20240704061447

Årsredovisning

CT Northern Europe Holding AB

Org.nr 559342-5910
Räkenskapsår 2023-01-01 - 2023-12-31

Fastställelseintyg

Undertecknad styrelseordförande intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma den 28 juni 2024.
Årsstämman beslöt att godkänna styrelsens förslag till resultatdisposition.

Jag intygar också att innehållet i årsredovisningen stämmer överens med originalen.

Göteborg den 28 juni 2024

Jenny Prepuk

20240704461+0

Årsredovisning

CT Northern Europe Holding AB

Org.nr 559342-5910
Räkenskapsår 2023-01-01 - 2023-12-31

20240704061149

ÅRSREDOVISNING FÖR RÄKENSKAPSÅRET 2023-01-01 - 2023-12-31

Styrelsen för CT Northern Europe Holding AB avger härmed följande årsredovisning.

Innehåll	Sida
Förvaltningsberättelse	3
Resultaträkning	4
Balansräkning	5
Rapport över förändring i eget kapital	6
Noter	7

Styrelsens säte: Göteborg
Företagets redovisningsvaluta, om inte annat anges, i tusentals kronor (tkr).
Uppgifter inom parantes avser föregående år.

CT Northern Europe Holding AB
559342-5910

FÖRVALTNINGSBERÄTTELSE

Verksamheten
CT Northern Europe Holding AB, org. nr. 559342-5910, med säte i Göteborg är ett holdingföretag, företaget saknar anställda. Aktieinnehav i Creative Technology Finland OY, Creative Technology Norway AS, Stagelab AS och Creative Technology Northern Europe AB är företagets huvudsakliga tillgång.

Händelser under räkenskapsåret
I januari 2023 erhöll företaget ett ovillkorat aktieägartillskott från det överordnade moderbolaget NEP Sweden Holding AB, org.nr 559009-2309 om 15 604 tkr. I sin tur har företaget lämnat ett ovillkorat aktieägartillskott till dotterföretaget Creative Technology Norway AS om 25 554 tkr

Ägarförhållanden

Företaget är ett helägt dotterföretag till NEP Sweden Holding AB, org.nr. 559009-2309 med säte i Stockholm.

Företaget ingår i en koncern där NEP Group Inc., org. nr. 80-0877943 med säte i Pittsburgh, USA upprättar koncernredovisning för den största koncernen. Koncernredovisningen finns att tillgå hos CT Northern Europe Holding AB, Bultgatan 31, 442 40 Kungälv.

Händelser efter balansdagen
Inga väsentliga händelser har skett efter balansdagen.

Risker och osäkerhetsfaktorer

Operativa risker
Då företaget inte bedriver någon aktiv verksamhet är operativa risker och osäkerhetsfaktorer minimerade.

Finansiella risker

Räntor
Koncernen i vilken CT Northern Europe Holding AB ingår i finansieras bl a genom externa krediter i form av lån. Förändringar av räntan för dessa krediter kan påverka lönsamheten. Företaget påverkas således av utvecklingen på den finansiella marknaden vad avser tillgång till, och prissättning i form av räntor, på sådant kapital.

20240704-46151

Resultat och ställning

Flerårsöversikt (tkr)	2023	2022	2021
Nettoomsättning	-	-	-
Resultat efter finansiella poster	-22 394	-23 848	-70 310
Soliditet*	42%	39%	3%
Balansomslutning	1 017 787	1 122 587	479 483

* Justerat eget kapital i procent av balansomslutningen

Förslag till resultatdisposition
Till årsstämmans förfogande står följande vinstmedel (belopp i kronor):

Balanserad vinst	454 722 266
Årets förlust	-27 841 358
Summa	**426 880 907**

Styrelsen föreslår att vinstmedlen disponeras så att:

I ny räkning överföres	426 880 907
Summa	**426 880 907**

20240703346153

RESULTATRÄKNING

Belopp i tkr	Not	2023-01-01 -2023-12-31	2022-01-01 -2022-12-31
Rörelseintäkter			
Övriga rörelseintäkter		11 813	5 800
Summa rörelseintäkter		**11 813**	**5 800**
Rörelsekostnader			
Övriga externa kostnader		-6 366	-208
Summa rörelsekostnader		**-6 366**	**-208**
Rörelseresultat		**5 447**	**5 592**
Finansiella poster			
Nedskrivning av finansiella anläggningstillgångar		0	-10 000
Räntekostnader och liknande resultatposter	3	-27 841	-19 440
Summa finansiella poster		**-27 841**	**-29 440**
Resultat efter finansiella poster		**-22 394**	**-23 848**
Lämnade koncernbidrag		-5 447	-5 592
Summa bokslutsdispositioner		**-5 447**	**-5 592**
Resultat före skatt		**-27 841**	**-29 440**
ÅRETS RESULTAT		-27 841	-29 440

