 | 36 |
| U.S. dollar to Euro currency swap | $ | 500.0 | 60 |
| U.S. dollar floating to Euro fixed interest rate swap | $ | 500.0 | 54 |
| U.S. dollar interest rate cap | $ | 650.0 | 36 |
| U.S. dollar currency forward contracts | $ | 287.2 | 1-12 |

(1) The notional amount is reduced to $315.0 million in July 2023.
(2) In connection with our debt refinancing in 2021, we entered into a fixed to floating interest rate swap to offset the existing floating to fixed interest rate swap.

**Interest Rate Cap and Cross Currency Contracts Designated as Cash Flow or Fair Value Hedges**

In connection with entering into the New Senior Secured Credit Facilities and issuing the 2021 Senior Notes, we also entered into a U.S. dollar floating to Euro fixed interest rate swap, a U.S. dollar interest rate cap, and a U.S. dollar to Euro currency swap, to manage the impacts of fluctuations in interest rates and currency exchange rates on a portion of the Company's floating-rate and U.S. dollar denominated debt.

On March 31, 2022, we terminated our existing U.S. dollar floating to Euro fixed interest rate swap, receiving net proceeds of $45.3 million, and simultaneously entered into a new at-market U.S. dollar floating to Euro fixed interest rate swap with the same maturity date as the terminated swap. We have elected to classify the cash flows from the settlement to be consistent with the hedged debt instrument. As a result of this contract termination, the net unrealized after-tax derivative gain included in AOCI of $16.8 million at the date of contract termination will be amortized against Interest expense on the Condensed Consolidated Statement of Operations over the remaining life of the derivative contract.

We record gains and losses on these derivative instruments that qualify as cash flow hedges in other comprehensive income (loss), net of tax to the extent the hedges are effective and until we recognize the underlying transactions in net income (loss), at which time we recognize these gains and losses in Other (income) expense, net on our Condensed Consolidated Statements of Operations.

Net unrealized after-tax gain related to these contracts that were included in other comprehensive income was $38.9 million and $11.8 million for the three months ended March 31, 2022 and March 31, 2021, respectively. The unrealized amounts in other comprehensive income will fluctuate based on changes in the fair value of open contracts during each reporting period.

We estimate that $5.3 million of net unrealized after-tax derivative gain included in accumulated other comprehensive income ("AOCI") will be reclassified into Other (income) expense, net, on the Condensed Consolidated Statement of Operations within the next twelve months.

**Interest Rate Swap Contracts Not Designated as Hedges**

In connection with entering into the New Senior Secured Credit Facilities and issuing the 2021 Senior Notes, we entered into a fixed to floating interest rate swap to offset the existing floating to fixed interest rate swap, and the existing swap was also then de-designated as a cash flow hedge. As a result of the contract de-designation, the net unrealized after-tax derivative loss included in AOCI at the date of de-designation is being amortized into Interest expense on the Condensed Consolidated Statement of Operations over the remaining life of the derivative contract, and the unamortized loss in AOCI is $9.6 million as of March 31, 2022. Although the contracts are effective economic hedges, they are not designated as accounting hedges. Therefore, changes in the value of these derivatives are recognized immediately in earnings.

**Foreign Currency Forward Contracts**

The primary purpose of our currency hedging activities is to manage the potential changes in value associated with the amounts receivable or payable on equipment and raw material purchases that are denominated in foreign currencies in order to minimize the impact of changes in foreign currencies. For those contracts that are designated as cash flow hedges, we record gains and losses on other comprehensive income (loss), net of tax to the extent the hedges are effective and until we recognize the underlying transactions in net income (loss), at which time we recognize these gains and losses in Other (income) expense, net on our Condensed Consolidated Statements of Operations. For those contracts that are not designated as cash flow hedges, the changes in the value of these derivatives are recognized immediately in earnings. These contracts generally have original maturities of less than 12 months.

**Effect of all Derivative Instruments on Income**

The following table details the (income) expense related to our derivative instruments on our Condensed Consolidated Statements of Operations, for which the amounts are included in Other (income) expense:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Foreign currency forward contracts | $ (1.1) | $ — |
| Interest rate swaps | (0.2) | 2.2 |
| Interest rate caps | (0.1) | — |
| Cross currency swaps | (32.3) | — |
| Total | $ (33.7) | $ 2.2 |

**NOTE 10 - FAIR VALUE MEASUREMENTS AND OTHER FINANCIAL INSTRUMENTS**

**Fair Value Measurements**

In determining the fair value of financial instruments, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and consider counterparty credit risk in our assessment of fair value. We determine the fair value of our financial instruments based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- *Level 1 Inputs:* Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- *Level 2 Inputs:* Other than quoted prices included in Level 1 Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- *Level 3 Inputs:* Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The following table details the fair value hierarchy of our financial assets and liabilities, which are measured at fair value on a recurring basis:

| | March 31, 2022 | | | |
|---|---|---|---|---|
| **(in millions)** | **Total Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| Cash equivalents | $ 3.0 | $ 3.0 | $ — | $ — |
| Restricted cash and compensating balance deposits | $ 0.6 | $ 0.6 | $ — | $ — |
| Cross currency swap, net asset | $ 28.9 | $ — | $ 28.9 | $ — |
| Interest rate caps, net asset | $ 17.9 | $ — | $ 17.9 | $ — |
| Foreign currency forward contracts, net liability | $ (0.1) | $ — | $ (0.1) | $ — |
| Interest rate swaps, net liability | $ (9.4) | $ — | $ (9.4) | $ — |
| Contingent consideration | $ (4.6) | $ — | $ — | $ (4.6) |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | **Total Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| Cash equivalents | $ 111.6 | $ 111.6 | $ — | $ — |
| Restricted cash and compensating balance deposits | $ 0.6 | $ 0.6 | $ — | $ — |
| Cross currency swap, net asset | $ 32.6 | $ — | $ 32.6 | $ — |
| Interest rate caps, net asset | $ 2.2 | $ — | $ 2.2 | $ — |
| Foreign currency forward contracts, net asset | $ 0.6 | $ — | $ 0.6 | $ — |
| Interest rate swaps, net liability | $ (11.3) | $ — | $ (11.3) | $ — |
| Contingent consideration | $ (4.6) | $ — | $ — | $ (4.6) |

**Cash Equivalents**

Our cash equivalents consist of bank time deposits (Level 1) and money market funds (Level 1). Since these are short-term highly liquid investments with original maturities of three months or less at the date of purchase, they present negligible risk of changes in fair value due to changes in interest rates.

**Derivative Financial Instruments**

Our derivatives are recorded at fair value on our Condensed Consolidated Balance Sheets, which incorporates observable market inputs. These market inputs include foreign currency spot and forward rates and LIBOR. These inputs are obtained from pricing data quoted by various banks, third party sources and foreign currency dealers involving identical or comparable instruments (Level 2).

Counterparties to these derivative instruments are investment grade rated by Standard & Poor's and Moody's. Credit ratings on some of our counterparties may change during the term of our financial instruments. We closely monitor our counterparties' credit ratings and, if necessary, will make any appropriate changes to our financial instruments. The fair value generally reflects the estimated amounts that we would receive or pay to terminate the contracts at the reporting date.

**Contingent Consideration**

We recorded contingent consideration related to earn-out provisions from our previous acquisitions. The fair values of such contingent consideration were derived using a discounted cash flow model based on the projection of performance metrics, which are generally based upon achieving certain revenue targets as outlined in the various provisions within the purchase agreements and the probability of achieving the targets.

We remeasure amounts related to contingent consideration liabilities related to acquisitions that were carried at fair value on a recurring basis in the Condensed Consolidated Financial Statements for which a fair value measurement was required. We recorded $4.6 million in contingent consideration liability as of both March 31, 2022 and December 31, 2021 for various acquisitions that occurred prior to 2017.

**Other Financial Instruments**

The following financial instruments are recorded at fair value or at amounts that approximate fair value: (1) trade receivables, net, (2) certain other current assets, (3) accounts payable and (4) other current liabilities. The carrying amounts reported on our Condensed Consolidated Balance Sheets for the above financial instruments closely approximate their fair value due to the short-term nature of these assets and liabilities.

Other liabilities that are recorded at carrying value on our Condensed Consolidated Balance Sheets include our debt. We utilize a market approach to calculate the fair value of our 2021 Senior Notes. Due to the limited investor base and the face value of our 2021 Senior Notes, they may not be actively traded on the date we calculate their fair value. Therefore, we may utilize prices and other relevant information generated by market transactions involving similar securities, reflecting U.S. Treasury yields, to calculate the yield to maturity and the price on some of our 2021 Senior Notes. These inputs are provided by an independent third party and are considered to be Level 2 inputs.

We derive our fair value estimates of our various other debt instruments by evaluating the nature and terms of each instrument, considering prevailing economic and market conditions, and examining the cost of similar debt offered at the balance sheet date. We also incorporated our credit default swap rates and currency specific swap rates in the valuation of each debt instrument, as applicable. These inputs are provided by an independent third party and are considered to be Level 2 inputs.

These estimates are subjective and involve uncertainties and matters of significant judgment, and therefore we cannot determine them with precision. Changes in assumptions could significantly affect our estimates.

The table below shows the carrying amounts and estimated fair values of our debt, all of which are based on Level 2 inputs:

| | March 31, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| **(in millions)** | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| 2021 U.S. Dollar Term Loan [1] | $ 1,461.0 | $ 1,381.9 | $ 1,463.4 | $ 1,464.9 |
| 2021 Senior Notes [2] | 493.3 | 498.5 | 493.0 | 497.5 |
| Revolving Credit Facility | — | — | — | — |
| | $ 1,954.3 | $ 1,880.4 | $ 1,956.4 | $ 1,962.4 |

[1] Carrying amounts are net of deferred financing costs and original issue discount.
[2] Carrying amount is net of deferred financing costs.

Certain assets are measured at fair value on a non-recurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances, such as acquisitions.

**Credit and Market Risk**

Financial instruments, including derivatives, expose us to counterparty credit risk for nonperformance and to market risk related to changes in interest or currency exchange rates. We manage our exposure to counterparty credit risk through specific minimum credit standards, establishing credit limits, diversification of counterparties, and procedures to monitor concentrations of credit risk.

It is our policy to have counterparties to these contracts that are rated at least BBB- or higher by Standard & Poor's and Baa3 or higher by Moody's. Nevertheless, there is a risk that our exposure to losses arising out of derivative contracts could be material if the counterparties to these agreements fail to perform their obligations. We will replace counterparties if a credit downgrade is deemed to increase our risk to unacceptable levels.

We regularly monitor the impact of market risk on the fair value and cash flows of our derivative and other financial instruments considering reasonably possible changes in interest and currency exchange rates and restrict the use of derivative financial instruments to hedging activities. We do not use derivative financial instruments for trading or other speculative purposes and do not use leveraged derivative financial instruments.

We continually monitor the creditworthiness of our diverse base of customers to which we grant credit terms in the normal course of business and generally do not require collateral. We consider the concentrations of credit risk associated with our trade accounts receivable to be commercially reasonable and believe that such concentrations do not leave us vulnerable to significant risks of near-term severe adverse impacts. The terms and conditions of our credit sales are designed to mitigate concentrations of credit risk with any single customer. Our sales are not materially dependent on a single customer or a small group of customers.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS AND OTHER POST-EMPLOYMENT BENEFIT PLANS**

The following table shows the components of our net period benefit income;

| **(in millions)** | **Three Months Ended March 31, 2022** | **Three Months Ended March 31, 2021** | **Line Item on Condensed Consolidated Statements of Operations** |
|---|---|---|---|
| Components of net periodic benefit income: | | | |
| Service cost | $ 1.3 | $ 1.7 | Selling, general and administrative expenses |
| Interest cost | 0.9 | 0.7 | Other income |
| Expected return on plan assets | (4.5) | (4.5) | Other income |
| Total benefit income | $ (2.3) | $ (2.1) | |

Our net periodic benefit costs for our other post-employment benefit plans was not material for the three months ended March 31, 2022 and March 31, 2021.

