Årsredovisning

för

KMT Robotic Solutions Holding AB

556724-6649

Räkenskapsåret

2024

Fastställelseintyg

Jag intygar att resultaträkningen och balansräkningen har fastställts på årsstämma 2025-06-30.
Årsstämman beslöt att godkänna styrelsens förslag till vinstdisposition.
Jag intygar att innehållet i dessa elektroniska handlingar överensstämmer med originalen och att originalen undertecknats av samtliga personer som enligt lag ska underteckna dessa.

Elektroniskt underskriven av:

Jonas Persson, Verkställande direktör
2025-07-01

Styrelsen och verkställande direktören för KMT Robotic Solutions Holding AB avger följande årsredovisning för räkenskapsåret 2024.

Årsredovisningen är upprättad i svenska kronor, SEK. Om inte annat särskilt anges, redovisas alla belopp i tusentals kronor (Tkr). Uppgifter inom parentes avser föregående år.

Förvaltningsberättelse

Information om verksamheten

Bolaget bedriver, via dotterbolag, tillverkning och försäljning av Robotlösningar. Bolaget fungerar som holdingbolag. Med stöd av ÅRL 7 kap 2§ upprättar KMT Robotic Solutions Holding AB ingen koncernredovisning, utan hänvisar till den koncernredovisning som upprättas av Shape Technologies Group Inc (tidigare Waterjet Holding Inc.) org nr 46-3275009 med säte i Delaware, USA.

Företaget har sitt säte i Stockholm.

Ägarförhållanden

KMT Robotic Solutions Holding AB är ett helägt dotterbolag till WJG Holdings AB, org. nr. 556241-6775. Moderbolaget WJG Holdings AB ingår i koncernen som ägs av Charlesbank Capital Partners.

Flerårsöversikt (Tkr)	**2024**	**2023**	**2022**	**2021**	**2020**
Resultat efter finansiella poster	-83	-58	-39	-34	-75
Balansomslutning	40 689	40 690	40 688	40 688	40 686
Soliditet (%)	67,5	67,6	67,6	67,6	67,5

För definitioner av nyckeltal, se Redovisnings- och värderingsprinciper.

Förändringar i eget kapital

	Aktie-kapital	**Balanserat resultat**	**Årets resultat**	**Totalt**
Belopp vid årets ingång	100	27 396	13	**27 509**
Disposition enligt beslut av årsstämman:				
Balanseras i ny räkning		13	-13	**0**
Årets resultat			-31	**-31**
Belopp vid årets utgång	**100**	**27 409**	**-31**	**27 478**

Förslag till vinstdisposition

Styrelsen föreslår att till förfogande stående vinstmedel (kronor):

balanserad vinst	27 408 871
årets förlust	-31 250
	27 377 621

disponeras så att	
i ny räkning överföres	27 377 621
	27 377 621

Företagets resultat och ställning i övrigt framgår av efterföljande resultat- och balansräkning med noter. Alla belopp anges i tusentals kronor om inget annat anges.

Resultaträkning

Tkr

	Not	2024-01-01 -2024-12-31	2023-01-01 -2023-12-31
	1		
Rörelsens kostnader			
Övriga externa kostnader		-83	-58
		-83	**-58**
Rörelseresultat		**-83**	**-58**
Resultat efter finansiella poster		**-83**	**-58**
Bokslutsdispositioner	3	52	71
Resultat före skatt		**-31**	**13**
Årets resultat		**-31**	**13**

Balansräkning

Tkr

	Not	2024-12-31	2023-12-31
	1		
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	4	30 000	30 000
		30 000	**30 000**
Summa anläggningstillgångar		**30 000**	**30 000**
Omsättningstillgångar			
Kortfristiga fordringar			
Fordringar hos koncernföretag		10 685	10 685
		10 685	**10 685**
Kassa och bank		4	5
Summa omsättningstillgångar		**10 689**	**10 690**
SUMMA TILLGÅNGAR		**40 689**	**40 690**
EGET KAPITAL OCH SKULDER			
Eget kapital	5		
Bundet eget kapital			
Aktiekapital		100	100
		100	**100**
Fritt eget kapital			
Balanserad vinst eller förlust		27 409	27 396
Årets resultat		-31	13
		27 378	**27 409**
Summa eget kapital		**27 478**	**27 509**
Kortfristiga skulder			
Skulder till koncernföretag		13 211	13 181
Summa kortfristiga skulder		**13 211**	**13 181**
SUMMA EGET KAPITAL OCH SKULDER		**40 689**	**40 690**

Noter
Tkr

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar
Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Fordringar och skulder i utländsk valuta har värderats till balansdagens kurs. Kursvinster och kursförluster på rörelsefordringar och rörelseskulder redovisas i rörelseresultatet medan kursvinster och kursförluster på finansiella fordringar och skulder redovisas som finansiella poster.

Redovisningsprinciperna är oförändrade jämfört med föregående år.

Intäktsredovisning
Intäkter har tagits upp till verkligt värde av vad som erhållits eller kommer att erhållas och redovisas i den omfattning det är sannolikt att de ekonomiska fördelarna kommer att tillgodogöras bolaget och intäkterna kan beräknas på ett tillförlitligt sätt.

Finansiella instrument
Finansiella instrument värderas utifrån anskaffningsvärdet. Instrumentet redovisas i balansräkningen när bolaget blir part i instrumentets avtalsmässiga villkor. Finansiella tillgångar tas bort från balansräkningen när rätten att erhålla kassaflöden från instrumentet har löpt ut eller överförts och bolaget har överfört i stort sett alla risker och förmåner som är förknippade med äganderätten. Finansiella skulder tas bort från balansräkningen när förpliktelserna har reglerats eller på annat sätt upphört.

Andelar i dotterföretag
Andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott läggs till anskaffningsvärdet när de uppkommer.

Kundfordringar/kortfristiga fordringar
Kundfordringar och kortfristiga fordringar redovisas som omsättningstillgångar till det belopp som förväntas bli inbetalt efter avdrag för individuellt bedömda osäkra fordringar.

Nedskrivningsprövning av finansiella anläggningstillgångar
Vid varje balansdag bedöms om det finns indikationer på nedskrivningsbehov av någon av de finansiella anläggningstillgångarna. Nedskrivning sker om värdenedgången bedöms vara bestående och prövas individuellt.

Inkomstskatter
Total skatt utgörs av aktuell skatt och uppskjuten skatt. Skatter redovisas i resultaträkningen, utom då underliggande transaktion redovisas direkt mot eget kapital varvid tillhörande skatteeffekter redovisas i eget kapital.

Aktuell skatt
Aktuell skatt avser inkomstskatt för innevarande räkenskapsår samt den del av tidigare räkenskapsårs inkomstskatt som ännu inte redovisats. Aktuell skatt beräknas utifrån den skattesats som gäller per balansdagen.

Uppskjuten skatt
Uppskjuten skatt är inkomstskatt som avser framtida räkenskapsår till följd av tidigare händelser. Redovisning sker enligt balansräkningsmetoden. Enligt denna metod redovisas uppskjutna skatteskulder och uppskjutna skattefordringar på temporära skillnader som uppstår mellan bokförda respektive skattemässiga värden för tillgångar och skulder samt för övriga skattemässiga avdrag eller underskott.

Uppskjutna skattefordringar nettoredovisas mot uppskjutna skatteskulder endast om de kan betalas med ett nettobelopp. Uppskjuten skatt beräknas utifrån gällande skattesats på balansdagen. Effekter av förändringar i gällande skattesatser resultatförs i den period förändringen lagstadgats. Uppskjuten skattefordran redovisas som finansiell anläggningstillgång och uppskjuten skatteskuld som avsättning.

Uppskjuten skattefordran avseende underskottsavdrag eller andra framtida skattemässiga avdrag redovisas i den omfattning det är sannolikt att avdragen kan avräknas mot framtida skattemässiga överskott.

På grund av sambandet mellan redovisning och beskattning särredovisas inte den uppskjutna skatteskulden som är hänförlig till obeskattade reserver.

Nyckeltalsdefinitioner

Resultat efter finansiella poster
Resultat efter finansiella intäkter och kostnader men före bokslutsdispositioner och skatter.

Balansomslutning
Företagets samlade tillgångar.

Soliditet (%)
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

Not 2 Väsentliga händelser efter räkenskapsårets slut
Inga väsentliga händelser har noterats efter räkenskapsårets slut.

Not 3 Bokslutsdispositioner

	2024	2023
Mottagna koncernbidrag	52	71
	52	**71**

Not 4 Andelar i koncernföretag

	2024-12-31	2023-12-31
Ingående anskaffningsvärden	30 000	30 000
Utgående ackumulerade anskaffningsvärden	**30 000**	**30 000**
Utgående redovisat värde	**30 000**	**30 000**

Not 5 Disposition av resultat

	2024-12-31
Förslag till vinstdisposition	
Styrelsen föreslår att till förfogande stående vinstmedel:	
balanserad vinst	27 409
årets förlust	-31
	27 378
disponeras så att	
i ny räkning överföres	27 378
	27 378

Karlshamn 2025-06-30

Antonino LaDuca
Antonino LaDuca
Ordförande

Jonas Persson
Jonas Persson
Verkställande direktör

Vår revisionsberättelse har lämnats 2025-06-30

RSM Stockholm AB

Malin Lanneborn
Malin Lanneborn
Auktoriserad revisor

REVISIONSBERÄTTELSE

Till bolagsstämman i KMT Robotic Solutions Holding AB, org.nr 556724-6649

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för KMT Robotic Solutions Holding AB för räkenskapsåret 1 januari 2024 till 31 december 2024.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av KMT Robotic Solutions Holding ABs finansiella ställning per den 31 december 2024 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet "Revisorns ansvar". Vi är oberoende i förhållande till KMT Robotic Solutions Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om huruvida årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

En ytterligare beskrivning av vårt ansvar för revisionen av årsredovisningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för KMT Robotic Solutions Holding AB för räkenskapsåret 1 januari 2024 till 31 december 2024 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet "Revisorns ansvar". Vi är oberoende i förhållande till KMT Robotic Solutions Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller

- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

En ytterligare beskrivning av vårt ansvar för revisionen av förvaltningen finns på Revisorsinspektionens webbplats: www.revisorsinspektionen.se/revisornsansvar. Denna beskrivning är en del av revisionsberättelsen.