20240703-146153

BALANSRÄKNING

Belopp i tkr	Not	2023-12-31	2022-12-31
TILLGÅNGAR			
Anläggningstillgångar			
Finanslella anläggningstillgångar			
Andelar i koncernföretag	4	858 032	832 478
Fordringar hos koncernföretag		159 755	290 109
		1 017 787	**1 122 587**
Summa anläggningstillgångar		**1 017 787**	**1 122 587**
SUMMA TILLGÅNGAR		**1 017 787**	**1 122 587**
EGET KAPITAL OCH SKULDER			
Bundet eget kapital			
Aktiekapital	5	25	25
		25	**25**
Fritt eget kapital			
Balanserat resultat		454 722	468 583
Årets resultat		-27 841	-29 440
		426 881	**439 143**
Summa eget kapital		**426 906**	**439 168**
Långfristiga skulder			
Skulder till koncernföretag	6	590 860	683 419
		590 860	**683 419**
Summa långfristiga skulder		**590 860**	**683 419**
Kortfristiga skulder			
Övriga skulder		21	0
		21	**0**
Summa kortfristiga skulder		**21**	**0**
SUMMA EGET KAPITAL OCH SKULDER		**1 017 787**	**1 122 587**

CT Northern Europe Holding AB
559342-5910

RAPPORT ÖVER FÖRÄNDRING I EGET KAPITAL

Belopp i tkr

	Bundet eget kapital	*Fritt eget kapital*		
	Aktie-kapital	Balanserat resultat	Årets resultat	Summa eget kapital
Ingående balans per 1 januari 2022	**25**	**87 000**	**-73 151**	**13 874**
Omföring av föregående års resultat	-	-73 151	73 151	**0**
Årets resultat	-	-	-29 440	**-29 440**
Summa värdeförändringar	-	**-73 151**	**43 711**	**-29 440**
Erhållet ovillkorat aktieägartillskott	-	454 709	-	**454 709**
Summa transaktioner med aktieägare	-	**454 709**	-	**454 709**
Utgående balans per 31 december 2022	**25**	**468 558**	**-29 440**	**439 143**

	Aktie-kapital	Balanserat resultat	Årets resultat	Summa eget kapital
Ingående balans per 1 januari 2023	**25**	**468 558**	**-29 440**	**439 143**
Omföring av föregående års resultat	-	-29 440	29 440	**0**
Årets resultat	-	-	-27 841	**-27 841**
Summa värdeförändringar	**0**	**-29 440**	**1 599**	**-27 841**
Insättning aktiekapital	0	-	-	**0**
Erhålet ovillkorat aktieägartillskott	-	15 604	-	**15 604**
Summa transaktioner med aktieägare	-	**15 604**	**0**	**15 604**
Utgående balans per 31 december 2023	**25**	**454 722**	**-27 841**	**426 906**

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NOTER

Not 1 Allmän information

CT Northern Europe Holding AB, org. nr. 559342-5910, med säte i Göteborg, är ett holdingföretag och helägt dotterföretag till NEP Sweden Holding AB, org.nr. 559009-2309 med säte i Stockholm.

Not 2 Redovisnings- och värderingsprinciper

Årsredovisningen har upprättats enligt Årsredovisningslagen (1995:1554) och BFNAR 2012:1 *Årsredovisning* ("K3").

Klassificering m m
Anläggningstillgångar, långfristiga skulder och avsättningar består i allt väsentligt enbart av belopp som förväntas återvinnas eller betalas efter mer än tolv månader räknat från balansdagen. Omsättningstillgångar och kortfristiga skulder består i allt väsentligt enbart av belopp som förväntas återvinnas eller betalas inom tolv månader räknat från balansdagen.

Värderingsprinciper m m
Tillgångar, avsättningar och skulder har värderats till anskaffningsvärden om inget annat anges nedan.

Fordringar
Fordringar är redovisade till anskaffningsvärde minskat med eventuell nedskrivning.

Likvida medel
Likvida medel inkluderar kassamedel och disponibla tillgodohavanden hos banker.

Aktieägartillskott
Aktieägartillskott som en ägare lämnar redovisas som en ökning av andelens redovisade värde. Aktieägartillskott som en ägare erhåller redovisas direkt i fritt eget kapital.

Eventualförpliktelser
En eventualförpliktelse är en möjlig förpliktelse till följd av inträffande händelser och vars förekomst endast kommer att bekräftas av att en eller flera osäkra framtida händelser, som inte helt ligger inom företagets kontroll, inträffar eller uteblir, eller en befintlig förpliktelse till följd av inträffade händelser, men som inte redovisas som skuld eller avsättning eftersom det inte är sannolikt att ett utflöde av resurser kommer att krävas för att reglera förpliktelsen eller förpliktelsens storlek inte kan beräknas med tillräcklig tillförlitlighet.

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Not 2 Redovisnings- och värderingsprinciper, forts.

Andelar i koncernföretag
Andelar i dotterföretag redovisas till anskaffningsvärde. Utdelning från dotterföretag redovisas som intäkt när rätten att få utdelning bedöms som säker och kan beräknas på ett tillförlitligt sätt.

Nedskrivningstest
Om det finns interna eller externa indikationer på att värdet på finansiella tillgångar understiger uppskattat återvinningsvärde sker ett nedskrivningstest. Återvinningsvärdet utgörs av det högre av tillgångens nettoförsäljningsvärde och dess nyttjandevärde. Nedskrivningar redovisas i resultaträkningen bland kostnaderna för den funktion tillgången är hänförlig till.