**NOTE 12 - INCOME TAXES**

We account for income taxes in interim periods in accordance with ASC 740, which generally requires income tax expense or benefit to be calculated using an estimated annual effective tax rate applied to the year-to-date ordinary income or loss. Tax effects of significant unusual or infrequently occurring items are excluded from the estimated annual effective tax rate calculation and recognized in the interim period in which they occur.

For the three months ended March 31, 2022, we utilized the discrete effective tax rate method, as allowed by ASC 740-270-30-18, "Income Taxes—Interim Reporting," to calculate our interim income tax provision. The discrete method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The discrete method treats the year to date period as if it was the annual period and determines the income tax expense or benefit on that basis. We believe that, at this time, the use of this discrete method represents the best estimate of our annual effective tax rate.

**Effective Income Tax Rate and Income Tax Provision**

For the three months ended March 31, 2022, the difference in the statutory income tax benefit of $(7.1) million and the recorded income tax provision of $1.9 million was primarily attributable to an increase in the valuation allowance of $7.6 million related to limitations on the deductibility of interest expense, and $2.3 million of income tax expense related to non-deductible shared-based compensation.

For the three months ended March 31, 2021, the difference in the statutory income tax benefit of $(18.6) million and the recorded income tax benefit of $(2.4) million was primarily attributable to $7.2 million of income tax expense related to non-deductible share-based compensation, $3.3 million of income tax expense related to the termination of our management agreement with Bain Capital, an increase in the valuation allowance of $2.9 million related to limitations on the deductibility of interest expense, and the impact of other non-deductible expenses related to the IPO.

**Tax Receivable Agreement**

As part of the Reorganization Transactions, the Company entered into a tax receivable agreement (the “TRA”) with the pre-IPO owners of Constellation and certain other members of management (the “TRA Recipients”). The TRA requires the Company to make payments to the TRA Recipients as part of the consideration for their shares in Constellation or as part consideration for the note receivable held by them, as applicable, for 85% of the tax benefits realized by the Company when utilizing certain U.S. and Dutch income tax attributes generated, or owned by, or attributable to, the Company on or prior to the date of the IPO, and any tax deductions available to the Company that relate to the transaction expenses incurred by the Company as a result of the consummation of the IPO. The Company expects to utilize a significant portion of these income tax attributes based on current projections of taxable income, and therefore, expects to realize tax benefits. The annual tax benefits are computed by calculating the income taxes due, including such tax benefits, and the income taxes due without such tax benefits. Under the TRA, generally, the Company will retain the benefit of the remaining 15% of the applicable tax savings. The Company's liability under the TRA on an undiscounted basis was $226.2 million and $238.1 million as of March 31, 2022 and December 31, 2021, respectively, of which $1.3 million and zero is presented within Other current liabilities, and $224.9 million and $238.1 million is presented within Other non-current liabilities on the Condensed Consolidated Balance Sheet, as of March 31, 2022 and December 31, 2021, respectively.

The timing and amount of aggregate payments due under the TRA may vary based on a number of factors, including the amount and timing of the taxable income the Company and its subsidiaries generate each year, the tax rate then applicable and the use of net operating losses. The payment obligations under the TRA are the Company’s obligations and are not obligations of Constellation. Payments are generally due within a specified period of time following the filing of the Company’s annual tax return and interest on such payments will accrue from the original due date (without extensions) of the income tax return until the date paid. Payments not made within the required period after the filing of the income tax return generally accrue interest at a rate of LIBOR plus 3.00% (subject to a 50 basis point LIBOR floor and subject to change if LIBOR is no longer a widely recognized benchmark rate).

The TRA will remain in effect until all such tax benefits have been utilized or expired, unless the Company exercises its right to terminate the TRA. The TRA will also terminate if the Company breaches its obligations under the TRA or upon certain mergers, asset sales, certain forms of business combinations, or other changes of control. If the Company exercises its right to terminate the TRA, or if the TRA is terminated early in accordance with its terms, the Company’s payment obligations would be accelerated based upon certain assumptions, including the assumption that the Company would have sufficient future taxable income to utilize such tax benefits.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

At times, we are subject to governmental investigations and various legal actions and claims from governmental agencies and other parties. The outcomes of these matters are not within our complete control and may not be known for prolonged periods of time. We record a liability in the Condensed Consolidated Financial Statements for loss contingencies when a loss is known or considered probable and the amount can be reasonably estimated. If the reasonable estimate of a known or probable loss is a range, and no amount within the range is a better estimate than any other, the minimum amount of the range is accrued. When determining the estimated loss or range of loss, significant judgment is required to estimate the amount and timing of a loss to be recorded. Estimates of probable losses resulting from these matters are inherently difficult to predict. Management believes that the ultimate disposition of these matters should not have a material adverse effect on the Company’s consolidated financial position or results of operations or cash flows.

**Environmental Matters**

We are subject to loss contingencies resulting from environmental laws and regulations, and we accrue for anticipated costs associated with investigatory and remediation efforts when an assessment has indicated that a loss is probable and can be reasonably estimated. These accruals are not reduced by potential insurance recoveries, if any. We do not believe that it is reasonably possible that our liability in excess of the amounts that we have accrued for environmental matters will be material to our consolidated financial condition or results of operations. Environmental liabilities are reassessed whenever circumstances become better defined or remediation efforts and their costs can be better estimated.

We evaluate these liabilities periodically based on available information, including the progress of remedial investigations at each site, the current status of discussions with regulatory authorities regarding the methods and extent of remediation and the apportionment of costs among potentially responsible parties. As some of these issues are decided (the outcomes of which are subject to uncertainties) or new sites are assessed and costs can be reasonably estimated, we adjust the recorded accruals, as necessary. We believe that these exposures are not material to our consolidated financial condition or results of operations. We believe that we have adequately reserved for all probable and estimable environmental exposures.

**Guarantees and Indemnification Obligations**

We are a party to many contracts containing guarantees and indemnification obligations. These contracts primarily consist of:

- Product and service warranties with respect to certain products sold to customers in the ordinary course of business. These warranties typically provide that products will conform to specifications. We generally do not establish a liability for product warranty based on a percentage of sales or other formulas. We accrue a warranty liability on a transaction-specific basis depending on the individual facts and circumstances related to each sale. Both the liability and annual expense related to product warranties are immaterial to our consolidated financial position and results of operations; and

- Intellectual property warranties by us to third parties in which we have agreed to indemnify the licensee against third party infringement claims.

**NOTE 14 - RELATED PARTY TRANSACTIONS**

**Bain Capital**

On September 6, 2017, in conjunction with the Diversey Acquisition, we entered into a management agreement with Bain Capital, our previous sponsor. Pursuant to the management agreement, we paid Bain Capital a fee for advisory, consulting and other services (the "Management Fee"), which was $7.5 million annually plus Bain Capital’s reasonable out-of-pocket expenses. Upon closing of the IPO, the management agreement terminated pursuant to its terms, and we paid Bain Capital a lump sum amount of $17.5 million. During the three months ended March 31, 2022 and March 31, 2021, we recorded zero and $19.4 million of Management Fee and termination fee expenses, respectively.

In addition to the Management Fee and prior to the termination of the management agreement, we paid consulting fees to Bain Capital for services related to future transactions or in consideration of any additional services. For the three months ended March 31, 2022, we did not pay Bain Capital any consulting fees. For the three months ended March 31, 2021, we paid Bain Capital $2.4 million of consulting fees.

There were no fees due to Bain Capital at March 31, 2022 or December 31, 2021.

We may conduct business with other Bain Capital affiliates from time to time in the normal course of business. Although we may have common owners with these affiliates depending upon the Bain Capital fund ownership structure, we believe the terms were comparable to terms available or amounts that would be paid or received, as applicable, in an arm's-length transaction with a party unrelated to us.

## NOTE 15 - SHARE-BASED COMPENSATION

### Compensation Expense

Share-based compensation expense related to equity and liability awards is included in the following line items in the Condensed Consolidated Statements of Operations:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Cost of sales | $ (0.4) | $ 4.7 |
| Selling, general and administrative expenses | 15.5 | 58.8 |
| Total | $ 15.1 | $ 63.5 |

Share-based compensation expense by type of award is as follows:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Management equity incentive plan[1] | $ — | $ 37.5 |
| Restricted shares[1] | 11.4 | — |
| Restricted share units | 2.7 | — |
| Performance share units | 0.9 | — |
| Share options | 0.2 | — |
| Cash-settled long-term incentive plan | 0.5 | 26.0 |
| Cash-settled restricted share units | (0.6) | — |
| | $ 15.1 | $ 63.5 |

[1] During 2018, Constellation S.à r.l, a subsidiary of the Company, adopted a management equity incentive plan ("MEIP"), consisting of Class B through Class F shares ("MEIP Shares") granted to certain domestic and foreign employees. Prior to the IPO, the value of the MEIP Shares was classified as a liability, and was remeasured at each reporting period. Upon closing of the IPO and following the Reorganization Transactions, the MEIP Shares were converted into (i) vested ordinary shares which correspond to the value of MEIP Shares that were vested as of the consummation of the IPO and (ii) restricted ordinary shares which correspond to the value of MEIP Shares that were unvested as of the consummation of the IPO. The restricted ordinary shares will vest on the same terms and conditions as applied to the MEIP Shares to which they relate, and are not subject to performance conditions.

The table below summarizes the number of shares granted and the weighted-average grant-date fair value per unit during the three months ended March 31, 2022:

| | Number of Awards | Weighted Average Grant Date Fair Value |
|---|---|---|
| Restricted share units | 921,125 | $ 10.35 |
| Performance share units | 871,289 | $ 10.70 |
| Share options | 473,528 | $ 10.73 |
| | 2,265,942 | |

## NOTE 16 - RESTRUCTURING AND EXIT ACTIVITIES

In 2021, we began a strategic initiative to consolidate certain production and office facilities within Europe and North America, which also includes opening a new manufacturing facility in North America. We anticipate that these actions will both expand our production capacity and allow us to better manage our inventory, supply chain and workforce. We expect to incur approximately $42.0 million of total expenses related to this project, and charged $16.0 million and $8.3 million to Restructuring and exit costs over the life of the project and during the three months ended March 31, 2022, respectively. Our remaining costs for this project are approximately $26.0 million at March 31, 2022.

We also exited certain businesses in 2021 that leased equipment to customers under sales-type leases, as we further refine our business model and our strategy of selling solutions to customers.

The following table details our restructuring and exit costs as reflected in the Condensed Consolidated Statements of Operations:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Provision for lease receivables | $ (1.5) | $ — |
| Facilities | 8.3 | — |
| Employee termination benefits | 1.8 | 0.5 |
| Other | 1.2 | 2.1 |
| **Total** | $ 9.8 | $ 2.6 |

The following table provides the details for the restructuring and exit cost liabilities:

| (in millions) | Provision for Lease Receivables | Facilities | Employee Termination Benefits and Other | Total |
|---|---|---|---|---|
| Balance as of December 31, 2021 | $ 15.7 | $ 0.6 | $ 16.7 | $ 33.0 |
| Accrual and accrual adjustments | (1.5) | 8.3 | 3.0 | 9.8 |
| Cash payments during period | — | (8.9) | (4.3) | (13.2) |
| Balance as of March 31, 2022 | $ 14.2 | $ — | $ 15.4 | $ 29.6 |

The reserve for the lease receivable contracts, net, is included in Other receivables and the liability for employee termination benefits is included in Accrued restructuring costs, respectively, on the Condensed Consolidated Balance Sheet at March 31, 2022. We anticipate paying the employee termination benefits of $15.4 million in the restructuring accrual within the next twelve months.

