

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, 2023
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

(State or other jurisdiction of
incorporation or organization)

2842

(Primary Standard Industrial
Classification Code Number)

Not applicable

(I.R.S. Employer
Identification No.)

**1300 Altura Road, Suite 125
Fort Mill, South Carolina**

(Address of registrant's principal executive offices)

29708

(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
Ordinary Shares, par value \$0.0001

Trading Symbol
DSEY

Name of the exchange on which registered
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, 2023, there were 324,579,219 shares of the registrant's ordinary shares outstanding.

DIVERSEY HOLDINGS, LTD.
FORM 10-Q
For the Three Months Ended March 31, 2023

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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, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 125.7	\$ 205.6
Trade receivables, net of allowance for doubtful accounts of \$22.6 and \$21.7	434.6	457.4
Other receivables	77.4	77.1
Inventories	405.5	354.6
Prepaid expenses and other current assets	114.6	110.6
Total current assets	1,157.8	1,205.3
Property and equipment, net	260.2	254.1
Goodwill	468.0	462.8
Intangible assets, net	1,985.0	1,984.1
Other non-current assets	339.3	348.4
Total assets	\$ 4,210.3	\$ 4,254.7
Liabilities and stockholders' equity		
Current liabilities:		
Short-term borrowings	\$ 1.1	\$ 3.8
Current portion of long-term debt	12.0	12.4
Accounts payable	547.1	552.6
Accrued restructuring costs	22.7	28.0
Other current liabilities	415.6	399.2
Total current liabilities	998.5	996.0
Long-term debt, less current portion	1,965.8	1,969.0
Deferred taxes	148.8	148.6
Other non-current liabilities	468.4	468.1
Total liabilities	3,581.5	3,581.7
Commitments and contingencies		
Stockholders' equity:		
Ordinary shares, \$0.01 par value per share, 1,000,000,000 shares authorized, 324,683,350 and 324,328,774 shares outstanding in 2023 and 2022	—	—
Preferred shares, \$0.0001 par value per share, 200,000,000 shares authorized, 0 shares outstanding in 2023 and 2022	—	—
Additional paid-in capital	1,725.9	1,717.5
Accumulated deficit	(943.0)	(889.4)
Accumulated other comprehensive loss	(154.1)	(155.1)
Total stockholders' equity	628.8	673.0
Total liabilities and stockholders' equity	\$ 4,210.3	\$ 4,254.7

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, 2023	Three Months Ended March 31, 2022
Net sales	\$ 696.0	\$ 660.0
Cost of sales	476.4	423.9
Gross profit	219.6	236.1
Selling, general and administrative expenses	219.1	213.7
Transaction and integration costs	8.0	4.5
Amortization of intangible assets	21.9	24.2
Restructuring and exit costs	0.5	9.8
Operating loss	(29.9)	(16.1)
Interest expense	28.2	30.3
Foreign currency gain related to hyperinflationary subsidiaries	(3.1)	(0.3)
Other (income) expense, net	(10.7)	(8.9)
Loss before income tax provision	(44.3)	(37.2)
Income tax provision	9.3	1.9
Net loss	\$ (53.6)	\$ (39.1)
Basic and diluted loss per share	\$ (0.17)	\$ (0.12)
Basic and diluted weighted average shares outstanding	323.2	319.6

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, 2023	Three Months Ended March 31, 2022
Net loss	\$ (53.6)	\$ (39.1)
Other comprehensive income (loss):		
Pension plans and post-employment benefits, net of taxes of \$(0.1) and \$0.1	(0.1)	(0.5)
Hedging activities, net of taxes of \$1.4 and \$(6.6)	(4.4)	17.8
Foreign currency translation adjustments	5.5	(3.9)
Other comprehensive income	1.0	13.4
Comprehensive loss	\$ (52.6)	\$ (25.7)

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)	Ordinary Shares	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance as of December 31, 2022	\$ —	\$ 1,717.5	\$ (889.4)	\$ (155.1)	673.0
Share based compensation	—	8.4	—	—	8.4
Pension and post-employment benefits	—	—	—	(0.1)	(0.1)
Hedging activities, net of tax	—	—	—	(4.4)	(4.4)
Foreign currency translation adjustments	—	—	—	5.5	5.5
Net loss	—	—	(53.6)	—	(53.6)
Balance as of March 31, 2023	\$ —	\$ 1,725.9	\$ (943.0)	\$ (154.1)	628.8
Balance as of December 31, 2021	\$ —	\$ 1,662.7	\$ (720.1)	\$ (157.0)	785.6
Share based compensation	—	15.1	—	—	15.1
Pension plans and post-employment benefits	—	—	—	(0.5)	(0.5)
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

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, 2023	Three Months Ended March 31, 2022
Operating activities:		
Net loss	\$ (53.6)	\$ (39.1)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization	43.4	47.4
Amortization of deferred financing costs and original issue discount	1.8	1.8
Gain on cash flow hedges	1.1	1.1
Deferred taxes	0.3	(3.5)
Unrealized foreign currency exchange gain	(0.6)	(1.1)
Share-based compensation	8.4	15.1
Impact of highly inflationary subsidiaries	(3.1)	(0.3)
Provision for bad debts	1.7	1.9
Provision for slow moving inventory	2.9	0.4
Non-cash pension benefit	(0.8)	(3.6)
Non-cash tax receivable agreement adjustments	(4.9)	(6.4)
Gain on sale of property and equipment	(3.7)	—
Changes in operating assets and liabilities:		
Trade receivables, net	21.7	3.0
Inventories, net	(44.6)	(39.9)
Accounts payable	(11.3)	68.3
Income taxes, net	2.2	(4.6)
Other assets and liabilities, net	(3.3)	5.4
Cash provided by (used in) operating activities	(42.4)	45.9
Investing activities:		
Business acquired in purchase transactions, net of cash acquired	(11.7)	(41.4)
Proceeds from sale of property and equipment and other assets	6.2	—
Dosing and dispensing equipment	(18.4)	(17.3)
Capital expenditures	(6.1)	(10.0)
Cash used in investing activities	(30.0)	(68.7)
Financing activities:		
Payments on short-term borrowings	(2.5)	(7.2)
Proceeds from revolving credit facility	20.0	50.0
Payments on revolving credit facility	(20.0)	(50.0)
Payments on long-term borrowings	(5.2)	(4.3)
Proceeds from derivatives	—	45.3
Cash provided by (used in) financing activities	(7.7)	33.8
Effect of exchange rate changes on cash and cash equivalents	0.2	(2.4)
Increase (decrease) in cash and cash equivalents	(79.9)	8.6
Cash and cash equivalents at beginning of period	206.2	208.2
Cash, cash equivalents and restricted cash at end of period	\$ 126.3	\$ 216.8
Supplemental Cash Flow Information:		
Interest payments	\$ 22.0	\$ 25.3
Income tax payments	\$ 4.9	\$ 9.8

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 \$0.6 million as of December 31, 2022 and December 31, 2021, respectively.

^(b) Restricted cash was \$0.6 million and \$0.6 million as of March 31, 2023 and March 31, 2022, 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 global provider of high-performance 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 an initial public offering of our ordinary shares and related transactions and in order to carry on the business of our indirect wholly-owned operating subsidiaries.

Take-Private Merger Agreement

On March 8, 2023, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Olympus Water Holdings IV, L.P., a Cayman Islands exempted limited partnership ("Parent"), acting by its General Partner, Olympus Water Holdings Limited, a Cayman Islands exempted company incorporated with limited liability, and Diamond Merger Limited, a Cayman Islands exempted company and wholly owned subsidiary of Parent ("Merger Sub"), pursuant to which Merger Sub will be merged with and into us (the "Merger"), with us continuing as the surviving company as a wholly owned subsidiary of Parent. If the Merger is completed, our ordinary shares will be removed from listing on The Nasdaq Stock Market LLC ("Nasdaq") and deregistered under the Exchange Act and we will no longer file periodic reports with the SEC. Parent and Merger Sub are affiliates of Platinum Equity, LLC ("Platinum") and affiliates of Solenis LLC, which is a portfolio company of Platinum. Pursuant to the Merger, each ordinary share issued and outstanding immediately prior to the effective time of the Merger (other than (i) ordinary shares held by the Company, Parent, Merger Sub or any direct or indirect wholly owned subsidiary of Parent or Merger Sub, (ii) ordinary shares to which the holder has validly exercised and perfected and not effectively withdrawn or lost their rights to dissent under the applicable provisions of the Companies Act (2023 Revision) of the Cayman Islands, and (iii) ordinary shares held by BCPE Diamond Investor, LP ("BCPE"), our controlling shareholder and an entity advised by Bain Capital Private Equity, LP) will be cancelled and exchanged at the effective time of the Merger into the right to receive merger consideration of \$8.40 in cash without interest and subject to any applicable withholding taxes. Ordinary shares held by BCPE, other than the Rollover Shares (as defined below), will be cancelled and exchanged at the effective time of the Merger into the right to receive merger consideration of \$7.84 in cash without interest and subject to any applicable withholding taxes.