Koncernredovisning
Med stöd av ÅRL 7 kap. 2 § upprättas ingen särskild koncernredovisning för denna underkoncern. Närmast överordnade moderföretag som upprättar koncernredovisning i vilken företaget ingår är NEP Group Inc., org. nr. 80-0877943 med säte i Pittsburgh, USA.

Not 3 Räntekostnader

	2023	2023
Övriga räntekostnader	-27 841	-19 440
Summa	**-27 841**	**-19 440**

Not 4 Andelar i koncernföretag

	2023-12-31	2022-12-31
Ingående anskaffningsvärden	832 478	192 907
Förvärv	-	639 571
Lämnade ovillkorade aktieägartillskott	25 554	-
Utgående ackumulerade anskaffningsvärden	**858 032**	**832 478**
Utgående redovisat värde	**858 032**	**832 478**

Innehav i dotterföretag	Kapital-andel	Rösträtts-andel	Antal andelar	Redovisat värde
Creative Technology Finland Oy	100%	100%	133 800	74 420
Creative Technology Norway AS	100%	100%	200 000	356 960
Stagelab AS	100%	100%	1 000 000	5 725
Bright Group BGN Holding AB	100%	100%	50 000	-
Bright Rental AB	100%	100%	25 000	-
Creative Technology Northern Europe AB	100%	100%	10 000	420 928
Förvärvstidpunkt: 10 november 2021				
Summa				**858 032**

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Not 5 Aktiekapital

Aktiekapitalet består av 25 000 aktier med ett kvotvärde om 1 krona.

Not 6 Långfristiga skulder

	2023-12-31	2022-12-31
Förfaller mellan 2 och 5 år efter balansdagen		
Skulder till koncernföretag	590 860	683 419
Summa	**590 860**	**683 419**

Not 7 Transaktioner med närstående

Transaktioner i CT Northern Europe Holding AB är främst hänförlig till finansiering av förvärv. CT Northern Europe Holding AB har en koncernskuld till koncernföretaget NEP/NCP Holdco., Inc.

NEP/NCP Holdco., Inc är ett överordnat koncernföretag vilka genom ledande befattningshavare har inflytande över de underordnade företaget CT Northern Europe Holding AB.

Koncernskulden uppgår per balansdagen till 683 419 tkr (465 609 tkr).

Not 8 Väsentliga händelser efter balansdagen

Inga väsentliga händelser har skett efter balansdagen.

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CT Northern Europe Holding AB
559342-5910

Not 9 Disposition av företagets resultat

Till årsstämmans förfogande står följande vinstmedel (belopp i kronor):

	2023-12-31
Balanserad vinst	454 722 266
Årets förlust	-27 841 358
Summa	**426 880 907**

Styrelsen föreslår att vinstmedlen disponeras så att:

I ny räkning överföres	426 880 907
Summa	**426 880 907**

Göteborg den 28 juni 2024

Patrik Dejve
Styrelseordförande

Dean Naccarato
Styrelseledamot

Jenny Prepuk
Styrelseledamot

CT Northern Europe Holding AB
559342-6910

Not 9 Disposition av företagets resultat

Till årsstämmans förfogande står följande vinstmedel (belopp i kronor):

	2023-12-31
Balanserad vinst	454 722 266
Årets förlust	-27 841 358
Summa	**426 880 907**

Styrelsen föreslår att vinstmedlen disponeras så att:

I ny räkning överföres	426 880 907
Summa	**426 880 907**

Göteborg den 28 juni 2024

Patrik Dejve
Styrelseordförande

Dean Naccarato
Styrelseledamot

Jenny Prepuk
Styrelseledamot

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NEP Group Holdings, Inc. and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended December 31, 2023 and 2022, and Independent Auditor's Report

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NEP GROUP HOLDINGS, INC. AND SUBSIDIARIES

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One PPG Place
Pittsburgh, PA 15222
USA

Tel: +1 412 338 7200
www.deloitte.com

20240704461623

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
NEP Group Holdings, Inc.
Pittsburgh, Pennsylvania

Opinion

We have audited the consolidated financial statements of NEP Group Holdings, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive loss, shareholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the 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

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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.

Deloitte & Touche LLP

March 27, 2024

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NEP GROUP HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022
(Amounts in thousands, except share and per share amounts)