Restructuring and exit costs by segment were as follows:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Institutional | $ 9.6 | $ — |
| Food & Beverage | 0.4 | 0.8 |
| Corporate | (0.2) | 1.8 |
| **Total** | $ 9.8 | $ 2.6 |

**NOTE 17 - ACCUMULATED OTHER COMPREHENSIVE LOSS**

The following table provides detail of comprehensive loss:

| (in millions) | Unrecognized Pension Items | Hedging Activities | Cumulative Translation Adjustment | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|
| Balance December 31, 2021 | $ (6.6) | $ (2.7) | $ (147.7) | $ (157.0) |
| Other comprehensive income before reclassifications | (0.5) | 3.5 | (3.9) | (0.9) |
| Amounts reclassified from AOCI to net income | — | 14.3 | — | 14.3 |
| Net change | (0.5) | 17.8 | (3.9) | 13.4 |
| Balance March 31, 2022 | $ (7.1) | $ 15.1 | $ (151.6) | $ (143.6) |

| (in millions) | Unrecognized Pension Items | Hedging Activities | Cumulative Translation Adjustment | Accumulated Other Comprehensive Loss |
|---|---|---|---|---|
| Balance December 31, 2020 | $ (42.6) | $ (16.0) | $ (154.1) | $ (212.7) |
| Other comprehensive loss before reclassifications | — | 6.2 | 32.6 | 38.8 |
| Amounts reclassified from AOCI to net income | — | (2.2) | — | (2.2) |
| Net change | — | 4.0 | 32.6 | 36.6 |
| Balance March 31, 2021 | $ (42.6) | $ (12.0) | $ (121.5) | $ (176.1) |

**NOTE 18 - SEGMENTS**

Our operating segments, which are consistent with our reportable segments, reflect the structure of our internal organization, the method by which our resources are allocated and the manner by which the chief operating decision maker assesses our performance. Our reportable segment structure includes two segments, Institutional and Food & Beverage.

Our segments are described as follows:

- Institutional - Our Institutional products and services are designed to enhance cleanliness, safety, environmental sustainability, and efficiency for our customers. We offer a broad range of products, solutions, equipment and machines including infection prevention and personal care, floor and building care chemicals, kitchen and mechanical warewash chemicals and machines, dosing and dispensing equipment, and floor care machines. We deliver these solutions to customers in the healthcare, education, food service, retail and grocery, hospitality, and building service contractors industries.

- Food & Beverage - Our Food & Beverage products and services are designed to maximize the hygiene, safety, and efficiency of our customers' production and cleaning processes while minimizing their impact on the natural resources they consume. We offer a broad range of products, solutions, equipment and machines including chemical products, engineering and equipment solutions, knowledge-based services, training through our Diversey Hygiene Academy, and water treatment. We deliver these solutions to enhance food safety, operational excellence, and sustainability for customers in the brewing, beverage, dairy, processed foods, pharmaceutical, and agriculture industries.

No operating segments were aggregated to form our reportable segments. The reportable segments 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 in deciding how to allocate resources and in assessing performance. We evaluate performance of the reportable segments based on the results of each segment. The performance metric used by our chief operating decision maker to evaluate performance of our reportable segments is Adjusted EBITDA. Certain amounts within segment Adjusted EBITDA for prior periods have been reclassified to conform with the current presentation, with no impact on consolidated Adjusted EBITDA.

As described in Note 1 - The Company and Basis of Presentation, our net sales are comprised of commercial cleaning, sanitation and hygiene products and solutions for food safety and service, food and beverage plant operations, floor care, housekeeping and room care, laundry and hand care.

Net sales for each of the Company's reportable segments is as follows:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Institutional | $ 472.2 | $ 467.9 |
| Food & Beverage | 187.8 | 163.6 |
| **Total** | $ 660.0 | $ 631.5 |

Adjusted EBITDA for each of the Company's reportable segments is as follows:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Institutional | $ 53.0 | $ 71.1 |
| Food & Beverage | 22.1 | 31.9 |
| **Total** | $ 75.1 | $ 103.0 |

The following table shows a reconciliation of Adjusted EBITDA for the Company's reportable segments to consolidated loss before income tax provision (benefit):

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| **Adjusted EBITDA for reportable segments** | $ 75.1 | $ 103.0 |
| Corporate costs | (14.8) | (10.3) |
| Interest expense | (30.3) | (43.7) |
| Interest income | 0.7 | 0.9 |
| Amortization expense of intangible assets | (24.2) | (24.3) |
| Depreciation expense included in cost of sales | (20.6) | (20.8) |
| Depreciation expense included in selling, general and administrative expenses | (2.6) | (2.0) |
| Transaction and integration costs[1] | (4.5) | (13.3) |
| Restructuring and exit costs[2] | (9.8) | (2.6) |
| Foreign currency gain related to Argentina subsidiaries[3] | 0.3 | 2.0 |
| Adjustment for tax indemnification asset[4] | 0.1 | — |
| Acquisition accounting adjustments[5] | (1.3) | — |
| Bain Capital management fee[6] | — | (19.4) |
| Non-cash pension and other post-employment benefit plan[7] | 3.6 | 3.8 |
| Unrealized foreign currency exchange gain (loss)[8] | 1.1 | (5.9) |
| Factoring and securitization fees[9] | (0.9) | (1.0) |
| Share-based compensation[10] | (15.1) | (63.5) |
| Tax receivable agreement adjustments[11] | 6.4 | — |
| Other items | (0.4) | (1.0) |
| **Loss before income tax provision (benefit)** | $ (37.2) | $ (98.1) |

(1) These costs consist primarily of professional and consulting services which are non-operational in nature, costs related to strategic initiatives, acquisition-related costs, and costs incurred in preparing to become a publicly traded company.

(2) Includes costs related to restructuring programs and business exit activities.

(3) Effective July 1, 2018, Argentina was deemed to have a highly inflationary economy and the functional currency for our Argentina operations was changed from the Argentine Peso to the United States dollar and remeasurement charges/credits are recorded in our Condensed Consolidated Statements of Operations rather than as a component of Cumulative Translation Adjustment on our Condensed Consolidated Balance Sheets.

(4) In connection with the Diversey Acquisition, the purchase agreement governing the transaction includes indemnification provisions with respect to tax liabilities. The offset to this adjustment is included in income tax provision.

(5) In connection with various acquisitions we recorded fair value increases to our inventory. These amounts represent the amortization of this increase.

(6) Represents fees paid to Bain Capital pursuant a management agreement whereby we have received general business consulting services; financial, managerial and operational advice; advisory and consulting services with respect to selection of advisors; advice in different fields; and financial and strategic planning and analysis. The management agreement was terminated in March 2021 pursuant to its terms upon the consummation of the IPO, and we recorded a termination fee of $17.5 million during the three months ended March 31, 2021.

(7) Represents the net impact of the expected return on plan assets, interest cost, and settlement cost components of net periodic defined benefit income related to our defined benefit pension plans.

(8) Represents the unrealized foreign currency exchange impact on our operations, primarily attributed to the valuation of the U.S. Dollar-denominated debt held by our European entity.

(9) Represents the fees to complete the sale of the receivables without recourse under our accounts receivable factoring and securitization agreements.

(10) Represents compensation expense associated with our share-based equity and liability awards.

(11) Represents the adjustment to our tax receivable agreement liability due to changes in valuation allowances that impact the realizability of the attributes of the tax receivable agreement.

***Geographic Regions***

Net sales[1] by geographic region are as follows:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Europe | $ 292.6 | $ 234.0 |
| North America[2] | 171.2 | 220.9 |
| Asia Pacific | 85.9 | 81.6 |
| Middle East & Africa | 61.5 | 52.9 |
| Latin America | 48.8 | 42.1 |
| Total | $ 660.0 | $ 631.5 |

[1] No non-U.S. country accounted for net sales in excess of 10% of consolidated net sales for three months ended March 31, 2022 or 2021.
[2] Net sales to external customers within the U.S. were $125.7 million and $147.7 million for the three months ended March 31, 2022 and 2021, respectively.

## NOTE 19 - EARNINGS (LOSS) PER SHARE

The following table sets forth the calculation of basic and diluted earnings (loss) per share for the periods ended:

| (in millions, except per share amounts) | Three Months Ended March 31, 2022 | | Three Months Ended March 31, 2021 | |
|---|---|---|---|---|
| | Basic | Diluted | Basic | Diluted |
| Net loss attributable to common shareholders | $ (39.1) | $ (39.1) | $ (95.7) | $ (95.7) |
| Weighted average shares outstanding[1] | 319.6 | 319.6 | 247.3 | 247.3 |
| Dilutive securities[2] | — | — | — | — |
| Denominator for earnings per share - weighted average shares | 319.6 | 319.6 | 247.3 | 247.3 |
| Loss per share | $ (0.12) | $ (0.12) | $ (0.39) | $ (0.39) |

[1] For purposes of calculating earnings (loss) per share the Company has retrospectively presented earnings (loss) per share as if the Reorganization Transactions had occurred at the beginning of the earliest period presented. Such retrospective presentation reflects an increase of approximately 47.4 million shares due to the exchange of shares in Constellation for shares in the Company.

[2] For the three months ended March 31, 2022 and 2021, potentially dilutive securities were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

**Item 2.** ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

*This management discussion and analysis ("MD&A") provides information we believe is useful in understanding our operating results, cash flows and financial condition. We provide quantitative and qualitative information about key drivers behind revenue and earnings performance, including the impact of foreign currency, acquisitions as well as changes in volume and pricing.*

*The MD&A should be read together with our Condensed Consolidated Financial Statements for the three months ended March 31, 2022 and the related Notes thereto, which are prepared in accordance with U.S. GAAP, and included in Item 1 of Part I of this Quarterly Report on Form 10-Q, and our audited Consolidated Financial Statements for the year ended December 31, 2021 and the related Notes thereto, which are included in the Company's Annual Report on Form 10-K. The statements in this MD&A regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in the "Risk Factors" section of the Company's Annual Report on Form 10-K and in the "Cautionary Statement Regarding Forward-Looking Information" section of this Quarterly Report on Form 10-Q. Our actual results may differ materially from those contained in or implied by any forward-looking statements.*

**Management Overview**

Diversey Holdings, Ltd. (hereafter the "Company", "we," "us," and "our"), is a leading provider of hygiene, infection prevention and cleaning solutions. We develop mission-critical products, services and technologies that save lives and protect our environment. We were formed as an exempted company incorporated under the laws of the Cayman Islands with limited liability on November 3, 2020 for the purpose of completing a public offering and related transactions and in order to carry on the business of our indirect wholly-owned operating subsidiaries.

On March 29, 2021, we completed an initial public offering of 46,153,846 Ordinary Shares at a public offering price of $15.00 per share, receiving $654.3 million in net proceeds, after deducting the underwriting discount and offering expenses. On April 9, 2021, we issued and sold an additional 5,000,000 Ordinary Shares pursuant to the underwriters' partial exercise of their option to purchase additional shares, receiving an incremental $71.4 million in net proceeds. Our Ordinary Shares trade on The Nasdaq Global Select Market under the ticker symbol "DSEY".

On November 15, 2021, we issued and sold 15,000,000 Ordinary Shares at a public offering price of $15.00 per Ordinary Share, receiving $214.4 million in net proceeds, after deducting the underwriting discount and offering expenses.