On March 8, 2023, concurrently with the execution of the Merger Agreement, BCPE separately entered into the Rollover Contribution Agreement with Olympus Water Holdings I, L.P., a Cayman Islands exempted limited partnership ("Topco"), an affiliate of Platinum and, following the consummation of the Merger, our indirect parent, pursuant to which BCPE has agreed to contribute, transfer and assign all of its right, title and interest in certain of its ordinary shares (the "Rollover Shares") to Topco (and in certain circumstances, a subsidiary of Topco) (such Rollover Shares being valued at \$7.84 per ordinary share), and Topco has agreed to concurrently accept (or if applicable, cause its subsidiary to accept) such Rollover Shares in exchange for the issuance to BCPE of certain common and preferred units of Topco, or in certain circumstances, common units of Topco and preferred interests of a subsidiary of Topco.

The respective obligations of each party to effect the Merger is subject to the satisfaction (or waiver, where permissible pursuant to applicable law) of certain conditions, including receipt of the affirmative vote of holders of ordinary shares representing the affirmative vote of at least two-thirds of the votes cast by the holders of ordinary shares present and voting in person or by proxy at the extraordinary general meeting (the "Requisite Shareholder Approval"), the expiration of waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and certain other specified regulatory approvals and other customary closing conditions. Subject to the satisfaction (or, if applicable, waiver) of such conditions, the Merger is expected to close in the second half of 2023.

Diversey Holdings, Ltd.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

We have agreed to pay Parent \$92,000,000 in cash upon the termination of the Merger Agreement under certain circumstances. Parent has agreed to pay us \$125,000,000 in cash upon the termination of the Merger Agreement under certain other circumstances.

Tax Receivable Agreement and TRA Termination Agreement

We previously entered into a tax receivable agreement (the "TRA") with the previous owners of the Company and certain other members of management (the "TRA Recipients"). The TRA requires us to make payments to the TRA Recipients for 85% of the tax benefits realized by us when utilizing certain U.S. and Dutch income tax attributes generated, or owned by, or attributable to, us on or prior to the date of our initial public offering, and any tax deductions available to us that relate to the transaction expenses incurred by us as a result of the consummation of the initial public offering. We expect to utilize a significant portion of these income tax attributes based on current projections of taxable income, and therefore, expect 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, we will retain the benefit of the remaining 15% of the applicable tax savings. Our liability under the TRA on an undiscounted basis was \$200.4 million and \$204.5 million as of March 31, 2023 and December 31, 2022, respectively, of which \$1.4 million and \$1.6 million is presented within Other current liabilities, and \$199.0 million and \$202.9 million is presented within Other non-current liabilities on the Condensed Consolidated Balance Sheet, as of March 31, 2023 and December 31, 2022, respectively.

Concurrently with the execution of the Merger Agreement, we, Diversey Holdings I (UK) Limited, a private limited company organized in England and Wales, and BCPE Diamond Cayman Holding Limited, a Cayman Islands exempted corporation, entered into the Tax Receivable Termination Agreement (the "TRA Termination Agreement"), pursuant to which, among other things, the parties agreed to terminate the TRA, with such termination effective upon the consummation of the Merger. From and after the effective date of the TRA Termination Agreement, no payments will be made to any person in respect of, or pursuant to, the TRA.

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 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 9,000 employees as of March 31, 2023.

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

Diversey Holdings, Ltd.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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, 2022 included in our Annual Report on Form 10-K.

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

In September 2022, the FASB issued ASU No. 2022-04, Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations. The new guidance is expected to improve the transparency of supplier finance programs by requiring that a buyer in a supplier finance program disclose sufficient qualitative and quantitative information about the program to allow a user of its financial statements to understand the program's nature, activity during the period, changes from period to period and potential magnitude. ASU No. 2022-04 is effective for us as of January 1, 2023 on a retrospective basis including interim periods within those fiscal years, except for the requirement to disclose roll-forward information, which is effective for us as of January 1, 2024. Early adoption is permitted. We adopted ASU No. 2022-04 effective January 1, 2023, as we implemented a supplier finance program in 2023. However, the activity during the three months ended March 31, 2023 is not significant, and the adoption of ASU 2022-04 did not have a significant impact on our Condensed Consolidated Financial Statements for the first quarter of 2023.

Diversey Holdings, Ltd.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 depending 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 28.6% and 24.9% of gross sales for the three months ended March 31, 2023 and March 31, 2022, respectively.

Disaggregated Revenue

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

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Europe	\$ 319.2	\$ 291.6
North America	153.2	169.3
Asia Pacific	83.6	83.8
Middle East and Africa	76.4	61.5
Latin America	57.7	48.8
Revenue from contracts with customers	690.1	655.0
Other revenue (Leasing: Sales-type and Operating)	5.9	5.0
Total revenue	\$ 696.0	\$ 660.0

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. Refer to [Note 5 - Financial Statement Details](#) for further information.

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

Diversey Holdings, Ltd.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 2023 and 2022 were not significant to our condensed consolidated financial statements; therefore, pro forma financial information is not presented. Costs incurred related to acquisitions are included as part of Transaction and integration costs in the Condensed Consolidated Statements of Operations.

2023 Activity

On February 21, 2023, we acquired NSS Enterprise, Inc., a manufacturer of floor cleaning machines based in the United States for our Institutional business segment. 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 2023.

2022 Activity

On January 24, 2022, we acquired Shorrock Trichem Ltd, a distributor of cleaning and hygiene solutions and services in the United Kingdom for our Institutional business segment. Certain valuation estimates and net asset adjustments were not finalized until the second quarter of 2022.

The following table summarizes the fair values of the net assets acquired in the acquisitions referred to above:

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash and cash equivalents	\$ 0.3	\$ 10.7
Trade receivables	2.9	7.1
Inventories	2.4	3.9
Prepaid expenses and other current assets	—	1.8
Property, plant and equipment	8.3	6.3
Intangible assets	—	19.7
Other non-current assets	1.0	—
Accounts payable	(2.7)	(4.1)
Other current liabilities	(0.4)	(5.0)
Other non-current liabilities	(1.6)	(0.1)
Deferred taxes	—	(5.6)
Net assets acquired before goodwill on acquisition	10.2	34.7
Goodwill on acquisition	1.8	17.4
Net cash paid for acquisitions	\$ 12.0	\$ 52.1

NOTE 5 - FINANCIAL STATEMENT DETAILS

Inventories

Our net inventory balances were:

(in millions)	March 31, 2023	December 31, 2022
Raw materials	\$ 83.0	\$ 71.1
Work in process	4.0	3.9
Finished goods	318.5	279.6
	\$ 405.5	\$ 354.6

Diversey Holdings, Ltd.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 provides for maximum funding of up to \$150.0 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 \$123.6 million as of March 31, 2023 that are pledged as collateral under this agreement.

Fees associated with the arrangement were \$2.0 million and \$0.5 million for the three months ended March 31, 2023 and March 31, 2022, respectively.

We transferred and derecognized \$316.2 million of receivables and collected \$323.4 million in connection with our arrangement with PNC during the three months ended March 31, 2023.

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.

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.

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

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Balance, beginning of period	\$ 35.9	\$ 44.2
Provision for bad debts	1.7	1.9
Recovery of lease receivables associated with exit activities	(0.4)	—
Write-offs	(0.6)	(3.6)
Balance, end of period	\$ 36.6	\$ 42.5

Prepaid expenses and other current assets

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

(in millions)	March 31, 2023	December 31, 2022
Derivatives	\$ 53.3	\$ 54.2
Prepaid expenses	39.1	31.8
Income tax receivable	20.6	23.1
Other current assets	1.6	1.5
	\$ 114.6	\$ 110.6

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Other non-current assets

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

(in millions)	March 31, 2023	December 31, 2022
Dosing and dispensing equipment	\$ 152.9	\$ 149.8
Operating lease right-of-use assets, net	79.4	82.3
Deferred taxes	36.2	35.9
Tax indemnification asset	13.2	13.2
Lease receivables	11.5	12.8
Derivatives	11.5	19.7
Finance lease right-of-use assets, net	10.9	11.4
Customer prebates	8.8	9.5
Other non-current assets	14.9	13.8
	<u>\$ 339.3</u>	<u>\$ 348.4</u>

Depreciation expense for our dosing and dispensing equipment was \$16.0 million and \$17.3 million for the three months ended March 31, 2023 and March 31, 2022, respectively.

