APEX TOOL GROUP, LLC

Consolidated Financial Statements for the Years Ended December 31, 2022, 2021 and 2020
With Report of Independent Auditors

Apex Tool Group, LLC

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Building a better working world

Report of Independent Auditors

The Board of Directors
Apex Tool Group, LLC

Opinion

We have audited the consolidated financial statements of Apex Tool Group, LLC, (the Company) which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive loss, member's deficit and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

March 22, 2023

Apex Tool Group, LLC

Consolidated Balance Sheets

(Dollars in Thousands)

	December 31, 2022	December 31, 2021
Assets		
Cash and cash equivalents	**$ 56,652**	$ 50,132
Accounts receivable, net of allowances of $6,037 as of December 31, 2022 and $5,547 as of December 31, 2021	**169,423**	186,210
Inventories	**405,193**	364,288
Current derivative assets	**15,472**	150
Prepaid expenses and other current assets	**30,657**	37,272
Total current assets	**677,397**	638,052
Property, plant, and equipment, net	**116,539**	125,296
Goodwill, net	**362,619**	439,183
Other intangibles, net	**127,102**	135,520
Noncurrent deferred tax assets	**11,774**	17,119
Right of use assets - operating leases, net	**66,450**	57,899
Other assets	**23,261**	18,161
Total assets	**$ 1,385,142**	$ 1,431,230
Liabilities and member's deficit		
Current maturities of long-term debt	**$ 8,550**	$ 21,862
Current maturities of revolving note loan - shareholder	**—**	30,783
Accounts payable	**138,657**	178,244
Income taxes payable	**20,839**	22,828
Accrued salaries, wages, and employee benefits	**39,018**	52,421
Accrued expenses and other current liabilities	**116,831**	129,970
Total current liabilities	**323,895**	436,108
Accounts receivable securitization facility	**57,500**	—
Revolving credit facility	**110,000**	147,500
Long-term debt, net of current maturities	**1,163,778**	1,116,504
Postretirement benefit obligations	**54,433**	77,693
Noncurrent deferred tax liabilities	**13,548**	11,728
Noncurrent derivative liabilities	**602**	—
Operating lease obligations	**66,434**	56,025
Other noncurrent liabilities	**11,180**	16,121
Total liabilities	**1,801,370**	1,861,679
Additional paid-in capital	**642,136**	459,625
Accumulated deficit	**(905,784)**	(757,224)
Accumulated other comprehensive loss	**(152,580)**	(132,850)
Total member's deficit	**(416,228)**	(430,449)
Total liabilities and member's deficit	**$ 1,385,142**	$ 1,431,230

See accompanying notes.

Apex Tool Group, LLC

Consolidated Statements of Operations

(Dollars in Thousands)

	Year Ended December 31,		
	2022	**2021**	**2020**
Revenues	**$ 1,387,794**	$ 1,420,207	$ 1,201,520
Cost of sales	**1,017,531**	1,026,745	873,653
Gross profit	**370,263**	393,462	327,867
Selling, general, and administrative expenses	**325,062**	307,555	258,383
Restructuring	**5,634**	(1,533)	17,403
Operating income	**39,567**	87,440	52,081
Interest expense, net	**(122,814)**	(98,100)	(99,630)
Amortization of goodwill	**(61,052)**	(63,111)	(61,496)
Gain (loss) from foreign currency, net	**41,098**	(11,721)	(39,299)
Other (expense) income, net	**(11,307)**	737	(3,487)
Loss before taxes	**(114,508)**	(84,755)	(151,831)
Income tax expense	**34,052**	29,754	23,644
Net loss	**$ (148,560)**	$ (114,509)	$ (175,475)

See accompanying notes.

Apex Tool Group, LLC

Consolidated Statements of Comprehensive Loss

(Dollars in Thousands)

	Year Ended December 31,		
	2022	**2021**	**2020**
Net loss	**$ (148,560)**	$ (114,509)	$ (175,475)
Other comprehensive (loss) income:			
Foreign currency translation adjustments	**(48,575)**	(10,469)	41,035
Changes in unrecognized pension benefit, net of tax	**13,932**	8,888	368
Gain (loss) on derivative financial instruments, net of tax	**14,913**	13,490	(9,276)
Total other comprehensive (loss) income	**(19,730)**	11,909	32,127
Comprehensive loss	**$ (168,290)**	$ (102,600)	$ (143,348)

See accompanying notes.

Apex Tool Group, LLC

Consolidated Statements of Member's Deficit

(Dollars in Thousands)

	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Member's Deficit
Balance at January 1, 2020	$ 456,954	$ (496,445)	$ (176,886)	$ (216,377)
Stock-based compensation	1,586	—	—	1,586
Adoption of accounting pronouncement - leases (Note 13)	—	29,205	—	29,205
Net loss for the period	—	(175,475)	—	(175,475)
Foreign currency translation adjustments	—	—	41,035	41,035
Unrecognized pension benefit, net of taxes	—	—	368	368
Loss on derivative financial instruments, net of taxes	—	—	(9,276)	(9,276)
Balance at December 31, 2020	458,540	(642,715)	(144,759)	(328,934)
Stock-based compensation	1,085	—	—	1,085
Net loss for the period	—	(114,509)	—	(114,509)
Foreign currency translation adjustments	—	—	(10,469)	(10,469)
Unrecognized pension benefit, net of taxes	—	—	8,888	8,888
Gain on derivative financial instruments, net of taxes	—	—	13,490	13,490
Balance at December 31, 2021	459,625	(757,224)	(132,850)	(430,449)
Bain Capital contribution	**181,000**	**—**	**—**	**181,000**
Stock-based compensation	**1,511**	**—**	**—**	**1,511**
Net loss for the period	**—**	**(148,560)**	**—**	**(148,560)**
Foreign currency translation adjustments	**—**	**—**	**(48,575)**	**(48,575)**
Unrecognized pension benefit, net of taxes	**—**	**—**	**13,932**	**13,932**
Gain on derivative financial instruments, net of taxes	**—**	**—**	**14,913**	**14,913**
Balance at December 31, 2022	**$ 642,136**	**$ (905,784)**	**$ (152,580)**	**$ (416,228)**

See accompanying notes.

Apex Tool Group, LLC

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended December 31,		
	2022	**2021**	**2020**
Operating activities			
Net loss	**$ (148,560)**	$ (114,509)	$ (175,475)
Adjustments to reconcile net loss to cash flow from operating activities:			
Depreciation	**22,193**	23,745	21,737
Amortization of goodwill and intangible assets	**65,754**	109,424	106,846
Bad debt and other accounts receivable allowances	**1,006**	(439)	2,680
Deferred income tax (benefit) expense	**1,627**	(667)	(8,443)
Amortization of debt issue costs and debt discount	**5,108**	3,847	3,873
Loss on refinancing transaction	**2,924**	—	—
Loss on sale of Apex Tool Group (UK Operations), Limited	**5,342**	—	—
Gain on derivatives	**(1,339)**	—	—
Gain on disposal of fixed assets	**(479)**	(2,647)	(252)
Impairment of fixed assets	**—**	24	116
Stock-based compensation	**1,511**	1,085	1,586
Changes in operating assets and liabilities:			
Accounts receivable	**11,458**	(22,956)	(2,884)
Inventories	**(52,173)**	(120,567)	16,188
Accounts payable	**(24,955)**	429	17,385
Other current assets and liabilities	**(19,437)**	1,444	15,434
Other assets and liabilities	**(36,399)**	7,230	26,730
Cash flow (used in) provided by operating activities	**(166,419)**	(114,557)	25,521
Investing activities			
Capital expenditures	**(19,707)**	(24,574)	(20,076)
Proceeds from disposal of fixed assets	**3,837**	3,643	3,280
Proceeds from sale of Apex Tool Group (UK Operations), Limited	**2,500**	—	—
Cash flow used in investing activities	**(13,370)**	(20,931)	(16,796)

Apex Tool Group, LLC

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	Year Ended December 31,		
	2022	**2021**	**2020**
Financing activities			
Proceeds from borrowings on revolving note loan - shareholder	**15,000**	30,000	—
Proceeds from borrowings on accounts receivable securitization facility	**61,000**	—	—
Repayments of borrowings on accounts receivable securitization facility	**(3,500)**	—	—
Proceeds from borrowings on revolving credit facility	**235,000**	122,500	150,000
Repayments of revolving credit facility	**(272,500)**	—	(150,000)
Proceeds from borrowing on term loans	**1,205,000**	—	—
Repayments of term loan facility	**(824,088)**	(21,862)	(21,862)
Repayment of notes	**(325,000)**	—	—
Debt issuance costs	**(37,083)**	—	—
Bain Capital contribution	**135,000**	—	—
Other	**(369)**	(801)	(516)
Cash flow provided by (used in) financing activities	**188,460**	129,837	(22,378)
Effect of exchange rate changes on cash	**(2,151)**	(1,708)	1,378
Increase (decrease) in cash and cash equivalents	**6,520**	(7,359)	(12,275)
Cash and cash equivalents at beginning of period	**$ 50,132**	$ 57,491	$ 69,766
Cash and cash equivalents at end of period	**$ 56,652**	$ 50,132	$ 57,491
Supplemental Disclosure of Cash Flow Information:			
Income tax payments, net of refunds of $1,540, $3,276, and $2,754, respectively	**$ 33,957**	$ 28,805	$ 33,300
Interest payments	**$ 118,435**	$ 92,554	$ 95,100
Non-cash financing activities:			
Conversion of Revolving Note Loan - Shareholder to equity of the parent (“Holdings”)	**$ 46,000**	$ —	$ —

1. Business and Summary of Significant Accounting Policies

Business

On February 1, 2013, BC Mountain Holdings, Inc. ("Holdings"), a Delaware corporation formed in 2012 and controlled by Bain Capital Partners, LLC (the "Sponsor"), acquired Apex Tool Group, LLC (the "Company") for $1.55 billion.

The Company, based in Charlotte, North Carolina, is one of the largest worldwide producers of industrial hand and power tools, tool storage, drill chucks, chain, and electronic soldering products. The Company serves a multitude of global markets, including automotive, aerospace, electronics, energy, hardware, industrial, and consumer retail. The Company markets its portfolio of diverse products under its own brand names. In addition, the Company is the principal manufacturer for several key private label products for certain retailers.

Basis of Presentation

The consolidated financial statements included herein have been prepared by the Company in accordance with accounting principles generally accepted in the United States (“GAAP”). Prior period balances related to the current derivative assets have been reclassified within the consolidated balance sheet to conform to the current year’s presentation.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates, and such differences may be material to the financial statements.

Foreign Currency

The financial statements of subsidiaries located outside of the United States are generally measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated to the reporting currency using rates of exchange at the balance sheet date. Income and expense items are translated to the reporting currency using average monthly rates of exchange. Translation adjustments are included in accumulated other comprehensive loss within member’s deficit. Exchange gains and losses from foreign currency transactions are reported as a separate line item on the Consolidated Statement of Operations. Foreign exchange gains and losses arising from intra-entity transactions that are of a long-term investment nature, the settlement of which is neither planned nor anticipated in the foreseeable future, are included within accumulated other comprehensive income (loss).