Stockholm den 30 juni 2025

RSM Stockholm AB

Malin Lanneborn
Malin Lanneborn
Auktoriserad revisor

0001437907-25-000379

SHAPE TECHNOLOGIES GROUP

SHAPE TECHNOLOGIES GROUP, INC.

ANNUAL REPORT FOR THE YEAR ENDED
December 31, 2024

20250903003380

FINANCIAL STATEMENTS

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Shape Technologies Group, Inc. and subsidiaries

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RSM US LLP

Independent Auditor's Report

Board of Directors
Shape Technologies Group, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of Shape Technologies Group, Inc. and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2024 (Successor) and December 31, 2023 (Predecessor), the related consolidated statements of operations, comprehensive loss, stockholder's equity (deficit), and cash flows for the period from September 6, 2024 through December 31, 2024 (Successor), the period from January 1, 2024 through September 5, 2024 (Predecessor), and the year ended December 31, 2023 (Predecessor), and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 (Successor) and December 31, 2023 (Predecessor), and the results of its operations and its cash flows for period from September 6, 2024 through December 31, 2024 (Successor), the period from January 1, 2024 through September 5, 2024 (Predecessor), and the year ended December 31, 2023 (Predecessor), 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 Shape Technologies Group, Inc. and Subsidiaries 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Company was sold on September 6, 2024, resulting in the presentation of these successor and predecessor financial statements. As a result of the transaction, assets acquired, liabilities assumed, and previously held equity interest were recorded at fair value. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 from 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 within one year after the date that the financial statements are issued or available to be issued.

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Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from 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.

RSM US LLP

Seattle, Washington
August 28, 2025

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SHAPE TECHNOLOGIES GROUP, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data)

	Successor	Predecessor
	December 31, 2024	December 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,608	$ 11,023
Receivables, net	65,314	82,897
Inventories, net	108,172	114,446
Prepaid expenses and other current assets	15,789	18,621
Total current assets	210,883	226,987
Property, plant and equipment, net	64,529	42,178
Operating lease right-of-use assets	30,037	24,677
Goodwill, net	315,400	69,652
Other intangible assets, net	98,947	29,080
Deferred income taxes	2,859	4,547
Other long-term assets	5,107	4,835
Total assets	$ 727,762	$ 401,956
LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 26,620	$ 36,357
Bank term debt, short-term	3,750	3,500
Other debt, short-term	2,844	3,125
Accrued payroll and related liabilities	11,362	12,412
Taxes payable and other accrued taxes	2,253	2,788
Accrued expenses	11,440	13,025
Customer deposits and deferred revenue	32,152	29,914
Operating lease liabilities, short-term	5,778	5,250
Total current liabilities	96,199	106,371
Bank term debt, net, long-term	353,627	326,021
Revolving loan	4,000	14,000
Operating lease liabilities, long-term	24,928	20,456
Deferred income taxes	17,159	3,009
Long-term payables	10,188	11,063
Total liabilities	506,101	480,920
Stockholder's equity (deficit):		
Common stock, $.001 par value, 100,000 shares authorized; 63,000 shares issued and outstanding	—	—
Additional paid-in capital in excess of par	262,539	131,411
Accumulated deficit	(26,907)	(170,579)
Accumulated other comprehensive loss:		
Cumulative translation adjustment, net of tax	(13,971)	(39,796)
Total stockholder's equity (deficit)	221,661	(78,964)
Total liabilities and stockholder's equity (deficit)	$ 727,762	$ 401,956

See Accompanying Notes to Consolidated Financial Statements

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SHAPE TECHNOLOGIES GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands)

	Successor	Predecessor	
	Period from September 6 through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Sales	$ 149,761	$ 298,804	$ 470,973
Cost of sales	99,592	188,703	299,157
Gross margin	50,169	110,101	171,816
Operating expenses:			
Sales and marketing	21,001	46,648	66,342
General and administrative	34,007	50,383	71,979
Research and development	3,271	7,274	9,910
Restructuring charges	731	1,854	1,923
Total operating expenses	59,010	106,159	150,154
Operating income (loss)	(8,841)	3,942	21,662
Other income (expense), net:			
Interest expense, net	(15,133)	(22,709)	(30,543)
Foreign exchange gains	713	2,415	215
Other, net	(78)	198	(163)
Other expense, net	(14,498)	(20,096)	(30,491)
Loss before income taxes	(23,339)	(16,154)	(8,829)
Income tax benefit (provision)	(3,568)	(7,815)	(2,345)
Net loss	$ (26,907)	$ (23,969)	$ (11,174)

See Accompanying Notes to Consolidated Financial Statements

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SHAPE TECHNOLOGIES GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Amounts in thousands)

	Successor	Predecessor	
	Period from September 6 through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Net loss	$ (26,907)	$ (23,969)	$ (11,174)
Other comprehensive loss:			
Cumulative translation adjustment, net of tax	(13,971)	(2,811)	(492)
Total comprehensive loss	$ (40,878)	$ (26,780)	$ (11,666)

See Accompanying Notes to Consolidated Financial Statements

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SHAPE TECHNOLOGIES GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Successor	Predecessor	
	Period from September 6 through December 31, 2024	Period from January 1 through September 5, 2024	Year ended December 31, 2023
Cash flows from operating activities:			
Net loss	$ (26,907)	$ (23,969)	$ (11,174)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation	4,243	5,430	7,123
Amortization of goodwill and intangible assets	15,264	9,554	15,868
Amortization of inventory fair value step-up	6,301	—	—
Amortization of deferred financing costs	1,052	1,104	1,709
Reduction of right-of-use asset - operating leases	2,295	3,868	2,597
Warranty expense	920	1,609	2,175
Inventory obsolescence expense	638	390	1,767
Provision for credit losses	2,339	493	433
Provision for write-off on the amount due from parent	—	—	9,790
Deferred income taxes	2,491	807	(4,626)
Earn-out contingent liability adjustments	—	(5,515)	(2,169)
Changes in operating assets and liabilities, net of acquisitions:			
Receivables, net	(1,007)	12,635	(11,776)
Inventories, net	7,761	(4,824)	1,534
Other assets	210	366	9,479
Accounts payable	(3,190)	(5,538)	(4,217)
Accrued expenses	(11,188)	13,683	(3,254)
Customer deposits and deferred revenue	(7,425)	11,482	(10,003)
Other long-term liabilities	741	(603)	(1,670)
Operating lease liability	(2,184)	(3,683)	(1,246)
Net cash provided by (used in) operating activities	(7,646)	17,289	2,340
Cash flows from investing activities:			
Expenditures for property and equipment, net	(1,162)	(5,865)	(6,619)
Expenditures for intangible assets	(251)	(660)	(756)
Net cash used in investing activities	(1,413)	(6,525)	(7,375)
Cash flows from financing activities:			
Repayments of bank term debt	—	(1,750)	(3,500)
Net borrowings (repayments) under revolving credit facilities	(3,000)	2,500	9,000
Net borrowings (repayments) of other debt	24	60	(249)
Net cash provided by (used in) financing activities	(2,976)	810	5,251
Effects of changes in foreign currency exchange rates on cash and restricted cash	1,437	(2,082)	(1,170)
Net change in cash, cash equivalents and restricted cash	(10,598)	9,492	(954)
Cash, cash equivalents and restricted cash, beginning of period	35,996	14,682	15,636
Cash, cash equivalents and restricted cash, end of period	$ 25,398	$ 24,174	$ 14,682

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SHAPE TECHNOLOGIES GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Successor	Predecessor	
	Period from September 6 through December 31, 2024	Period from January 1 through September 5, 2024	Year ended December 31, 2023
Supplemental disclosures of cash flow information:			
Non-cash preferred equity contribution from parent company	262,539	—	—
Non-cash right of use assets obtained in exchange for new operating lease liabilities	385	11,729	3,066
Cash paid during the period for:			
Interest	11,438	21,493	28,459
Income taxes	1,031	4,571	7,779

See Accompanying Notes to Consolidated Financial Statements

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SHAPE TECHNOLOGIES GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY (DEFICIT)
(Amounts in thousands)

	Common Stock		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total
	Shares	Par value				
Predecessor:						
Balances, December 31, 2022	63	—	$ 131,411	$ (159,405)	$ (39,304)	$ (67,298)
Net loss	—	—	—	(11,174)	—	(11,174)
Currency translation adjustment, net of tax	—	—	—	—	(492)	(492)
Balances, December 31, 2023	63	—	$ 131,411	$ (170,579)	$ (39,796)	$ (78,964)
Net loss	—	—	—	(23,969)	—	(23,969)
Currency translation adjustment, net of tax	—	—	—	—	(2,811)	(2,811)
Balances, September 5, 2024	63	—	$ 131,411	$ (194,548)	$ (42,607)	$ (105,744)
Successor:						
Balances, September 6, 2024	63	—	$ —	$ —	$ —	$ —
Contribution of Preferred Equity by predecessor minority owner, net of buyer transaction costs (Note 2)	—	—	262,539	—	—	262,539
Net loss	—	—	—	(26,907)	—	(26,907)
Currency translation adjustment, net of tax	—	—	—	—	(13,971)	(13,971)
Balances, December 31, 2024	63	—	$ 262,539	$ (26,907)	$ (13,971)	$ 221,661

See Accompanying Notes to Consolidated Financial Statements

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SHAPE TECHNOLOGIES GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Summary of Significant Accounting Policies

Shape Technologies Group, Inc. and its subsidiaries (the "Company" or "Shape Technologies Group" or "SHAPE") provide solutions based on its Ultra High Pressure ("UHP") technology to manufacturers. The Company is a 100%-owned subsidiary of Shape Technologies Group Parent Holdings, Inc. (the "Parent Company"). The Company designs and manufactures or assembles UHP waterjet pumps, cutting heads, and tables; robotic and process automation systems; and aftermarket components that are integrated into systems worldwide. SHAPE focuses on solutions for advanced materials processing for prominent customers in fast-growing markets. SHAPE's business strategy focuses on selling UHP equipment and providing aftermarket parts, consumables, and services to an installed base of UHP technology.