Other Current and Non-current Liabilities

The components of other current liabilities were as follows:

(in millions)	March 31, 2023	December 31, 2022
Accrued customer volume rebates	\$ 147.3	\$ 156.4
Accrued salaries, wages and related costs	88.5	75.0
Value added, general and sales tax payable	35.2	26.8
Accrued interest payable	31.2	25.2
Derivatives	21.2	18.1
Operating lease liability	13.1	15.4
Income taxes payable	9.0	7.6
Accrued share-based compensation	6.9	1.5
Tax receivable agreement	1.4	1.6
Other accrued liabilities	61.8	71.6
	<u>\$ 415.6</u>	<u>\$ 399.2</u>

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

(in millions)	March 31, 2023	December 31, 2022
Tax receivable agreement	\$ 199.0	\$ 202.9
Operating lease liability	82.6	84.2
Defined benefit pension plan liability	75.1	72.3
Derivatives	74.5	63.8
Uncertain tax positions	17.8	17.7
Asset retirement obligations	6.3	6.2
Other post-employment benefit plan liability	1.7	1.7
Accrued share-based compensation	0.7	5.2
Other non-current liabilities	10.7	14.1
	<u>\$ 468.4</u>	<u>\$ 468.1</u>

Other (Income) Expense, net

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

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Interest income	\$ (1.7)	\$ (0.7)
Unrealized foreign exchange gain	(0.6)	(1.1)
Realized foreign exchange (gain) loss	(0.1)	1.2
Non-cash pension and other post-employment benefit plan	(0.8)	(3.6)
Adjustment for tax indemnification asset	—	(0.1)
Tax receivable agreement adjustments	(4.9)	(6.4)
Securitization fees	2.4	0.9
Gain on sale of property and equipment	(3.7)	—
Other net	(1.3)	0.9
	<u>\$ (10.7)</u>	<u>\$ (8.9)</u>

NOTE 6 - PROPERTY AND EQUIPMENT, NET

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

(in millions)	March 31, 2023	December 31, 2022
Land and improvements	\$ 40.0	\$ 40.6
Buildings	63.3	55.6
Machinery and equipment	131.0	114.9
Other property and equipment	48.1	49.5
Construction-in-progress	84.0	96.6
Property and equipment, gross	<u>366.4</u>	<u>357.2</u>
Less: Accumulated depreciation	(106.2)	(103.1)
Property and equipment, net	<u>\$ 260.2</u>	<u>\$ 254.1</u>

Depreciation expense was \$5.5 million and \$5.8 million for the three months ended March 31, 2023 and March 31, 2022, respectively.

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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, 2022	\$ 330.5	\$ 132.3	\$ 462.8
Acquisitions	1.8	—	1.8
Foreign currency translation	2.4	1.0	3.4
Balance at March 31, 2023	\$ 334.7	\$ 133.3	\$ 468.0

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, 2023:

(in millions)	Gross Carrying Value	Accumulated Amortization	Accumulated Impairment	Net Book Value
Customer relationships	\$ 900.2	\$ (230.2)	\$ —	\$ 670.0
Brand name	590.0	(164.0)	—	426.0
Capitalized software	78.8	(67.0)	—	11.8
Intellectual property	44.6	(12.0)	—	32.6
Trademarks	25.1	(8.2)	—	16.9
Non-compete agreements	8.3	(7.9)	—	0.4
Favorable leases	4.1	(3.2)	—	0.9
Total intangible assets with definite lives	1,651.1	(492.5)	—	1,158.6
Trademarks and trade names with indefinite lives	826.4	—	—	826.4
Total identifiable intangible assets	\$ 2,477.5	\$ (492.5)	\$ —	\$ 1,985.0

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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, 2022:

(in millions)	Gross Carrying Value	Accumulated Amortization	Accumulated Impairment	Net Book Value
Customer relationships	\$ 890.1	\$ (216.3)	—	\$ 673.8
Brand name	583.9	(155.0)	—	428.9
Capitalized software	90.3	(79.1)	—	11.2
Intellectual property	44.6	(10.9)	—	33.7
Trademarks	24.6	(7.6)	—	17.0
Non-compete agreements	8.2	(7.7)	—	0.5
Favorable leases	4.0	(3.2)	—	0.8
Total intangible assets with definite lives	1,645.7	(479.8)	—	1,165.9
Trademarks and trade names with indefinite lives	818.2	—	—	818.2
Total identifiable intangible assets	\$ 2,463.9	\$ (479.8)	—	\$ 1,984.1

Amortization expense for acquired intangibles was \$21.9 million and \$24.2 million for three months ended March 31, 2023 and March 31, 2022, respectively.

NOTE 8 - DEBT AND CREDIT FACILITIES

The components of debt and credit facilities were as follows:

(in millions)	March 31, 2023	December 31, 2022
Senior Secured Credit Facilities		
2021 U.S. Dollar Term Loan	\$ 1,481.2	\$ 1,485.0
Revolving Credit Facility	—	—
2021 Senior Notes	500.0	500.0
Short-term borrowings	1.1	3.8
Finance lease obligations	10.4	11.6
Financing obligations	21.7	21.9
Unamortized deferred financing costs	(28.8)	(30.1)
Unamortized original issue discount	(6.7)	(7.0)
Total debt	1,978.9	1,985.2
Less: Current portion of long-term debt	(12.0)	(12.4)
Short-term borrowings	(1.1)	(3.8)
Long-term debt	\$ 1,965.8	\$ 1,969.0

Senior Secured Credit Facilities

On September 29, 2021, we entered into an amendment to our 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.

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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 2.75%, or (ii) ABR (as defined in the New Senior Secured Credit Facilities) plus 1.75%. As of March 31, 2023, the interest rate for the 2021 U.S. Dollar Term Loan is 7.58%.

As of March 31, 2023, we had no borrowings outstanding under the Revolving Credit Facility and \$5.5 million of letters of credit outstanding, which reduced the available borrowing capacity thereunder to approximately \$444.5 million.

As of December 31, 2022, we had no borrowings outstanding under the Revolving Credit Facility and \$5.4 million of letters of credit outstanding, which reduced the available borrowing capacity thereunder to approximately \$444.6 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, 2023, we were in full compliance with the provisions contained within the covenants.

2021 Senior Notes

On September 29, 2021, we 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. We used the net proceeds from the issuance of the 2021 Senior Notes, together with borrowings under the 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.

We 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.

We 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, we 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 our 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 our subsidiaries; (vii)

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incur liens; (viii) enter into transactions with affiliates; (ix) enter into agreements restricting our subsidiaries' ability to pay dividends and (x) consolidate, merge or sell all or substantially all of our 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 our 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).

The Merger, if consummated as contemplated in the Merger Agreement, is expected to constitute a "change of control" with respect to the 2021 U.S. Dollar Term Loan and the 2021 Senior Notes. As such, it is expected that the 2021 U.S. Dollar Term Loan will be repaid and, with respect to the 2021 Senior Notes, we expect we will either make a Change of Control Offer (as defined in the indenture governing the 2021 Senior Notes (the "Indenture")) at a price equal to the Change of Control Payment (as defined in the Indenture) or redeem (which may include a satisfaction and discharge) the 2021 Senior Notes at the redemption price set forth in the Indenture, in each case, substantially concurrently with the closing of the Merger.

Short-term Borrowings

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

Sale-Leaseback Transactions

During March 2020, we completed sale-leaseback transactions under which we sold two properties to an unrelated third-party for a total of \$22.9 million. Concurrent with this sale, we 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 provide for us to evaluate each property individually upon certain events during the life of the lease, including individual renewal options.

We 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 Condensed 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.

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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, 2023	December 31, 2022
Derivatives designated as hedging instruments:		
<i>Derivative assets</i>		
Foreign currency forward contracts	\$ 0.9	\$ 1.2
Interest rate caps	28.1	34.6
Cross currency swaps	17.9	18.9
Total derivative assets	\$ 46.9	\$ 54.7
<i>Derivative liabilities</i>		
Foreign currency forward contracts	\$ —	\$ (0.1)
Cross currency swaps	(69.9)	(55.8)
Total derivative liabilities	\$ (69.9)	\$ (55.9)
Derivatives not designated as hedging instruments:		
<i>Derivative assets</i>		
Foreign currency forward contracts	\$ 4.2	\$ 2.3
Interest rate swaps	13.7	16.9
Total derivative assets	\$ 17.9	\$ 19.2
<i>Derivative liabilities</i>		
Foreign currency forward contracts	\$ (7.8)	\$ (4.1)
Interest rate swaps	(18.0)	(21.9)
Total derivative liabilities	\$ (25.8)	\$ (26.0)

Our derivatives consist of the following:

(in millions)	Hedged Item	Notional Amount	Original Maturity in Months
U.S. dollar floating to Euro fixed interest rate swaps	2021 U.S. Dollar Term Loan	\$ 500.0	49
U.S. dollar interest rate caps	2021 U.S. Dollar Term Loan	\$ 650.0	36
U.S. dollar to Euro currency swaps	2021 Senior Notes	\$ 500.0	49
U.S. dollar currency forward contracts	Working Capital	\$ 314.0	1-12
Floating to fixed interest rate swap ⁽¹⁾	Not Applicable	\$ 315.0	60
Fixed to floating interest rate swap ⁽¹⁾	Not Applicable	\$ 315.0	36

⁽¹⁾ 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.