Fair Value Measurements

GAAP defines fair value based on an exit price model, establishes a framework for measuring fair value where the Company's assets and liabilities are required to be carried at fair value, establishes a valuation hierarchy, and provides for certain disclosures related to the valuation methods used within the valuation hierarchy. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets. Level 2 inputs are quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, including interest rates, yield curves, and credit risks; or inputs that are derived principally from or corroborated by observable market data through correlation. Level 3 inputs are unobservable inputs based on the Company's assumptions used to measure assets and liabilities at fair value. A financial asset's or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, cross-currency swap agreements, deferred compensation arrangements, and short-term and long-term debt. Due to their short-term nature, the carrying values for cash and cash equivalents, accounts receivable, and accounts payable approximate fair value. The Company's debt arrangements generally bear interest at variable rates, based upon current market rates. The fair value of the Company's variable-rate debt approximates its carrying amount. Refer to Note 8, Derivative Financial Instruments for the fair values of the Company's cross-currency hedge agreements and cash flow hedges of interest risk, and Note 10, Postretirement Benefits for the fair value of the Company's postretirement benefit plan assets.

Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at gross invoice amounts less allowances. The allowances consist of doubtful accounts, cash discounts, and other miscellaneous allowances. For accounts receivable balances outstanding for less than one year, the Company provides an allowance for doubtful accounts under a specific identification method. For accounts receivable balances past due for one year or more, the Company provides an allowance for doubtful accounts to reflect estimated uncollectible amounts considering historical payment experience and other relevant factors. Additions to the allowances for doubtful accounts are charged to current period earnings. Amounts determined to be uncollectible are charged directly against the allowance. The Company regularly reviews its outstanding accounts receivable balances and continuously evaluates the creditworthiness of its customers, and generally does not require collateral. As of December 31, 2022 and 2021, the allowances for accounts receivable totaled $6.0 million and $5.5 million, respectively.

Concentrations of Credit Risk

The Company sells products to customers in diversified industries and geographic regions and has no significant concentrations of credit risk other than with The Home Depot.

Balance Sheet

At December 31, 2022 and 2021, approximately 13% and 18%, respectively, of the Company's accounts receivable balance were due from The Home Depot.

Statement of Operations

During the years ended December 31, 2022, 2021, and 2020, approximately 19%, 20%, and 18%, respectively, of revenues was attributable to The Home Depot.

Inventories

Inventories, consisting of purchased materials, direct labor and manufacturing overhead, are stated at the lower of cost or net realizable value. The value of inventory is determined by the first-in, first-out method.

At each balance sheet date, the Company evaluates inventories for excess quantities or obsolescence. This evaluation includes analysis of historical consumption levels by product, and projections of future demand. To the extent that management determines there is excess or obsolete inventory the Company adjusts the carrying value to estimated net realizable value.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation is recognized primarily using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives range from 10 to 50 years for buildings and from 3 to 12 years for machinery and equipment and other property. The Company capitalizes the cost of leasehold improvements over the shorter of the lease term or the useful life of the asset. Repair and maintenance costs are expensed as incurred. At each balance sheet date, the Company evaluates property, plant, and equipment for impairment.

Other Assets

Other assets consist of cash surrender value of life insurance policies and other long-term assets.

Goodwill and Intangible Assets

Goodwill

The excess of cost over the fair value of net assets of acquired businesses is recorded as goodwill. Effective January 1, 2019, the Company adopted the private company alternative for goodwill, ASC 350-20-15. The guidance was applied prospectively, and prior periods were not adjusted. The accounting alternative for goodwill, allows:

- Amortization of goodwill on a straight-line basis over a period of ten years (or less),
- Performance of impairment tests (if applicable) at the entity level as opposed to the reporting unit level, and
- A company to forego the minimum annual testing of goodwill, so long as there are not indications that fair value is less than carrying value.

As a result of the adoption of the private company alternative for goodwill, the Company will amortize the $614.2 million gross goodwill balance as of January 1, 2019 over a period of ten years. During the years ended December 31, 2022, 2021, and 2020, the Company recognized goodwill amortization expense of $61.1 million, $63.1 million, and $61.5 million, respectively (see Note 5, Goodwill and Other Intangible Assets, for the change in carrying amount of goodwill). This expense is included in the Amortization of goodwill line item in the Consolidated Statements of Operations. The Company has made an accounting policy election to assess goodwill for impairment at the entity level. During the years ended December 31, 2022, 2021, and 2020, the Company determined that there were no indicators of impairment.

Intangible Assets

The Company performs its assessment of the recoverability of indefinite-lived intangible assets annually, or more frequently as impairment indicators arise, and it is based upon a comparison of the carrying value of such assets to their estimated fair values. The Company performed its most recent annual assessments as of December 31, 2022 and 2021, both of which resulted in no impairment. In the years ended December 31, 2022 and 2021, the Company performed a qualitative assessment to determine whether the existence of events and circumstances indicated that it was more likely than not the indefinite lived asset was impaired (it was not).

While the Company believes it has considered all relevant factors and made reasonable estimates and assumptions to calculate the fair values of its indefinite-lived intangible assets and has considered all appropriate factors as part of its impairment testing, actual results may differ from these estimates and assumptions, and these differences could result in an impairment charge to the Company’s earnings in future periods.

For finite-lived intangible assets, amortization is computed on the straight-line method over their estimated useful lives. Amortization expense related to intangible assets (excluding goodwill) is included in cost of sales. The Company assesses its long-lived assets, which include finite-lived intangible assets, for impairment quarterly to determine if any facts and circumstances indicate that the carrying amounts may not be fully recoverable.

Revenue Recognition

The Company's revenues result from the sale of goods or services and reflect the consideration to which the Company expects to be entitled. Beginning January 1, 2019, the Company records revenue based on a five-step model in accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606"). The Company:

1. Identifies contracts with customers,
2. Identifies the performance obligations (goods or services),
3. Determines the transaction price,
4. Allocates the contract transaction price to the performance obligations, and
5. Recognizes the revenue when (or as) the performance obligation is transferred to the customer

A majority of the Company's revenues by geographic destination (refers to the geographic area where the final sale to the Company's customer is made) were generated from North America, and the remainder of the revenues are generated mostly from Asia (including Australia) and Europe (including the Middle East and Africa).

The Company's primary performance obligation is the manufacturing and delivery of tangible products to customers, which is generally recognized as revenues upon either shipment or delivery depending on the terms of the arrangement. Payment terms are typically 30 to 90 days after the delivery of the product dependent on terms of the arrangement. Revenue is recognized net of taxes collected from customers, which are subsequently remitted to governmental authorities.

The Company administers sales rebate programs which entitle the customer to rebates based on sales volume or sales growth. Substantially all rebates are measured on calendar year activity and settled shortly thereafter. Additionally, in certain circumstances, the Company may accept returns of products from customers or provide a refund (in-lieu of replacement) for defective products. Provisions for these customer sales rebates and product returns, along with discounts and other allowances are variable consideration and are recorded as a reduction of revenue in the same period the related sales are recorded. Such provisions are generally calculated using historical trends adjusted for any expected changes due to current business conditions. With respect to product returns, at the time of sale, the Company recognizes a return asset, and corresponding reduction to cost of goods sold, for product expected to be returned in resalable condition. At December 31, 2022 and 2021, the Company's estimated return asset was $2.7 million and $2.9 million, respectively, and is included within Prepaid expenses and other currents assets on the Consolidated Balance Sheets.

Deferred revenues are recorded when cash payments are received in advance of the Company's performance and are included in the Consolidated Balance Sheets within Accrued expenses and Other current liabilities. The balance of total deferred revenues was $2.2 million and $2.6 million at December 31, 2022 and 2021. During 2022, the Company recognized substantially all of the previously deferred revenue recorded at December 31, 2021.

Cost of Sales

Cost of sales includes costs of manufacturing, sourcing and preparing the product for sale. These costs include expenses to acquire and manufacture products to the point that they are related to products to be sold to customers. Cost of sales is primarily comprised of inbound freight, direct materials, direct labor and overhead, which includes indirect labor and facility and equipment costs. Cost of sales also includes quality control, procurement and material receiving costs as well as internal transfer costs.

Research and Development Costs

The Company conducts research and development activities to develop new products and to improve or expand the use and functionality of existing products. These costs are expensed as incurred and are included in Selling, general, and administrative expenses. Research and development costs for the years ended December 31, 2022, 2021, and 2020 were $28.4 million, $26.8 million, and $23.6 million, respectively.

Product Warranties

Most of the Company’s products carry a product warranty, including, in certain cases, a lifetime limited warranty. The product warranty generally allows customers to return a defective product during the specified warranty period following purchase in exchange for a replacement product or repair at no cost to the customer.

The cost of product warranties resides either with the Company or, in the case of certain of the Company’s private label products, with the retailer. The Company accrues an estimate of its exposure to warranty claims based upon both current and historical data related to product sales and warranty costs incurred. Warranty expenses for the years ended December 31, 2022, 2021, and 2020 were $2.7 million, $4.9 million, and $4.3 million, respectively.

Shipping and Handling

Amounts billed to customers for shipping and handling are included in Revenues. The related shipping and external freight charges incurred by the Company are included in cost of sales. Distribution and handling costs (including intracompany freight charges) are recorded in Selling, general, and administrative expenses.

Advertising and Promotion

Advertising and promotion costs, which are expensed as incurred, for the years ended December 31, 2022, 2021, and 2020 were $35.7 million, $36.2 million, and $28.7 million, respectively. Advertising and promotion costs are recorded in Selling, general, and administrative expenses.

Leases

The Company has numerous assets, predominately real estate, vehicles and equipment, under various operating lease arrangements. At the inception of contract arrangements with vendors, the Company determines whether the contract is or contains a lease based on each party's rights and obligations under the arrangement.

The Company adopted Accounting Standards Codification Topic 842 ("ASC 842"), "Leases," effective January 1, 2020, which requires operating leases result in the recognition of right-of-use assets ("ROU") assets and lease liabilities on the Balance Sheet. ROU assets represent the Company's right to use the leased asset for the lease term and lease liabilities represent the Company's obligation to make lease payments. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Company excludes variable lease payments, which are payments that vary by month due to facts and circumstances occurring after the commencement date, other than the passage of time. As most of the Company's leases do not provide an implicit rate, the Company uses the estimated incremental borrowing rate at the commencement date to determine the present value of lease payments. At commencement, operating lease ROU assets also include any up-front lease payments made and exclude lease incentives. Lease expense is recognized on a straight-line basis over the lease term.

The Company's lease terms may include options, at the Company's sole discretion, to extend or terminate the lease. Most real estate leases include one or more options to renew, with renewal terms that can extend the lease term one year or more. When the Company is reasonably certain to exercise such options, the amount of payments associated with those options are included in the measurement of the Company's ROU asset and lease liability. As of December 31, 2022, the impact of such options was not material to the consolidated Financial Statements.

Leases with an initial term of twelve months or less are not recorded on the Balance Sheet. Lease expense on such leases is recognized on a straight-line basis over the lease term on the consolidated Statements of Operations.