Waterjet cutting technology uses ultra-high velocity streams of water (over three times the speed of sound) to cut a broad range of materials, ranging from food, paper products, carpet and plastics, to stone, aluminum, steel and engineered materials including carbon fiber composites. SHAPE's UHP technology is also used in its surface preparation and industrial cleaning systems, in which high-velocity streams of water are used to strip, clean and prepare surfaces for painting and other coatings. SHAPE's offerings include hardware, software, process control, robotic assembly, parts and support, and the technical knowledge to meet customer needs.

The end-markets in which SHAPE's customers deploy its technology include aerospace & defense, automotive, energy, food processing, general manufacturing, glass cutting, electronics, paper slitting and trimming, and stone fabricators selling into the residential and commercial construction markets. A significant component of SHAPE's business is aftermarket sales into all of its end-markets, for its systems and pumps as well as those produced by competitors. UHP technology customers are frequent buyers of replacement components, consumables and support services. The Company conducts business on a global basis that includes manufacturing facilities located in the United States, Canada, France, Sweden, and South Korea.

Basis of Presentation

The consolidated financial statements include the accounts of Shape Technologies Group and all of its wholly owned subsidiaries. The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany accounts and transactions have been eliminated in consolidation.

On September 6, 2024, CB Sapphire Aggregator LLC (an entity ultimately owned by Charlesbank Capital Partners ("Charlesbank")) acquired all of the issued and outstanding equity interests of the Parent Company from Shape Funding, LLC (an entity ultimately owned by American Industrial Partners ("AIP")) (see "Note 2: Business Combinations"). As a result of the acquisition, a new basis of accounting was established as of September 6, 2024. In this Annual Report, the accompanying consolidated balance sheets, statements of operations, comprehensive loss, cash flows, and stockholder's equity (deficit) are presented for two periods of ownership: Successor (Charlesbank) and Predecessor (AIP).

- The Successor period relates to the period of operations from September 6, 2024 through December 31, 2024 and includes the consolidated accounts and transactions of the operations under the control of Charlesbank beginning on September 6, 2024.
- The Predecessor period relates to the period of operations from January 1, 2024 through September 5, 2024 and the year ended December 31, 2023 and includes the consolidated accounts and transactions of the operations under the control of AIP.

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Foreign Currency

The local currency is the functional currency for substantially all operations outside of the United States. Assets and liabilities are translated at the exchange rate in effect as of the Company's balance sheet date. Revenues and expenses are translated at the average monthly exchange rates throughout the year. The effects of exchange rate fluctuations in translating assets and liabilities of international operations into U.S. dollars are accumulated and reflected as a cumulative translation adjustment in the accompanying consolidated statements of comprehensive loss.

Foreign currency transaction gains (losses) consisted of the following (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Foreign exchange gains (losses), net presented in cost of goods sold	$ (1)	$ (1)	$ 7
Foreign exchange gains, net presented in other expense, net	713	2,415	215
Total	$ 712	$ 2,414	$ 222

Use of Estimates

The preparation of these consolidated financial statements requires management to make certain assumptions and estimates about future events and apply judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the consolidated financial statements. The Company bases its assumptions, estimates, and judgment on historical experience, current trends and other factors which management believes to be relevant and appropriate at the time the consolidated financial statements are prepared. Actual results could differ from management's estimates and assumptions.

Cash and Cash Equivalents

The Company's cash and cash equivalents consists of demand deposits and short-term certificates of deposits in large financial institutions. At times, balances may exceed federally insured limits. At December 31, 2024, the Company had cash of $12.6 million held in foreign financial institutions which are not federally insured.

Receivables

Receivables consist of amounts billed and currently due from customers and amounts not yet billed but earned. The Company extends credit to customers in the normal course of business and maintains an allowance for credit losses resulting from the inability or unwillingness of customers to make required payments. Management determines the allowance for credit losses by evaluating individual customer receivables and considering a customer's financial condition, credit history, current economic conditions and future events if material. The Company prepares an analysis of its ability to collect outstanding receivables that provides a basis for an allowance estimate for credit losses. The allowance is the Company's estimate for receivables as of the balance sheet date that ultimately will not be collected. Any changes in the allowance are reflected in earnings in the period in which the change occurs.

Based on this evaluation, the Company establishes an allowance for specific accounts receivable that are believed to be uncollectible, as well as an estimate of uncollectible receivables not specifically known. Historical trends and the Company's current knowledge of current and expected economic conditions provide the Company with sufficient information to establish a reasonable estimate for an allowance for credit losses.

Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Bad debt expense, net of recoveries, is recorded in Sales and marketing expense in the consolidated statements of operations.

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Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of receivables and cash. The Company maintains cash with various major financial institutions. The Company performs periodic evaluations of the relative credit standing of these financial institutions and limits the amount of credit exposure with any institution. In addition to performing credit worthiness analyses on our customer base, credit risks related to receivables are mitigated by the diversity of our customers across many different industry sectors and geographic regions.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs included in inventories consist of materials, labor and manufacturing overhead, which are related to the purchase or production of inventories. The Company uses the first-in, first-out method to determine its cost of inventories. If inventory costs exceed expected net realizable value due to obsolescence, or quantities in excess of expected demand, the Company records reserves for the difference between the cost and the net realizable value in Cost of sales in the consolidated statements of operations. These reserves are estimated based on recent sales history and current quantities on-hand.

Leases

The Company categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Company to substantially utilize or pay for the entire asset over its estimated life. The leases that the Company enters into range from one to ten years for equipment and property. Lease liabilities are recognized at the present value of the fixed lease payments, reduced by the landlord incentives using a discount rate based on the risk free rate. Lease assets are recognized based on the initial present value of the fixed lease payments, reduced by the landlord incentives, plus any direct costs from executing the leases or lease prepayments. Leasehold improvements are capitalized at cost and amortized over the lesser of their expected useful life or the lease term. The Company has elected to adopt the practical expedient under Accounting Standards Codification (ASC) 842, Leases, to not separate lease and non-lease components in contracts that contain both. These lease agreements are accounted for as a single lease component for all classes of underlying assets.

When the Company has the option to extend the lease term, terminate the lease before the contractual expiration date, or purchase the leased asset, and it is reasonably certain that the option will be exercised, consideration of the option is used in determining the classification and measurement of the lease. Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. Finance lease assets are amortized within operating expenses on a straight-line basis over the shorter of the estimated useful lives of the assets or, in the instance where title does not transfer at the end of the lease term, the lease term.

Business Combinations and Intangible Assets Including Goodwill

The Company accounts for business combinations using the acquisition method, and, accordingly, the identifiable assets acquired and liabilities assumed are recorded at their acquisition date fair values. Goodwill is calculated as the excess of the purchase price over the fair value of net assets, including the amount assigned to identifiable intangible assets. In accordance with the accounting alternative provided by the Private Company Council (PCC) under ASC 805, the Company has elected not to separately recognize customer-related intangible assets arising from business combinations. These assets have been subsumed into goodwill. Identifiable intangible assets with finite lives are amortized over their useful lives on a straight-line basis. Acquisition-related costs, including advisory, legal, accounting, valuation, and other similar costs, are expensed in the periods in which the costs are incurred. The results of operations of acquired businesses are included in the consolidated financial statements from the acquisition date.

Intangible assets consist of acquired identifiable intangible assets as well as internally developed patents and trademarks. Acquired identifiable intangible assets include customer relationships, order backlog, existing technology, patents and trade names acquired. Trademarks and acquired in-process research and development ("IPR&D") have an indefinite life and are not amortized. The fair value of IPR&D acquired in a business combination are capitalized and accounted for as indefinite-lived intangible assets until completed and are then amortized over their remaining useful lives. The Company capitalizes application fees, license fees, legal and other costs of successfully defending a patent from infringement. The remaining costs are expensed as incurred.

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Valuation of Other Intangible Assets with Indefinite Lives

The Company evaluates the recoverability of intangible assets with indefinite lives by comparing the carrying value to the fair value of the related intangible asset. Impairment, if any, is recognized for the excess of the carrying amount of the indefinite-lived intangible asset over its fair value. For the Successor period from September 6, 2024 to December 31, 2024 and Predecessor period from January 1, 2024 to September 5, 2024 and year ended December 31, 2023, the Company performed a qualitative assessment and determined there was not an impairment of indefinite-lived intangible assets.

Estimates and assumptions used to perform the impairment testing are inherently uncertain and can significantly affect the outcome of the impairment test. Changes in operating results and other assumptions could materially affect these estimates.

Valuation of Goodwill

The Company follows the accounting guidance contained within Accounting Standards Update (ASU) No. 2014-02, Indefinite - Goodwill and Other (Topic 350): Accounting for Goodwill, which allows private companies an accounting alternative for the subsequent measurement of goodwill. In accordance with the standard, an entity may elect to amortize goodwill on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate. The Company has elected to amortize goodwill over 10 years. Goodwill is evaluated at the entity level and tested for impairment if a triggering event occurs, indicating potential impairment. The Company determined no triggering events related to goodwill occurred for the Successor period from September 6, 2024 to December 31, 2024 and Predecessor period from January 1, 2024 to September 5, 2024 and year ended December 31, 2023, respectively.