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dollar to Euro currency swap, to manage the impacts of fluctuations in interest rates and currency exchange rates on a portion of our floating-rate and U.S. dollar denominated debt.

In 2022 we terminated several existing U.S. dollar floating to Euro fixed interest rate swaps and U.S. dollar to Euro currency swaps, receiving net proceeds of \$45.3 million and \$186.1 million during the three months ended March 31, 2022 and year ended December 31, 2022, respectively, and simultaneously entered into new at-market swaps with the same notional amounts and maturity dates as the terminated swaps. We elected to classify the cash flows from the settlements within financing activities on the Condensed Consolidated Statement of Cash Flows to be consistent with the cash flows presentation of the hedged debt instruments.

As a result of these contract terminations, the net unrealized after-tax derivative gains included in Accumulated other comprehensive income ("AOCI") at the dates of termination are being amortized against Interest expense, and the net unrealized after-tax derivative losses included in AOCI at the dates of termination are being amortized as Other (income) expense, net, on the Condensed Consolidated Statement of Operations over the remaining lives of the derivative contracts. As of March 31, 2023, the unamortized gains in AOCI are \$26.2 million and the unamortized losses in AOCI are \$7.5 million.

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 gains related to these contracts that were included in other comprehensive income was \$10.2 million and \$38.9 million for the three months ended March 31, 2023 and March 31, 2022, 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 \$33.2 million of net unrealized after-tax derivative gain included in AOCI will be reclassified into Interest expense and 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 \$4.3 million as of March 31, 2023. 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.

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Effect of all Derivative Instruments on Income

The following table details the (income) expense related to our derivative instruments, which are included in Other (income) expense on our Condensed Consolidated Statements of Operations. These amounts reduce the interest rate impact and transactional impact of foreign exchange, which is primarily the revaluation of our U.S. dollar denominated debt held at a Euro functional entity, and the net impact is the Unrealized foreign exchange (gain) loss in [Note 5 - Financial Statement Details](#).

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Foreign currency forward contracts	\$ 0.8	\$ (1.1)
Interest rate swaps	—	(0.2)
Interest rate caps	0.1	(0.1)
Cross currency swaps	14.0	(32.3)
Total	\$ 14.9	\$ (33.7)

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.

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

(in millions)	March 31, 2023			
	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$ 5.4	\$ 5.4	\$ —	\$ —
Cross currency swaps, net liability	\$ (52.0)	\$ —	\$ (52.0)	\$ —
Interest rate caps, net asset	\$ 28.1	\$ —	\$ 28.1	\$ —
Foreign currency forward contracts, net liability	\$ (2.7)	\$ —	\$ (2.7)	\$ —
Interest rate swaps, net liability	\$ (4.3)	\$ —	\$ (4.3)	\$ —

(in millions)	December 31, 2022			
	Total Fair Value	Level 1	Level 2	Level 3
Cash equivalents	\$ 116.3	\$ 116.3	\$ —	\$ —
Cross currency swaps, net liability	\$ (36.9)	\$ —	\$ (36.9)	\$ —
Interest rate caps, net asset	\$ 34.6	\$ —	\$ 34.6	\$ —
Foreign currency forward contracts, net liability	\$ (0.7)	\$ —	\$ (0.7)	\$ —
Interest rate swaps, net liability	\$ (5.0)	\$ —	\$ (5.0)	\$ —

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.

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.

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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:

(in millions)	March 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2021 U.S. Dollar Term Loan ⁽¹⁾	\$ 1,451.5	\$ 1,475.7	\$ 1,453.9	\$ 1,433.0
2021 Senior Notes ⁽²⁾	494.2	488.3	494.0	398.5
Revolving Credit Facility	—	—	—	—
	\$ 1,945.7	\$ 1,964.0	\$ 1,947.9	\$ 1,831.5

⁽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.

Diversey Holdings, Ltd.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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

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

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Line Item on Condensed Consolidated Statements of Operations
Components of net periodic benefit expense (income):			
Service cost	\$ 1.2	\$ 1.3	Selling, general and administrative expenses
Interest cost	3.0	0.9	Other income
Expected return on plan assets	(3.8)	(4.5)	Other income
Total benefit expense (income)	<u>\$ 0.4</u>	<u>\$ (2.3)</u>	

Our net periodic benefit costs for our other post-employment benefit plans was not material for the three months ended March 31, 2023 and March 31, 2022.

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, 2023, 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, 2023, the difference in the statutory income tax benefit and the recorded income tax provision was primarily attributable to an increase in the valuation allowance related to limitations on the deductibility of interest expense and the realizability of net operating losses.

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

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 any current matters should not have a material adverse effect on our 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

We may conduct business with Bain Capital, an affiliate of our controlling shareholder and our previous sponsor, for consulting or other services related to transactions. We paid Bain Capital \$0.1 million and zero during the three months ended March 31, 2023 and March 31, 2022, respectively. There were no fees due to Bain Capital at March 31, 2023 or December 31, 2022.

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 of such transactions have historically been 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.

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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, 2023	Three Months Ended March 31, 2022
Cost of sales	\$ 1.4	\$ (0.4)
Selling, general and administrative expenses	9.6	15.5
Total	<u>\$ 11.0</u>	<u>\$ 15.1</u>

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

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Restricted shares ⁽¹⁾	5.4	11.4
Restricted share units	2.1	2.7
Performance share units	0.7	0.9
Share options	0.2	0.2
Cash-settled long-term incentive plan	0.3	0.5
Cash-settled restricted share units	2.3	(0.6)
	<u>\$ 11.0</u>	<u>\$ 15.1</u>

(1) During 2018, Constellation S.à r.l, a subsidiary of the Company, adopted a management equity incentive plan consisting of Class B through Class F shares ("MEIP Shares") granted to certain domestic and foreign employees. Upon closing of our initial public offering, the MEIP Shares were converted into vested ordinary shares and restricted ordinary shares. The restricted ordinary shares vest on the same terms and conditions as applied to the MEIP Shares to which they relate, and are not subject to performance conditions. Vesting of restricted ordinary shares is credited to Additional paid-in capital.

There were no awards granted during the three months ended March 31, 2023.

NOTE 16 - RESTRUCTURING AND EXIT ACTIVITIES

In 2021, we began a strategic initiative to consolidate certain manufacturing and warehousing facilities within Europe and North America, which also includes opening a new manufacturing and warehousing 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 \$153.0 million of total expenses related to this project, and have already charged \$138.0 million over the life of the project, \$18.4 million of which were charged during the three months ended March 31, 2023. Costs incurred in 2023 of \$18.1 million of non-recurring other costs related to facilities consolidations are reflected in Cost of sales and \$0.3 million are reflected in Restructuring and exit costs. Our remaining costs for this project are approximately \$15.2 million at March 31, 2023.

Cost estimates for this project have been impacted by an inflationary macro environment with constraints around materials, freight and labor. Extraordinary short-term measures were taken to minimize disruption to customers. These measures include lengthening warehouse leases, temporarily setting up additional warehouses, paying higher freight costs during warehouse transitions and paying carriers to guarantee delivery.