Retirement Plans

The Company uses the corridor approach in the valuation of its defined benefit plans. Under this approach, actuarial gains and losses resulting from variances between actual results and actuarial assumptions are deferred and amortized when the net gains and losses exceed 10% of the greater of the market-related value of plan assets or projected benefit obligation.

Certain employees are covered by defined contribution plans. The Company's contributions to these plans are generally based on a percentage of employee compensation or employee contributions. These plans are funded on a current basis.

Income Taxes

The Company's income tax expense represents the current tax liability and deferred tax benefit or expense estimated for the period. The Company determines deferred tax assets and liabilities based upon differences between the GAAP basis of assets and liabilities and their respective tax basis, applied to the enacted tax rates in the periods in which the Company expects those differences to reverse. Valuation allowances are recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company accounts for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon the technical merits, there is a greater-than-50% probability that the position will be sustained upon examination. Interest and penalties related to uncertain tax positions are included in income tax expense.

Derivative Financial Instruments

GAAP requires companies to recognize all of their derivative financial instruments as either assets or liabilities in the Consolidated Balance Sheet at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative financial instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation. For derivative financial instruments not designated as hedging instruments, the gain or loss is recognized in the consolidated statements of operations.

The Company's objectives in using interest rate derivatives were to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate caps as part of its interest risk management strategy. See Note 8, Derivative Financial Instruments, for further information.

The Company maintains investments in certain of its consolidated subsidiaries which are held in foreign currencies. These investments are exposed to market risk from changes in currency exchange rates. As part of its risk management program, the Company used different types of derivative financial instruments to hedge its exposure to currency exchange rates, including cross-currency swaps to protect the value of its net investments in foreign subsidiaries. These cross-currency swaps were designated as net investment hedges.

The effective portion of changes in the fair value of derivatives designated and that qualify as a fair value hedge, a cash flow hedge, or a net investment hedge is recorded in accumulated other comprehensive loss and is subsequently reclassified into net loss in the period that the hedged forecasted transaction affects earnings. Any ineffective portion of the change in fair value of the derivatives is recognized directly in net loss.

Recent Accounting Pronouncements

Accounting Pronouncements Not Yet Effective

In June 2016, the FASB issued Accounting Standards Update No. 2016-13, Financial Instruments - Credit Losses (Topic 326), which requires the measurement of expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable forecasts. The objective of the standard is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company has completed its assessment and will adopt ASU 2016-13 on a modified retrospective basis and apply the transition method which does not require adjustments to comparative periods nor require modified disclosures in those comparative periods. The adoption of ASU 2016-03 will not have a material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued Accounting Standards Update 2020-04, Reference Rate Reform (Topic 848). The standard is designed to provide optional expedients and exceptions to account for contracts, hedging relationships, and other transactions impacted by reference rate reform. The standard is effective for entities that are not SEC reporting companies upon issuance through December 31, 2024, as extended in Accounting Standards Update No. 2022-06 issued by FASB. As of December 31, 2022, the Company did not have any contracts, hedging relationships or transactions that are subject to change upon adoption of ASU 2020-04.

Coronavirus Pandemic Risks, Impacts, and Uncertainties

In 2020, the Company's hand tools and power tools businesses experienced the following social and economic impacts from the COVID-19 pandemic that adversely impacted the Company's financial position, results of operations and cash flows: (i) restrictions on either the Company's or any sourced vendors' manufacturing activities arising from shelter-in-place, or similar isolation orders, (ii) deteriorating economic conditions, such as increased unemployment rates, and recessionary conditions, impacting customers from either making new orders or paying for existing orders, and (iii) safety concerns of end customers, resulting in less visits to retailers of the Company's products, thus impacting sales. To some extent, in 2021 and 2022, the Company remained subject to some of these social and economic impacts, such as intermittent plant shutdowns and lockdowns in China related to any COVID-19 outbreaks and constraints throughout the global supply chain. Global supply chain constraints intensified in the second quarter of 2021 leading to abnormally extended product lead times due to transportation bottlenecks at the China and United States ports, high demand for vessel space causing shortages and delays, and some intermittent government-mandated power shortages in China. As the result of these constraints, the cost of transportation increased significantly throughout the last half of 2021 and most of 2022. In addition, component shortages (in particular, printed circuit boards) have caused delays and the need to purchase materials sooner than normal, resulting in higher inventory levels than normal. These constraints have resulted in higher inventories and have caused incremental costs related to port storage fees, alternative port use, alternative supplier spot buys, air freight and distribution center inefficiencies. The Company continues to consider the impacts for uncertainties of the COVID-19 pandemic, the global supply chain constraints, inflation, and the current economic environment in the use of estimates in preparation of the consolidated financial statements. These estimates include, but are not limited to, net realizable value of inventory and the fair value of goodwill and other intangible asset impairment, of which no impairments have been recorded.

2. Key Transactions

Sale of Apex Tool Group (UK Operations), Limited

On November 21, 2022, the Company closed a sale of Apex Tool Group (UK Operations) Limited business (the "business") including the brand, manufacturing plant, related inventory and interests in certain contracts. Prior to the sale, the Company recorded the results of operations of the business in the Power Tool division. The sale price and net proceeds for the business was $2.5 million . The Company recognized a loss of $5.3 million in Other income (expenses), net during the year ended December 31, 2022. The cash proceeds were used for general corporate purposes.

Accounts Receivable Securitization Facility

In September 2022, the Company executed agreements with MUFG Bank, Ltd. and credit parties for an accounts receivable securitization facility, on a revolving basis, over 3 years. See Note 7, Debt, for more details.

Refinancing and Capital Contribution

On February 8, 2022, the Company issued new debt and repaid previously issued debt instruments. Contemporaneous with the issuance of new debt, the Company received a capital contribution from Bain Capital. See Note 7, Debt and Note 14, Related-Party Transactions for further details.

Cash Flow Hedges of Interest Rate Risk

As the result of the new Refinancing in February 2022 based on SOFR, in the second quarter of 2022, the Company cancelled one LIBOR interest rate cap and amended the other interest rate cap from LIBOR to SOFR. The Company also executed three new SOFR interest rate caps. See Note 8, Derivative Financial Instruments, for more details.

Property Sale/Leaseback

As of December 31, 2021, the Company was engaged in negotiations for the sale of its Sumter, South Carolina facility. The net book value of the land and building of $2.8 million for this facility qualified as held for sale treatment and was reclassified from Property, plant, and equipment to Prepaid expenses and other current assets in the Consolidated Balance Sheet as of December 31, 2021.

In January 2022, the Company entered into a sale/leaseback transaction, pursuant to which the Company sold to and simultaneously leased back the Sumter, South Carolina facility. The aggregate gross sale price for the facility was $3.1 million and the net proceeds to the Company were $3.0 million. The Company recognized a gain of $0.2 million in Other income (expenses), net during the year ended December 31, 2022. There are multiple terms for the lease for various portions of the Sumter, South Carolina facility and these terms range from 6 months to 3 years.

Additionally, several of the terms include a renewal option for an additional 3 years, exercisable at the Company's option. The initial aggregate annual base rent for the leases is approximately $0.4 million.

(Amounts in thousands except where otherwise indicated)

Lease Termination

The Company terminated its lease at its manufacturing facility in Garland, Texas in December 2020. The Company was the sole tenant of the approximately 340,000 square foot facility, and the lease was to expire in 2032. This lease was previously accounted for as a financing lease. The release of the financing lease asset and corresponding liabilities resulted in a gain of $1.6 million, net of transaction costs paid by the Company. The gain was included within gross profit in the Consolidated Statements of Operations and was related to the Hand Tools division for the year ended December 31, 2020.

Property Donation

The Company successfully donated its Monroe, North Carolina facility in November 2021 to the city of Monroe. The Company recognized a $1.2 million loss on disposal as a result of the donation.

Property Sale

In late 2019, the Company ceased operations at its Tlalnepantla, Mexico facility. In December 2020, the Company executed an agreement for the sale of the facility for $105.0 million Mexican Pesos ($5.3 million on such date). Fifty percent of the purchase price was paid to the Company by the buyer before December 31, 2020 and the balance was due when conditions enumerated in the sales agreement were satisfied. The Company concluded that control of the asset did not transfer prior to December 31, 2020 and all cash received was deferred within Accrued expenses and other current liabilities in the accompanying Consolidated Balance Sheet. The net book value of the land and building of $1.2 million for this facility qualified for held for sale treatment and was reclassified from Property, plant, and equipment to Prepaid expenses and other current assets in the Consolidated Balance Sheet as of December 31, 2020.

In February 2021, the sale was finalized and the Company received the remaining fifty percent of the purchase price. Net of transaction fees, the sale resulted in a gain of $3.9 million and was included within Other income (expense), net in the Consolidated Statements of Operations for the year ended December 31, 2021 and was related to the Hand Tools division. The proceeds were used to reduce debt.

3. Inventories

The classification of inventories was as follows:

	December 31,	
	2022	**2021**
Finished goods	**$ 267,087**	$ 225,123
Work in process	**107,289**	113,351
Raw materials	**30,817**	25,814
Total inventories	**$ 405,193**	$ 364,288

(Amounts in thousands except where otherwise indicated)

4. Property, Plant, and Equipment

Property, plant, and equipment consisted of the following:

	December 31, 2022	December 31, 2021
Land and improvements	**$ 7,468**	$ 8,037
Buildings and improvements	**45,081**	46,814
Machinery and equipment	**258,594**	258,690
	311,143	313,541
Accumulated depreciation	**(194,604)**	(188,245)
Total property, plant, and equipment, net	**$ 116,539**	$ 125,296

Depreciation on property, plant and equipment during the years ended December 31, 2022, 2021 and 2020 was $22.2 million, $23.7 million and $21.7 million, respectively.

5. Goodwill and Other Intangible Assets

The change in the carrying amount of goodwill was as follows:

	Gross Book Value	Accumulated Impairment	Accumulated Amortization (a)	Net Book Value
Balance at December 31, 2020	$ 633,533	$ (4,515)	$ (122,529)	$ 506,489
Currency translation	(5,707)	—	1,512	(4,195)
Amortization	—	—	(63,111)	(63,111)
Balance at December 31, 2021	627,826	(4,515)	(184,128)	439,183
Currency translation	**(22,544)**	—	**7,480**	**(15,064)**
Amortization	—	—	**(61,052)**	**(61,052)**
Disposal on sale of Apex Tool Group (UK Operations), Limited	**(734)**	—	**286**	**(448)**
Balance at December 31, 2022	**$ 604,548**	**$ (4,515)**	**$ (237,414)**	**$ 362,619**

(a) Effective January 1, 2019, the Company adopted the private company alternative for goodwill, ASC 350-20-15, which permits the amortization of goodwill on a straight-line basis over ten years. See Note 1, Business and Summary of Significant Accounting Policies, for further information.

As of December 31, 2022, goodwill is being amortized over a weighted-average remaining life of 6 years.