	2023	2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 49,016	$ 48,525
Accounts receivable—net of allowance for doubtful accounts of $3,900 and $4,009 at December 31, 2023 and 2022, respectively	232,693	256,040
Prepaid expenses and other current assets	61,741	81,538
Current assets held-for-sale	10,947	-
Total current assets	354,397	386,103
PROPERTY, PLANT, AND EQUIPMENT—Net	805,280	765,507
OPERATING LEASE RIGHT-OF-USE ASSETS	255,299	258,951
OTHER ASSETS	4,879	6,523
DEFERRED TAXES	4,960	3,954
INTANGIBLES—Net	293,691	328,683
GOODWILL	1,572,993	1,555,404
NONCURRENT ASSETS HELD-FOR-SALE	10,268	-
TOTAL ASSETS	$ 3,301,767	$ 3,305,125
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 82,028	$ 80,707
Accrued expenses	188,967	173,274
Current portion of long-term debt	29,084	28,306
Current portion of operating lease liabilities	50,042	52,927
Current portion of finance lease liabilities	42,049	32,642
Deferred revenue	58,640	38,534
Current liabilities held-for-sale	7,221	-
Total current liabilities	458,031	406,390
LONG-TERM DEBT	2,324,607	2,342,354
LONG-TERM OPERATING LEASE LIABILITIES	211,105	213,100
FINANCE LEASE LIABILITIES	75,565	40,618
OTHER LIABILITIES	33,897	11,396
DEFERRED TAXES	11,267	10,546
NONCURRENT LIABILITIES HELD-FOR-SALE	2,875	-
Total liabilities	3,117,347	3,024,404
MEZZANINE EQUITY:		
Redeemable preferred stock: $0.01 par value; 225,000 shares authorized; 122,173 shares issued and outstanding (liquidation preference of $140,531) at December 31, 2023	139,904	-
Total mezzanine equity	139,904	-
SHAREHOLDERS' EQUITY:		
Common stock: $0.01 par value—authorized, 12,900,000 shares; 9,534,704 issued and 9,468,992 outstanding at December 31, 2023; 9,534,704 issued and 9,492,314 outstanding at December 31, 2022	95	95
Treasury stock, at cost; 65,712 and 42,390 shares as of December 31, 2023 and 2022, respectively	(6,727)	(3,996)
Accumulated other comprehensive loss	(41,042)	(32,824)
Additional paid-in capital	1,000,436	1,008,520
Noncontrolling interest	(636)	(22)
Stock subscription	-	(950)
Retained deficit	(907,610)	(690,102)
Total shareholders' equity	44,516	280,721
TOTAL LIABILITIES AND EQUITIES	$ 3,301,767	$ 3,305,125

See accompanying notes to consolidated financial statements.

20240703-46165

NEP GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in thousands)

	2023	2022
REVENUE	$1,883,593	$1,791,424
COSTS OF SERVICES, EXCLUSIVE OF DEPRECIATION AND AMORTIZATION	750,966	730,347
ENGINEERING	347,867	319,072
SELLING, GENERAL, AND ADMINISTRATIVE	482,794	422,210
DEPRECIATION AND AMORTIZATION	307,275	276,316
(LOSS) INCOME FROM OPERATIONS	(5,309)	43,479
INTEREST EXPENSE	197,527	160,704
OTHER EXPENSE	5,900	38,935
LOSS BEFORE INCOME TAXES	(208,736)	(156,160)
INCOME TAX EXPENSE	(9,179)	(1,582)
NET LOSS	(217,915)	(157,742)
LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	(407)	(227)
NET LOSS ATTRIBUTABLE TO NEP GROUP HOLDINGS, INC.	(217,508)	(157,515)
UNREALIZED (LOSS) GAIN ON INTEREST RATE SWAP CONTRACTS—Net of tax of $639 and $758 for the years ended December 31, 2023 and 2022, respectively	(16,374)	62,635
FOREIGN TRANSLATION ADJUSTMENT	8,156	(36,111)
COMPREHENSIVE LOSS	$ (225,726)	$ (130,991)

See accompanying notes to consolidated financial statements.

NEP GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF MEZZANINE AND SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in thousands, except share amounts)

	Preferred Stock		Common Stock		Accumulated Other Comprehensive	Additional Paid-In	Treasury Stock		Stock	Noncontrolling	Retained	
	Shares	Cost	Shares	Cost	Loss	Capital	Shares	Cost	Subscription	Interest	Deficit	Total
BALANCE—December 31, 2021	-	-	9,493,168	$ 96	$ (59,348)	$ 997,616	41,313	$ (3,886)	$ (950)	$ 406	$ (532,587)	$ 401,347
Foreign translation adjustment	-	-	-	-	(36,111)	-	-	-	-	-	-	(36,111)
Unrealized gain on interest rate swap contracts—net of $758 tax	-	-	-	-	62,635	-	-	-	-	-	-	62,635
Purchase of treasury stock	-	-	(1,077)	(1)	-	-	1,077	(110)	-	-	-	(111)
Proceeds of issuance of capital stock	-	-	223	-	-	25	-	-	-	-	-	25
Stock-based compensation	-	-	-	-	-	10,879	-	-	-	-	-	10,879
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	(201)	-	(201)
Loss attributable to noncontrolling interest	-	-	-	-	-	-	-	-	-	(227)	-	(227)
Net loss	-	-	-	-	-	-	-	-	-	-	(157,515)	(157,515)
BALANCE—December 31, 2022	-	-	9,492,314	95	(32,824)	1,008,520	42,390	(3,996)	(950)	(22)	(690,102)	280,721
Foreign translation adjustment	-	-	-	-	8,156	-	-	-	-	-	-	8,156
Unrealized loss on interest rate swap contracts—net of $639 tax	-	-	-	-	(16,374)	-	-	-	-	-	-	(16,374)
Shares issued under Series A Preferred Stock Agreement, net of issuance costs	122,173	121,546	-	-	-	250	-	-	-	-	-	250
Accrual of redeemable convertible preferred stock paid-in-kind dividends	-	18,358	-	-	-	(18,358)	-	-	-	-	-	(18,358)
Stock subscription redemption	-	-	(23,322)	-	-	-	23,322	(2,731)	950	-	-	(1,781)
Stock-based compensation	-	-	-	-	-	10,024	-	-	-			10,024
Dividends to non-controlling interest	-	-	-	-	-	-	-	-	-	(207)	-	(207)
Loss attributable to noncontrolling interest	-	-	-	-	-	-	-	-	-	(407)	-	(407)
Net loss	-	-	-	-	-	-	-	-	-	-	(217,508)	(217,508)
BALANCE—December 31, 2023	122,173	$ 139,904	9,468,992	$ 95	$ (41,042)	$ 1,000,436	65,712	$ (6,727)	-	$ (636)	$ (907,610)	$ 44,516