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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, 2023	Three Months Ended March 31, 2022
Recovery of lease receivables	\$ (0.4)	\$ (1.5)
Facilities	1.5	8.3
Employee termination benefits	(0.6)	1.8
Other	—	1.2
Total	\$ 0.5	\$ 9.8

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, 2022	\$ 13.4	\$ —	\$ 28.0	\$ 41.4
Accrual and accrual adjustments	(0.4)	1.5	(0.6)	0.5
Cash payments during period	—	(0.4)	(4.7)	(5.1)
Write-offs	—	(1.1)	—	(1.1)
Balance as of March 31, 2023	\$ 13.0	\$ —	\$ 22.7	\$ 35.7

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, 2023. We anticipate paying the employee termination benefits of \$22.7 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, 2023	Three Months Ended March 31, 2022
Institutional	\$ 2.1	\$ 9.6
Food & Beverage	0.9	0.4
Corporate	(2.5)	(0.2)
Total	\$ 0.5	\$ 9.8

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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, 2022	\$ 15.1	\$ 65.5	\$ (235.7)	\$ (155.1)
Other comprehensive income before reclassifications	(0.1)	(0.3)	5.5	5.1
Amounts reclassified from AOCI to net income	—	(4.1)	—	(4.1)
Net change	(0.1)	(4.4)	5.5	1.0
Balance March 31, 2023	\$ 15.0	\$ 61.1	\$ (230.2)	\$ (154.1)

(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 loss 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)

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

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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 our reportable segments is as follows:

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Institutional	\$ 477.1	\$ 472.2
Food & Beverage	218.9	187.8
Total	\$ 696.0	\$ 660.0

Adjusted EBITDA for each of our reportable segments is as follows:

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Institutional	\$ 37.6	\$ 53.0
Food & Beverage	25.7	22.1
Total	\$ 63.3	\$ 75.1

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The following table shows a reconciliation of Adjusted EBITDA for our reportable segments to consolidated loss before income tax provision:

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Adjusted EBITDA for reportable segments	\$ 63.3	\$ 75.1
Corporate costs	(10.7)	(14.8)
Interest expense	(28.2)	(30.3)
Interest income	1.7	0.7
Amortization expense of intangible assets	(21.9)	(24.2)
Depreciation expense included in cost of sales	(19.9)	(20.6)
Depreciation expense included in selling, general and administrative expenses	(1.6)	(2.6)
Transaction and integration costs ⁽¹⁾	(8.0)	(4.5)
Restructuring and exit costs ⁽²⁾	(0.5)	(9.8)
Other costs related to facilities consolidations ⁽³⁾	(18.1)	—
Foreign currency gain related to hyperinflationary subsidiaries ⁽⁴⁾	3.1	0.3
Adjustment for tax indemnification asset ⁽⁵⁾	—	0.1
Acquisition accounting adjustments ⁽⁶⁾	—	(1.3)
Non-cash pension and other post-employment benefit plan ⁽⁷⁾	0.8	3.6
Unrealized foreign currency exchange gain ⁽⁸⁾	0.6	1.1
Securitization fees ⁽⁹⁾	(2.4)	(0.9)
Share-based compensation ⁽¹⁰⁾	(11.0)	(15.1)
Tax receivable agreement adjustments ⁽¹¹⁾	4.9	6.4
Gain on sale of property and equipment ⁽¹²⁾	3.7	—
Other items	(0.1)	(0.4)
Loss before income tax provision	\$ (44.3)	\$ (37.2)

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

(2) Includes costs related to restructuring programs and business exit activities. See Note 16 — Restructuring and Exit Activities in the Notes to our Condensed Consolidated Financial Statements for additional information.

(3) Represents other costs related to consolidating certain manufacturing and warehousing facilities within Europe and North America, which are non-recurring and included in Cost of Sales in our Condensed Consolidated Statements of Operations.

(4) Argentina and Turkey were deemed to have highly inflationary economies and the functional currencies for our Argentina and Turkey operations were changed from the Argentine peso and Turkish lira 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.

(5) In connection with the original acquisition of the Diversey business in 2017, 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.

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

(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.

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(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 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.

(12) Represents the gain on sale of property and equipment, primarily attributed to the sale of certain facilities.

Geographic Regions

Net sales⁽¹⁾ by geographic region are as follows:

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Europe	\$ 320.2	\$ 292.6
North America ⁽²⁾	155.5	171.2
Asia Pacific	86.2	85.9
Middle East & Africa	76.4	61.5
Latin America	57.7	48.8
Total	\$ 696.0	\$ 660.0

⁽¹⁾ No non-U.S. country accounted for net sales in excess of 10% of consolidated net sales for three months ended March 31, 2023 or 2022.

⁽²⁾ Net sales to external customers within the U.S. were \$124.1 million and \$125.7 million for the three months ended March 31, 2023 and 2022, 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, 2023		Three Months Ended March 31, 2022	
	Basic	Diluted	Basic	Diluted
Net loss attributable to common shareholders	\$ (53.6)	\$ (53.6)	\$ (39.1)	\$ (39.1)
Weighted average shares outstanding	323.2	323.2	319.6	319.6
Dilutive securities ⁽¹⁾	—	—	—	—
Denominator for earnings per share - weighted average shares	323.2	323.2	319.6	319.6
Loss per share	\$ (0.17)	\$ (0.17)	\$ (0.12)	\$ (0.12)

⁽¹⁾ For the three months ended March 31, 2023 and 2022, 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, 2023 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, 2022 and the related Notes thereto, which are included in our 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 our 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 global leading provider of high-performance 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 an initial public offering of our ordinary shares and related transactions and in order to carry on the business of our indirect wholly-owned operating subsidiaries.

An affiliate of Bain Capital beneficially owned approximately 72.8% our outstanding ordinary shares as of March 31, 2023. As a result, we are a "controlled company" within the meaning of the corporate governance standards of 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.

Recent Developments

Take-Private Merger Agreement. On March 8, 2023, we entered into the Merger Agreement with Parent and Merger Sub, pursuant to which Merger Sub will be merged with and into us, with us continuing as the surviving company as a wholly owned subsidiary of Parent. If the Merger is completed, our ordinary shares will be removed from listing on Nasdaq and deregistered under the Exchange Act and we will no longer file period reports with the SEC. Parent and Merger Sub are affiliates of Platinum and affiliates of Solenis LLC, which is a portfolio company of Platinum. Pursuant to the Merger, each ordinary share issued and outstanding immediately prior to the effective time of the Merger (other than (i) ordinary shares held by the Company, Parent, Merger Sub or any direct or indirect wholly owned subsidiary of Parent or Merger Sub, (ii) ordinary shares to which the holder has validly exercised and perfected and not effectively withdrawn or lost their rights to dissent under the applicable provisions of the Companies Act (2023 Revision) of the Cayman Islands, and (iii) ordinary shares held by BCPE, our controlling shareholder and an entity advised by Bain Capital Private Equity, LP) will be cancelled and exchanged at the effective time of the Merger into the right to receive merger consideration of \$8.40 in cash without interest and subject to any applicable withholding taxes. Ordinary shares held by BCPE, other than the Rollover Shares, will be cancelled and exchanged at the effective time of the Merger into the right to receive merger consideration of \$7.84 in cash without interest and subject to any applicable withholding taxes, and BCPE has agreed to contribute, transfer and assign all of its right, title and interest in the Rollover Shares to Topco (and in certain circumstances, a subsidiary of Topco), and Topco has agreed to concurrently accept (or if applicable, cause its subsidiary to accept) such Rollover Shares in exchange for the issuance to BCPE of certain common and preferred units of Topco, or in

certain circumstances, common units of Topco and preferred interests of a subsidiary of Topco, at a value of \$7.84 per ordinary share pursuant to the Rollover Agreement.

The respective obligation of each party to effect the Merger is subject to the satisfaction (or waiver, where permissible pursuant to applicable law) of certain conditions, including receipt of the Requisite Shareholder Approval, the expiration of waiting periods (and any extensions thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and certain other specified regulatory approvals and other customary closing conditions. Subject to the satisfaction (or, if applicable, waiver) of such conditions, the Merger is expected to close in the second half of 2023.

We have agreed to pay Parent \$92,000,000 in cash upon the termination of the Merger Agreement under certain circumstances. Parent has agreed to pay us \$125,000,000 in cash upon the termination of the Merger Agreement under certain other circumstances.

Reportable Segments

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

- **Institutional** - 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** - 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.

We evaluate 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, and 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 businesses in Russia and Ukraine generate an immaterial percentage of our overall net sales.

Supply Chain Disruptions. The COVID-19 pandemic had a meaningful impact on our business, especially within our Institutional segment. As economies around the world reopened, increases in demand created significant disruptions to the global supply chain during 2022, which 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. Additionally, we continue the process of consolidating certain facilities within North America, which includes opening a new manufacturing and warehousing facility, which have presented short-term operational challenges and supply chain disruptions.

We are a diversified business in regards to both industry segments and global geographic regions. These different aspects of our business are each impacted differently by supply chain disruptions and broader economic conditions. Therefore, the recovery cycle and related timing is also different for each segment and region.

Capital Investments. On February 21, 2023, we acquired NSS Enterprise, Inc., a manufacturer of floor cleaning machines based in the United States. This acquisition will enable the onshore assembly of floor cleaning machines in North America, which we expect will significantly improve our scale, presence and support in the marketplace.

Impact of Inflation. Inflation affects our manufacturing, distribution and operating costs. We experienced unprecedented inflation in 2022, which impacted the cost of our raw materials, packaging and transportation. Cost estimates for our restructuring project in North America and Europe have also been impacted by the inflationary macro environment with constraints around materials, freight and labor. Extraordinary short-term measures were taken to minimize disruption to customers. These measures include lengthening warehouse leases, temporarily setting up additional warehouses, paying higher freight costs during warehouse transitions and paying carriers to guarantee delivery. Inflation declined slightly in the first quarter of 2023, but continues to be well above historical levels. 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.