Bain Capital beneficially owned approximately 72.9% our outstanding ordinary shares as of March 31, 2022. As a result, we are a "controlled company" within the meaning of the corporate governance standards of The Nasdaq Stock Market LLC ("Nasdaq"). Under Nasdaq listing rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain Nasdaq corporate governance requirements. We are currently relying on certain of these exemptions.

**Reportable Segments**

We report our results of operations in two segments: Institutional and Food & Beverage.

- ***Institutional segment*** - Our Institutional solutions are designed to enhance cleanliness, safety, environmental sustainability, and efficiency for our customers. We offer a broad range of products, services, solutions, equipment and machines, including infection prevention and personal care, products, floor and building care chemicals, kitchen and mechanical warewash chemicals and machines, dosing and dispensing equipment, and floor care machines. We also offer a range of engineering, consulting and training services related to productivity management, water and energy management, and risk management, supported by data provided through our digital solutions. We deliver these solutions to customers in the healthcare, education, food service, retail and grocery, hospitality, and building service contractors industries.

- ***Food & Beverage segment*** - Our Food & Beverage products are designed to maximize the hygiene, safety, and efficiency of our customers' production and cleaning processes while minimizing their impact on the natural resources they consume. We offer a broad range of products, solutions, equipment and machines including chemical products, engineering and equipment solutions, knowledge-based services, training through our Diversey Hygiene Academy, and water treatment. We deliver these solutions to enhance food safety, operational excellence, and sustainability for customers in the brewing, beverage, dairy, processed foods, pharmaceutical, and agriculture industries.

The Company evaluates the performance of each reportable segment based on the results of each segment. In addition, corporate reflects indirect costs that support all segments, but are not allocated or monitored by segment management, and include executive and administrative functions, finance and accounting, procurement, information technology and human resources. For additional information regarding key factors and measures used to evaluate our business, see "Non-GAAP Financial Measures" and "Net Sales by Segment".

**Recent Trends and Events**

***Russia-Ukraine War.*** The geopolitical situation in Eastern Europe intensified on February 24, 2022, with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional economic sanctions are imposed on Russia by numerous countries throughout the world. In addition to the human toll and impact of the war locally in Russia, Ukraine, or neighboring countries that conduct business with their counterparties, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption.

The Russia-Ukraine war has exacerbated the current inflationary environment both in Russia, as a result of economic sanctions that devalue its currency, and in other countries as their businesses and currencies react to the war's implications worldwide. It is possible that foreign currency restrictions or the development of multiple exchange rates could arise in certain countries. In addition, if there are inflationary pressures in Russia and the neighboring countries, we may be required to assess whether the economies of those countries have become highly inflationary, in which the U.S. dollar would replace the Russian ruble as the functional currency for our subsidiaries in Russia.

Our business in Russia generates an insignificant percentage of our overall net sales.

***Impact of COVID-19.*** In 2020, governmental agencies around the world, including federal, state and local governments in the United States, implemented varying degrees of restrictions on social and commercial activities to promote social distancing in an effort to slow the spread of COVID-19. These measures, as well as future measures, have had and will continue to create a significant adverse impact upon many sectors of the global economy. Additionally, the spread of COVID-19 continues in many parts of the world, including the United States and Europe.

We continue to monitor the impact that COVID-19 has on all aspects of our business and geographies, including the impact on our employees, customers, suppliers, business partners and distribution channels. We continually assess the evolving situation and implement business continuity plans across all operations.

***Markets We Serve.*** The COVID-19 pandemic has had a meaningful impact on our business, especially within our Institutional segment. In the first quarter of 2021, strong demand for our infection prevention products and services offset volume related declines in sales to restaurants, hotels and entertainment facilities. In the remainder of 2021 and into 2022, we saw restrictions and lock-downs start to ease in some markets, resulting in stronger than anticipated sales in those markets, except for infection prevention products. Conversely, as expected, demand for infection prevention products and services slowed to levels below the peak demand from 2020, but continuing above pre-COVID-19 levels.

In the long-term, we expect that our recent product enhancements, digital investments, and cost efficiencies will result in accelerated growth as the end markets most negatively impacted by the pandemic continue to normalize and return to pre-COVID-19 pandemic levels. Moreover, we expect increased demand for our infection prevention products and services to endure. We believe the COVID-19 pandemic has resulted in higher disinfection standards and thus a permanent increase in the demand for our products.

Despite the increased demand for infection prevention products generated by the pandemic, the disruption to global markets that has occurred has adversely impacted the demand for our goods and services particularly in the hotel, restaurant, office cleaning and travel industries. The outbreak and continued spread of COVID-19 has caused an economic slowdown. Currently, there is a significant degree of uncertainty and lack of visibility as to the extent and duration of any such slowdown. Given the significant economic uncertainty and volatility created by the COVID-19 pandemic, it is difficult to predict the nature and extent of impacts on demand for our products. These expectations are subject to change without warning and investors are cautioned not to place undue reliance on them. The prolonged permanence of COVID-19 has resulted in a significant downturn in the food service, hospitality, office cleaning and travel industries and a significant drop in demand for some of our products and services, which could materially adversely affect our business.

***Supply Chain and Operations.*** Our global operations have continued to operate and serve the needs of our customers through the global COVID-19 pandemic. We experienced minimal facility closures due to government orders. While we have introduced social distancing, health monitoring and any necessary quarantining into our global operations, this work has been done with limited impact to overall production capacity.

We cannot predict the impact on our operations of future spread or worsening of the COVID-19 pandemic or future restrictions on commercial activities by governmental agencies to limit the spread of the virus. The health of our workforce, and our ability to meet staffing needs in our manufacturing facilities, distribution of our products and other critical functions are key to our operations. The health of our third-party suppliers' employees that are linked to our supply chain (contract manufacturers, third-party logistics providers and freight carriers) is also critical to support our operations.

In addition, as economies around the world have now reopened, increases in demand have created significant disruptions to the global supply chain, which have affected our ability to receive goods on a timely basis and at anticipated costs. These supply chain disruptions have been caused and compounded by many factors, including changes in supply and demand, industry capacity constraints, raw material shortages and labor shortages. Global logistics network challenges have resulted in delays, shortages of certain materials, and increased transportation costs. We have materially mitigated to date the impact of these disruptions through the work of our procurement and supply chain teams, but there continues to be significant uncertainties regarding the future impact of supply chain disruptions, which we cannot predict.

***Capital Investments.*** To support the expansion of our North American Institutional business, our new manufacturing and warehouse facility site located in northern Kentucky is expected to begin warehouse operations in the second quarter of 2022 and will begin manufacturing operations in the third quarter of 2022. This facility will help us better serve our institutional customers, strengthen our business and market position, and better manage our inventory and supply chain.

On January 24, 2022, we acquired Shorrock Trichem Ltd, a distributor of cleaning and hygiene solutions and services based in northwest England. This acquisition increases our capabilities in providing an enhanced value proposition to our customers, delivering access to mechanical ware washing, laundry machine leasing and washroom solutions which complement the market leading products that Diversey provides for these areas.

***Employee Health and Safety and Business Continuity.*** The health and safety of our employees, suppliers and customers continues to be our top priority. Safety measures remain in place at each of our facilities, including: enhanced cleaning procedures, employee temperature checks, use of personal protective equipment for location-dependent workers, social distancing measures within operating sites, remote work arrangements for non-location dependent employees, visitor access restrictions and limitations on travel, particularly in regions with high transmission of COVID-19.

Remote work arrangements will remain in place for some of our non-location dependent employees as appropriate. In a remote working environment, we continue our efforts to mitigate information technology risks including failures in the physical infrastructure or operating systems that support our businesses and customers, and cyber-attacks and security breaches of our networks or systems.

While we continue to practice enhanced employee safety and other precautionary measures during this pandemic, there continues to be significant uncertainties regarding the future impact of COVID-19, which we cannot predict.

***Impact of Inflation.*** Inflation affects our manufacturing, distribution and operating costs. In the first quarter of 2022, we continued to experience unprecedented inflation, which impacted the cost of our raw materials, packaging and transportation. We are committed to maintaining our margins, and have taken actions to mitigate inflation through price increases, cost control, raw material substitutions, and more efficient logistics practices. However, our success is dependent on competitive pressures and market conditions, and we cannot guarantee the negative impacts of inflation can be fully recovered. In periods of significant inflation, we may experience a lag between our ability to recover both the cost and margin in the short term.

**Other Factors Affecting Our Operating Results**

Our operating results have been, and will likely continue to be, affected by numerous factors, including the increasing worldwide demand for our products and services, increasing regulatory compliance costs, macroeconomic and political conditions, the introduction of new and upgraded products, recent acquisitions and foreign currency exchange rates. Each of these factors is briefly discussed below.

***Increasing Demand for Our Products and Services.*** Governmental regulations for food safety and disease control, and consumer focus on hygiene and cleanliness have increased significantly across the world in recent years. Climate change, water scarcity and environmental concerns have combined to create further demand for products, services and solutions designed to minimize waste and support broader sustainability. In addition, many of our customers require tailored cleaning solutions that can assist in reducing labor, energy, water-use and the costs related to cleaning, sanitation and hygiene activities. We help our customers realize efficiencies throughout the operation of their facilities by developing customized solutions. We believe that our value-added customer service approach and proven commitment to providing cost-savings and sustainable solutions position us well to address these and other critical demand drivers in order to drive revenue growth.

***Increasing Regulatory Compliance Costs.*** Although our industry has always been highly regulated, it is becoming more regulated with the introduction of, among other things, the Environmental Protection Agency Biocidal Product Regulation and the Globally Harmonized System of Classification and Labelling of Chemicals. Compliance costs associated with these new regulations have impacted our cost of doing business, and we expect these regulations and other existing and new regulations to continue to affect our cost of doing business in the future.

***Impact of Inflation and Currency Fluctuations.*** We have significant international operations with 81.0% of our net sales for the three months ended March 31, 2022, being generated from sales to customers located outside of the United States. Our international operations are subject to changes in regional and local economic conditions, including local inflationary pressures.

We present our Condensed Consolidated Financial Statements in U.S. dollars. As a result, we must translate the assets, liabilities, revenues and expenses of all of our operations into U.S. dollars at applicable exchange rates. Consequently, increases or decreases in the value of the U.S. dollar may affect the value of these items with respect to our non-U.S. dollar businesses in our Condensed Consolidated Financial Statements, even if their value has not changed in their local currency. For example, a stronger U.S. dollar will reduce the relative value of reported results of non-U.S. dollar operations, and, conversely, a weaker U.S. dollar will increase the relative value of the non-U.S. dollar operations. These translations could significantly affect the comparability of our results between financial periods and/or result in significant changes to the carrying value of our assets, liabilities and stockholders’ equity.

In addition, many of our operations buy materials and incur expenses in a currency other than their functional currency. As a result, our results of operations are impacted by currency exchange rate fluctuations because we are generally unable to match revenues received in foreign currencies with expenses incurred in the same currency. From time to time, as and when we determine it is appropriate and advisable to do so, we may seek to mitigate the effect of exchange rate fluctuations through the use of derivative financial instruments.

***Argentina.*** Argentina has been designated a highly inflationary economy under U.S. GAAP effective July 1, 2018, and the U.S. dollar replaced the Argentine peso as the functional currency for our subsidiaries in Argentina. For more information, see "Foreign currency (gain) loss related to Argentina subsidiaries" below.

***Turkey.*** Turkey has been designated a highly inflationary economy under U.S. GAAP effective April 1, 2022, and the U.S. dollar will replace the Turkish lira as the functional currency for our subsidiaries in Turkey in future periods.