As of December 31, 2022, the estimated aggregate amortization expense is expected to be as follows:

For the Year Ending December 31,	(In thousands)
2023	$ 60,436
2024	60,436
2025	60,436
2026	60,437
2027	60,437
2028	60,437
Total	$ 362,619

The carrying amounts and accumulated amortization of intangible assets other than goodwill were as follows:

	December 31,	
	2022	**2021**
Gross carrying value:		
Customer relationships	**$ 394,760**	$ 416,759
Technology and other	**16,185**	16,458
Indefinite-lived trade names	**121,716**	125,029
	532,661	558,246
Accumulated amortization:		
Customer relationships	**(389,482)**	(406,687)
Technology and other	**(16,077)**	(16,039)
	(405,559)	(422,726)
Total other intangible assets, net	**$ 127,102**	$ 135,520

Amortization on the intangible assets other than goodwill for the years ended December 31, 2022, 2021, and 2020 was $4.7 million, $46.3 million, and $45.3 million, respectively.

As of December 31, 2022, amortizable intangible assets (customer relationships and technology and other) are being amortized over a weighted-average remaining life of 5.9 years. As of December 31, 2022, the estimated aggregate amortization expense is expected to be as follows:

For the Year Ending December 31, 2022	(in thousands)
2023	$ 708
2024	620
2025	521
2026	396
2027	396
Thereafter	2,745
Total	$ 5,386

(Amounts in thousands except where otherwise indicated)

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities included the following:

	December 31,	
	2022	**2021**
Sales allowances and returns	**$ 57,777**	$ 64,112
Advertising	**4,613**	4,629
Warranty	**4,815**	6,464
Claims, including self-insurance and litigation	**3,184**	2,908
Freight and duty	**11,633**	14,475
Non-income tax-related liabilities	**4,111**	4,317
Restructuring reserve [1]	**3,480**	906
Interest	**8,173**	11,032
Current maturities of operating lease obligations [2]	**3,901**	4,736
Professional services	**3,181**	5,014
Others	**11,963**	11,377
Total accrued expenses and other current liabilities	**$ 116,831**	$ 129,970

(1) See Note 15, Restructuring
(2) See Note 13, Leases

Changes in the Company's warranty reserve were as follows:

Warranty reserve at January 1, 2021	$ 6,470
Accruals for new warranties and adjustments to existing warranties	4,917
Settlements made	(4,926)
Currency translation adjustments	3
Warranty reserve at December 31, 2021	6,464
Accruals for new warranties and adjustments to existing warranties	**2,769**
Settlements made	**(4,082)**
Currency translation adjustments	**(336)**
Warranty reserve at December 31, 2022	**$ 4,815**

7. Debt

Term Loans, Revolving Credit Facility and Notes

During the year ended December 31, 2018, the Company entered into an amendment ("Second Amendment") of the Senior Secured Credit Facilities with a syndicate of lending banks. The Second Amendment of the credit agreement consisted of an $835.0 million Senior Secured Term Loan Facility and a new $125.0 million Senior Secured Term Loan Facility (collectively the "Term Loan Facility"), and a $175.0 million borrowing capacity Senior Secured Revolving Credit Facility. Additionally, during the year ended December 31, 2018, the Company issued $325.0 million aggregate principal amount of 9.0% Notes due 2023. As a result of the Second Amendment and new debt issuance, the Company redeemed the $450 million of 7.0% notes ("Prior Notes").

On August 21, 2019, the Company entered into an amendment ("Third Amendment") of the Senior Secured Credit Facilities with a syndicate of lending banks. The Third Amendment of the credit agreement extended the maturity of the existing Term Loan Facility from February 1, 2022 to August 1, 2024 and the Third Amendment also extended the maturity date on the Company's Revolving Credit Facility from October 1, 2021 to April 1, 2024. Additionally, the Third Amendment reduced the annual payment on the Senior Secured Term Loan Facilities from $22.7 million to $21.9 million.

The Term Loan Facility and Senior Secured Revolving Credit Facility bore interest at a rate per annum equal to, at the Company's option, either (a) a base rate determined by reference to the highest of (i) the administrative agent's prime rate, (ii) the federal funds rate plus 1/2 of 1.0%, and (iii) one-month adjusted LIBOR plus 1.0% per annum (which shall in no event be less than 2.25% per annum), plus a margin of up to 4.50% or (b) a London Interbank Offered Rate determined by reference to the London Interbank Offered Rate (LIBOR), plus a margin of 5.50% (this was previously plus a margin of 3.75% under the Second Amendment). The annual payments, which commenced with the first quarter of 2018 under the Second Amendment, of $22.7 million, or a quarterly installment of $5.7 million, were reduced to an annual payment of $21.9 million, or a quarterly installment of $5.5 million, under the Third Amendment. Additionally, the Third Amendment increased the maximum senior secured net leverage ratio, as defined in the Senior Secured Credit Facilities, to 5.25, beginning in the third quarter of 2019. This was an increase from the Second Amendment which required a leverage ratio of 4.75.

The Senior Secured Revolving Credit Facility included a commitment fee for any unutilized commitments under the Senior Secured Credit Facilities. The fee ranges from 0.375% to 0.50% per annum based upon the borrowing under the Senior Secured Credit Facilities. The Third Amendment extended the maturity date on the Company's Revolving Credit Facility from October 1, 2021 to April 1, 2024. The Senior Secured Revolving Credit Facility decreased from $175.0 million to $158.1 million on October 1, 2019.

On February 8, 2022, the Company executed a new debt agreement consisting of an $855.0 million First Lien Term Loan and $350.0 million Second Lien Term Loan (collectively the "Term Loans"), and a revolving credit facility with a $171.6 million borrowing capacity ("Revolving Credit Facility"). The proceeds of the new debt agreement, along with a $125.0 million cash contribution from Bain Capital, were used to repay the $819.8 million principal balance and $1.2 million interest balance of the previously issued Senior Secured Term Loan Facility, $147.5 million principal balance and $0.4 million interest balance of the previously executed Senior Secured Revolving Credit Facility. Additionally, the proceeds of the new debt agreement were used to call the previously issued $325.0 million 9.0% Senior Notes due in 2023 at par plus interest. The execution of the new debt agreement and repayment of previously issued instruments is hereafter referred to as the "Refinancing". The new Revolving Credit Facility, the First Lien Term Loan and the Second Lien Term Loan mature on February 8, 2027, February 8, 2029, and February 8, 2030, respectively.

(Amounts in thousands except where otherwise indicated)

The First Lien Term Loan and Revolving Credit Facility bear interest at a rate per annum, equal to Daily Simple SOFR, plus a credit spread adjustment of 0.10%, plus a margin ranging from 4.75% to 5.25%. The Second Lien Term Loan bears interest at a rate per annum, equal to Daily Simple SOFR, plus a credit spread adjustment of 0.10%, plus a margin of 10.00%.

The Revolving Credit Facility includes a commitment fee for any unutilized commitments. The fee ranges from 0.25% to 0.50% per annum. The Letter of Credit incurs a fee at the per annum rate for each day equal to the Revolving Credit Facility that are SOFR Loans, plus a fronting fee at the rate for each day equal to 0.125% per annum.

The new debt agreement requires annual payments of $8.5 million of principal of First Lien Term Loan in the form of quarterly installments of $2.1 million on the last business day of each quarter end, commencing September 30, 2022.

As part of the Refinancing, during the year ended December 31, 2022, the Company incurred a loss on refinancing transaction of $4.5 million, comprised of $1.6 million of expenses not eligible for capitalization and $2.9 million of previously capitalized debt discount and issuance costs that were extinguished as part of the Refinancing.

Also, related to the Refinancing, the Company incurred cash costs of $36.1 million, comprised of $4.2 million of expenses not eligible for capitalization and $31.9 million of lender fees and third-party expenses capitalized as unamortized discount and unamortized debt issuance costs. Of the $31.9 million capitalized as unamortized discount and unamortized debt issuance costs, $29.2 million relates to the Term Loans, and $2.7 million relates to the Revolving Credit Facility.

The $29.2 million of Term Loan fees and expenses capitalized are included in the table to follow as unamortized discount and unamortized debt issuance costs, along with $3.2 million of previously capitalized debt discount and issuance costs that were not extinguished as part of the Refinancing. The amounts included in the table to follow are net of any amortization that has occurred since the Refinancing.

Amounts outstanding under the Company's Term Loans and Notes, net of unamortized discounts and debt issuance costs, were as follows:

	December 31, 2022					**December 31, 2021**
	Long-Term Debt Less Current Maturities	Current Maturities of Long-Term Debt	Unamortized Discount (a)	Unamortized Debt Issuance Costs (a)	Maturity Amount	Long-Term Debt Less Current Maturities
Term Loans	**$ 1,163,778**	**$ 8,550**	**$ (11,598)**	**$ (16,799)**	**$ 1,200,725**	$ —
Prior Term Loan	—	—	—	—	—	793,058
Note	—	—	—	—	—	323,446
Total	**$ 1,163,778**	**$ 8,550**	**$ (11,598)**	**$ (16,799)**	**$ 1,200,725**	$ 1,116,504

(a) Unamortized discount and unamortized debt issuance costs are contra-liability accounts within long-term debt, net of current maturities, on the consolidated balance sheet.

Under the terms of the Term Loans, the Company is subject to certain financial covenants, including a net leverage ratio and other customary covenants, such as restrictions on liens, restrictions on investments, and limits on indebtedness. Further, the terms of the Revolving Credit Facility require the first lien net leverage ratio (as defined in the First Lien Credit Agreement) not exceed 7.25 beginning in the third quarter of 2022. As of December 31, 2022, the Company was in compliance with all of its debt covenants. Deterioration or instability of the economies and financial markets (such as a recession) in the geographies in which the Company does business could adversely affect the Company's business and its compliance with debt covenants. Breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness, in addition to any other indebtedness cross-defaulted against such instruments. Any such breach could materially adversely affect the Company's results of operations and financial condition.

At December 31, 2022 and 2021, the weighted-average interest rate on the Revolving Credit Facility was 7.14% and 5.43%, respectively, exclusive of commitment fees. At December 31, 2022 and 2021, the balance on the Revolving Credit Facility was $110.0 million and $147.5 million. Additionally, at December 31, 2022, the Revolving Credit Facility had $9.9 million of outstanding letters of credit and there was $51.7 million unused borrowing capacity under the Revolving Credit Facility.

The Company made Term Loan and Revolving Credit Facility interest payments of $117.9 million, $92.6 million, and $95.1 million during the years ended December 31, 2022, 2021, and 2020, respectively.

As of December 31, 2022, aggregate maturities of debt obligations are as follows:

For the Year Ending	**(in thousands)**
2023	$ 8,550
2024	8,550
2025	8,550
2026	8,550
2027	118,550
Thereafter	1,157,975
Total	$ 1,310,725

Accounts Receivable Securitization Facility

In September 2022, Apex Tool Group, LLC executed agreements with MUFG Bank, Ltd. and credit parties for an accounts receivable securitization facility ("Securitization Facility"), on a revolving basis, with a borrowing capacity up to the lesser of $100.0 million and Net Receivable Pool Balance minus the Reserves, over 3 years. Pursuant to the agreements, Apex Tool Group, LLC sells current and future accounts receivable to Apex Tool TR, LLC, (“SPE”), its wholly-owned special purpose entity. The SPE, in turn, pledges its interests in the accounts receivable to creditors which make loans to the SPE. The Company consolidates the SPE and continues to report the pledged accounts receivable as part of its consolidated accounts receivables and the Securitization Facility as noncurrent liabilities in its consolidated balance sheet since the Company has the power to direct the activities of the SPE and continues involvement in the pledged accounts receivable.