Valuation of Long-Lived Assets with Definite Lives

Long-lived assets include property, plant and equipment, leased right-of-use assets, cost-method investments, and acquired identifiable intangible assets with definite lives as well as internally developed patents and internally developed software, trademarks, existing technology, patents and non-compete agreements.

Annually, and more frequently if circumstances warrant it, the Company reviews the carrying amount of its long-lived assets to determine if circumstances exist indicating an impairment, or if depreciation or amortization lives should be modified. If facts or circumstances support the possibility of impairment, the Company will prepare a projection of the undiscounted future cash flows of the asset group and determine if the asset group is recoverable. If the asset group is not recoverable based on these projections, the carrying amounts would be compared to their fair value, with any excess recognized as impairment. Such analysis necessarily involves significant judgments and estimations on the part of the Company. No impairment was recognized as a result of this analysis for the Successor period from September 6, 2024 to December 31, 2024 and Predecessor period from January 1, 2024 to September 5, 2024 and year ended December 31, 2023, respectively.

Deferred Financing Costs

Financing costs that are incurred by the Company in connection with the issuance of debt are deferred and amortized over the life of the underlying indebtedness using the effective interest method. The Company recorded amortization of deferred financing costs of $1.1 million, $1.1 million and $1.7 million for the Successor period from September 6, 2024 to December 31, 2024 and Predecessor period from January 1, 2024 to September 5, 2024 and year ended December 31, 2023, respectively. These amortization costs are included as part of Interest expense in other expense, net in the consolidated statements of operations. See "Note 7: Financing Arrangements" for further information on these financing activities.

Warranty Liability

Products are warranted to be free from material defects for a period not to exceed two years from the date of installation. Provisions for estimated warranty and other related costs are recorded in cost of sales and are periodically adjusted to reflect actual experience. The amount of accrued warranty liability reflects management's best estimate of the expected future costs of honoring the Company's obligations under its limited warranty plans. The costs of fulfilling the Company's warranty obligations principally involve replacement parts, labor and sometimes travel for any field retrofits. Warranty expense is recorded in Cost of sales in the consolidated statements of operations.

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Income Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company records net deferred tax assets to the extent it believes these assets will more likely than not be realized. In making such determination, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In the event the Company was to determine that it would not be able to realize its deferred income tax assets in the future in excess of its net recorded amount, the Company would make an adjustment to the valuation allowance which would increase the provision for income taxes.

The Company's income tax returns are periodically audited by U.S. federal, state and local and foreign tax authorities. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any time, multiple tax years are subject to audit by the various tax authorities. In evaluating the tax benefits associated with the Company's various tax filing positions, the Company records a tax benefit for uncertain tax positions using the highest cumulative tax benefit that is more likely than not to be realized. A number of years may elapse before a particular matter, for which a liability has been established, is audited and effectively settled. The Company adjusts its liability for unrecognized tax benefits in the period in which it determines the issue is effectively settled with the tax authorities, the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available.

The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax benefit line in the accompanying consolidated statements of operations. Accrued interest and penalties are included within Long-term payables in the consolidated balance sheets as the amounts are not material for any of the balance sheet periods presented.

Fair Value Measurements

The fair values of the Company's financial instruments reflect the amounts that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company records its earn-out contingent consideration at fair value.

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Revenue Recognition

The Company, using operational and economic characteristics such as customer credit risk and upfront or deferred payments, concludes that its revenue sources are from product and service sales. The Company believes these revenue sources accurately depict how the nature, amounts, timing, and uncertainty of its revenue and cash flows are affected by economic factors.

The Company has defined contracts as agreements with its customers and distributors in the form of signed contracts, purchase orders, and completed online orders. For each contract, the Company identifies its performance obligations, which is delivering goods or services, determining the transaction price, allocating the contract transaction price to each performance obligation (when applicable), and recognizing the revenue when (or as) the performance obligation to the customer is fulfilled. A good or service is transferred when the customer obtains control of that good or service. The Company treats contracts with similar characteristics in the same fashion, without having to analyze each contract separately, as such treatment would not materially differ from analyzing every contract separately.

The Company recognizes revenue for sales of advanced manufacturing solutions, which include UHP waterjet systems, UHP pumps, cutting heads and after-market products upon shipment or delivery of the completed product to the customer as specified by the customer purchase order. Advanced manufacturing solutions contain software that is essential to the functionality of the machine ("the system"). System sales will also include incidental consumables and spares and essential software and upgrades that are considered immaterial within the context of the contract with the customer.

Revenue attributable to systems that qualify as point in time is recognized when customers take control of the asset. For equipment where installation is separately identifiable, the Company generally determines that control transfers when the customer has obtained legal title and the risks and rewards of ownership, which is dependent upon the shipping terms within the contract.

Service revenue, including primarily installation and training, is recognized over time either proportionately over the period of the underlying contract or when services are complete, depending on the terms of the arrangement.

The Company offers repair and maintenance service contracts to its customers. Services under these contracts include preventive maintenance and intensifier parts exchanges that cover a period of up to two years. These service contracts can be bundled with the Company's UHP waterjet systems and are recognized ratably over their contractual periods, which approximates their pattern of utilization by the customers.

Transaction price allocation among multiple performance obligations is based on the relative standalone selling price ("SSP") of each distinct good or service in the contract. The determination of SSP for each distinct performance obligation requires significant judgment from management. The Company determines SSP for performance obligations based on overall pricing objectives, which takes into consideration market conditions, a review of historical sales data related to the size of arrangements, customer demographics and the type of product sold or work being performed and is established for each of the Company's performance obligations by maximizing the amount of observable inputs. When not sold separately, an estimate of the standalone selling price is determined by what the Company estimates its customers would be willing to pay for the goods or services in the market. The Company reviews and updates these estimates on an ongoing basis.

For customized systems, the Company recognizes revenue over time utilizing the input method using cost as a measure of progress which most accurately presents the amount of goods and services that have been transferred to the customer as the work is being performed. Incurred cost represents work performed, which corresponds with, and therefore depicts, the transfer of control to the customer. Contract costs include labor, material, and certain allocated overhead expense. Material costs are considered incurred, and therefore included in the cost-to-cost measure of progress, when they are used in manufacturing and therefore customize the asset. Cost estimates are based on various assumptions to project the outcome of future events; including labor productivity and availability, the complexity of the work to be performed, the cost of materials, and the performance of subcontractors. Any expected losses for a contract are charged to earnings, in total, in the period such losses are identified.

The Company's contracts generally do not have variable consideration in the form of refunds, returns, credits, rebates, price concessions, pricing incentives or other items impacting transaction price.

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Total revenue recognized at a point in time and over time was as follows (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31, 2024	Period from January 1 through September 5, 2024	Year ended December 31, 2023
Revenue recognized at a point in time	$ 110,905	$ 218,393	$ 341,625
Revenue recognized over time	38,856	80,411	129,348
Total sales	$ 149,761	$ 298,804	$ 470,973

The Company has elected to exclude from revenue governmental assessed and imposed taxes on revenue transactions that are billed to customers. The Company has also elected to treat shipping and handling activities that occur after control of the product transfers as fulfillment activities, and therefore, does not account for shipping and handling costs as a separate performance obligation. Shipping and handling costs billed to customers are recorded in revenue. Shipping costs incurred by the Company are recorded in cost of goods sold. The Company has elected to expense sales commissions and other incremental costs to obtain a contract when incurred, as the amortization period would have been one year or less, and these costs are recorded within Sales and marketing expenses in the consolidated statements of operations. Commission expense recognized with repair and maintenance service contracts is insignificant.

The Company does not have any significant financing components in its customer arrangements. The Company may extend credit to customers in line with industry standards where it is strategically advantageous. For contracts for which the Company recognizes revenue over time, the Company recognizes revenue based on what it has the right to bill the customer. The Company's contract assets include trade accounts receivable, unbilled revenues and costs and estimated earnings in excess of billings on contracts for customized equipment. These are further described in Note 3. The Company's contract liabilities include customer deposits and deferred revenue and totaled $32.2 million, $41.0 million, $29.9 million and $39.8 million for the Successor period ended December 31, 2024 and September 6, 2024 and the Predecessor period ended December 31, 2023 and 2022, respectively.

As described above, the Company offers warranties on various products and services. These warranties are assurance-type warranties that are not sold on a standalone basis; therefore, they are not considered distinct performance obligations.

Cost of Sales

Cost of sales is generally recognized when the related revenue is recognized. Cost of sales includes direct and indirect costs associated with the manufacture, installation, and service of the Company's systems, pumps, and consumable parts sales, including estimated future warranty obligations. Direct costs include material and labor, while indirect costs include, but are not limited to, depreciation, inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs, internal transfer costs, other costs of the Company's distribution network, and foreign currency exchange gains and losses related to inventory purchases and sales.

Advertising Costs

Advertising costs are expensed as incurred and included in Sales and marketing expense in the consolidated statements of operations. Expenses totaled approximately $0.3 million, $0.8 million and $1.1 million for the Successor period from September 6, 2024 to December 31, 2024 and Predecessor period from January 1, 2024 to September 5, 2024 and year ended December 31, 2023, respectively.

Research and Development

Research and development efforts undertaken by the Company are expensed as incurred. Research and development expenses were $3.3 million, $7.3 million and $9.9 million for the Successor period from September 6, 2024 to December 31, 2024 and Predecessor period from January 1, 2024 to September 5, 2024 and year ended December 31, 2023, respectively.

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Software Development Costs

Software development include costs to develop applications that are essential to system functionality. These costs are capitalized at the point when software technological feasibility has been established and end when a product is available for general release to customers. The Company establishes technological feasibility when a detailed program design has been created or when a working model has been completed. At December 31, 2024 and 2023 the Company did not have any material capitalized software development costs.