**Condensed Consolidated Operating Results**

| (in millions except per share amounts) | Three Months Ended March 31, 2022 | $ Change | % Change | Three Months Ended March 31, 2021 |
|---|---|---|---|---|
| Net sales | $ 660.0 | $ 28.5 | 4.5 % | $ 631.5 |
| Cost of sales | 423.9 | 38.8 | 10.1 % | 385.1 |
| Gross profit | 236.1 | (10.3) | (4.2)% | 246.4 |
| Selling, general and administrative expenses | 213.7 | (29.4) | (12.1)% | 243.1 |
| Transaction and integration costs | 4.5 | (8.8) | (66.2)% | 13.3 |
| Management fee | — | (19.4) | (100.0)% | 19.4 |
| Amortization of intangible assets | 24.2 | (0.1) | (0.4)% | 24.3 |
| Restructuring and exit costs | 9.8 | 7.2 | 276.9 % | 2.6 |
| Operating loss | (16.1) | 40.2 | 71.4 % | (56.3) |
| Interest expense | 30.3 | (13.4) | (30.7)% | 43.7 |
| Foreign currency gain related to Argentina subsidiaries | (0.3) | 1.7 | (85.0)% | (2.0) |
| Other (income) expense, net | (8.9) | (9.0) | NM | 0.1 |
| Loss before income tax provision (benefit) | (37.2) | 60.9 | 62.1 % | (98.1) |
| Income tax provision (benefit) | 1.9 | 4.3 | NM | (2.4) |
| Net loss | $ (39.1) | $ 56.6 | 59.1 % | $ (95.7) |
| | | | | |
| Basic and diluted loss per share | $ (0.12) | | | $ (0.39) |
| Basic and diluted weighted average shares outstanding | 319.6 | | | 247.3 |

NM - Not Meaningful, as the amounts are both income and expense in the comparable periods.

**Results of Operations**

***Net sales by Segment.*** In “Net sales by segment” and in certain of the discussions and tables that follow, we exclude the impact of foreign currency translation when presenting net sales information, which we define as “constant dollar,” and we exclude acquisitions in the first year after closing and the impact of foreign currency translation when presenting net sales information, which we define as “organic.” Changes in net sales excluding the impact of foreign currency translation is a Non-GAAP financial measure. As a global business, it is important that we take into account the effects of foreign currency translation when we view our results and plan our strategies. Nonetheless, we cannot control changes in foreign currency exchange rates. Consequently, when we look at our financial results to measure the core performance of our business, we may exclude the impact of foreign currency translation by translating our current period results at prior period foreign currency exchange rates. We also may adjust for the impact of foreign currency translation when making incentive compensation determinations. As a result, we believe that these presentations are useful internally and useful to investors in evaluating our performance.

The following table represents net sales by segment:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Institutional | $ 472.2 | $ 467.9 |
| Food & Beverage | 187.8 | 163.6 |
| **Total** | $ 660.0 | $ 631.5 |

| (in millions, except percentages) | Institutional | | Food & Beverage | | Total | |
|---|---|---|---|---|---|---|
| **2021 Net Sales** | **$ 467.9** | **74.1 %** | **$ 163.6** | **25.9 %** | **$ 631.5** | |
| Organic change (non-GAAP) | 21.6 | 4.6 % | 22.9 | 14.0 % | 44.5 | 7.0 % |
| Acquisition | 9.1 | 1.9 % | 13.4 | 8.2 % | 22.5 | 3.6 % |
| Constant dollar change (non-GAAP) | 30.7 | 6.6 % | 36.3 | 22.2 % | 67.0 | 10.6 % |
| Foreign currency translation | (26.4) | (5.6)% | (12.1) | (7.4)% | (38.5) | (6.1)% |
| Total change | 4.3 | 0.9 % | 24.2 | 14.8 % | 28.5 | 4.5 % |
| **2022 Net Sales** | **$ 472.2** | **71.5 %** | **$ 187.8** | **28.5 %** | **$ 660.0** | |

**Institutional.** Net sales increased $4.3 million, or 0.9%, in 2022 compared with 2021. Foreign currency translation had a negative effect of $26.4 million. On a constant dollar basis, net sales increased $30.7 million, or 6.6%, as compared with 2021, with our acquisitions contributing $9.1 million of growth. Organic sales increased by 4.6%, primarily due to new customer wins, continued expansion with our existing customers, and price increases to cover inflation. These increases were partially offset by a decrease in sales of Infection Prevention products, which have returned to a more normalized level, after demand increased significantly in 2020 and in the first quarter of 2021.

**Food & Beverage.** Net sales increased $24.2 million, or 14.8%, in 2022 as compared with 2021. Foreign currency translation had a negative effect of $12.1 million. On a constant dollar basis, net sales increased $36.3 million, or 22.2%, with our acquisitions contributing $13.4 million of growth. Organic sales increased 14.0%, primarily due to new customer wins, price increases, and the continued rollout of water treatment solutions.

***Cost of sales and gross profit.*** Cost of sales is primarily comprised of direct materials and supplies consumed in the production of product, as well as labor and direct overhead expense necessary to acquire and convert the purchased materials and supplies into finished products. Also included are expenses associated with service organization, quality oversight, warranty costs and share-based compensation.

Our gross profit was $236.1 million in 2022 and $246.4 million in 2021, and our gross margin was 35.8% in 2022 and 39.0% in 2021. Gross profit for 2022 was unfavorably impacted by $15.4 million of foreign currency translation. Excluding this impact and $1.3 million of acquisition accounting adjustments, gross profit increased by $6.0 million during 2022, and was positively impacted by higher sales volumes and price increases as described above, which were offset by additional freight costs, increased inflation, and higher labor and manufacturing costs.

***Selling, general and administrative expenses.*** Selling, general and administrative expenses are comprised primarily of marketing, research and development and administrative costs. Administrative costs, among other things, include share-based compensation, professional consulting expenditures, administrative salaries and wages, certain software and hardware costs and facilities costs.

Selling, general and administrative expenses were $213.7 million in 2022 compared to $243.1 million in 2021. The decrease of $29.4 million was due in part to a $43.3 million decrease in share-based compensation and $9.6 million of favorable foreign currency translation. These decreases were partially offset by increases in employee compensation and benefit costs due to inflationary labor increases.

***Transaction and integration costs.*** Transaction and integration costs were $4.5 million in 2022 and $13.3 million in 2021. These costs consist primarily of professional and consulting services which are non-operational in nature, costs related to strategic initiatives, acquisition-related costs, and costs incurred in preparing to become a publicly traded company. Costs incurred in connection with becoming a publicly traded company were $0.8 million in 2022 and $7.9 million in 2021.

***Management fee.*** Pursuant to a management agreement with Bain Capital, we were obligated to pay Bain Capital an annual management fee of $7.5 million plus reasonable out-of-pocket expenses incurred in connection with management services provided. The management agreement was terminated in March 2021 pursuant to its terms upon the consummation of our IPO, and we recorded a termination fee of $17.5 million during 2021. We paid Bain Capital a total of $19.4 million in management fees during 2021.

***Amortization of intangible assets acquired.*** In connection with our various business acquisitions, the acquired assets, including separately identifiable intangible assets, and assumed liabilities were recorded as of the acquisition date at their respective fair values. Amortization of intangible assets acquired was $24.2 million and $24.3 million during 2022 and 2021, respectively.

***Restructuring and exit costs.*** We recorded restructuring and exit costs of $9.8 million and $2.6 million during 2022 and 2021, respectively. These charges represent facilities consolidations and employee termination costs related to our initiatives to align our labor resources to our anticipated business needs.

***Non-operating results.*** Our non-operating results were as follows:

| **(in millions)** | **Three Months Ended March 31, 2022** | **Three Months Ended March 31, 2021** |
|---|---|---|
| Interest expense | $ 30.3 | $ 43.7 |
| Foreign currency gain related to Argentina subsidiaries | (0.3) | (2.0) |
| Other (income) expense, net | (8.9) | 0.1 |
| | $ 21.1 | $ 41.8 |

***Interest Expense.*** We incurred interest expense during 2022 of $18.6 million, $5.8 million and $4.1 million related to the Senior Secured Credit Facilities, the 2021 Senior Notes and other debt, respectively.

We incurred interest expense during 2021 of $18.3 million, $7.6 million and $2.9 million related to the Senior Secured Credit Facilities, the 2017 Senior Notes and other debt, respectively.

Amortization of deferred financing costs and original issue discount totaling $1.8 million and $14.9 million during 2022 and 2021, respectively, are included in the interest expense line item disclosed above. Amortization expense in 2021 included $11.9 million of accelerated interest amortization related to certain debt facilities that were fully repaid or paid down significantly in March 2021 using proceeds from the IPO.

***Foreign currency gain related to Argentina subsidiaries.*** On July 1, 2018, the economy of Argentina was designated as a highly inflationary economy under U.S. GAAP. Therefore, the U.S. dollar replaced the Argentine peso as the functional currency for our subsidiaries in Argentina. All Argentine peso-denominated monetary assets and liabilities are remeasured into U.S. dollars using the current exchange rate available to us, and any changes in the exchange rate are reflected in foreign currency gain related to our Argentinian subsidiaries.

***Other (income) expense, net.*** Our other (income) expense, net was as follows:

| **(in millions)** | **Three Months Ended March 31, 2022** | **Three Months Ended March 31, 2021** |
|---|---|---|
| Interest income | $ (0.7) | $ (0.9) |
| Unrealized foreign exchange (gain) loss | (1.1) | 5.9 |
| Realized foreign exchange (gain) loss | 1.2 | (0.3) |
| Non-cash pension and other post-employment benefit plan | (3.6) | (3.8) |
| Adjustment for tax indemnification asset | (0.1) | — |
| Factoring and securitization fees | 0.9 | 1.0 |
| Tax receivable agreement adjustments | (6.4) | — |
| Other, net | 0.9 | (1.8) |
| Total other (income) expense, net | $ (8.9) | $ 0.1 |

The change in the interest income was primarily due to the fluctuation of our cash balances.

Unrealized foreign exchange gains and losses were primarily due to the change in the value of the Euro versus the U.S. dollar, which impacts our U.S. dollar denominated debt held at our Euro functional entity. These were partially offset by an inverse impact on our tax receivable agreement.

The realized foreign exchange gains and losses were primarily due to internal cash-pooling activity.

In accordance with the provisions contained in Accounting Standards Update 2017-07, *Compensation – Retirement Benefits*, we record net pension income when the expected return on plan assets exceeds the interest costs associated with these plans.

The adjustment of our tax indemnification asset was due to the lapse of statute of limitations for unrecognized tax benefits.

The tax receivable agreement adjustments were due to changes in tax laws and changes in the valuation allowance against the deferred tax assets; therefore there was a net reduction of the tax benefits under the tax receivable agreement.

***Income tax provision.*** For 2022, the difference in the statutory income tax benefit of $(7.1) million and the recorded income tax provision of $1.9 million was primarily attributable to an increase in the valuation allowance of $7.6 million related to limitations on the deductibility of interest expense, and $2.3 million of income tax expense related to non-deductible shared-based compensation.

For 2021, the difference in the statutory income tax benefit of $(18.6) million and the recorded income tax benefit of $(2.4) million was primarily attributable to $7.2 million of income tax expense related to non-deductible share-based compensation, $3.3 million of income tax expense related to the termination of our management agreement with Bain Capital, an increase in the valuation allowance of $2.9 million related to limitations on the deductibility of interest expense, and the impact of other non-deductible expenses related to the IPO.