The Securitization Facility bears interest at a rate per annum, equal to one-month Term SOFR, plus a credit spread adjustment of 0.10%, plus a margin of 2.25%. The Securitization Facility requires the monthly interest payment and repayment of principal on the final maturity date.

The Securitization Facility also accrues a fee on unused capacity ranging from 0.40% to 0.60% per annum depending on the percentage of unused capacity.

(Amounts in thousands except where otherwise indicated)

Related to the Securitization Facility, the Company incurred fees and expenses of $1.0 million, comprised of $0.1 million of expenses not eligible for capitalization and $0.9 million of lender fees and third-party expenses capitalized as unamortized debt issuance costs.

As of December 31, 2022, the Securitization Facility had an outstanding borrowing of $57.5 million and unused capacity of $42.5 million. Interest payment associated with the Securitization Facility was $0.5 million for the year ended December 31, 2022.

8. Derivative Financial Instruments

Net Investment Hedges

The Company is exposed to fluctuations in foreign exchange rates on investments it holds in foreign entities whose functional currencies are euro (EUR) denominated, which differs from that of the Company, which is the U.S. dollar (USD). As a result, the Company is exposed to the risk of adverse changes between the EUR-USD exchange rate in its consolidated financial statements.

As of December 31, 2021, the Company had three outstanding foreign currency derivatives that were used to hedge its net investments in foreign operations, with an aggregate notional value of EUR 136.5 million (collectively the "Hedging Instruments"). The Hedging Instruments expired on February 15, 2022, and the Company terminated the Hedging Instruments on February 11, 2022. As of December 31, 2022, the Company did not have any outstanding foreign currency derivatives. The fair values of the Company's Hedging Instruments were based on values for similar instruments using models with market-based inputs and are categorized as Level 2 under the GAAP fair value hierarchy. These instruments were considered effective hedging arrangements.

The Company's Hedging Instruments were classified in the Consolidated Balance Sheet as of December 31, 2021 as follows:

	December 31, 2021
Current derivative assets	$ 150
Prepaid expenses and other current assets	689
Accrued expenses and other current liabilities	147

Amounts in the table above are included, net of tax, in Accumulated other comprehensive income (loss). As of December 31, 2022, there were $8.9 million of gains relating to the hedges in Accumulated other comprehensive loss. Gains are reclassified out of Accumulated other comprehensive loss into earnings when the hedged net investment is either sold or substantially liquidated. See the Consolidated Statements of Comprehensive Loss for unrealized gains and losses on these derivative financial instruments incurred during the periods.

(Amounts in thousands except where otherwise indicated)

Cash Flow Hedges of Interest Rate Risk

The Company uses interest rate caps to manage the Company's exposure to interest rate movements as part of the Company's strategy to manage interest rate risk.

Non-designated Hedges

In June 2020, the Company executed two forward interest rate caps, each with a notional amount of $400.0 million, expiring October 31, 2022. The interest rate caps provided for interest payments on the Company's one month adjusted LIBOR floating rate debt, on the notional amounts at a cap of 1.25%. The interest rate caps were designated as cash flow hedges of interest rate risk from effective dates until modification or cancellation below.

As the result of the new Refinancing based on SOFR, in the second quarter of 2022, the Company cancelled one LIBOR interest rate cap with a notional amount of $400.0 million and executed a SOFR interest cap with a notional amount of $400.0 million, expiring November 9, 2022. The new interest cap provided for interest payments on the Company's SOFR floating rate debt, on the notional amount at a cap of 1.27%. The Company also amended the other interest rate cap with a notional amount of $400.0 million from LIBOR to SOFR and extended the interest cap maturity to November 9, 2022. The amended interest cap provided for interest payments on the Company's SOFR floating rate debt, on the notional amount at a cap of 1.235%. Refer to Note 7, Debt for more details.

The Company did not elect to apply hedge accounting for the two interest rate caps, although those interest rate caps were not speculative and were used to manage the Company's exposure to interest rate movements and other identified risks. Changes in the fair value of interest rate caps not designated in hedging relationships were recorded directly in earnings.

As of December 31, 2022, the Company did not have any outstanding non-designated hedges. Gains on interest rate caps that were not designated as hedging instruments are classified on the Income Statement for the year ended December 31, 2022 as below:

	December 31, 2022
Other Income (Expense), net	$ 1,339

Designated Hedges

In the second quarter of 2022, the Company executed two new SOFR interest rate caps including $315.0 million effective on May 9, 2022 and expiring on June 9, 2025, and $800.0 million effective on November 9, 2022 and expiring on June 9, 2025. The new interest rate caps provide for interest payments on the Company's SOFR floating rate debt, on the notional amounts at a cap of 3.5%. The premium for new interest rate caps is paid at the expiration date. Refer to Note 7, Debt for more details.

The Company elected to apply hedge accounting for the two new interest rate caps.

All interest rate caps, including non-designated hedges and designated hedges, are recognized on the consolidated Balance Sheets at fair value. The fair values of the Company's interest rate caps derivative financial instruments are based on values for similar instruments using models with market-based inputs and are categorized as Level 2 under the GAAP fair value hierarchy.

(Amounts in thousands except where otherwise indicated)

The Company's interest rate caps were classified in the Consolidated Balance Sheets as follows:

	December 31, 2022	December 31, 2021
Designated Hedges		
Current derivative assets	**$ 15,472**	$ —
Noncurrent derivative assets	**—**	—
Accrued expenses and other current liabilities	**1,253**	81
Noncurrent derivative liabilities	**602**	—

9. Income Taxes

Loss before income taxes consisted of the following:

	Year Ended December 31,		
	2022	2021	2020
United States	**$ (170,933)**	$ (133,538)	$ (151,690)
International	**56,425**	48,783	(141)
Loss before taxes	**$ (114,508)**	$ (84,755)	$ (151,831)

Significant components of income tax expense (benefit) consisted of the following:

	Year Ended December 31,		
	2022	2021	2020
Current:			
United States	**$ 232**	$ 205	$ 79
International	**32,193**	30,216	32,008
Total current income taxes	**32,425**	30,421	32,087
Deferred:			
United States	**190**	(105)	152
International	**1,437**	(562)	(8,595)
Total deferred income taxes	**1,627**	(667)	(8,443)
Total income tax expense	**$ 34,052**	$ 29,754	$ 23,644

(Amounts in thousands except where otherwise indicated)

The following provides a reconciliation of the U.S. federal statutory income tax expense (benefit) to income tax expense (benefit):

	Year Ended December 31,		
	2022	**2021**	**2020**
Income tax benefit at U.S. statutory rate of 21%	**$ (24,047)**	$ (17,799)	$ (31,885)
Taxes on foreign earnings	**8,751**	9,502	10,586
State income taxes	**(2,968)**	(2,405)	(3,522)
Permanent items	**6,738**	5,014	6,488
U.S. tax cost on foreign earnings	**12,792**	11,356	4,030
Valuation allowances	**35,374**	25,592	40,302
Change in statutory tax rate	**(136)**	272	(12)
Other, net	**(2,452)**	(1,778)	(2,343)
Income tax expense	**$ 34,052**	$ 29,754	$ 23,644

The deviation from the U.S. federal statutory income tax benefit for the years ended December 31, 2022, 2021, and 2020, was primarily related to (i) earnings of profitable subsidiaries outside of the U.S. in foreign tax jurisdictions with tax rates that differ from the U.S. federal income tax rate; (ii) deferred tax effect of indefinite-lived intangibles; (iii) non-taxable income and nondeductible expenses of a permanent nature; (iv) the U.S. tax cost associated with the current taxation of foreign subsidiary earnings inclusive of the tax cost on unremitted earnings attributable to certain foreign subsidiaries as the Company does not assert the indefinite reinvestment of unremitted earnings in 2022, 2021, and 2020; (v) the effect of changes in valuation allowance against deferred tax assets that are not more-likely-than-not realizable.

(Amounts in thousands except where otherwise indicated)

The tax effects of the temporary differences giving rise to the Company's deferred tax assets and liabilities were as follows:

	December 31,	
	2022	**2021**
Deferred tax liabilities:		
Goodwill and other intangibles	**$ (22,300)**	$ (23,655)
Property, plant, and equipment	**(6,460)**	(6,219)
Right of use assets	**(21,698)**	(19,896)
Gross deferred tax liabilities	**(50,458)**	(49,770)
Deferred tax assets:		
Inventories	**10,587**	9,204
Accrued liabilities	**42,405**	42,400
Postretirement benefits	**5,128**	9,110
Interest expense limitation	**83,876**	63,354
Tax losses	**99,305**	86,709
Operating lease liabilities	**23,245**	21,071
Other	**10,607**	9,613
Gross deferred tax assets	**275,153**	241,461
Valuation allowance on deferred tax assets	**(226,469)**	(186,301)
Net deferred tax assets (liabilities)	**$ (1,774)**	$ 5,390

At both December 31, 2022 and 2021, the tax-effected amount of net operating loss carryforwards were $99.3 million and $86.7 million, respectively. Of the $99.3 million of tax-effected losses, $75.0 million is attributable to U.S. federal income taxes, $15.3 million is attributable to state income taxes, and $9.0 million is attributable to foreign tax jurisdictions. The net operating losses were generated in the years 2013 through 2022 and some losses begin to expire in 2023, while others have indefinite lives and will never expire.

At December 31, 2022, the Company recorded a gross deferred tax asset of $8.3 million related to Research and Development ("R&D") credits generated in years 2013 through 2022. The R&D credit carryforwards can be carried forward to various dates from 2023 through 2042.

In establishing and maintaining a valuation allowance against U.S. deferred tax assets, the Company adhered to the guidance in ASC 740, which requires placing greater reliance on the recent losses for the respective three-year period than on its future income projections which may allow for the utilization of its deferred tax assets. The GAAP guidance with respect to financial statement presentation of income taxes as defined in ASC 740 states that it is difficult to avoid a valuation allowance when there is negative evidence such as cumulative losses in recent years. At December 31, 2022, the Company had a cumulative loss before income taxes for the three-year period then ended. During 2022, the Company's valuation allowance increased by $40.2 million primarily due to current year net operating losses and currency translation adjustments.