Financial Market Volatility. In the first quarter of 2023, the U.S. and global banking sector experienced increased volatility as a result of several distressed or closed banks and financial institutions. While we have not realized any losses as a result of the increased financial market volatility, we continue to monitor the situation and will take appropriate measures, as necessary, to minimize potential risk exposure to our customers' and our cash and investment balances.

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 Currency Fluctuations. We have significant international operations with 82.2% of our net sales for the three months ended March 31, 2023, 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. A stronger U.S. dollar reduces the relative value of reported results of non-U.S. dollar operations, and, conversely, a weaker U.S. dollar increases 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. During 2022, the U.S. dollar significantly strengthened against the Euro and other European currencies, peaking in the third quarter. The U.S. dollar has since trended weaker, and fluctuations in foreign currency exchange rates did not have a significant impact on our reported results in the first quarter of 2023.

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 related to hyperinflationary subsidiaries" below.

Turkey. Turkey has been designated a highly inflationary economy under U.S. GAAP effective April 1, 2022, and the U.S. dollar replaced the Turkish lira as the functional currency for our subsidiaries in Turkey. For more information, see "Foreign currency gain related to hyperinflationary subsidiaries" below.

Condensed Consolidated Operating Results

(in millions except per share amounts)	Three Months Ended March 31, 2023		\$ Change	% Change	Three Months Ended March 31, 2022	
Net sales	\$	696.0	\$	36.0	5.5 %	\$ 660.0
Cost of sales		476.4		52.5	12.4 %	423.9
Gross profit		219.6		(16.5)	(7.0)%	236.1
Selling, general and administrative expenses		219.1		5.4	2.5 %	213.7
Transaction and integration costs		8.0		3.5	77.8 %	4.5
Amortization of intangible assets		21.9		(2.3)	(9.5)%	24.2
Restructuring and exit costs		0.5		(9.3)	(94.9)%	9.8
Operating loss		(29.9)		(13.8)	(85.7)%	(16.1)
Interest expense		28.2		(2.1)	(6.9)%	30.3
Foreign currency gain related to hyperinflationary subsidiaries		(3.1)		(2.8)	933.3 %	(0.3)
Other (income) expense, net		(10.7)		(1.8)	20.2 %	(8.9)
Loss before income tax provision		(44.3)		(7.1)	(19.1)%	(37.2)
Income tax provision		9.3		7.4	389.5 %	1.9
Net loss	\$	(53.6)	\$	(14.5)	(37.1)%	\$ (39.1)
Basic and diluted loss per share	\$	(0.17)				\$ (0.12)
Basic and diluted weighted average shares outstanding		323.2				319.6

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 presents net sales by segment:

(in millions)	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
Institutional	\$	477.1	\$	472.2
Food & Beverage		218.9		187.8
Total	\$	696.0	\$	660.0

First Quarter 2023 vs 2022

(in millions, except percentages)	Institutional		Food & Beverage		Total	
First Quarter 2022 Net Sales	\$ 472.2	71.5 %	\$ 187.8	28.5 %	\$ 660.0	
Organic change (non-GAAP)	31.0	6.6 %	48.4	25.8 %	79.4	12.0 %
Acquisition	3.7	0.8 %	—	— %	3.7	0.6 %
Constant dollar change (non-GAAP)	34.7	7.3 %	48.4	25.8 %	83.1	12.6 %
Foreign currency translation	(29.8)	(6.3) %	(17.3)	(9.2) %	(47.1)	(7.1) %
Total change	4.9	1.0 %	31.1	16.6 %	36.0	5.5 %
First Quarter 2023 Net Sales	\$ 477.1	68.5 %	\$ 218.9	31.5 %	\$ 696.0	

Institutional. Net sales increased \$4.9 million, or 1.0%, during the three months ended March 31, 2023 compared with the three months ended March 31, 2022. Foreign currency translation had a negative effect of \$29.8 million. On a constant dollar basis, net sales increased \$34.7 million, or 7.3%, as compared with the three months ended March 31, 2022, with our acquisitions contributing \$3.7 million of growth. Organic sales increased by 6.6%, primarily due to price increases to mitigate the effect of inflation, and volume growth through a combination of new customer wins, innovation, and continued expansion with our existing customers.

Food & Beverage. Net sales increased \$31.1 million, or 16.6%, during the three months ended March 31, 2023 as compared with the three months ended March 31, 2022. Foreign currency translation had a negative effect of \$17.3 million. On a constant dollar basis, net sales increased \$48.4 million, or 25.8%, primarily due to price increases to mitigate the effect of inflation, volume growth through new customer wins, and success with the 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 \$219.6 million during the three months ended March 31, 2023 and \$236.1 million during the three months ended March 31, 2022, and our gross margin was 31.6% during the three months ended March 31, 2023 and 35.8% during the three months ended March 31, 2022. Gross profit during the three months ended March 31, 2023 was unfavorably impacted by \$18.1 million of non-recurring costs related to consolidating certain manufacturing and warehousing facilities within Europe and North America, \$17.2 million of foreign currency translation, and a \$1.8 million increase in share-based compensation. Gross profit 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 \$219.1 million during the three months ended March 31, 2023 compared to \$213.7 million during the three months ended March 31, 2022. The increase of \$5.4 million was primarily due to increases in employee compensation and benefit costs due to inflationary labor increases. These increases were partially offset by \$11.5 million of favorable foreign currency translation and a \$5.9 million decrease in share-based compensation.

Transaction and integration costs. Transaction and integration costs were \$8.0 million during the three months ended March 31, 2023 and \$4.5 million during the three months ended March 31, 2022. These costs consist primarily of professional and consulting services which are non-operational in nature, costs related to strategic initiatives, acquisition-related costs, costs incurred in preparing to become a publicly traded company, and costs related to the Merger.

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 \$21.9 million and \$24.2 million during the three months ended March 31, 2023 and during the three months ended March 31, 2022, respectively.

Restructuring and exit costs. We recorded restructuring and exit costs of \$0.5 million and \$9.8 million during the three months ended March 31, 2023 and during the three months ended March 31, 2022, respectively. In 2021, we began a strategic initiative to consolidate certain manufacturing and warehousing facilities within Europe and North America, which also includes opening a new manufacturing and warehousing 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 \$153.0 million of total costs related to this project, and have already charged \$138.0 million over the life of the project, \$18.4 million of which were charged during the three months ended March 31, 2023. Costs incurred during the three months ended March 31, 2023 of \$18.1 million of non-recurring other costs related to facilities consolidations are reflected in Cost of sales and \$0.3 million are reflected in Restructuring and exit costs. Our remaining costs for this project are approximately \$15.2 million at March 31, 2023.

Cost estimates for this project have been impacted by an inflationary macro environment with constraints around materials, freight and labor. Extraordinary short-term measures were taken to minimize disruption to customers. These measures include lengthening warehouse leases, temporarily establishing additional warehouses, paying higher freight costs during warehouse transitions and paying carriers to guarantee delivery. See [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.

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

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Interest expense	\$ 28.2	\$ 30.3
Foreign currency gain related to hyperinflationary subsidiaries	(3.1)	(0.3)
Other (income) expense, net	(10.7)	(8.9)
	<u>\$ 14.4</u>	<u>\$ 21.1</u>

Interest Expense. We incurred interest expense during the three months ended March 31, 2023 of \$28.0 million, \$5.8 million and \$(7.4) million related to the Senior Secured Credit Facilities, the 2021 Senior Notes and other financial instruments (primarily derivatives), respectively. The Senior Secured Credit Facilities are variable-interest rate debt, and the increase in interest expense during the three months ended March 31, 2023 related to these facilities is due to an increase in LIBOR as a result of higher U.S. federal interest rates. The recovery of interest expense during 2023 for the other financial instruments is primarily due to the impact of our interest rate and currency derivatives.

We incurred interest expense during the three months ended March 31, 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 financial instruments (primarily derivatives), respectively.

Amortization of deferred financing costs and original issue discount totaling \$1.8 million during the three months ended March 31, 2023 and during the three months ended March 31, 2022 are included in the interest expense line item disclosed above.

Foreign currency gain related to hyperinflationary subsidiaries. The economies of Argentina and Turkey were designated as highly inflationary economies under U.S. GAAP on July 1, 2018 and April 1, 2022, respectively. Therefore, the U.S. dollar replaced the Argentine peso and the Turkish lira as the functional currency for our subsidiaries in these countries. All local currency 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 hyperinflationary subsidiaries.