See accompanying notes to consolidated financial statements.

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NEP GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in thousands)

	2023	2022
OPERATING ACTIVITIES:		
Net loss	$ (217,915)	$ (157,742)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	307,275	276,316
Stock-based compensation	10,024	10,879
Amortization of original issue discount on debt obligations	299	-
Amortization of debt issuance costs	9,290	9,102
Unrealized transaction (gain) loss on foreign currency denominated assets and liabilities	(4,560)	33,345
Gain on sale or disposal of fixed assets	(1,512)	(1,365)
Deferred income taxes	2,522	1
Provision for doubtful accounts	(150)	86
Changes in net assets and liabilities:		
Accounts receivable	16,158	(42,207)
Prepaid expenses and other assets	5,647	13,997
Operating lease assets and liabilities	(1,285)	7,086
Accounts payable	(7,662)	21,059
Deferred revenue	19,948	(1,267)
Other accruals and liabilities	40,261	(1,418)
Net cash provided by operating activities	178,340	167,872
INVESTING ACTIVITIES:		
Capital expenditures	(291,906)	(318,035)
Acquisition of businesses—net of cash acquired $225 for the year ended December 31, 2022	-	(1,422)
Proceeds from insurance	315	-
Proceeds from the sale of assets	758	230
Net cash used in investing activities	(290,833)	(319,227)
FINANCING ACTIVITIES:		
Borrowings from line of credit	155,557	220,000
Repayment of line of credit	(173,045)	(51,485)
Repayment of debt obligations	(21,532)	(20,164)
Payment of debt issuance costs	(2,926)	(767)
Purchase of treasury stock and stock subscription	(2,731)	(110)
Cash dividend to noncontrolling interest	(207)	(201)
Proceeds from issuance of common stock	-	25
Proceeds from issuance of redeemable preferred stock, net of issuance costs	121,796	-
Proceeds from stock subscription	950	-
Proceeds from sale leaseback	71,863	41,952
Repayment of financing lease obligations	(37,176)	(31,904)
Net cash provided by financing activities	112,549	157,346
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	435	(1,475)
NET INCREASE IN CASH AND CASH EQUIVALENTS	491	4,516
CASH AND CASH EQUIVALENTS—Beginning of period	48,525	44,009
CASH AND CASH EQUIVALENTS—End of period	$ 49,016	$ 48,525

(Continued)

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NEP GROUP HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in thousands)

	2023	2022
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$196,553	$153,501
Cash paid for taxes	$ 4,286	$ 4,224
SUPPLEMENTAL DISCLOSURES OF NONCASH OPERATING, INVESTING, AND FINANCING ACTIVITIES:		
Investing—capital expenditures in current liabilities	$ 19,944	$ 29,353

See accompanying notes to consolidated financial statements. (Concluded)

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1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business—NEP Group Holdings, Inc. and its subsidiaries (collectively referred to as the "Company" or "NEP Group") is a provider of customized solutions to the live sports and entertainment markets offering various broadcast and live event services. The Company's engineers design live event solutions and work side-by-side with the Company's clients to customize the Company's solutions and provide real-time support during a broadcast or live event to ensure a seamlessly delivered production. Over time, the Company has developed a wide range of services operating inside and outside of the United States and has supported events worldwide.

Organizational History—The Company was originally founded in 1986. On December 23, 2012, ASP NEP/NCP Holdco., Inc. was acquired by funds affiliated with Crestview Partners II GP, L.P. (collectively, "Crestview") and certain members of executive management; through this acquisition, NEP Group, Inc. was formed.

On October 19, 2018 (the "Closing Date"), NEP Group, Inc. was acquired by funds affiliated with the Carlyle Group and certain members of executive management (the "NEP Group, Inc. Acquisition"); through this acquisition, NEP Group Holdings, Inc. ("NEP Group" or the "Company") was formed.

Summary of Significant Accounting Policies

Principles of Consolidation—The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Such statements have been prepared in accordance with accounting principles generally accepted in the United States of America. All intercompany balances have been eliminated in consolidation.

Cash and Cash Equivalents—Cash equivalents are highly liquid investments purchased with an original maturity of 90 days or less. Cash and cash equivalents are stated at cost, which approximates fair value.