(Amounts in thousands except where otherwise indicated)

The change in the balance of uncertain tax positions was as follows:

	Unrecognized Tax Benefits	Interest	Penalties	Total
Balance at January 1, 2021	$ 1,154	$ 1,226	$ 143	$ 2,523
Additions for tax positions related to current year	3	33	1	37
Releases due to statute expirations	(938)	(964)	(57)	(1,959)
Currency translation	(10)	(2)	1	(11)
Balance at December 31, 2021	209	293	88	590
Additions for tax positions related to current year	**211**	**3**	**—**	**214**
Additions for tax positions related to prior years	**2,269**	**148**	**—**	**2,417**
Releases due to statute expirations	**(195)**	**(279)**	**(83)**	**(557)**
Currency translation	**15**	**(15)**	**(5)**	**(5)**
Balance at December 31, 2022	**$ 2,509**	**$ 150**	**$ —**	**$ 2,659**

To the extent unrecognized tax benefits (including interest and penalties) are recognized in future periods with respect to uncertain tax positions, the entire amount of $2.6 million would be reduced and $1.4 million would be reflected as a reduction in the overall tax provision in future periods. Unrecognized tax benefits associated with interest and penalties are included in income tax expense.

Unrecognized tax benefits relating to periods prior to February 1, 2013, recorded by the Company are indemnified by its former respective owners. Accordingly, the Company had no liability for uncertain legacy tax positions for the year ended on December 31, 2022 and a prior year liability was offset by a $0.5 million receivable from its former owners as of December 31, 2021. For the year ended December 31, 2022, the Company recorded a $0.5 million reduction of income tax expense, that is included within other expenses for the release of the uncertain tax position and a corresponding reduction in indemnification assets.

The Company files its income tax returns as prescribed by the tax jurisdictions in which it operates, and these tax jurisdictions have various years which are still open for examination. With one exception, the Company is no longer subject to foreign examination by its major tax jurisdictions for tax years prior to 2017. The one exception is for tax returns in Germany which are currently under examination for years 2015 through 2018. The Company is subject to tax examination for years 2018 and forward for U.S. federal and state income tax purposes. Certain carryover tax attributes can be adjusted anytime until the tax attributes are utilized in subsequent tax years and will generally be subject to examination for three years after utilization.

10. Postretirement Benefits

The Company has one noncontributory defined benefit pension plan, which covers certain of its U.S. employees ("U.S. Pension Plan"). In addition, the Company has defined benefit pension plans in Mexico, Germany, Taiwan, and Brazil ("Non-U.S. Pension Plans", collectively, the "Pension Plans").

(Amounts in thousands except where otherwise indicated)

The following table sets forth the funded status of the defined benefit pension plans and amounts recognized in the Consolidated Balance Sheet at December 31, 2022:

	U.S. Pension Plan	Non-U.S. Pension Plans
Change in benefit obligation		
Benefit obligation at January 1, 2022	$ 17,381	$ 80,497
Service cost	371	704
Interest cost	434	1,004
Actuarial loss (gain)	(3,591)	(17,870)
Foreign currency exchange rate changes	—	(4,967)
Benefits paid and expenses	(1,065)	(2,096)
Benefit obligation at December 31, 2022	13,530	57,272
Change in plan assets		
Fair value of plan assets at January 1, 2022	17,035	755
Actual return on plan assets	(2,557)	49
Benefits paid and expenses	(1,065)	(26)
Employer contributions	—	147
Foreign currency exchange rate changes	—	(47)
Fair value of plan assets at December 31, 2022	13,413	878
Accrued benefit cost at December 31, 2022 (funded status)	$ (117)	$ (56,394)
Amounts recognized in the consolidated balance sheet		
Accrued expenses and other current liabilities	$ —	$ (2,318)
Postretirement benefit obligations	(117)	(54,076)
Net amount recognized at December 31, 2022 (funded status)	$ (117)	$ (56,394)

	U.S. Pension Plan	Non-U.S. Pension Plans
Weighted-average assumptions used to determine benefit obligations as of December 31, 2022		
Discount rate	5.03 %	3.72 %
Rate of compensation increase	n/a	3.16 %

The amounts recognized in Accumulated other comprehensive loss at December 31, 2022 consisted of $13.9 million, net of income taxes, for the Company’s Pension Plans. The Company expects to recognize a gain of $0.3 million (before income taxes) as a component of net periodic benefit cost during 2023.

(Amounts in thousands except where otherwise indicated)

The Company's overall investment strategy is to achieve an asset allocation of 61% equity securities, 33% fixed income securities, and 6% other investments. The fair values of plan assets for the U.S. Pension Plan at December 31, 2022, were as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Cash and cash equivalents	$ 752	$ —	$ 752
Equity securities:			
U.S. large-cap	—	4,798	4,798
U.S. mid-cap	—	1,399	1,399
U.S. small-cap	—	759	759
International	—	1,279	1,279
Fixed income securities:			
U.S. corporate	—	3,782	3,782
U.S. government	—	644	644
Total	$ 752	$ 12,661	$ 13,413

U.S. equity securities consist of equity index funds that track various S&P indexes based on the targeted market capitalization. Although the funds are not actively traded, the values of the underlying stocks are actively traded. Accordingly, the fair value of the funds at December 31, 2022, was determined as the composite of the fair values of the actively traded stocks as valued at the closing price reported on the active markets on which the individual securities are traded. The international equity security class tracks the MSCI, EAFE, and FTSE All-Share Index. U.S. corporate fixed income securities represent index funds composed of high-quality corporate bonds of intermediate and long-term durations. U.S. government investments are composed of investments in intermediate government bond index funds.

The fair values of plan assets for the Non-U.S. Pension Plans consisted of cash and cash equivalents valued based on quoted prices in active markets for identical assets (Level 1).

The Company establishes its estimated long-term return on plan assets considering various factors, which include the targeted asset allocation percentages, historical returns, and expected future returns. The Company’s weighted-average expected long-term return on plan assets assumption used to determine the net periodic (benefit) cost for the U.S. Pension Plan and Non-U.S. Pension Plans will be 6.00% and 2.49%, respectively, in 2023.

(Amounts in thousands except where otherwise indicated)

The accumulated benefit obligation related to all defined benefit pension plans and information related to unfunded and underfunded defined pension plans at December 31, 2022, was as follows:

	U.S. Pension Plan	Non-U.S. Pension Plans
All defined benefit plans:		
Accumulated benefit obligation	$ 13,530	$ 50,487
Unfunded defined benefit plans:		
Projected benefit obligation	—	52,591
Accumulated benefit obligation	—	46,575
Defined benefit plans with an accumulated benefit obligation in excess of the fair value of plan assets:		
Projected benefit obligation	13,530	4,981
Accumulated benefit obligation	13,530	3,912
Fair value of plan assets	13,413	878

(Amounts in thousands except where otherwise indicated)

The following table sets forth the funded status of the defined benefit pension plans and amounts recognized in the Consolidated Balance Sheet at December 31, 2021:

	U.S. Pension Plan	Non-U.S. Pension Plans
Change in benefit obligation		
Benefit obligation at January 1, 2021	$ 18,188	$ 93,862
Service cost	426	932
Interest cost	381	684
Actuarial loss (gain)	(657)	(6,137)
Foreign currency exchange rate changes	—	(6,611)
Benefits paid and expenses	(957)	(2,233)
Benefit obligation at December 31, 2021	17,381	80,497
Change in plan assets		
Fair value of plan assets at January 1, 2021	15,695	683
Actual return on plan assets	2,182	33
Benefits paid and expenses	(957)	(14)
Employer contributions	115	59
Foreign currency exchange rate changes	—	(6)
Fair value of plan assets at December 31, 2021	17,035	755
Accrued benefit cost at December 31, 2021 (funded status)	$ (346)	$ (79,742)
Amounts recognized in the consolidated balance sheet		
Accrued expenses and other current liabilities	$ —	$ (2,397)
Postretirement benefits	(346)	(77,345)
Net amount recognized at December 31, 2021 (funded status)	$ (346)	$ (79,742)

	U.S. Pension Plan	Non-U.S. Pension Plans
Weighted-average assumptions used to determine benefit obligations as of December 31, 2021		
Discount rate	2.58 %	1.34 %
Rate of compensation increase	n/a	2.84 %

The amounts recognized in accumulated other comprehensive loss at December 31, 2021 consisted of $8.9 million, net of income taxes, on the Company's Pension Plans.

(Amounts in thousands except where otherwise indicated)

The fair values of the plan assets for the U.S. Pension Plan at December 31, 2021, are as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Cash and cash equivalents	$ 853	$ —	$ 853
Equity securities:			
U.S. large-cap	—	6,233	6,233
U.S. mid-cap	—	1,815	1,815
U.S. small-cap	—	904	904
International	—	1,607	1,607
Fixed income securities:			
U.S. corporate	—	4,812	4,812
U.S. government	—	811	811
Total	$ 853	$ 16,182	$ 17,035

The fair values of plan assets for the Non-U.S. Pension Plans consisted of cash and cash equivalents valued based on quoted prices in active markets for identical assets (Level 1).

The accumulated benefit obligation related to all defined benefit pension plans and information related to unfunded and underfunded defined pension plans at December 31, 2021, was as follows:

	U.S. Pension Plan	Non-U.S. Pension Plans
All defined benefit plans:		
Accumulated benefit obligation	$ 17,381	$ 68,575
Unfunded defined benefit plans:		
Projected benefit obligation	—	74,851
Accumulated benefit obligation	—	64,235
Defined benefit plans with an accumulated benefit obligation in excess of the fair value of plan assets:		
Projected benefit obligation	17,381	5,646
Accumulated benefit obligation	17,381	4,340
Fair value of plan assets	17,035	755

(Amounts in thousands except where otherwise indicated)

As of December 31, 2022, the following table sets forth the benefit payments expected to be paid in the periods indicated:

	U.S. Pension Plan	Non-U.S. Pension Plans
2023	$ 1,050	$ 2,532
2024	1,083	2,636
2025	1,089	2,732
2026	1,091	4,794
2027	1,106	2,920
2028-2032	5,265	16,500

The net periodic cost related to the defined benefit pension plans included the following components for the year ended December 31, 2022:

	U.S. Pension Plan	Non-U.S. Pension Plans
Service cost	$ 371	$ 704
Interest cost	434	1,004
Expected return on plan assets	(991)	(26)
Amortization of net loss	(140)	831
Net periodic cost	$ (326)	$ 2,513

Weighted-average assumptions used in determining net periodic cost for the period	**U.S. Pension Plan**	**Non-U.S. Pension Plans**
Discount rate	2.58%	1.40%
Expected return on plan assets	6.00%	2.49%
Rate of compensation increase	n/a	2.89%

The net periodic (benefit) cost related to the defined benefit pension plans included the following components for the year ended December 31, 2021:

	U.S. Pension Plan	Non-U.S. Pension Plans
Service cost	$ 426	$ 932
Interest cost	381	684
Expected return on plan assets	(920)	(17)
Amortization of net loss	—	2,284
Net periodic cost	$ (113)	$ 3,883

(Amounts in thousands except where otherwise indicated)

Weighted-average assumptions used in determining net periodic cost for the period	**U.S. Pension Plan**	**Non-U.S. Pension Plans**
Discount rate	2.16%	0.80%
Expected return on plan assets	6.00%	2.22%
Rate of compensation increase	n/a	2.81%

The net periodic cost related to the defined benefit pension plans included the following components for the year ended December 31, 2020:

	U.S. Pension Plan	**Non-U.S. Pension Plans**
Service cost	$ 444	$ 1,019
Interest cost	494	930
Expected return on plan assets	(858)	(18)
Amortization of net gain	—	2,404
Settlement loss	—	(122)
Net periodic cost	$ 80	$ 4,213

Weighted-average assumptions used in determining net periodic cost for the period	**U.S. Pension Plan**	**Non-U.S. Pension Plans**
Discount rate	2.99%	1.07%
Expected return on plan assets	6.00%	1.04%
Rate of compensation increase	n/a	2.78%

In 2023, the Company expects to make cash contributions of $0.1 million to its defined benefit pension plans. The amounts principally represent contributions required to fund current benefits on unfunded plans.