Sales and Long-Lived Assets by Region

The table below presents the Company's sales and long-lived assets categorized by geographical region, (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Sales by Geographic Region:			
United States	$ 76,558	$ 153,472	$ 267,991
Europe, Middle East, Africa	32,586	73,203	106,448
Asia Pacific	15,747	26,640	40,443
Canada	18,030	15,654	30,189
Latin America	6,840	29,835	25,902
Total	$ 149,761	$ 298,804	$ 470,973

	Successor	Predecessor
	Year ended December 31,	Year ended December 31,
	2024	2023
Long-Lived Assets:		
United States	$ 325,321	$ 94,188
Europe, Middle East, Africa	106,215	42,914
Asia Pacific	27,911	23,771
Canada	54,070	8,108
Latin America	503	1,441
Total	$ 514,020	$ 170,422

Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The ASU focuses on the rate reconciliation and income taxes paid. ASU 2023-09 requires the Company to disclose, on an annual basis, a tabular rate reconciliation using both percentages and currency amounts, broken out into specified categories with certain reconciling items further broken out by nature and jurisdiction to the extent those items exceed a specified threshold. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the potential impact of adopting this ASU on its consolidated financial statements and related disclosures.

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In March 2024, the FASB issued ASU 2024-01, Compensation - Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards. This standard clarifies whether profits interests and similar awards fall within the scope of stock-based compensation guidance as defined in ASC Topic 718, introducing examples to demonstrate this. The ASU includes scenarios where profits interest awards are classified as equity instruments or liability awards and situations where they fall outside ASC Topic 718, being accounted for under ASC Topic 710. The ASU is effective for years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the potential impact of adopting this ASU on its consolidated financial statements and related disclosures.

In July 2025, the FASB issued ASU 2025-05, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets, which provides a practical expedient permitting an entity to assume that conditions at the balance sheet date remain unchanged over the life of the asset when estimating expected credit losses for current accounts receivable and current contract assets. ASU 2025-05 is effective for annual reporting periods beginning after December 15, 2025, with early adoption permitted. The amendments in ASU 2025-05 should be applied prospectively. The Company is currently evaluating the impact of adopting ASU 2025-05 and believes that the adoption will not have a material impact on the consolidated financial statements and related disclosures.

Note 2: Business Combinations

2024 Acquisition of Shape Technologies Group Parent Holdings, Inc.

On September 6, 2024, CB Sapphire Aggregator LLC acquired all of the issued and outstanding equity interests of Shape Technologies Group Parent Holdings, Inc. ("Target") through the Share Purchase Agreement dated July 25, 2024 ("Acquisition"). The Acquisition closed on September 6, 2024. Shape Technologies Group, Inc. (the "Company") is a subsidiary of the Target and the reporting entity for the group. Prior to the Acquisition, a Charlesbank controlled entity held preferred equity in the Target whose fair value was determined to be $265 million at the date of acquisition of the Target and was contributed as rollover equity into the Company by the predecessor minority owner. The control of the Target was obtained through acquiring 100% of the issued and outstanding shares of common stock of the Target for cash consideration of $1. The Acquisition was accounted for as a business combination, and as required by U.S. GAAP, the Company has accounted for the transaction using the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*.

The Company obtained approximately $382 million in debt (Note 7) to settle the existing debt of $346.5 million and seller transaction expenses of $13.4 million, for which the total of $360 million was considered as cash consideration to acquire the Target. In conjunction with the debt financing, the Company incurred approximately $19.4 million as debt issuance costs which were capitalized.

To reflect the Acquisition, the Company has elected to apply pushdown accounting in its standalone financial statements. As described in Note 1, as a result of this transaction, the financial statements have been presented with Predecessor and Successor periods of activity due to the different basis of accounting. The predecessor periods were not restated for the pushdown accounting.

The aggregate purchase consideration has been allocated to the tangible assets and identifiable intangible assets acquired and liabilities assumed, based on their estimated fair values as of the acquisition date. The fair value of financial assets acquired include accounts receivable whose fair value at the acquisition date was estimated to be the contractual receivable amounts, of which the Company estimates that $0 would be uncollectable. The excess of the purchase price (including fair value of previously held preferred equity) over the tangible and intangible assets acquired and liabilities assumed has been recorded as goodwill amounting to $334.8 million. The goodwill arising from the Acquisition is primarily due to the perceived growth potential of the acquired businesses, quality of the operations including the workforce, and how the Company expects to leverage and scale the business to create additional value for its shareholders. The Company has elected the private company accounting alternative to recognize and evaluate goodwill for impairment on a consolidated basis and will amortize the acquired goodwill balance for financial statement purposes over a period of ten years. Goodwill is materially not deductible for income tax purposes.

The following table summarizes the consideration paid and payable and the estimated fair value of the assets acquired and liabilities assumed at the date of the acquisition:

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Cash Consideration	$	359,892
Previously held equity interest		265,000
Total purchase consideration	$	624,892
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Cash and cash equivalents	$	20,628
Receivables		68,667
Inventories		125,372
Prepaid expenses and other current assets		17,744
Property, plant and equipment		68,863
Operating lease right-of-use assets		32,872
Deferred income taxes		2,564
Other long-term assets		4,423
Trade names		35,400
Developed technology		69,800
Goodwill		334,810
Accounts payable		(30,820)
Other debt, short-term		(3,096)
Accrued payroll and related liabilities		(11,219)
Taxes payable and other accrued taxes		(3,311)
Accrued expenses		(8,757)
Operating lease liabilities, short-term		(6,076)
Customer deposits and deferred revenue		(41,044)
Operating lease liabilities, long-term		(27,365)
Deferred income taxes		(14,373)
Long-term payables		(10,190)
Total net assets acquired	$	624,892

As part of the purchase consideration allocation, the Company determined the identifiable intangible assets and liabilities consisted of a) trade name; b) developed technology; and c) unfavorable lease liabilities. The fair value of the trade names and developed technology intangible assets was estimated using the income approach, specifically the relief-from-royalty method. Trade names relate to the product and systems offering across business segments and overall consolidated group name and related industry recognition. The cash flow projections were discounted using an 11.5% discount rate. The cash flows were based on estimates used to price the transaction, including market participant considerations. The discount rates applied to the cash flows were benchmarked with reference to the implied rate of return from the transaction model and the weighted average cost of capital. The appropriate royalty rates were determined after reviewing the perceived significance of the technology to cash flow and the related royalty rate study to fair value developed technology. Developed technology represents Shape's ultra high-pressure technology. The estimated useful lives over which the intangible assets will be amortized are 10 years and 7 years for tradenames and trademarks and developed technology, respectively.

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The fair value of the unfavorable lease contracts which was approximately ($0.6) million was determined using an estimate of market rent rates for similar properties over the term of the arrangements. The useful life of unfavorable lease contract assets and liabilities was determined based on the remaining life of each lease agreement, and ranges from one to eight years.

The fair value of inventory was estimated using the comparative sales method considering the current and future uses of the assets, the detailed data available, and the availability of market data. A fair value of inventory resulted in step-up of approximately $9.4 million to the historical net book value ("NBV") and is amortized over inventory turns.

The fair value of property, plant and equipment was estimated using the replacement cost and sales comparison method. This approach considered the replacement cost in concluding value of the tangible assets, considering the current and future uses of the assets, and the availability of market data. A fair value of fixed assets resulted in step-up of approximately $25 million in PPE to the historical net book value ("NBV"). Right of use (ROU) assets were reset to equal the operating lease liabilities as of the date of the acquisition.

The fair value of the previously held equity interest ("PHEI") of $265 million was estimated by applying a market and income approach. These fair value measurements of the PHEI are based on significant inputs not observable in the market, and thus represent Level 3 measurements. The fair value estimates were based on an assumed discount rate of 11.5%, an assumed terminal value based on a range of terminal EBITDA multiples between 1.2 and 9.0 times, assumed financial multiples of reporting entities deemed to be similar to the Company, assumed adjustment due to the lack of marketability, as relevant, that market participants would consider when estimating the PHEI. Buyer transaction related costs totaling approximately $2.5 million incurred are reflected as an offset to rollover equity contributions.

2021 Acquisition of Riverstone

In the year ended December 31, 2021, the Company acquired 100% of the equity interest in Riverstone Waterjets Ltd. ("Riverstone"), including the customer lists and trade names, a Canada-based distributor of water jet pumps and aftermarket parts servicing the industrial market for $0.9 million, net of cash acquired. Total consideration included cash paid of $1.3 million and a non-contingent earn-out provision, based on financial results, with an acquisition date fair value of $1.4 million. The remainder of the earn-out provision was deemed to be incentive compensation for future employment services as payments are forfeited if the selling shareholders do not continue their employment with the Company as contingent consideration. In the predecessor period ended September 5, 2024, the Company paid $4.1 million and $900 thousand in contingent and non-contingent consideration related to the third and final year of the three year earn-out period. There is no remaining earn-out liability as of the Successor period ended December 31, 2024.

Note 3: Receivables, net

Receivables, net, consisted of the following (in thousands):

	Successor	Predecessor
	Year ended December 31,	Year ended December 31,
	2024	2023
Trade accounts receivable	$ 58,237	$ 66,037
Unbilled revenues	876	509
Costs and estimated earnings in excess of billings on contracts for customized equipment	8,528	18,520
	67,641	85,066
Less: allowance for credit losses	(2,327)	(2,169)
Receivables, net	$ 65,314	$ 82,897

Trade accounts receivable, Unbilled revenues and Costs and estimated earnings in excess of billings on contracts for customized equipment were $58.8 million, $0.8 million and $9.1 million as of September 6, 2024 and $62.5 million, $0.2 million and $11.1 million as of December 31, 2022. Unbilled revenues do not contain any amounts that are expected to be collected after one year.

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Activity in the allowance for credit losses was as follows (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Beginning balance	$ —	$ 2,169	$ 1,885
Provision for credit losses[1]	2,339	493	433
Write-offs and adjustments	(12)	(392)	(149)
Ending balance	$ 2,327	$ 2,270	$ 2,169

(1) $2,270 of the provision represents the re-establishment of the reserve as a result of the transaction (Note 2).