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

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Interest income	\$ (1.7)	\$ (0.7)
Unrealized foreign exchange gain	(0.6)	(1.1)
Realized foreign exchange (gain) loss	(0.1)	1.2
Non-cash pension and other post-employment benefit plan	(0.8)	(3.6)
Adjustment for tax indemnification asset	—	(0.1)
Tax receivable agreement adjustments	(4.9)	(6.4)
Securitization fees	2.4	0.9
Gain on sale of property and equipment	(3.7)	—
Other, net	(1.3)	0.9
Total other (income) expense, net	\$ (10.7)	\$ (8.9)

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 the three months ended March 31, 2023, the difference in the statutory income tax benefit and the recorded income tax provision was primarily attributable to an increase in the valuation allowance related to limitations on the deductibility of interest expense and the realizability of net operating losses.

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

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

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Institutional	\$ 37.6	\$ 53.0
Food & Beverage	25.7	22.1
Total Segment Adjusted EBITDA	63.3	75.1
Corporate costs	(10.7)	(14.8)
Consolidated Adjusted EBITDA	\$ 52.6	\$ 60.3

(in millions, except percentages)	Institutional		Food & Beverage		Corporate Costs		Total	
First Quarter 2022 Adjusted EBITDA	\$ 53.0	87.9 %	\$ 22.1	36.7 %	\$ (14.8)	(24.5) %	\$ 60.3	
<i>Adj EBITDA margin</i>	<i>11.2 %</i>		<i>11.8 %</i>					
Organic change (non-GAAP)	(11.9)	(22.5) %	6.6	29.9 %	4.2	28.4 %	(1.1)	(1.8) %
Acquisition	0.6	1.1 %	—	— %	—	— %	0.6	1.0 %
Constant dollar change (non-GAAP)	(11.3)	(21.3) %	6.6	29.9 %	4.2	28.4 %	(0.5)	(0.8) %
Foreign currency translation	(4.1)	(7.7) %	(3.0)	(13.6) %	(0.1)	(0.7) %	(7.2)	(11.9) %
Total change	(15.4)	(29.1) %	3.6	16.3 %	4.1	27.7 %	(7.7)	(12.8) %
First Quarter 2023 Adjusted EBITDA	\$ 37.6	71.5 %	\$ 25.7	48.9 %	(10.7)	(20.3) %	52.6	
<i>Adj EBITDA margin</i>	<i>7.9 %</i>		<i>11.7 %</i>					

Institutional. Adjusted EBITDA decreased \$15.4 million, or 29.1%, during the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. Foreign currency translation had a negative effect of \$4.1 million. On a constant dollar basis, Adjusted EBITDA during the three months ended March 31, 2023 decreased \$11.3 million, or 21.3%, as compared with the three months ended March 31, 2022. Adjusted EBITDA margin decreased from 11.2% during the three months ended March 31, 2022 to 7.9% during the three months ended March 31, 2023, which reflected a decline in profit margin due to increased inflation, higher freight costs, higher manufacturing costs and higher labor costs. These were partially offset by volume growth and price increases. In periods of significant inflation, we may experience a lag between our ability to recover both the cost and margin in the short term.

Food & Beverage. Adjusted EBITDA increased \$3.6 million, or 16.3%, during the three months ended March 31, 2023 as compared to the three months ended March 31, 2022. Foreign currency translation had a negative effect of \$3.0 million. On a constant dollar basis, Adjusted EBITDA during the three months ended March 31, 2023 increased \$6.6 million, or 29.9%, when compared to the three months ended March 31, 2022. Adjusted EBITDA margin decreased from 11.8% during the three months ended March 31, 2022 to 11.7% during the three months ended March 31, 2023, which reflected a decline in gross profit margin due to high input cost inflation, particularly in Europe due to the Russia-Ukraine war, which were partially offset by volume growth and price increases. In periods of significant inflation, we may experience a lag between our ability to recover both the cost and margin in the short term.

Corporate Costs. Corporate costs decreased from \$14.8 million during the three months ended March 31, 2022 to \$10.7 million during the three months ended March 31, 2023. The decrease was primarily driven by changes in 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 are 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 to EBITDA and Adjusted EBITDA for the periods presented:

(in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Loss before income tax provision	\$ (44.3)	\$ (37.2)
Interest expense	28.2	30.3
Interest income	(1.7)	(0.7)
Amortization expense of intangible assets	21.9	24.2
Depreciation expense included in cost of sales	19.9	20.6
Depreciation expense included in selling, general and administrative expenses	1.6	2.6
EBITDA	25.6	39.8
Transaction and integration costs ⁽¹⁾	8.0	4.5
Restructuring and exit costs ⁽²⁾	0.5	9.8
Other costs related to facilities consolidations ⁽³⁾	18.1	—
Foreign currency gain related to hyperinflationary subsidiaries ⁽⁴⁾	(3.1)	(0.3)
Adjustment for tax indemnification asset ⁽⁵⁾	—	(0.1)
Acquisition accounting adjustments ⁽⁶⁾	—	1.3
Non-cash pension and other post-employment benefit plan ⁽⁷⁾	(0.8)	(3.6)
Unrealized foreign currency exchange gain ⁽⁸⁾	(0.6)	(1.1)
Factoring and securitization fees ⁽⁹⁾	2.4	0.9
Share-based compensation ⁽¹⁰⁾	11.0	15.1
Tax receivable agreement adjustments ⁽¹¹⁾	(4.9)	(6.4)
Gain on sale of property and equipment ⁽¹²⁾	(3.7)	—
Other items	0.1	0.4
Consolidated Adjusted EBITDA	\$ 52.6	\$ 60.3

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:

(in millions, except per share amounts)	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
	Net Income (Loss)	Basic and diluted EPS	Net Income (Loss)	Basic and diluted EPS
Reported (GAAP)	\$ (53.6)	\$ (0.17)	\$ (39.1)	\$ (0.12)
Amortization expense of intangible assets acquired	21.9	0.07	24.2	0.08
Transaction and integration costs ⁽¹⁾	8.0	0.02	4.5	0.01
Restructuring and exit costs ⁽²⁾	0.5	0.00	9.8	0.03
Other costs related to facilities consolidations ⁽³⁾	18.1	0.06	—	—
Foreign currency gain related to hyperinflationary subsidiaries ⁽⁴⁾	(3.1)	(0.01)	(0.3)	0.00
Adjustment for tax indemnification asset ⁽⁵⁾	—	—	(0.1)	0.00
Acquisition accounting adjustments ⁽⁶⁾	—	—	1.3	0.00
Non-cash pension and other post-employment benefit plan ⁽⁷⁾	(0.8)	0.00	(3.6)	(0.01)
Unrealized foreign currency exchange gain ⁽⁸⁾	(0.6)	0.00	(1.1)	0.00
Share-based compensation ⁽¹⁰⁾	11.0	0.03	15.1	0.05
Tax receivable agreement adjustments ⁽¹¹⁾	(4.9)	(0.02)	(6.4)	(0.02)
Gain on sale of property and equipment ⁽¹²⁾	(3.7)	(0.01)	—	—
Other items	0.1	0.00	0.4	0.00
Tax effects related to non-GAAP adjustments ⁽¹³⁾	(10.9)	(0.03)	(10.5)	(0.04)
Discrete tax adjustments ⁽¹⁴⁾	19.5	0.06	9.5	0.03
Adjusted (Non-GAAP)	\$ 1.5	\$ 0.00	\$ 3.7	\$ 0.01

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

(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) Represents other costs related to consolidating certain manufacturing and warehousing facilities within Europe and North America, which are non-recurring and included in Cost of Sales in our Condensed Consolidated Statements of Operations.

(4) Argentina and Turkey were deemed to have highly inflationary economies and the functional currencies for our Argentina and Turkey operations were changed from the Argentine peso and Turkish lira to the U.S. 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.

(5) In connection with the original acquisition of the Diversey business in 2017, 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.

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

(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 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 the gain on sale of property and equipment, primarily attributed to the sale of certain facilities.
- (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.

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, 2023, we had cash and cash equivalents of \$125.7 million and unused borrowing capacity of \$444.5 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.

Historical Cash Flows. Note that the table and discussion that follows include restricted cash as part of net cash in accordance with the provisions of ASU 2016-18, *Statement of Cash Flows*. We include restricted cash from our 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, 2023	Three Months Ended March 31, 2022	Change
Net cash provided by (used in) operating activities	\$ (42.4)	\$ 45.9	(88.3)
Net cash provided by (used in) investing activities	\$ (30.0)	\$ (68.7)	38.7
Net cash provided by (used in) financing activities	\$ (7.7)	\$ 33.8	(41.5)

Operating activities

Cash flows from operating activities decreased \$88.3 million during 2023 as compared to 2022, which was primarily attributable to unfavorable fluctuations in working capital items totaling \$74.3 million. The changes in working capital reflect unfavorable fluctuations in accounts payable of \$79.6 million, other assets and liabilities of \$8.7 million (primarily relating to timing of payroll related accruals, rebates and lease receivables), inventory of \$4.7 million, offset by a favorable fluctuation in trade receivables of \$18.7 million.