The Company, through its subsidiaries, maintains various defined contribution plans. All full-time domestic U.S. employees, except for certain bargaining unit employees, are eligible to participate in the Company's retirement savings plans. Generally, the Company matches 100% of an employee's contributions up to 3% plus 50% of the next 2% of an employee's compensation. The Company contributes an additional 2% of employee compensation subject to certain eligibility requirements based on years of service. Total expense for the defined contribution plans for the years ended December 31, 2022, 2021, and 2020, was $6.6 million, $5.9 million and $5.3 million, respectively.

The Company maintains a deferred compensation plan available to certain executives. Under this plan, participants may elect to defer elements of their compensation, subject to limitations. Additionally, the Company contributes a percentage to the participants' accounts, determined by years of participation in the plan subject to vesting requirements. Deferred compensation balances are indexed to investment funds available in the plan, as selected by the participants, and adjusted to fair value based on these indexes. The plan is unfunded and as such, represents a general liability of the Company. Changes in the value of the deferred compensation liability under this plan are recognized based on the fair value of the participants' accounts based on their investment election. The fair value is determined using quoted prices for similar assets in active markets (Level 2). At December 31, 2022 and 2021, this liability totaled $8.3 million and $10.1 million, respectively, and was included in Accrued expenses and other current liabilities and in Other noncurrent liabilities.

(Amounts in thousands except where otherwise indicated)

11. Comprehensive Loss

The changes in Accumulated other comprehensive loss by component for the years ended December 31, 2022, 2021, and 2020 are summarized as follows:

	Foreign Currency Translation Adjustments	Unrecognized Pension Benefits (Costs)	Unrealized Gain on Derivative Financial Instruments	Total
Balance at January 1, 2022	$ (135,300)	$ (6,360)	$ 8,810	$ (132,850)
Other comprehensive income (loss) before reclassifications:				
Pre-tax other comprehensive income (loss)	**(53,692)**	**931**	**15,813**	**(36,948)**
Related income tax expense	**—**	**(276)**	**—**	**(276)**
Other comprehensive income (loss) before reclassifications, net of income taxes	**(53,692)**	**655**	**15,813**	**(37,224)**
Amounts reclassified from accumulated other comprehensive income (loss):				
Pre-tax other comprehensive income (loss)	**(5,117)**	**(18,644)**	**900**	**(22,861)**
Related income tax benefit	**—**	**5,367**	**—**	**5,367**
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	**(5,117)**	**(13,277)**	**900**	**(17,494)**
Net current period other comprehensive income (loss), net of income taxes	**(48,575)**	**13,932**	**14,913**	**(19,730)**
Balance at December 31, 2022	**$ (183,875)**	**$ 7,572**	**$ 23,723**	**$ (152,580)**

	Foreign Currency Translation Adjustments	Unrecognized Pension Costs	Unrealized Gain (Loss) on Derivative Financial Instruments	Total
Balance at January 1, 2021	$ (124,831)	$ (15,248)	$ (4,680)	$ (144,759)
Other comprehensive income (loss) before reclassifications:				
Pre-tax other comprehensive income (loss)	(10,469)	1,803	13,262	4,596
Related income tax expense	—	(523)	—	(523)
Other comprehensive income (loss) before reclassifications, net of income taxes	(10,469)	1,280	13,262	4,073
Amounts reclassified from accumulated other comprehensive income (loss):				
Pre-tax other comprehensive loss	—	(10,057)	(228)	(10,285)
Related income tax benefit	—	2,449	—	2,449
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	(7,608)	(228)	(7,836)
Net current period other comprehensive income (loss), net of income taxes	(10,469)	8,888	13,490	11,909
Balance at December 31, 2021	$ (135,300)	$ (6,360)	$ 8,810	$ (132,850)

(Amounts in thousands except where otherwise indicated)

	Foreign Currency Translation Adjustments	Unrecognized Pension Costs	Unrealized Gain (Loss) on Derivative Financial Instruments	Total
Balance at January 1, 2020	$ (165,866)	$ (15,616)	$ 4,596	$ (176,886)
Other comprehensive income (loss) before reclassifications:				
Pre-tax other comprehensive income (loss)	41,035	(2,137)	(9,391)	29,507
Related income tax benefit	—	620	—	620
Other comprehensive income (loss) before reclassifications, net of income taxes	41,035	(1,517)	(9,391)	30,127
Amounts reclassified from accumulated other comprehensive income (loss):				
Pre-tax other comprehensive loss	—	(2,698)	(115)	(2,813)
Related income tax benefit	—	813	—	813
Amounts reclassified from accumulated other comprehensive income (loss), net of income taxes	—	(1,885)	(115)	(2,000)
Net current period other comprehensive income (loss), net of income taxes	41,035	368	(9,276)	32,127
Balance at December 31, 2020	$ (124,831)	$ (15,248)	$ (4,680)	$ (144,759)

In 2022, 2021, and 2020, the Pre-tax other comprehensive income (loss) reclassification of pension costs of $(18.6) million, $(10.1) million and $(2.7) million, respectively, were primarily due to actuarial gains or losses and exchange rate fluctuations. In 2022, the Pre-tax other comprehensive income (loss) reclassification of Foreign Currency Translation Adjustments of $(5.1) million was due to the sale of Apex Tool Group (UK Operations), Limited.

Foreign currency translation adjustments included on intra-entity transactions that are of a long-term investment nature of $4.1 million loss, $0.1 million gain, and $2.1 million gain were recorded for the years ended December 31, 2022, 2021, and 2020, respectively.

12. Commitments and Contingencies

In February 2021, United States Customs and Border Protection ("CBP") issued a pre-penalty notice to the Company, asserting that through gross negligence, the Company had underpaid customs duties owed for various products introduced into the United States, from May 2016 to April 2018. CBP requested payment of $3.5 million for monetary loss, alleging non-payment of duties, taxes, and fees, of which $0.5 million relates to undeclared merchandise and $3.0 million relates to errors in calculating the value of the sales. CBP also proposed a statutory penalty for gross negligence of four times the monetary loss, or $14.0 million. The Company vigorously disputes the gross negligence assertion, because the Company exercised reasonable care in the design and implementation of its import process relating to such sales. Thus, the Company maintains that CBP cannot collect penalties. The Company also strongly believes that because the Company exercised reasonable care, the time period as to the assessment by CBP for the alleged duties, taxes, and fees has expired. While the Company believes the CBP claim is without merit, it maintains an accrual for potential loss liability associated with such matters. The accrual was $1.3 million as of December 31, 2022 and 2021. While it is reasonably possible that the estimated amount of the loss will change and that the effect of the change could be material, such an estimate cannot yet be made at this preliminary stage of the process. The initial mitigation proposal with the CBP was provided in the third quarter of 2021 and the Company awaits a written response. On April 26, 2022, the Company had an informal call with CBP to review its position and discuss the initial mitigation proposal.

The Company and its subsidiaries are defendants or otherwise involved in a number of lawsuits in the ordinary course of business. The Company accrues for the estimated cost of defense of lawsuits and estimates the range of its loss liability related to pending litigation when it believes the amount and range of loss, either from an adverse judgment or settlement of litigation, can be estimated. The Company records its best estimate of a loss when the loss is considered probable. When a liability is probable and there is a range of estimated loss with no best estimate in the range, the minimum estimated liability for loss related to the lawsuits is recorded. As of December 31, 2022, the Company had no accruals for legal loss liabilities related to adverse judgment or settlement of litigation. As additional information becomes available, management assesses the potential liability related to the pending litigation and revises its estimates. Due to uncertainties related to the resolution of lawsuits, the ultimate outcome may differ from management's estimates. In the opinion of management, after considering accruals provided, the Company believes these pending lawsuits will not have a material adverse effect on its consolidated financial position. The Company believes it has sufficient product liability insurance for any material known product liability claims. The Company has not utilized any form of discounting in establishing its product liability accruals.

Environmental remediation activities, generally involving soil and/or groundwater contamination, include pre-cleanup activities such as fact finding and investigation, risk assessment, feasibility study, design and action planning, performance (where actions may range from monitoring to removal of contaminants, to installation of longer-term remediation systems), and operation and maintenance of a remediation system. The extent of expected remediation activities and costs varies by site. A number of factors affect the cost of environmental remediation, including the number of parties involved at a particular site, the determination of the extent of contamination, the length of time the remediation may require, the complexity of environmental regulations, and the continuing advancement of remediation technology. Taking these factors into account, the Company has estimated the costs of remediation, which will be paid over a period of years. The Company accrues an amount on an undiscounted basis, consistent with its best estimate of these costs, when it is probable that a liability has been incurred. Actual results may differ from these estimates. At December 31, 2022 and 2021, the Company had environmental reserves of $4.4 million and $3.5 million, respectively, which are included in accrued expenses and other current liabilities and in other noncurrent liabilities.

Both product liability and environmental liability accruals involve estimates that can change over time. However, the Company does not believe that the nature of its products, its production processes, or the materials or other factors involved in the manufacturing process subject it to unusual risks or exposures for product or environmental liability.

13. Leases

Adoption of Accounting Standards Codification Topic 842 ("ASC 842"), "Leases"

On January 1, 2020, the Company adopted ASC 842 using the modified retrospective approach and applied the transition method which does not require adjustments to comparative periods, does not require modified disclosures in those comparative periods and results in the recognition of a cumulative-effect adjustment to the opening balance of accumulated deficit in the period of adoption. The Company elected to apply the package of practical expedients, which allows companies not to reassess: (a) whether its expired or existing contracts are or contain leases, (b) the lease classification for any expired or existing leases, and (c) initial direct costs for any existing leases. Additionally, the Company elected to not separate lease and non-lease components for all of the Company's leases. For leases with a non-cancellable term of twelve months or less, the Company elected the short-term lease exemption, which allowed the Company to not recognize right of use assets or lease liabilities for qualifying leases existing at transition and new leases.

(Amounts in thousands except where otherwise indicated)

ASC 842 requires the recognition of lease assets and liabilities for operating leases on the Company's Condensed Consolidated Balance Sheets. The adoption of Topic 842 had a material impact on the Company's consolidated Balance Sheet due to the recognition of ROU assets and lease liabilities, as discussed further below, and recognition of the deferred gain liabilities as a component of Member's Deficit. Upon adoption of Topic 842, the leases that were previously classified as capital leases through December 31, 2019 were classified as finance leases. There were no significant changes to the accounting upon this change in classification.