Note 4: Inventories, net

Inventories consisted of the following (in thousands):

	Successor	Predecessor
	Year ended December 31,	Year ended December 31,
	2024	2023
Raw materials, parts and components	$ 102,936	$ 108,533
Work in process	5,508	9,385
Finished goods	5,476	7,748
Reserve for obsolete and excess inventory	(5,748)	(11,220)
Inventories, net	$ 108,172	$ 114,446

Raw materials, parts and components include purchased finished components, which are used both in production and sold to customers as aftermarket parts.

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Note 5: Property, Plant and Equipment, net

Property, plant and equipment are stated at cost. Property, plant and equipment acquired in an acquisition are stated at fair value. Additions, leasehold improvements and major replacements are capitalized. When assets are sold, retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the consolidated statements of operations within operating income. Depreciation for financial reporting purposes is provided using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the related lease term or the useful life of the asset. Expenditures for maintenance and repairs are charged to expense as incurred.

The carrying value of the Company's property, plant and equipment was as follows (in thousands):

		Successor	Predecessor
		Year ended December 31,	Year ended December 31,
	Range of useful lives	2024	2023
Machinery and equipment	5 - 7 years	$ 27,832	$ 47,046
Land and buildings	10 - 40 years for buildings, indefinite for land	24,400	24,649
Computer equipment and software	3 years	9,221	24,329
Leasehold improvements	Over the shorter of the life of the asset or the remaining lease term	3,889	4,614
Furniture and fixtures	3 years	1,458	3,181
Property and equipment not yet placed in service	N/A	1,159	1,031
		67,959	104,850
Accumulated depreciation		(3,430)	(62,672)
Property, plant and equipment, net		$ 64,529	$ 42,178

Depreciation expense was recorded as follows (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Depreciation expense	$ 4,243	$ 5,430	$ 7,123

Note 6: Goodwill and Other Intangible Assets

The Company records goodwill and intangible assets in connection with acquisitions accounted for as business combinations (Note 2). Additionally, the Company records changes in goodwill and other intangible assets as a result of foreign currency translation effect on goodwill and other intangible assets allocated to foreign locations along with amortization. The following table presents the changes in goodwill for the Successor period of September 6, 2024 through December 31, 2024 and predecessor periods of January 1, 2024 through September 5, 2024 and year ended December 31, 2023:

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Predecessor	
Balance as of December 31, 2022	$ 80,426
Amortization	(11,419)
Foreign currency translation	645
Balance as of December 31, 2023	$ 69,652
Amortization	(7,648)
Foreign currency translation	102
Balance as of September 5, 2024	$ 62,106
Successor	
Balance as of September 6, 2024	$ —
Acquisition of Shape Technologies Group Parent Holdings, Inc.	334,810
Amortization	(10,876)
Foreign currency translation	(8,534)
Balance as of December 31, 2024	$ 315,400

The carrying value of goodwill was as follows (in thousands):

	Weighted average remaining lives in years at 12/31/24	Successor Year ended December 31, 2024	Predecessor Year ended December 31, 2023
Goodwill	9.7	$ 326,276	$ 115,037
Less: accumulated amortization		(10,876)	(45,385)
Total goodwill, net		$ 315,400	$ 69,652

The Company follows the alternative method of accounting for goodwill and amortizes the balance over a useful life of 10 years. Amortization expense was recorded as follows (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31, 2024	Period from January 1 through September 5, 2024	Year ended December 31, 2023
Amortization of goodwill	$ 10,876	$ 7,648	$ 11,419

Expected amortization of goodwill held as of December 31, 2024 is as follows (in thousands):

Year	Amounts
2025	$ 32,628
2026	32,628
2027	32,628
2028	32,628
2029	32,628
Thereafter	152,260
	$ 315,400

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The Company's intangible assets other than goodwill consisted of the following (in thousands):

	Weighted average lives in years at 12/31/24	Successor Year ended December 31, 2024	Predecessor Year ended December 31, 2023
Developed technology	6.7	$ 68,449	$ 48,470
Trade names - definite lived	9.7	34,886	4,097
Customer relationships	—	—	85,890
Patents	—	—	21,569
Non-compete agreements	—	—	3,710
		103,335	163,736
Less: accumulated amortization		(4,388)	(157,374)
Total definite lived intangible assets		98,947	6,362
Trade names - indefinite lived	—	—	22,540
In-process research and development	—	—	178
Total indefinite lived intangible assets		—	22,718
Total intangible assets, net		$ 98,947	$ 29,080

Amortization expense was recorded as follows (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31, 2024	Period from January 1 through September 5, 2024	Year ended December 31, 2023
Amortization of intangible assets	$ 4,388	$ 1,906	$ 4,449

Expected amortization of definite-lived intangible assets held as of December 31, 2024 is as follows (in thousands):

Year	Amounts
2025	$ 10,233
2026	10,233
2027	10,233
2028	10,233
2029	10,233
Thereafter	47,782
	$ 98,947

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Note 7: Financing Arrangements

Successor

On September 6, 2024, the Company entered into new term debt (the "Bank Term Debt") and a new ABL credit facility (the "ABL" or "ABL Facility") with a separate Bank.

Bank Term Debt consisted of an original principal amount of $375.0 million. The Company's loan proceeds were reduced by a debt discount of $14.1 million, a structuring fee of $2.8 million and legal fees of $0.9 million resulting in net loan proceeds from the Bank Term Debt of $357.2 million.

The Bank Term Debt is secured by certain assets of the Company and accrues interest at a base rate plus 5.75% or at a rate equal to the secured overnight financing rate ("SOFR") rate plus 6.75% as selected by the Company. Interest is payable on at least a quarterly basis and the weighted-average interest rate for the period from September 6, 2024 through December 31, 2024 was 11.6% (effective rate of 11.2% at December 31, 2024). The Company may elect to pay up to 2.5% of its interest in kind ("Paid-in-Kind" or "PIK"); however, during the period from September 6, 2024 through December 31, 2024, the Company did not make this PIK election and made all interest payments fully in cash. The credit agreement requires quarterly principal payments of at least $937,500 beginning on March 31, 2025 and matures in September 2030. The Bank Term Debt's unpaid principal balance at December 31, 2024 was $375.0 million.

The ABL Facility has a maximum availability of $60.0 million based on certain Company collateral calculations and is secured by certain receivables and inventories, net of reserve balances, and certain deposit and securities accounts for US and Canadian subsidiaries. As of December 31, 2024, the Company had availability of $42.1 million, net of borrowings. The ABL accrues interest at rates selected by the Company which includes a Base Rate, as defined under the ABL agreement, and SOFR and CORRA plus an incremental rate as provided for under the agreement. As of December 31, 2024, there were borrowings of $4 million. The weighted-average interest rate on the ABL Facility for the period September 6, 2024 through December 31, 2024 was 6.3% (effective rate of 6.0% at December 31, 2024). The ABL Facility matures in September 2029.

At December 31, 2024, the Company's unamortized deferred financing costs related to the Bank Term Debt were $17.6 million and were netted against the Bank Term Debt's long-term principal balance. The Company's unamortized deferred financing costs related to the ABL Facility were $0.7 million and comprised the balance of deferred financing costs, net included in other long-term assets on the consolidated balance sheet.

Predecessor

At December 31, 2023, the Company's debt facilities consisted of bank term debt (the "Previous Bank Term Debt"), an undrawn revolving credit facility (the "RCF"), and an ABL facility (the "Previous ABL"). All outstanding balances were repaid in September 2024 as a result of the transaction described in Note 2 and extinguished through acquisition accounting.

The Previous Bank Term Debt, secured by certain company assets, accrued interest at either a base rate plus 2% or SOFR plus 3%, with a weighted-average interest rate of 8.2% for the year. Quarterly principal payments of at least $875,000 were required and the unpaid principal balance was $331.1 million as of December 31, 2023.

The RCF had a maximum availability of $15 million, accruing interest at a base rate plus 2% or SOFR plus 3%. There were no borrowings under this facility as of December 31, 2023.

The Previous ABL had a maximum availability of $60 million, secured by certain accounts receivable and inventory assets of the Company. It accrued interest at rates selected by the Company, including a Base Rate, SOFR, and Canadian prime rates plus an incremental rate. The weighted-average interest rates for 2023 were 8% (Base Rate) and 6.6% (SOFR). As of December 31, 2023, borrowings were $14 million.

At December 31, 2023, the Company's unamortized deferred financing costs related to the Bank Term Debt were $1.6 million and were netted against the Bank Term Debt's long-term principal balance. The Company's unamortized deferred financing costs related to the ABL Facility were $0.4 million and comprised the balance of deferred financing costs, net included in other long-term assets on the consolidated balance sheet.

Bank Term Debt and ABL Facility Covenants

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The Bank Term Debt and the ABL Facility contain events of default including, but not limited to, nonpayment of principal or interest, violation of covenants, breaches of representations and warranties, cross-default to other debt, bankruptcy and other insolvency events, material judgments, certain events, and certain changes of control of Shape Technologies Group. The Company was in compliance with all its financial covenants during the year ended December 31, 2024.

Other Debt

The Company's other debt is related to finance agreements at several foreign subsidiaries and is recorded in Other debt, short-term on the consolidated balance sheets, and accrues interest at rates between 4% and 6%.

Aggregate annual principal maturities under the Bank Term Debt, ABL facility, and other debt consist of the following for the years ending (in thousands):

Year	Amounts
2025	$ 6,485
2026	3,776
2027	3,775
2028	3,768
2029	7,765
Thereafter	356,275
	381,844
Deferred financing costs [1]	(17,623)
Total financing arrangements, net	$ 364,221

(1) Amounts do not include $0.7 million of deferred financing costs, net included in other long-term assets on the consolidated balance sheet at December 31, 2024, related to the ABL Facility.