***Adjusted EBITDA by Segment.*** Adjusted EBITDA for each of our reportable segments is as follows:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Institutional | $ 53.0 | $ 71.1 |
| Food & Beverage | 22.1 | 31.9 |
| **Total Segment Adjusted EBITDA** | 75.1 | 103.0 |
| Corporate costs | (14.8) | (10.3) |
| **Consolidated Adjusted EBITDA** | $ 60.3 | $ 92.7 |

| (in millions, except percentages) | Institutional | | Food & Beverage | | Corporate Costs | | Total | |
|---|---|---|---|---|---|---|---|---|
| 2021 Adjusted EBITDA | $ 71.1 | 76.7 % | $ 31.9 | 34.4 % | $ (10.3) | (11.1) % | $ 92.7 | |
| *Adj EBITDA margin* | *15.2 %* | | *19.5 %* | | | | *14.7 %* | |
| Organic change (non-GAAP) | (13.6) | (19.1) % | (7.8) | (24.5) % | (4.6) | (44.7) % | (26.0) | (28.0)% |
| Acquisition | 0.7 | 1.0 % | (0.1) | (0.3) % | — | — % | 0.6 | 0.6 % |
| Constant dollar change (non-GAAP) | (12.9) | (18.1) % | (7.9) | (24.8) % | (4.6) | (44.7) % | (25.4) | (27.4)% |
| Foreign currency translation | (5.2) | (7.3) % | (1.9) | (6.0) % | 0.1 | 1.0 % | (7.0) | (7.6)% |
| Total change | (18.1) | (25.5) % | (9.8) | (30.7) % | (4.5) | (43.7) % | (32.4) | (35.0)% |
| **2022 Adjusted EBITDA** | **$ 53.0** | **87.9 %** | **$ 22.1** | **36.7 %** | **$ (14.8)** | **(24.5)%** | **$ 60.3** | |
| *Adj EBITDA margin* | *11.2 %* | | *11.8 %* | | | | *9.1 %* | |

**Institutional.** Adjusted EBITDA decreased $18.1 million, or 25.5%, in 2022 as compared to 2021. Foreign currency translation had a negative effect of $5.2 million. On a constant dollar basis, Adjusted EBITDA in 2022 decreased $12.9 million, or 18.1%, as compared with 2021. Adjusted EBITDA margin decreased from 15.2% in 2021 to 11.2% in 2022, which reflected a decline in profit margin due to decrease in sales of Infection Prevention products, higher freight costs, inflation, higher manufacturing costs and higher labor costs, which were partially offset by price increases.

**Food & Beverage.** Adjusted EBITDA decreased $9.8 million, or 30.7%, in 2022 as compared to 2021. Foreign currency translation had a negative effect of $1.9 million. On a constant dollar basis, Adjusted EBITDA in 2022 decreased $7.9 million, or 24.8%, when compared to 2021. Adjusted EBITDA margin decreased from 19.5% in 2021 to 11.8% in 2022, which reflected a decline in gross profit margin due to high cost inflation, particularly in Europe due to the Russia-Ukraine war, which were partially offset by price increases.

**Corporate Costs.** Corporate costs increased from $10.3 million in 2021 to $14.8 million in 2022. The increase was primarily driven by increases in realized foreign exchange losses and other (income) expense, net.

## NON-GAAP FINANCIAL MEASURES

We present financial information that conforms to U.S. GAAP. We also present financial information that does not conform to U.S. GAAP, as we believe it is useful to investors. In addition, Non-GAAP measures are used by management to review and analyze our operating performance and, along with other data, as internal measures for setting annual budgets and forecasts, assessing financial performance, providing guidance and comparing our financial performance with our peers.

Non-GAAP financial measures also provide management with additional means to understand and evaluate the core operating results and trends in our ongoing business by eliminating certain expenses and/or gains (which may not occur in each period presented) and other items that management believes might otherwise make comparisons of our ongoing business with prior periods and peers more difficult, obscure trends in ongoing operations or reduce management's ability to make useful forecasts. Non-GAAP measures do not purport to represent any similarly titled U.S. GAAP information and is not an indicator of our performance under U.S. GAAP. Investors are cautioned against placing undue reliance on these Non-GAAP measures. Further, investors are urged to review and consider carefully the adjustments made by management to the most directly comparable U.S. GAAP financial measure to arrive at these Non-GAAP financial measures, described below.

Our Non-GAAP financial measures may also be considered in calculations of our performance measures set by our Board of Directors for purposes of determining incentive compensation. The Non-GAAP financial metrics exclude items that we consider to be certain specified items ("Special Items"), such as restructuring charges, transaction and integration costs, certain transaction and other charges related to acquisitions and divestitures, gains and losses related to acquisitions and divestitures, and certain other items. We evaluate unusual or Special Items on an individual basis. Our evaluation of whether to exclude an unusual or Special Item for purposes of determining our Non-GAAP financial measures considers both the quantitative and qualitative aspects of the item, including among other things (i) its nature, (ii) whether it relates to our ongoing business operations, and (iii) whether we expect it to occur as part of our normal ongoing business on a regular basis.

Our calculation of these Non-GAAP measures may not be comparable to similarly titled measures of other companies due to potential differences between companies in the method of calculation. As a result, the use of these Non-GAAP measures has limitations and should not be considered superior to, in isolation from, or as a substitute for, related U.S. GAAP measures.

**EBITDA and Adjusted EBITDA**

We believe that the financial statements and other financial information presented have been prepared in a manner that complies, in all material respects, with U.S. GAAP, and are consistent with current practices with the exception of the presentation of certain Non-GAAP financial measures, including EBITDA and Adjusted EBITDA. EBITDA consists of net income (loss) before income tax provisions (benefit), interest expense, interest income, depreciation and amortization. Adjusted EBITDA consists of EBITDA adjusted to (i) eliminate certain non-operating income or expense items, (ii) eliminate the impact of certain non-cash and other items that are included in net income and EBITDA that we do not consider indicative of our ongoing operating performance, and (iii) eliminate certain unusual and non-recurring items impacting results in a particular period.

EBITDA and Adjusted EBITDA are supplemental measures that are not required by, or presented in accordance with, U.S. GAAP. EBITDA and Adjusted EBITDA are not measures of our financial performance under U.S. GAAP and should not be considered as an alternative to revenues, net income (loss), income (loss) before income tax provision or any other performance measures derived in accordance with U.S. GAAP, nor should they be considered as alternatives to cash flows from operating activities as a measure of liquidity in accordance with U.S. GAAP. In addition, our method of calculating EBITDA and Adjusted EBITDA may vary from the methods used by other companies.

We consider EBITDA and Adjusted EBITDA to be key indicators of our financial performance. Additionally, we believe EBITDA and Adjusted EBITDA are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. We also believe that investors, analysts and rating agencies consider EBITDA and Adjusted EBITDA useful means of measuring our ability to meet our debt service obligations and evaluating our financial performance, and management uses these measures for one or more of these purposes.

Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items. EBITDA and Adjusted EBITDA have important limitations as analytical tools and you should not consider them in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. The use of EBITDA and Adjusted EBITDA instead of net income has limitations as an analytical tool, including the following:

- EBITDA and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- EBITDA and Adjusted EBITDA do not reflect our interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- EBITDA and Adjusted EBITDA do not reflect our income tax expense or the cash requirements to pay our income taxes;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect any cash requirements for such replacements;
- EBITDA and Adjusted EBITDA do not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments; and
- Other companies in our industry may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

Adjusted EBITDA includes adjustments that represent a cash expense or that represent a non-cash charge that may relate to a future cash expense, and some of these expenses are of a type that we expect to incur in the future, although we cannot predict the amount of any such future charge.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as a replacement for net income or as a measure of discretionary cash available to us to service our indebtedness or invest in our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using EBITDA and Adjusted EBITDA only for supplemental purposes.

**Adjusted Net Income and Adjusted Earnings (Loss) Per Share**

Adjusted Net Income and Adjusted Earnings (Loss) Per Share ("Adjusted EPS") are also Non-GAAP financial measures. We define Adjusted Net Income as net income (loss) adjusted to (i) eliminate certain non-operating income or expense items, (ii) eliminate the impact of certain non-cash and other items that are included in net income that we do not consider indicative of our ongoing operating performance, (iii) eliminate certain unusual and non-recurring items impacting results in a particular period, and (iv) reflect the tax effect of items (i) through (iii) and other tax special items. We define Adjusted EPS as our Adjusted Net Income divided by the number of weighted average shares outstanding in the period.

We believe that, in addition to our results determined in accordance with U.S. GAAP, Adjusted Net Income and Adjusted EPS are useful in evaluating our business, results of operations and financial condition. We believe that Adjusted Net Income and Adjusted EPS may be helpful to investors because they provide consistency and comparability with past financial performance and facilitate period to period comparisons of our operations and financial results, as they eliminate the effects of certain variables from period to period for reasons that we do not believe reflect our underlying operating performance or are unusual or infrequent in nature. However, Adjusted Net Income and Adjusted EPS are presented for supplemental informational purposes only and should not be considered in isolation or as a substitute or alternative for financial information presented in accordance with U.S. GAAP.

Adjusted Net Income and Adjusted EPS have limitations as an analytical tool; some of these limitations are:

- Adjusted Net Income and Adjusted EPS do not reflect changes in, or cash requirements for, our working capital needs;
- other companies, including companies in our industry, may calculate Adjusted Net Income and Adjusted EPS differently, which reduce their usefulness as comparative measures; and
- in the future we may incur expenses that are the same as or similar to some of the adjustments in our calculation of Adjusted Net Income and Adjusted EPS and our presentation of Adjusted Net Income and Adjusted EPS

should not be construed as an inference that our future results will be unaffected by the types of items excluded from the calculation of Adjusted Net Income or Adjusted EPS.

Because of these limitations, you should consider Adjusted Net Income and Adjusted EPS alongside other financial performance measures, including net loss, basic and diluted loss per share, and our other U.S. GAAP results. Adjusted Net Income and Adjusted EPS are not presentations made in accordance with U.S. GAAP and the use of these terms may vary from other companies in our industry. The most directly comparable U.S. GAAP measure to Adjusted Net Income is net loss and the most directly comparable U.S. GAAP measure to Adjusted EPS is basic and diluted loss per share.