Investing activities

Cash flows from investing activities are primarily impacted by the timing of business acquisitions and capital investments in the business.

In 2023, we acquired NSS Enterprise, Inc., a manufacturer of floor cleaning machines based in the United States, and our total cash paid for all acquisitions was \$11.7 million.

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 \$24.5 million and \$27.3 million during 2023 and 2022, respectively, due to new customer wins and opening a new warehouse and manufacturing facility in North America in the second half of 2022.

Financing activities

Cash flows from financing activities primarily reflect derivative transactions and borrowings and repayment of debt.

In 2023, we paid \$7.7 million on short-term and long-term borrowings.

In 2022, we terminated existing derivative agreements, receiving net proceeds of \$45.3 million, and simultaneously entered into new at-market derivative agreements with the same notional amount and maturity date as the terminated derivatives. Additionally, we paid \$11.5 million on short-term and long-term borrowings.

Debt Capitalization. We had \$125.7 million and \$205.6 million of cash and cash equivalents as of March 31, 2023 and December 31, 2022, respectively. The following table details our debt outstanding:

(in millions)	March 31, 2023	December 31, 2022
Senior Secured Credit Facilities		
2021 U.S. Dollar Term Loan	\$ 1,481.2	\$ 1,485.0
Revolving Credit Facility	—	—
2021 Senior Notes	500.0	500.0
Short-term borrowings	1.1	3.8
Finance lease obligations	10.4	11.6
Financing obligations	21.7	21.9
Unamortized deferred financing costs	(28.8)	(30.1)
Unamortized original issue discount	(6.7)	(7.0)
Total debt	1,978.9	1,985.2
Less: Current portion of long-term debt	(12.0)	(12.4)
Short-term borrowings	(1.1)	(3.8)
Long-term debt	\$ 1,965.8	\$ 1,969.0

On September 29, 2021, we 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, 2023, the interest rate for the 2021 U.S. Dollar Term Loan is 7.58%. As of March 31, 2023, we were in compliance with all covenants under the agreements governing the New Senior Secured Credit Facilities.

On September 29, 2021, we 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. We 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, 2023, we were in compliance with all covenants under the indenture governing the 2021 Senior Notes.

The Merger, if consummated as contemplated in the Merger Agreement, is expected to constitute a "change of control" with respect to the 2021 U.S. Dollar Term Loan and the 2021 Senior Notes. As such, it is expected that the 2021 U.S. Dollar Term Loan will be repaid and, with respect to the 2021 Senior Notes, we expect we will either make a Change of Control Offer (as defined in the indenture governing the 2021 Senior Notes (the "Indenture")) at a price equal to the Change of Control Payment (as defined in the Indenture) or redeem (which may include a

satisfaction and discharge) the 2021 Senior Notes at the redemption price set forth in the Indenture, in each case, substantially concurrently with the closing of the Merger.

Critical Accounting Policies and Estimates

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 and Estimates" within the "Management's Discussion and Analysis of Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2022 for discussion of our critical accounting policies and estimates. There have been no material changes in our critical accounting policies and estimates 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 the proposed Merger, 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 the proposed Merger and its completion 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:

- uncertainties associated with the proposed Merger, including the failure to complete the Merger in a timely manner or at all, restrictions on business conduct and potential lawsuits related to the proposed Merger;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement;
- the inability to complete the proposed Merger due to the failure to satisfy conditions precedent, including satisfaction of the Requisite Shareholder Approval;
- risks related to disruption of management's attention from our ongoing business operations due to the proposed Merger;
- the effect of the announcement of the proposed Merger on our relationships with our customers and on our operating results and business generally;
- the costs of the proposed Merger if the proposed Merger is not consummated;

- 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 our 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 our 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 our 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 \$0.8 million per year.

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 82.2% of our net sales for the three months ended March 31, 2023 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. We experienced unprecedented inflation in 2022, which impacted the cost of our raw materials, packaging and transportation. Inflation declined slightly in the first quarter of 2023, but continues to be well above historical levels. 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 us 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 us 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 officers, 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, 2023, our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses in our internal control over financial reporting described below.

Previously Reported Material Weaknesses

As disclosed in Part II, Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2022, we previously identified material weaknesses in our internal control over financial reporting related to inventory existence and revenue recognition:

- the aggregate value of inventory not subject to physical count was material. Further, we did not design sufficient controls to ensure the existence of inventory at certain locations; and
- controls were not effectively designed and maintained to address the timing of revenue recognition and the completeness and accuracy of information used to estimate and accrue customer rebates.

These material weaknesses did not result in any material misstatement in our financial statements or disclosures for the year ended December 31, 2022. Management concluded that the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 presented fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States.

Remediation Plans

We are in the process of enhancing the design of certain internal controls over the inventory and revenue processes to address the above material weaknesses that include, but are not limited to:

- enhancing controls to monitor the frequency and accuracy of cycle count procedures globally;
- enhancing documentation associated with management review controls and validation of the completeness and accuracy of key reports used across the inventory process;
- enhancing controls over inventory existence for inventory located at third-party logistics providers;
- enhancing procedures to ensure completeness and accuracy of key financial data utilized in the calculation of accrued customer rebates;
- enhancing controls to monitor revenue cutoff risk based on the shipping terms in contracts with customers; and
- providing additional training related to validating the accuracy of data used in key review controls and the level of documentation required.

We intend to continue to take steps to remediate the material weaknesses described above. We will not be able to fully remediate these material weaknesses until these steps have been completed and have been operating effectively for a sufficient period of time.

While we believe that these efforts will improve our internal control over financial reporting, the implementation of our remediation is ongoing and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles.

We believe we are making progress toward achieving the effectiveness of our internal controls and disclosure controls. The actions that we are taking are subject to ongoing senior management review, as well as audit committee oversight. We will not be able to conclude whether the steps we are taking will fully remediate the material weaknesses in our internal control over financial reporting until we have completed our remediation efforts and subsequent evaluation of their effectiveness. We may also conclude that additional measures may be required to remediate the material weaknesses in our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

We are taking actions to remediate the material weaknesses relating to our internal control over financial reporting, as described above. Except as otherwise described herein, there have been no changes in internal control over financial reporting during the quarter ended March 31, 2023 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*

There have been no material changes to the risk factors included in the "*Risk Factors*" section of our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC.

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**

- [2.1[^] Agreement and Plan of Merger, dated as of March 8, 2023, by and among Olympus Water Holdings IV, L.P., acting by its general partner, Olympus Water Holdings Limited, Diamond Merger Limited and Diversey Holdings, Ltd. \(incorporated herein by reference to Exhibit 2.1 to the Company's Amendment No. 1 to Current Report on Form 8-K/A filed with the SEC on March 8, 2023\).](#)
- [10.1[^] Rollover Contribution Agreement, dated as of March 8, 2023, by and among BCPE Diamond Investor, LP and Olympus Water Holding I, L.P. \(incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K/A filed on March 8, 2023\).](#)
- [10.2[^] Voting Agreement, dated as of March 8, 2023, by and among Diversey Holdings, Ltd., BCPE Diamond Investor, LP and Olympus Water Holdings IV, L.P. \(incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K/A filed on March 8, 2023\).](#)
- [10.3[^] Tax Indemnity Agreement, dated as of March 8, 2023, by and among Olympus Water Holdings IV, L.P., acting by its general partner, Olympus Water Holdings Limited, Diamond Merger Sub, Diversey Holdings, Ltd., Diversey Holdings I \(UK\) Limited, Olympus Water Holdings I, L.P., BCPE Diamond Investor, LP and BCPE Diamond Cayman Holding Limited \(incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K/A filed on March 8, 2023\).](#)
- [10.4[^] Tax Receivable Termination Agreement, dated as of March 8, 2023, by and among Diversey Holdings, Ltd., Diversey Holdings I \(UK\) Limited and BCPE Diamond Cayman Holding Limited \(incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K/A filed on March 8, 2023\).](#)

[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* Act of 2002.](#)
[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* Act of 2002.](#)
[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.](#)

The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL 101.INS 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.

[^] Certain exhibits and schedules to this Exhibit have been omitted in accordance with Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted exhibit or schedule to the SEC upon its request.

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 4, 2023

DIVERSEY HOLDINGS, LTD.

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

**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, 2023 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 4, 2023

/s/ PHILIP WIELAND
Philip Wieland
Chief Executive Officer

**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, 2023 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 4, 2023

/s/ TODD HERNDON
Todd Herndon
Chief Financial Officer

**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, 2023 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 4, 2023

/s/ PHILIP WIELAND
Philip Wieland
Chief Executive Officer

**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, 2023 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 4, 2023

/s/ TODD HERNDON
Todd Herndon
Chief Financial Officer