As a result of the implementation of ASC 842, the Company recorded a $29.2 million adjustment to Member's Deficit as of January 1, 2020 for gains previously deferred under ASC 840, Leases ("ASC 840"), which was superseded by ASC 842. The Company's deferred gain liabilities primarily consisted of a sale/leaseback transaction that occurred in the second half of 2019, pursuant to which the Company sold and simultaneously leased back three real property sites. In addition, the Company recorded an initial Right of Use Asset of $63.5 million and Lease Liability of $61.5 million on January 1, 2020. The adoption of ASC 842 did not have a material impact on the Company's consolidated Statement of Operations or consolidated Cash Flow Statement.

Lease accounting

The following summarizes right of use assets and lease liabilities:

	Classification	December 31, 2022	December 31, 2021
Assets:			
Operating lease assets	Right of use assets - operating leases	**$ 78,079**	$ 66,323
	Less accumulated amortization	**(11,629)**	(8,424)
Total leased assets	Right of use assets - operating leases, net	**66,450**	57,899
Liabilities:			
Current			
Operating	Accrued expenses and other current liabilities	**3,901**	4,736
Long-term			
Operating	Operating lease obligations	**66,434**	56,025
Total lease liabilities		**$ 70,335**	$ 60,761

The Company determines incremental borrowing rate at lease inception (or as of the date of adoption of ASC 842) based on interest rates from recent debt issuances and taking into consideration adjustments for lease terms, foreign currency, and other adjustments. The following is a summary of the weighted-average incremental borrowing rate:

	December 31,		
Lease term and discount rate	**2022**	**2021**	**2020**
Weighted-average remaining lease term (years)			
Operating leases	**16.2**	17.6	18.5
Weighted-average discount rate			
Operating leases	**10.6 %**	10.9 %	10.9 %

(Amounts in thousands except where otherwise indicated)

The following is a summary of the Company's total lease cost for the year ended:

	December 31,		
Financing lease cost	**2022**	**2021**	**2020**
Amortization of right of use asset	$ —	$ —	$ 218
Interest on lease liability	—	—	499
Total finance lease cost	—	—	717
Operating lease cost	**13,162**	13,303	12,715
Other lease cost (1)	**3,578**	2,651	2,908
Total lease cost	**$ 16,740**	$ 15,954	$ 16,340

(1) Other lease cost includes short-term and variable lease costs.

During the year ended December 31, 2022, 2021 and 2020, the Company had cash payments of $10.2 million and $9.2 million, and $10.9 million, respectively, for amounts included in the measurement of operating lease liabilities. The ROU assets obtained in exchange for new lease obligations in 2022 was $15.5 million to the Consolidated Financial Statements. The Company terminated its only financing lease during 2020. See Note 2, Key transactions, for further information.

The following is a summary of the Company's future lease obligations on an undiscounted basis at December 31, 2022:

Year	**Operating Leases**
2023	$ 10,676
2024	10,078
2025	9,944
2026	8,628
2027	8,517
Thereafter	112,121
Total minimum lease payments	159,964
Less: estimated executory costs	—
Net minimum lease payments	159,964
Less: imputed interest	(89,629)
Present value of minimum lease payments	$ 70,335

14. Related-Party Transactions

On February 1, 2013, the Company entered into an advisory agreement with Bain Capital pursuant to which Bain Capital and/or its affiliates will provide consulting services and financial and other advisory services. Pursuant to the agreement, the Company will pay Bain Capital an aggregate fee of $0.8 million per fiscal quarter plus reimbursement for reasonable out-of-pocket expenses. The fee plus any reimbursement of out-of-pocket expenses is included in Selling, general, and administrative expenses.

(Amounts in thousands except where otherwise indicated)

The advisory agreement has a ten-year initial term and thereafter is subject to automatic one-year extensions unless the Company provides written notice of termination at least 90 days prior to the expiration of the initial term or any extension thereof or Bain Capital terminates the agreement at any time during its term. If the agreement is terminated early, Bain Capital will be entitled to receive all unpaid fees and unreimbursed out-of-pocket expenses prior to the date of termination and, if such termination is in connection with a change of control or an initial public offering, the net present value (discounted at a rate equal to the then-applicable yield on U.S. Treasury securities of like maturity) of the quarterly fees that would have been payable from the termination date through February 1, 2023, or, in the case of any extension of the agreement, through the end of the extension period. In February 2023, the agreement was automatically extended for one year until February 1, 2024.

During each of the years ended December 31, 2022, 2021, and 2020, the fee totaled $3.0 million. Reimbursement for out-of-pocket expenses totaled less than $0.1 million for the years ended December 31, 2022, 2021, and 2020.

On February 16, 2021, the Company entered into a $30.0 million secured revolving promissory note agreement ("2021 Revolving Note Loan - Shareholder") with a subsidiary of Bain Capital. The $30.0 million 2021 Revolving Note Loan bore interest at a rate per annum equal to the one-month adjusted LIBOR plus 5.50%, compounded monthly. The 2021 Revolving Note Loan matured on March 31, 2022. The 2021 Revolving Note Loan - Shareholder bore interest at a rate consistent with the LIBOR option in the Senior Secured Revolving Credit Facility for consenting lenders. At December 31, 2021, the balance on the 2021 Revolving Note Loan - Shareholder was $30.8 million, of which $0.8 million represents interest in kind. In January 2022, the principal was increased by $15.0 million to $45.0 million. The principal of $45.0 million and interest of $1.0 million were converted to equity contribution by Bain Capital in February 2022.

In the first quarter of 2022, the Company received $135.0 million cash contributions from Bain Capital, in which a $125.0 million contribution was contemporaneous with the Refinancing.

15. Restructuring

The Company has been implementing restructuring initiatives for several years in various locations to reduce its manufacturing footprint and overall operating costs. The charges consist primarily of cash costs such as termination benefits, facility closure costs, equipment movement costs, and non-cash asset impairment costs. Restructuring programs previously approved prior to 2022 have been fully executed. In 2022, the Company has consolidated or eliminated some key executive positions, and right sized the Company's operations and support functions in light of recent economic indicators, resulting in new restructuring charges primarily related to termination benefits.

Restructuring charges included the following:

	December 31,		
	2022	**2021**	**2020**
Termination benefits and other related costs	**$ 5,626**	$ (1,612)	$ 16,766
Equipment movement, facility clean up, and idle facility cost	**8**	55	521
Non-cash impairment charges	**—**	24	116
Total restructuring	**$ 5,634**	$ (1,533)	$ 17,403

(Amounts in thousands except where otherwise indicated)

The following table summarizes the activity in the reserves related to the Company's restructuring actions for the years ended December 31, 2022 and 2021:

Balance at January 1, 2021	$ 14,061
Additions and adjustments to existing reserves (excludes non-cash impairment charges)	(1,557)
Cash utilization of reserves	(11,137)
Currency translation adjustments	(461)
Balance at December 31, 2021	906
Additions and adjustments to existing reserves	**5,634**
Cash utilization of reserves	**(3,059)**
Currency translation adjustments	**(1)**
Balance at December 31, 2022	**$ 3,480**

Non-cash charges	
Year ended December 31, 2021	$ 24
Year ended December 31, 2022	**$ —**

16. Stock-Based Compensation

During 2022, 2021 and 2020, certain of the Company's employees were granted stock options to purchase shares of Holdings according to the terms outlined in the BCMH, Inc. 2013 Stock Option Plan (the Holdings' Stock Option Plan). Information is set forth as follows with respect to those stock options granted under the Holdings' Stock Option Plan:

	Time-Vested Options		Performance Vested Options	
	Underlying Shares	Weighted Average Exercise Price	Underlying Shares	Weighted Average Exercise Price
Outstanding at January 1, 2022	20,552	$ 1,260	37,965	$ 1,268
Granted	17,084	600	34,168	600
Forfeited	(2,258)	1,400	(7,080)	1,343
Exercised	—	—	—	—
Outstanding at December 31, 2022	35,378	$ 932	65,053	$ 909
Exercisable at December 31, 2022	15,670	$ 1,216	—	$ —

	Time-Vested Options			Performance-Vested Options		
	Year Ended December 31,			Year Ended December 31,		
	2022	2021	2020	**2022**	2021	2020
Compensation expense	**$ 1,511**	$ 1,085	$ 1,586	**$ —**	$ —	$ —
Weighted-average grant date fair value of options granted during the year	**312**	—	568	**278**	—	378
Fair value of shares vested during the year	**8,901**	8,735	7,706	**—**	—	—

(Amounts in thousands except where otherwise indicated)

The grant-date fair value of the stock options was determined using a Black-Scholes valuation model for the time-vested options and a Monte Carlo simulation valuation model for the performance-vested options. Significant assumptions used to determine the grant-date fair value of the stock options were as follows:

	Time-Vested Options			Performance-Vested Options		
	Year Ended December 31,			Year Ended December 31,		
	2022	2021	2020	2022	2021	2020
Expected volatility	**55 %**	—	61 %	**55 %**	—	61 %
Risk-free rate	**1.75 %**	—	0.97 %	**1.75 %**	—	1.21 %
Expected life	**5.85**	—	6.30	**5.85**	—	7.50

The time-vested stock options granted during the year ended December 31, 2022 vest over a three-year service period. The time-vested stock options granted before the year ended December 31, 2022 vest over a five-year service period. These options become 100% vested upon a Change in Control as defined in the Holdings' Stock Option Plan. The contractual term of these options is ten years. Compensation expense is recognized ratably over the vesting period and is included in Selling, general, and administrative expenses. Forfeitures are recognized as they occur. Unrecognized compensation expense related to the non-vested, time-based stock options outstanding was $5.1 million as of December 31, 2022, and is expected to be recognized over a weighted-average period of 2.2 years.

The performance-vested options vest at varying levels dependent on the return on investment of the Sponsor. The contractual term of these options is ten years. No compensation expense has been recorded by the Company for the performance-based options as the Company was not able to conclude at December 31, 2022 it is probable that the performance conditions will be satisfied. Expense will be recognized when it is determined probable that the performance conditions will be met and the number of stock options that vest as a result can be determined, which may occur upon a change in control. Forfeitures are recognized as they occur. Unrecognized compensation expense related to the non-vested, performance-vested options outstanding was $21.2 million as of December 31, 2022.

From 2016 to 2018, one employee was granted 600 shares of performance-based restricted stock units ("RSU's") each year. The RSU's vest depending on the return on investment of the Sponsor and certain other performance-based criteria. The contractual term of these RSU's is ten years. No compensation expense has been recorded by the Company for the performance-based RSU's as the Company was not able to conclude at December 31, 2022 it is probable that the performance conditions will be satisfied. Unrecognized compensation expense associated with these unvested awards was $0.7 million as of December 31, 2022.

17. Subsequent Events

The Company has evaluated subsequent events through March 22, 2023, the date of issuance of these consolidated financial statements, and determined that (i) no other subsequent events have occurred that would require recognition in its consolidated financial statements for the year ended December 31, 2022, and (ii) except as disclosed below no other events have occurred that would require disclosure in the notes thereto.