The following table reconciles loss before income tax provision (benefit) to EBITDA and Adjusted EBITDA for the periods presented:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 |
|---|---|---|
| Loss before income tax provision (benefit) | $ (37.2) | $ (98.1) |
| Interest expense | 30.3 | 43.7 |
| Interest income | (0.7) | (0.9) |
| Amortization expense of intangible assets | 24.2 | 24.3 |
| Depreciation expense included in cost of sales | 20.6 | 20.8 |
| Depreciation expense included in selling, general and administrative expenses | 2.6 | 2.0 |
| **EBITDA** | 39.8 | (8.2) |
| Transaction and integration costs(1) | 4.5 | 13.3 |
| Restructuring and exit costs(2) | 9.8 | 2.6 |
| Foreign currency gain related to Argentina subsidiaries(3) | (0.3) | (2.0) |
| Adjustment for tax indemnification asset(4) | (0.1) | — |
| Acquisition accounting adjustments(5) | 1.3 | — |
| Bain Capital management fee(6) | — | 19.4 |
| Non-cash pension and other post-employment benefit plan(7) | (3.6) | (3.8) |
| Unrealized foreign currency exchange loss (gain)(8) | (1.1) | 5.9 |
| Factoring and securitization fees(9) | 0.9 | 1.0 |
| Share-based compensation(10) | 15.1 | 63.5 |
| Tax receivable agreement adjustments(11) | (6.4) | — |
| Other items | 0.4 | 1.0 |
| **Consolidated Adjusted EBITDA** | $ 60.3 | $ 92.7 |

The following table reconciles net loss to Adjusted Net Income and basic and diluted earnings (loss) per share to Adjusted EPS for the periods presented:

| | Three Months Ended March 31, 2022 | | Three Months Ended March 31, 2021 | |
|---|---|---|---|---|
| **(in millions, except per share amounts)** | **Net Income (Loss)** | **Basic and diluted EPS[15]** | **Net Income (Loss)** | **Basic and diluted EPS[15]** |
| Reported (GAAP) | $ (39.1) | $ (0.12) | $ (95.7) | $ (0.39) |
| Amortization expense of intangible assets acquired | 24.2 | 0.08 | 24.3 | 0.10 |
| Transaction and integration costs[1] | 4.5 | 0.01 | 13.3 | 0.05 |
| Restructuring and exit costs[2] | 9.8 | 0.03 | 2.6 | 0.01 |
| Foreign currency gain related to Argentina subsidiaries[3] | (0.3) | — | (2.0) | (0.01) |
| Adjustment for tax indemnification asset[4] | (0.1) | — | — | — |
| Acquisition accounting adjustments[5] | 1.3 | — | — | — |
| Bain Capital management fee[6] | — | — | 19.4 | 0.08 |
| Non-cash pension and other post-employment benefit plan[7] | (3.6) | (0.01) | (3.8) | (0.02) |
| Unrealized foreign currency exchange (gain) loss[8] | (1.1) | — | 5.9 | 0.02 |
| Share-based compensation[10] | 15.1 | 0.05 | 63.5 | 0.26 |
| Tax receivable agreement adjustments[11] | (6.4) | (0.02) | — | — |
| Accelerated expense of deferred financing and original issue discount costs[12] | — | — | 11.9 | 0.05 |
| Other items | 0.4 | — | 1.0 | — |
| Tax effects related to non-GAAP adjustments[13] | (10.5) | (0.04) | (15.7) | (0.05) |
| Discrete tax adjustments[14] | 9.5 | 0.03 | 1.5 | 0.01 |
| **Adjusted (Non-GAAP)** | $ 3.7 | $ 0.01 | $ 26.2 | $ 0.11 |

(1) These costs consist primarily of professional and consulting services which are non-operational in nature, costs related to strategic initiatives, acquisition-related costs, and costs incurred in preparing to become a publicly traded company.

(2) Includes costs related to restructuring programs and business exit activities. Refer to Note 16 — Restructuring and Exit Activities in the Notes to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

(3) Effective July 1, 2018, Argentina was deemed to have a highly inflationary economy and the functional currency for our Argentina operations was changed from the Argentine Peso to the United States dollar and remeasurement charges/credits are recorded in our Condensed Consolidated Statements of Operations rather than as a component of Cumulative Translation Adjustment on our Condensed Consolidated Balance Sheets.

(4) In connection with the Diversey Acquisition, the purchase agreement governing the transaction includes indemnification provisions with respect to tax liabilities. The offset to this adjustment is included in income tax provision.

(5) In connection with various acquisitions we recorded fair value increases to our inventory. These amounts represent the amortization of this increase.

(6) Represents fees paid to Bain Capital pursuant a management agreement whereby we have received general business consulting services; financial, managerial and operational advice; advisory and consulting services with respect to selection of advisors; advice in different fields; and financial and strategic planning and analysis. The management agreement was terminated in March 2021 pursuant to its terms upon the consummation of the IPO, and we recorded a termination fee of $17.5 million during the three months ended March 31, 2022.

(7) Represents the net impact of the expected return on plan assets, interest cost, and settlement cost components of net periodic defined benefit income related to our defined benefit pension plans.

(8) Represents the unrealized foreign currency exchange impact on our operations, primarily attributed to the valuation of the U.S. Dollar-denominated debt held by our European entity.

(9) Represents the fees to complete the sale of the receivables without recourse under our accounts receivable factoring and securitization agreements. Refer to Note 5 — Financial Statement Details in the Notes to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

(10) Represents compensation expense associated with our share-based equity and liability awards. See Note 15 — Share-Based Compensation in the Notes to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for additional information.

(11) Represents the adjustment to our tax receivable agreement liability due to changes in valuation allowances that impact the realizability of the attributes of the tax receivable agreement.

(12) Represents accelerated non-cash expense of deferred financing costs and original issue discount costs as certain debt facilities were fully repaid or paid down significantly in March 2021 using proceeds from the IPO.

(13) The tax rate used to calculate the tax impact of the pre-tax adjustments is based on the jurisdiction in which the charge was recorded.

(14) Represents adjustments related to discrete tax items including uncertain tax provisions, impacts from rate changes in certain jurisdictions and changes in our valuation allowance.

(15) For purposes of calculating earnings (loss) per share the Company has retrospectively presented earnings (loss) per share as if the Reorganization Transactions had occurred at the beginning of the earliest period presented. Such retrospective presentation reflects an increase of approximately 47.4 million shares due to the exchange of shares in Constellation for shares in the Company.

## LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of cash are the collection of trade receivables generated from the sales of our products and services to our customers and amounts available under our Revolving Credit Facility, factoring and accounts receivable securitization programs. Our primary uses of cash are payments for operating expenses, investments in working capital, capital expenditures, interest, taxes, debt obligations, restructuring expenses and other long-term liabilities. Our principal source of liquidity, in addition to cash from operating activities, has been through our Revolving Credit Facility. As of March 31, 2022, we had cash and cash equivalents of $216.2 million and unused borrowing capacity of $442.3 million under our Revolving Credit Facility. We believe that cash flow from operations, available cash on hand and available borrowing capacity under our Revolving Credit Facility will be adequate to service our debt, meet our liquidity needs and fund necessary capital expenditures for the next twelve months. We also believe these financial resources will allow us to manage our business operations for the foreseeable future, including mitigating unexpected reductions in revenues and delays in payments from our customers. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities and the introduction of new and enhanced products and services offerings.

***Material Cash Requirements.*** In 2021, we began a strategic initiative to consolidate certain production and office facilities within Europe and North America, which also includes opening a new manufacturing facility in North America. We anticipate that these actions will both expand our production capacity and allow us to better manage our inventory, supply chain and workforce. We expect to spend an estimated $90.0 million in total cash for the initiative in 2021 through 2023, which consists of $55.0 million of capitalized expenditures and $35.0 million of expenses. Of these amounts, we paid $8.3 million for expenses during the three months ended March 31, 2022. Our remaining cash requirements for 2022 and 2023 are estimated at $29.0 million for capital expenditures and $24.0 million for expenses. We believe that cash flow from operations and available cash on hand will meet our need to fund this initiative.

***Historical Cash Flows.*** Note that the table and discussion that follows include restricted cash as part of net cash in accordance with the provisions o*f* ASU 2016-18, *Statement of Cash Flows*. We include restricted cash from our factoring arrangements and compensating balance deposits as part of our cash and cash equivalents and restricted cash for purposes of preparing our Condensed Consolidated Statements of Cash Flows.

The following table presents a summary of our net cash provided by (used in) operating, investing and financing activities:

| (in millions) | Three Months Ended March 31, 2022 | Three Months Ended March 31, 2021 | Change |
|---|---|---|---|
| Net cash provided by (used in) operating activities | $ 45.9 | $ (78.7) | $ 124.6 |
| Net cash provided by (used in) investing activities | $ (68.7) | $ 6.0 | $ (74.7) |
| Net cash provided by (used in) financing activities | $ 33.8 | $ (3.9) | $ 37.7 |

***Operating activities***

Cash flows from operating activities increased $124.6 million during 2022 as compared to 2021, which was primarily attributable to an increase in net income and favorable fluctuations in working capital items totaling $107.5 million. The changes in working capital reflect favorable fluctuations in other assets and liabilities of $53.4 million (primarily relating to timing of payroll related accruals, rebates and lease receivables), trade receivables of $31.0 million and accounts payable of $21.8 million.

***Investing activities***

Cash flows from investing activities are primarily impacted by the timing of business acquisitions and our factoring program for receivables, as well as capital investments in the business.

In 2022, we purchased Shorrock Trichem Ltd, a distributor of cleaning and hygiene solutions and services based in northwest England, and our total cash paid for all acquisitions was $41.4 million.

Our investments in dosing and dispensing equipment and capital expenditures totaled $27.3 million and $18.4 million during 2022 and 2021, respectively, due to new customer wins.

Cash received from beneficial interests on sold receivables was $24.4 million during 2021, as we terminated our factoring program in the fourth quarter of 2021.

***Financing activities***

Cash flows from financing activities primarily reflect proceeds from the issuance of ordinary shares in our IPO and borrowings and repayment of debt.

In 2022, we terminated our existing U.S. dollar floating to Euro fixed interest rate swap, receiving net proceeds of $45.3 million, and simultaneously entered into a new at-market U.S. dollar floating to Euro fixed interest rate swap with the same maturity date as the terminated swap. Additionally, we paid $11.5 million on short-term and long-term borrowings.

In 2021, we received net proceeds from our IPO of $654.3 million, which was used to pay down long-term borrowings of $656.0 million.

***Debt Capitalization.*** We had $216.2 million and $207.6 million of cash and cash equivalents as of March 31, 2022 and December 31, 2021, respectively. The following table details our debt outstanding:

| **(in millions)** | **March 31, 2022** | **December 31, 2021** |
|---|---|---|
| Senior Secured Credit Facilities | | |
| 2021 U.S. Dollar Term Loan | $ 1,496.3 | $ 1,500.0 |
| Revolving Credit Facility | — | — |
| 2021 Senior Notes | 500.0 | 500.0 |
| Short-term borrowings | 3.5 | 10.7 |
| Finance lease obligations | 4.0 | 4.4 |
| Financing obligations | 23.2 | 23.1 |
| Unamortized deferred financing costs | (34.0) | (35.3) |
| Unamortized original issue discount | (8.0) | (8.3) |
| Total debt | 1,985.0 | 1,994.6 |
| Less: Current portion of long-term debt | (10.9) | (10.9) |
| Short-term borrowings | (3.5) | (10.7) |
| Long-term debt | $ 1,970.6 | $ 1,973.0 |

On September 29, 2021, the Company entered into an amendment to its Senior Secured Credit Facilities, which provided for a new $1,500.0 million senior secured U.S. dollar denominated term loan (the “2021 U.S. Dollar Term Loan”) in addition to the existing $450.0 million revolving credit facility (the “Revolving Credit Facility", and together with the 2021 U.S. Dollar Term Loan, the “New Senior Secured Credit Facilities”). The 2021 U.S. Dollar Term Loan matures on September 29, 2028, while the Revolving Credit Facility matures on March 28, 2026. As of March 31, 2022, the interest rate for the 2021 U.S. Dollar Term Loan is 3.25%. As of March 31, 2022, we were in compliance with all covenants under the agreements governing the New Senior Secured Credit Facilities.

On September 29, 2021, the Company completed the sale of $500.0 million in aggregate principal amount of Senior Notes due 2029 (the “2021 Senior Notes”) in a private placement to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and to non-U.S. persons (as defined in Regulation S) pursuant to Regulation S under the Securities Act. The Company used the net proceeds from the issuance of the 2021 Senior Notes, together with borrowings under its New Senior Secured Credit Facilities and cash on hand, to redeem all of the €450.0 million aggregate principal amount of the 2017 Senior Notes, pay fees and/or expenses incurred in connection with the issuance of the 2021 Senior Notes and for general corporate purposes. The 2021 Senior Notes mature on October 1, 2029, bear interest at 4.625%, and interest is payable semi-annually on April 1 and October 1 of each year, beginning on April 1, 2022. At March 31, 2022, we were in compliance with all covenants under the indenture governing the 2021 Senior Notes.