Concentration of Credit Risk — Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Although the cash accounts exceed the federally insured deposit amount, management does not anticipate nonperformance by the financial institutions. Management reviews the financial viability of these institutions on a periodic basis.

Accounts Receivable and Allowance for Doubtful Accounts—Accounts receivable are recorded at invoiced amounts. The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the receivable portfolio determined based on historical experience, specific allowances for known troubled accounts and other currently available evidence. The Company generally extends credit to clients without requiring collateral; however, prepayments are required from clients when a credit history has not been established. The allowance for doubtful accounts was $3.9 million and $4.0 million at December 31, 2023 and 2022, respectively.

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Property, Plant, and Equipment—Property, plant and equipment are recorded on the basis of cost. Expenditures for renewals and improvements that extend the useful life or utility of the asset are capitalized and depreciated over the remaining useful life of the asset, and expenditures for ordinary maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method based on the estimated useful lives of the respective assets as follows:

Furniture and fixtures	4–10 years
Computer equipment	3–5 years
Vehicles	5–8 years
Broadcast and production equipment	5–10 years

Building and leasehold improvements are depreciated over the lesser of the useful life or the remaining lease term (including required lease periods and renewals deemed to be reasonably assured) at the date of acquisition of the leasehold improvement.

Upon disposal or retirement of property, plant and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is recognized. Amortization of assets under finance leases is included in depreciation and amortization expense.

The Company monitors its long-lived assets for impairment indicators on an ongoing basis in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360, *Property, Plant, and Equipment*. If impairment indicators exist, the Company performs the required analysis and records impairment charges, if necessary. In conducting its analysis, the Company compares the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. If the undiscounted cash flows exceed the net book value, the long-lived assets are considered not to be impaired; if the net book value exceeds the undiscounted cash flows, an impairment loss is measured and recognized and the book value of the long-lived asset is adjusted to fair value. An impairment loss is measured as the difference between the book value and the fair value of the long-lived assets. Cash flows are estimated using internal budgets based on recent sales data, projected future operational results and client commitments. Changes in economic or operating conditions impacting these estimates and assumptions could result in the impairment of long-lived assets.

Leasing Arrangements—FASB Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"), requires the Company to recognize a lease liability, which represents the discounted obligation to make future minimum lease payments, and a corresponding right-of-use ("ROU") asset on its consolidated balance sheet for most leases and disclose key information about leasing arrangements.

Whenever the Company enters into a new arrangement, it must determine, at the inception date, whether the arrangement is or contains a lease. This determination generally depends on whether the arrangement conveys to the Company the right to control the use of an explicitly or implicitly identified asset for a period of time in exchange for consideration. Control of an underlying asset is conveyed to the Company if the Company obtains the rights to direct the use of and obtain substantially all the economic benefits from the use of the underlying asset.

If a lease exists, the Company must then determine the separate lease and non-lease components of the arrangement. Each right to use an underlying asset conveyed by a lease arrangement should generally be considered a separate lease component if it both: (i) can benefit the Company without depending on other resources not readily available to the Company and (ii) does not significantly affect and is not significantly affected by other rights of use conveyed by the lease. Aspects of a lease

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arrangement that transfer other goods or services to the Company but do not meet the definition of lease components are considered non-lease components. The consideration owed by the Company pursuant to a lease arrangement is generally allocated to each lease and non-lease component for accounting purposes. However, the Company has elected, for all of its leases, to not separate lease and non-lease components. Each lease component is accounted for separately from other lease components, but together with the associated non-lease components.

For each lease, the Company must then determine the lease term, the present value of lease payments and the classification of the lease as either an operating or finance lease.

The lease term is the period of the lease not cancellable by the Company, together with periods covered by: (i) renewal options the Company is reasonably certain to exercise, (ii) termination options the Company is reasonably certain not to exercise, and (iii) renewal or termination options that are controlled by the lessor.

The present value of lease payments is calculated based on:

- Lease payments – lease payments include fixed and certain variable payments, less lease incentives, together with amounts probable of being owed by the Company under residual value guarantees and, if reasonably certain of being paid, the cost of certain renewal options and early termination penalties set forth in the lease arrangement. Lease payments exclude consideration that is not related to the transfer of goods and services of the Company.

- Discount rate – the discount rate must be determined based on information available to the Company upon the commencement of the lease. Lessees are required to use the rate implicit in the lease whenever such rate is readily available; however, as the implicit rate in the Company's leases is generally not readily determinable, the Company generally uses the hypothetical incremental borrowing rate it would have to pay to borrow an amount equal to the lease payments, on a collateralized basis, over a timeframe similar to the lease term.

In making the determination of whether a lease is an operating lease or a finance lease, the Company considers the lease term in relation to the economic life of the leased asset, the present value of lease payments in relation to the fair value of the leased asset and certain other factors, including the lessee's or lessor's rights, obligations, and economic incentives over the term of the lease.