Note 8: Warranties

The following table presents the activity for the Company's warranty obligations (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Beginning balance	$ 2,034	$ 2,072	$ 2,159
Warranty provision	920	1,609	2,175
Settlements made	(932)	(1,647)	(2,262)
Ending balance	$ 2,022	$ 2,034	$ 2,072

The Company's warranty provision balance is included in accrued expenses on the consolidated balance sheets.

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Note 9: Income Taxes

The income tax benefit (provision) is based on income (loss) before income taxes reported for financial statement purposes. The components of income (loss) before income taxes, based on tax jurisdiction, are as follows (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Income (loss) before income taxes:			
United States income (loss)	$ (25,211)	$ (28,469)	$ (17,235)
Foreign income (loss)	1,872	12,315	8,406
Total income (loss) before income taxes	$ (23,339)	$ (16,154)	$ (8,829)

The income tax benefit (provision) is comprised of the following (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Federal	$ 79	$ (1,624)	$ (1,233)
State	(22)	(189)	(650)
Foreign	(1,773)	(5,420)	(4,618)
Current tax benefit (provision)	(1,716)	(7,233)	(6,501)
Federal	(2,363)	(931)	(1,780)
State	644	345	1,971
Foreign	(133)	4	3,965
Deferred tax benefit (provision)	(1,852)	(582)	4,156
Income tax benefit (provision)	$ (3,568)	$ (7,815)	$ (2,345)

The reconciliation between the Company's effective tax rate on loss before income taxes and the statutory tax rate is as follows:

	Successor	Predecessor	
	Period from September 6, through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Income tax benefit (provision) at federal statutory rate	21.0 %	21.0 %	21.0 %
State and local taxes net of federal taxes	2.5 %	(3.8)%	(0.3)%
Nondeductible/nontaxable items	(11.9)%	(9.8)%	(51.0)%
Foreign operations	(2.1)%	(7.7)%	(9.4)%
Valuation allowance	(25.7)%	(42.5)%	27.3 %
Tax return to provision adjustments	(0.7)%	(18.6)%	(19.0)%
Unrecognized tax benefits	— %	11.7 %	2.4 %
Research and development credits	1.6 %	1.3 %	2.4 %
Income tax benefit (provision)	(15.3)%	(48.4)%	(26.6)%

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Components of the net deferred tax assets (liabilities) consisted of the following (in thousands):

	Successor	Predecessor
	Year ended December 31, 2024	Year ended December 31, 2023
Deferred tax assets:		
Net operating loss carryforwards	$ 7,710	$ 7,128
Inventory	2,195	4,236
Disallowed Interest	16,652	12,095
Tax credits	2,158	—
Lease liabilities	5,872	3,774
Section 174 costs	4,184	3,106
Other	8,463	8,103
Deferred tax assets	47,234	38,442
Valuation allowance	(19,939)	(20,528)
Total deferred tax assets	27,295	17,914
Deferred tax liabilities:		
Intangible assets	(23,368)	(7,928)
Property, plant and equipment	(8,154)	(1,323)
Right-of-use assets	(5,611)	(3,557)
Other	(4,462)	(3,568)
Deferred income tax liabilities	(41,595)	(16,376)
Net deferred income tax assets (liabilities)	$ (14,300)	$ 1,538

Deferred income tax assets represent potential future income tax benefits. Realization of these assets is ultimately dependent upon future taxable income. Deferred tax assets must be reduced by a valuation allowance if, based on all available evidence, it is considered more likely than not that some or all of the recorded deferred tax assets will not be realized in a future period. The Company considers all negative and positive evidence, including the weight of the evidence, to determine if a valuation allowance is required. As of December 31, 2024, and December 31, 2023, valuation allowances were primarily recorded against certain net operating loss carryforwards and disallowed business interest expense carryforwards of the Company's domestic and foreign subsidiaries. The $0.6 million decrease in the valuation allowance for deferred tax assets between December 31, 2024 and 2023 relates to changes in the realizability of net operating losses and the disallowed business interest expense, primarily as a result of additional deferred tax liabilities associated with identified intangibles for which there is no tax basis in due to the business combination during 2024.

As of December 31, 2024, the Company had gross federal, state, and foreign net operating loss carryforwards of approximately $2.0 million, $47.1 million, and $6.7 million, respectively. The federal and foreign net operating loss carryforwards have carryforward periods that are indefinite. The state net operating loss carryforwards have carryforward periods of 5-20 years and begin to expire in 2026. A company's ability to utilize a portion of its net operating loss carryforwards to offset future taxable income may be subject to limitation under Section 382 of the IRC due to changes in the equity ownership of the company. As of December 31, 2024, the Company had federal R&D tax credit carryforwards of approximately $0.6 million that can be carried forward 20 years and will begin to expire in 2044.

The Company considers the undistributed earnings of its foreign subsidiaries to be permanently reinvested. The Company believes it is not practicable to estimate the amount of additional taxes which may be payable upon the distribution of these undistributed earnings. Accordingly, no deferred taxes have been provided for withholding taxes or other taxes on permanently reinvested earnings.

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The following is a tabular reconciliation of the total amounts of the Company's unrecognized tax benefits (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Balance, beginning of year	$ 6,445	$ 7,939	$ 7,316
Decreases related to cash settlements	—	(967)	—
Gross increases - tax positions in current period	13	346	1,563
Gross decreases - tax positions in prior periods	—	(566)	(872)
Gross decreases in tax positions due to lapse of statute of limitations	—	(307)	(68)
Balance, end of year	$ 6,458	$ 6,445	$ 7,939

The $6.5 million of unrecognized tax benefits as of December 31, 2024 if recognized, would affect the effective tax rate and would result in adjustments to other tax accounts, primarily deferred taxes. The Company estimated $0.9 million of uncertain tax benefits will change in the next 12 months related to transfer pricing due to the expiration of the statute of limitations.

The Company recorded interest and penalties of $1.7 million and $2.2 million in long-term payables in the consolidated balance sheets as of December 31, 2024 and 2023, respectively, related to uncertain tax positions. During the Successor period ended December 31, 2024, and Predecessor periods ended September 5, 20204 and December 31, 2023, the Company recorded net interest (benefit)/expense of ($1,000), $524,000 and $288,000, respectively, which is included in Income tax benefit (provision) on the consolidated statements of operations.

The Company is subject to taxation in the United States, various state and foreign jurisdictions. In 2022, there was an audit settlement of $2.5 million with Germany covering years 2014-2017. The Company has filed a Mutual Agreement Procedure ("MAP") with the U.S. and Germany for this German tax settlement, which is still being evaluated by the respective tax authorities. The tax years 2018-2021 were settled during June and December of 2024 for approximately $1.0 million and $0.4 million, respectively. As a result of the settlements of the 2018-2021 German tax audits, the Company decided to no longer pursue the MAP process for tax years 2018-2021. With few exceptions, the Company is no longer subject to examinations by tax authorities for years prior to year 2014.

The Organization for Economic Co-operation and Development (OECD) has a framework to implement a global minimum corporate tax of 15% for companies with global revenues and profits above certain thresholds (referred to as Pillar 2), with certain aspects of Pillar 2 effective January 1, 2024, and other aspects effective January 1, 2025. While it is uncertain whether the U.S. will enact legislation to adopt Pillar 2, certain countries in which the Company operates have adopted the legislation, and others countries are in the process of introducing legislation to implement Pillar 2. The Company is continuing to evaluate and monitor but does not expect for Pillar 2 to have a material impact on the effective tax rate or the consolidated financial statements.

On July 4, 2025, the President signed H.R. 1, the "One Big Beautiful Bill Act," into law. The legislation includes several changes to federal tax law that generally allow for more favorable deductibility of certain business expenses beginning in 2025, including the restoration of immediate expensing of domestic R&D expenditures, reinstatement of 100% bonus depreciation, and more favorable rules for determining the limitation on business interest expense. The legislation also includes certain changes to the US taxation of foreign activity, including foreign tax credits, GILTI, FDII, and BEAT. Certain provisions will be effective for 2025, while others will be effective for tax years beginning after December 31, 2025. The Company is currently evaluating the impact on the consolidated financial statements and these changes were not reflected in the income tax provision, as enactment occurred after the balance sheet date.

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Note 10: Stock-Based Compensation

Successor Management Incentive Plan

During the Successor period from September 6, 2024 through December 31, 2024, The Parent Company established a Management Incentive Plan ("MIP") to enhance the ability to attract, retain, and motivate key participants who make important contributions to the business. There were 100,000 units authorized under the MIP which vest over a period of 4 to 5 years and are payable in the event of a liquidity event of the Company.

The MIP units are liability classified awards as they are to be settled in cash. The Company accounts for these unit-based compensation awards in accordance with ASC 718, Compensation - Stock Compensation, however no liability or expense will be recognized until such time a liquidity event becomes probable to occur. During the Successor period from September 6, 2024 through December 31, 2024, there were 82,000 units issued. No participants shall have any rights as a stockholder or owner of the Company.

Predecessor Equity Compensation Plan

Prior to the Acquisition, the Parent Company had established an equity compensation plan (the "Plan") to promote the growth and success of the business by aligning the long-term interests of employees with those of shareholders. There were 21,500 shares authorized for issuance under the Plan in the form of stock, stock units, stock options, stock appreciation rights, or cash awards. As of December 31, 2023, the Parent Company had 9,051 shares of common stock available for future issuance under its Plan.

The Parent Company granted stock options to certain management employees. Half of the options vested over time, while the other half vested upon a change of control event if certain price thresholds were met. The options' fair value was calculated using the Black-Scholes model. All outstanding stock options had vested by December 31, 2022. The Company did not grant any stock options, declare or pay any cash dividends for the period ended September 5, 2024 or the year ended December 31, 2023. As a result of the change in control event on September 6, 2024, the stock option plan was extinguished.