In connection with entering into the New Senior Secured Credit Facilities and issuing the 2021 Senior Notes (collectively, the "Refinancing Transactions"), we also entered into a series of derivative agreements to manage the impacts of fluctuations in interest rates and currency exchange rates on a portion of the Company’s floating-rate and U.S. dollar denominated debt. The Refinancing Transactions extended the maturities of the debt and decreased the interest rates, and combined with the new derivatives, will reduce our future interest expense. Assuming that interest rates on the floating-rate debt remain constant, we anticipate annual interest expense savings to be in excess of $11.0 million, which could increase to $14.0 million, as we further reduced the interest rate for the 2021 U.S. Dollar Term Loan during the three months ended March 31, 2022, by achieving a Total Net Leverage Ratio (as defined in the New Senior Secured Credit Facilities) of less than or equal to 4.50 to 1.00.

**Critical Accounting Policies**

The preparation of the Condensed Consolidated Financial Statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of some assets and liabilities and, in some instances, the reported amounts of revenues and expenses during the applicable reporting period. Actual results could differ from these estimates. These estimates involve judgments with respect to, among other things, future economic factors that are difficult to predict and are beyond management’s control. As a result, actual amounts could differ from these estimates.

Refer to the section entitled “Critical Accounting Policies” within the “Management’s Discussion and Analysis of Results of Operations” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 for discussion of our critical accounting policies. There have been no material changes in our critical accounting policies from those discussed in the Annual Report on Form 10-K.

**Recent Accounting Pronouncements**

Refer to the sub-section, “Recent Accounting Pronouncements,” within Note 2 — Significant Accounting Policies in the Notes to our Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for further discussions.

**Cautionary Statement Regarding Forward-Looking Information**

This Quarterly Report on Form 10-Q contains forward-looking statements that are subject to substantial risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q, including statements regarding our business strategy, future operations and results thereof, future financial position, future revenue, projected costs, prospects, current and prospective products, current and prospective collaborations, timing and likelihood of success, plans and objectives of management, expected market growth and future results of current and anticipated products are forward-looking statements. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate”, “estimate”, “expect”, “project”, “plan”, "potential", "predict", “intend”, “believe”, “may”, "might", “will”, "would", “should”, “can have”, "could", "continue", "contemplate", "target", “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events although not all forward-looking statements contain these identifying words. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, growth rates and financial results or our plans and objectives for future operations, growth initiatives, or strategies are forward-looking statements. All forward-looking statements involve unknown risks, and other important factors that may cause actual results performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including:

- the continuation of the COVID-19 pandemic may cause disruptions to our operations, customer demand, and our suppliers' ability to support us;
- uncertain global economic conditions which have had and could continue to have an adverse effect on our consolidated financial condition and results of operations;
- the global nature of our operations exposes us to numerous risks that could materially adversely affect our consolidated financial condition and results of operations;
- fluctuations between non-U.S. currencies and the U.S. dollar could materially impact our consolidated financial condition or results of operations;
- political and economic instability and risk of government actions affecting our business and our customers or suppliers may adversely impact our business, results of operations and cash flows;
- raw material pricing, availability and allocation by suppliers as well as energy-related costs may negatively impact our results of operations, including our profit margins;
- if we do not develop new and innovative products or if customers in our markets do not accept them, our results would be negatively affected;
- cyber risks and the failure to maintain the integrity of our operational or security systems or infrastructure;
- the introduction of the Organization for Economic Cooperation and Development's Base Erosion and Profit Shifting may adversely affect our effective rate of tax in future periods;
- the consolidation of customers may adversely affect our business, consolidated financial condition or results of operations;
- we experience competition in the markets for our products and services and in the geographic areas in which we operate;
- instability and uncertainty in the credit and financial markets could adversely impact the availability of credit that we and our customers need to operate our business;
- new and stricter regulations may affect our business and consolidated condition and results of operations; and
- the other risks described under "Risk Factors" in the Company's Annual Report on Form 10-K filed with the SEC.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other SEC filings and public communications. You should evaluate all forward-looking statements made in this document in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this Form 10-Q are made only as of the date hereof. We undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

**Item 3.** ***Quantitative and Qualitative Disclosures about Market Risk***

Our business and financial results are affected by fluctuations in world financial markets, including interest rates and currency exchange rates.

***Interest rate risk.*** We are exposed to market risk associated with changes in interest rates, and are subject to interest rate risk associated with our New Senior Secured Credit Facilities. The primary purpose of our cash flow hedging activities is to manage the impacts of fluctuations in interest rates and currency exchange rates on a portion of the Company's floating-rate and U.S. dollar denominated debt. We will continue to evaluate various hedging strategies that we may put in place in the future with respect to interest rate risk. While changes in interest rates do not affect the fair value of our variable-interest rate debt, they do affect future earnings and cash flows.

We have \$500.0 million of fixed rate debt as a result of the issuance of the Company's 2021 Senior Notes. For fixed rate debt, interest rate changes affect the fair market value of such debt, but do not impact earnings or cash flows.

A hypothetical 25 basis point increase in interest rates during any of the periods presented would have increased our annual interest expense by approximately \$0.5 million per year prior to our debt refinancing in 2021, and approximately \$2.5 million per year after considering our debt refinancing.

***Foreign exchange rates risk.*** We conduct operations in many countries around the world. Our results of operations are subject to both currency transaction risk and currency translation risk. We incur currency transaction risk when we enter into either a purchase or sale transaction using a currency other than our functional currency, the U.S. dollar. The primary purpose of our currency hedging activities is to manage the potential changes in value associated with the amounts receivable or payable on transactions that are denominated in foreign currencies in order to minimize the impact of changes in foreign currencies. With respect to currency translation risk, our financial condition and results of operations are measured and recorded in the relevant domestic currency and then translated into U.S. dollars for inclusion in our combined financial statements. Exchange rates between these currencies and U.S. dollars have fluctuated significantly over the last few years and may do so in the future. A substantial portion of our revenue and costs are denominated in, or effectively fluctuate with, U.S. dollars, and we also have significant revenue and costs in Euros, Canadian dollars, British pounds, and other currencies.

Approximately 81.0% of our net sales for the three months ended March 31, 2022 were associated with operations in jurisdictions that have a currency other than the U.S. dollar.

***Impact of Inflation.*** Inflation affects our manufacturing, distribution and operating costs. In the first quarter of 2022, we continued to experience unprecedented inflation, which impacted the cost of our raw materials, packaging and transportation. We are committed to maintaining our margins, and have taken actions to mitigate inflation through price increases, cost control, raw material substitutions, and more efficient logistics practices. However, our success is dependent on competitive pressures and market conditions, and we cannot guarantee the negative impacts of inflation can be fully recovered. In periods of significant inflation, we may experience a lag between our ability to recover both the cost and margin in the short term.

***Commodities.*** We use various commodity raw materials such as caustic soda, surfactants, plastic resins, other chemicals and energy products such as electric power and natural gas in conjunction with our manufacturing processes. Generally, we acquire these components at market prices in the region in which they will be used and do not use financial instruments to hedge commodity prices. Moreover, we seek to maintain appropriate levels of commodity raw material inventories thus minimizing the expense and risks of carrying excess inventories. We do not typically purchase substantial quantities in advance of production requirements. As a result, we are exposed to market risks related to changes in commodity prices of these components.

## Item 4. *Controls and Procedures*

### Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rule 13a–15(e) and Rule 15d–15(e) under the Exchange Act that are designed to provide reasonable assurance that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of March 31, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

**Changes in Internal Control**

There have been no changes in internal control over financial reporting during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# PART II
# OTHER INFORMATION

**Item 1.** ***Legal Proceedings***

We are party to routine legal proceedings that arise in the ordinary course of our businesses. We believe that none of the claims and complaints of which we are currently aware will, individually or in the aggregate, materially affect our businesses, financial position, or future operating results, although no assurance can be given with respect to the ultimate outcome of any such claims or with respect to the occurrence of any future claims.

**Item 1A.** ***Risk Factors***

**Risk Factors**

Other than the addition of the risk factors below, there have been no material changes to the risk factors included in the "*Risk Factors"* section of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC.

***Russia's invasion of Ukraine has significantly impacted geopolitical stability, increased economic uncertainty and disrupted capital markets.***

U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions as a consequence of Russia's invasion of Ukraine on February 24, 2022. Although the length and impact of the war in Ukraine is highly unpredictable, the war in Ukraine could lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions. We are continuing to monitor the situation in Ukraine and globally and assessing its potential impact on our business.

Additionally, the war in Ukraine has led to sanctions and other penalties being levied by the United States, European Union, United Kingdom and other countries against Russia. The U.S. government and other governments in jurisdictions in which we operate have also threatened additional sanctions and controls against Russia. The impact of these measures, as well as potential responses to them by Russia, is currently unknown and they could adversely affect our business, consolidated financial condition and results of operations.

Although our business has not been materially impacted by the war in Ukraine to date, it is impossible to predict the extent to which our operations, or those of our suppliers, will be impacted in the short and long term, or the ways in which the conflict may impact our business. The extent and duration of the military action, sanctions and resulting market disruptions are impossible to predict, but could be substantial.

Rising inflation may adversely affect us by increasing costs of materials, labor and other costs beyond what we can recover through price increases.

Inflation can adversely affect us by increasing the costs of materials, labor and other costs required to manage and grow our business. In the current inflationary environment, depending on the terms of our contracts and other economic conditions, we may be unable to raise prices enough to keep up with the rate of inflation, which would reduce our profit margins and returns. If we are unable to increase our prices to offset the effects of inflation, our business, consolidated financial condition and results of operations could be materially and adversely affected.

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

None.

**Item 3.** ***Defaults Upon Senior Securities***

None.

**Item 4.** ***Mine Safety Disclosures***

Not applicable.

**Item 5. *Other Information***

None.

**Item 6. *Exhibits***

The documents set forth below, numbered in accordance with Item 601 of Regulation S-K, are filed herewith, incorporated by reference to the location indicated or furnished herewith.

| Exhibit | Description |
|---|---|
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | 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 |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation |
| 101.DEF | Inline XBRL Taxonomy Extension Definition |
| 101.LAB | Inline XBRL Taxonomy Extension Labels |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* The certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

**SIGNATURES**

Pursuant to the requirements 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.

Date: May 10, 2022

DIVERSEY HOLDINGS, LTD.

By:/s/ TODD HERNDON
Name: Todd Herndon
Title: Chief Financial Officer

**Exhibit 31.1**

**Certification of Chief Executive Officer**
**Pursuant to Exchange Act Rule 13a-14(a)**

I, Philip Wieland, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 of Diversey Holdings, Ltd.;

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.

| | |
|---|---|
| Date: | May 10, 2022 |

/s/ PHILIP WIELAND
Philip Wieland
Chief Executive Officer

**Exhibit 31.2**

**Certification of Chief Financial Officer**
**Pursuant to Exchange Act Rule 13a-14(a)**

I, Todd Herndon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 of Diversey Holdings, Ltd.;

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.

Date: May 10, 2022

/s/ TODD HERNDON
Todd Herndon
Chief Financial Officer

**Exhibit 32.1**

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

In connection with the Quarterly Report on Form 10-Q of Diversey Holdings, Ltd. for the fiscal quarter ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Philip Wieland, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Diversey Holdings, Ltd.

Date: May 10, 2022

/s/ PHILIP WIELAND
Philip Wieland
Chief Executive Officer

**Exhibit 32.2**

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

In connection with the Quarterly Report on Form 10-Q of Diversey Holdings, Ltd. for the fiscal quarter ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Todd Herndon, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to my knowledge:

the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Diversey Holdings, Ltd.

Date: May 10, 2022

/s/ TODD HERNDON
Todd Herndon
Chief Financial Officer