Generally, upon the commencement of a lease, the Company will record a lease liability and a ROU asset. However, the Company has elected, for all underlying leases with initial terms of twelve months or less (known as short-term leases), to not recognize a lease liability or ROU asset. Lease liabilities are initially recorded at lease commencement as the present value of future lease payments. ROU assets are initially recorded at lease commencement as the initial amount of the lease liability, together with the following, if applicable: (i) initial direct costs incurred by the lessee and (ii) lease payments made by the lessor net of lease incentives received, prior to lease commencement.

Over the lease term, the Company generally increases its lease liabilities using the effective interest method and decreases its lease liabilities for lease payments made. For finance leases, amortization and interest expense are recognized separately in the consolidated statements of operations and comprehensive loss, with amortization expense generally recorded on a straight-line basis over the lease term and interest expense recorded using the effective interest method. For operating leases, a single lease cost is generally recognized in the consolidated statements of operations and comprehensive loss on a straight-line basis over the lease term unless an impairment has been

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recorded with respect to a leased asset. Lease costs for short-term leases not recognized in the consolidated balance sheets are recognized in the consolidated statements of operations and comprehensive loss on a straight-line basis over the lease term. Variable lease costs not initially included in the lease liability and ROU asset impairment charges are expensed as incurred. ROU assets are assessed for impairment, similar to other long-lived assets.

See Note 9, Leases, for additional information.

Sale and Leaseback Transactions—The Company accounts for the sale and leaseback of broadcast equipment and vehicles in accordance with ASC 606, *Revenue from Contracts with Customers ("ASC 606")*, and ASC 842. If the determination is made that a transaction is within the scope of the sale and leaseback guidance in ASC 842, the transaction is further assessed to determine if the transfer of the asset meets the requirements to be accounted for as a sale under ASC 606. If the sale and leaseback is at fair value, a gain or loss for the difference between the transaction price and the carrying amount of the underlying asset is immediately recognized. If the sale-leaseback transaction is not made at fair value, the difference between the transaction price and the fair value of the underlying asset is recognized as a financing asset or liability in accordance with ASC 842.

When a sale and leaseback does not qualify for sale accounting, the transaction is accounted for as a financing transaction and considered a "failed sale and leaseback" transaction. The Company continues depreciating the asset as if it was the legal owner and the sales proceeds received from the buyer-lessor are recognized as a financial liability.

Goodwill and Intangible Assets—Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Goodwill is not amortized. Any intangibles acquired in business combinations are recorded based upon their fair value at the date of acquisition. Intangible assets with finite lives are amortized on a straight-line basis over the estimated economic lives of the assets and reviewed for impairment when indicators of potential impairment are present. Goodwill and indefinite-lived intangible assets are tested for impairment at the reporting unit level at least annually; the Company performs its annual impairment test during the fourth quarter, as of October 1, and also tests for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company's reporting units include NEP Broadcast Services and NEP Live Events.

Based on impairment tests performed, the Company has not recognized an impairment of the Company's goodwill or other intangible assets during any of the periods presented herein. See Note 7, Goodwill, for additional information.

Fair Value of Financial Instruments—The carrying amounts of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable, approximate fair value due to their short maturities. The carrying value of the Company's long-term debt obligations approximates fair value because they have an interest rate that varies with market interest rates. The Company's derivative instruments are required to be measured at fair value on a recurring basis.

Fair Value Measurement—Fair value is based on the price that would be received from the sale of an identical asset or paid to transfer an identical liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value

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measurements, a fair value hierarchy has been established that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2—Observable market-based inputs other than quoted prices in active markets for identical assets or liabilities.

Level 3—Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk in its assessment of fair value.

Debt Issuance Costs—The origination costs related to the issuance of debt are recorded as a reduction to the related liability and are amortized to interest expense over the contractual term of the loan facility using the effective interest method.

Business Combinations—The Company accounts for business combinations using the acquisition method of accounting. The acquisition method of accounting requires that the purchase price, including the fair value of contingent consideration, of the acquisition be allocated to the assets acquired and liabilities assumed using the fair value determined by management at the acquisition date.

The Company generally uses the following methodologies for valuing our significant acquired tangible and intangible assets:

- *Property, Plant, and Equipment*—The Company values by estimating the replacement cost of such assets.
- *(Un)favorable Leasehold Interests*—The Company values using the market approach.
- *Tradename*—The Company uses the relief-from-royalty method, a variation of the income approach, to value trademarks and tradenames. The key assumptions for the model are forecasted net revenue, the royalty rate, the effective tax rate and the discount rate.
- *Customer Relationships and Customer Contracts*—The Company uses the multi-period excess earnings method to value customer relationships and customer contracts. The key assumptions for the model are forecasted net revenue, Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA"), the estimated allocation of earnings between different classes of assets, the attrition rate, the effective tax rate and the discount rate.

Derivatives and Hedging—The Company does not engage in speculative transactions for trading purposes. The Company uses derivative financial instruments in the normal course of business to manage its exposure to interest rate changes under its debt agreements, which bear interest at variable rates, and to manage its exposure to foreign currency exchange rates.

The Company records derivative instruments as either assets or liabilities in the consolidated balance sheets at their fair value. The Company has designated the interest rate swap derivative instruments as effective cash flow hedges, and changes in the fair value of these derivative instruments are recorded in

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accumulated other comprehensive loss on the consolidated balance sheets. See Note 16, Financial Instruments and Risk Management, for additional information about these contracts.