The Company did not have any stock options outstanding for the Successor period from September 6, 2024 through December 31, 2024. The following table summarizes stock options outstanding for the year ended December 31, 2023:

	Predecessor		
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
Outstanding at December 31, 2023	8,993	$ 353	—

Note 11: Retirement Plans

The Company has defined contribution 401(k) plans covering substantially all employees in the United States. The plans allow employees to defer a portion of their employment income. Participants age 50 or older may elect to defer additional amounts to the plans as allowed under the IRC. Each employee who elects to participate is eligible to receive Company matching contributions that are based on employee contributions to the plans, subject to certain limitations. Company contributions and expenses under the 401(k) plans were $0.5 million, $1.1 million and $1.6 million for the Successor period from September 6, 2024 to December 31, 2024 and Predecessor period from January 1, 2024 to September 5, 2024 and year ended December 31, 2023, respectively.

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Note 12: Fair Value of Financial Instruments

Fair Value of Financial Instruments

The carrying value of the Company's current assets and liabilities approximates fair value due to the short-term maturity of these assets and liabilities. Financial assets and liabilities measured on a nonrecurring basis that are included in consolidated balance sheets consist of a cost-method investment. That financial assets are measured at fair value when impairment indicators exist. Due to significant unobservable inputs, the fair value measures used to evaluate impairment and to calculate a prevailing market interest rate are Level 3 inputs.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company discloses and classifies fair value measurements in one of the following three categories:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

There are no remaining earn-out contingencies as of December 31, 2024. The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2023 (in thousands):

	Predecessor			
	December 31, 2023			
	Level 1	Level 2	Level 3	Balance at December 31, 2023
Earn-out contingent consideration (Note 2)	$ —	$ —	$ 5,639	$ 5,639

The earn-out contingent consideration was incurred from the acquisition in 2021 as described in "Note 2: Business Combinations." The Company generally determined the fair value of the earn-out contingent consideration at December 31, 2023 by using discounted cash flow models for the earn-out payments, weighted by the estimated probability of earn-out payments being earned and paid. The models relied upon certain unobservable inputs, including management's estimate of the range of future EBITDA achieved, the probabilities of achieving them, and the annual discount rates applied to the payments.

The following table presents a reconciliation for the Company's earn-out contingent consideration recorded at fair value on a recurring basis, using significant unobservable inputs (Level 3) (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2023	2023
Beginning balance	$ —	$ 5,639	$ 7,679
(Gains)/losses in other comprehensive income related to estimated liabilities	—	(124)	129
Settlements	—	(5,048)	(5,757)
Adjustments to estimated liabilities (Note 2)	—	(467)	3,588
Ending balance	$ —	$ —	$ 5,639

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There were no significant transfers between any levels during the years ended December 31, 2024 and 2023.

Note 13: Leases

The Company has lease arrangements for certain office, warehouse and manufacturing facilities and equipment throughout the world. These leases typically have original terms not exceeding 12 years and generally contain multi-year renewal options, some of which are reasonably certain of exercise. The lease periods expire between 2025 and 2034.

Payments under the Company's lease arrangements may be fixed or variable over the terms of the leases. Total rental expenses for facilities and equipment, including variable and short-term costs, were $3.5 million, $7.1 million and $9.3 million for the Successor period from September 6, 2024 to December 31, 2024 and Predecessor period from January 1, 2024 to September 5, 2024 and year ended December 31, 2023, respectively.

Operating lease cost is recognized on a straight-line basis over the lease term. Components of lease expense were as follows (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Operating lease cost	$ 2,326	$ 4,502	$ 5,496
Variable and short-term lease cost	1,207	2,558	3,853
Total lease cost	$ 3,533	$ 7,060	$ 9,349

As of December 31, 2024 operating leases had a weighted average remaining lease term of 6.49 years and a weighted average discount rate of 2.21%. As of December 31, 2023 operating leases had a weighted average remaining lease term of 5.95 years and a weighted average discount rate of 1.63%. Future lease payments under operating leases as of December 31, 2024 were as follows (in thousands):

Year	Amounts
2025	$ 6,858
2026	6,315
2027	5,486
2028	4,869
2029	4,489
Thereafter	8,348
Total Future lease payments	36,365
Less: imputed interest	(5,659)
Present value of lease liabilities	$ 30,706

As of December 31, 2024, the Company does not have any material financing leases.

Note 14: Commitments and Contingencies

Pledged Assets

The Company has pledged a portion of its cash as collateral for certain of its revenue arrangements and property-lease banking arrangements. The following table provides a reconciliation of the amount of cash and restricted cash reported within the consolidated balance sheets to the total of the same such amounts shown in the consolidated statements of cash flows (in thousands):

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	Successor	Predecessor	
	December 31, 2024	September 5, 2024	December 31, 2023
Cash	$ 21,608	$ 20,628	$ 11,023
Restricted cash included in prepaid expenses and other current assets	1,429	1,063	1,168
Restricted cash included in other long-term assets	2,361	2,483	2,491
Total cash and restricted cash shown in the consolidated statements of cash flows	$ 25,398	$ 24,174	$ 14,682

See "Note 7: Financing Arrangements" for information regarding the Company's assets pledged as collateral to secure its debt.

Product Liability

Currently there are no material outstanding product liability claims arising out of the sale of current and former products of the Company. To minimize the financial impact of these claims, the Company purchases product liability insurance.

Management periodically evaluates the merit of all claims, including product liability claims, as well as considering unasserted claims. Recoveries, if any, may be realized from indemnitors, codefendants, insurers or insurance guaranty funds. Management believes its insurance coverage is adequate to satisfy any liabilities that are incurred.

Legal Proceedings

The Company is, from time to time, party to various legal proceedings arising out of its business. The amount of alleged liability, if any, from these proceedings cannot be determined with certainty; however, the Company's management believes that the Company's ultimate liability, if any, arising from pending legal proceedings, as well as from asserted legal claims and known potential legal claims which are probable of assertion, taking into account established accruals for estimated liabilities, should not be material to its business, financial condition or results of operations.

Personal Injury Actions

Product and general liability claims arise against the Company from time to time in the ordinary course of business. These claims are generally covered by appropriate insurance. Recoveries, if any, may be realized from indemnitors, codefendants, insurers or insurance guaranty funds. There is inherent uncertainty as to the eventual resolution of unsettled claims. Management, however, believes that any losses will not have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

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Note 15: Related-Party Transactions

As a result of a 2019 transaction in which American Industrial Partners (AIP), a stockholder in the Parent Company, brought on a minority investor in SHAPE, a $9.8 million due from Parent was set up as a long-term receivable on SHAPE's balance sheet. It was determined that the amount will not be repaid and as such, SHAPE wrote off the $9.8 million balance to general and administrative expense on the statement of operations for the year ended December 31, 2023. During the Predecessor period January 1, 2024 through September 5, 2024 and the year ended 2023, the Company also reimbursed expenses incurred by AIP. During the Successor period September 6, 2024 through December 31, 2024, the Company paid management fees and expense reimbursements to Charlesbank for activities related to providing customary management services for the benefit of the Company.

On May 31, 2022, the Company entered into a 10 year lease with the prior owner of an acquired entity, which resulted in $255,000 in lease costs for the year ended December 31, 2023. During 2024, the building was sold to an unrelated third party.

Ascent Aerospace, Optimas and Vertex, AIP owned portfolio companies, purchase products from the Company which are recorded as sales during the Predecessor period January 1, 2024 through September 5, 2024. During the Successor period of September 6, 2024 through December 31, 2024 there were no identified transactions with Charlesbank owned portfolio companies.

The balances between SHAPE and all related parties, are classified as current receivables, payables and ROU assets and liabilities on the consolidated balance sheets and are settled under customary terms. The Company included the following amounts for transactions with related parties in the consolidated statements of operations (in thousands):

	Successor	Predecessor	
	Period from September 6 through December 31,	Period from January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Sales	$ —	$ 129	$ 239
Management fees and other expense reimbursements	500	15	80

The Company did not have any balances with related parties for the year ended December 31, 2024. The following table summarizes the Company's balances with related parties as of December 31, 2023 (in thousands):

	Predecessor
	Year ended December 31,
	2023
Receivables	$ 48
Right-of-use asset	2,613
Operating lease liability	2,590

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Note 16: Restructuring Charges

As part of its integration and optimization efforts, the Company reviews its global footprint and worldwide staffing to ensure that it is best positioned to service its customers. For the Successor period from September 6, 2024 through December 31, 2024, the Predecessor period from January 1, 2024 through September 5, 2024 and the year ended December 31, 2023, the Company incurred costs related to activities intended to improve its operational efficiencies. These costs primarily included personnel termination costs and the net effect of optimizing its European entity and facility structure.

The Company's restructuring charges in conjunction with restructuring its operations consisted of the following (in thousands):

	Successor	Predecessor	
	September 6 through December 31,	January 1 through September 5,	Year ended December 31,
	2024	2024	2023
Restructuring charges	$ 731	$ 1,854	$ 1,923

Following is a reconciliation of the beginning and ending balances of the restructuring liability (in thousands):

	Employee termination benefits	Facility consolidation costs	Total
Predecessor:			
Balance at December 31, 2023	$ 236	$ —	$ 236
Provision for restructuring events	785	1,069	1,854
Payments and adjustments	(686)	(1,069)	(1,755)
Balance at September 5, 2024	$ 335	$ —	$ 335
Successor:			
Balance at September 6, 2024	$ 335	$ —	$ 335
Provision for restructuring events	636	95	731
Payments and adjustments	(819)	(95)	(914)
Balance at December 31, 2024	$ 152	$ —	$ 152

Note 17: Subsequent Events

The Company performed an evaluation of subsequent events through August 28, 2025, the date the financial statements were available to be issued and determined there were no recognized subsequent events that would require disclosure in the consolidated financial statements as of December 31, 2024.