Foreign Currency Translation—For the Company's foreign operations, the functional currency is the local currency. Assets and liabilities of these operations are translated at the exchange rate in effect on the balance sheet date while income and expenses are translated at the average exchange rates prevailing during the period.

Foreign currency gains and losses resulting from transactions, and the translation of consolidated financial statements are recorded in the Company's consolidated financial statements based upon the provisions of ASC 830, *Foreign Currency Matters*. The effects of currency exchange rate changes on intercompany transactions and balances of a long-term investment nature are accumulated and carried as a component of accumulated other comprehensive loss. The effects of currency exchange rate changes on intercompany transactions that are denominated in a currency other than an entity's functional currency are charged or credited to earnings through other expense or other income for the period presented. The foreign currency gain impact for the year ended December 31, 2023 was $2.5 million. This amount is presented within Other Expense on the consolidated statement of operations and comprehensive loss.

Revenue Recognition Policy (ASC 606)—Revenue is recognized when control of promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. This is achieved by applying the following five-step model:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as performance obligations are satisfied

The Company's revenue is derived principally from the following services:

- *Remote Production Services*—These services provide the Company's clients with a mobile control room to facilitate the capture and creation of live content, including a mobile unit or fly pack equipped with the Company's assets (e.g., cameras and related audio and video equipment) together with a NEP Group broadcast engineering team.

- *Studio Control Room Production Services*—These services include the supply and operation of studios and/or control rooms together with a NEP Group broadcast engineering team that support live and near-live format television programming for entertainment clients.

- *Video Display Services*—These services provide the Company's clients with large-scale, modular, LED video screens and related capabilities together with a NEP Group technical display engineering team.

- *Other Media Solutions Services*—The Other Media Solutions Services are comprised of several service offerings which provide the Company's clients with media supply chain management solutions, including media asset management, automated video content delivery and IT monitoring tools.

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The Company enters into contracts to provide the above services to their customers for a specified event over a specified period of time, generally one month or less. Each event and each period of service is distinct in the context of the contract and are accounted for as a separate performance obligation. Revenues for these services are recognized over time (output method) as the services are performed and control of the services are transferred to the customer.

The Company typically incurs certain event-related direct costs for additional services required by the event that are classified as variable consideration. This variable consideration is typically passed through to the client as additional revenue with no mark-up or margin earned by the Company. To determine the transaction price, the Company estimates the variable consideration using the expected value method, based on the contract terms and the known performance during the service period. When determining if variable consideration should be constrained, the Company considers whether factors outside of its control could result in a significant reversal of revenue. In making these assessments, the Company considers the likelihood and magnitude of a potential reversal of revenue. The Company's service periods are typically of a short duration and the estimates are reassessed during each reporting period.

Revenue is recorded net of taxes collected or accrued. Sales, value-added and goods and services taxes are recorded as current liabilities until remitted to the relevant government authority.

Deferred Revenue—Deferred revenue consists of payments received in advance of revenue recognition from the Company's contracts with customers. The timing of revenue recognition may differ from the timing of payments from customers. The time between invoicing and when payment is due is not significant.

Income Taxes—The Company utilizes the asset and liability method of accounting for income taxes, which requires the recognition of deferred tax assets and liabilities for expected future consequences of temporary differences between the financial reporting and income tax basis of assets and liabilities using enacted tax rates. The Company's management makes estimates, assumptions and judgments to determine the Company's provision for income taxes and also for deferred tax assets and liabilities, and any valuation allowances recorded against the Company's deferred tax assets. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent the Company believes that recovery is not likely, the Company must establish a valuation allowance.

The calculation of the Company's current provision for income taxes involves the use of estimates, assumptions and judgments while taking into account current tax laws, interpretation of current tax laws and possible outcomes of future tax audits. The effects of future changes in tax laws or rates are not anticipated. Although the Company believes its estimates, assumptions and judgments to be reasonable, any changes in tax law or its interpretation and the resolutions of potential tax audits could impact the amounts provided for income taxes in the Company's consolidated financial statements.

The calculation of the Company's deferred tax balance involves the use of estimates, assumptions and judgments while taking into account estimates of the amounts and type of future taxable income and tax laws. Actual future operating results and the underlying amount and type of income could differ materially from the Company's estimates, assumptions and judgments thereby impacting the Company's consolidated financial position and results of operations.

The Company evaluates uncertain tax positions using the recognition threshold and measurement attribute for the financial statement recognition and measurement of uncertain tax positions taken or

expected to be taken in the Company's income tax return, and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company includes interest and penalties related to unrecognized tax benefits within income tax expense in the accompanying consolidated statements of operations and comprehensive loss. The Company has not incurred any material interest or penalties related to unrecognized tax benefits in any of the periods presented.

Other Comprehensive Loss—Comprehensive loss is defined as net income and all other nonowner changes in shareholders' equity. Other comprehensive loss results from items deferred from recognition into the consolidated statements of operations and comprehensive loss. The Company follows the provisions of ASC 220, *Comprehensive Income*, for the reporting and display of comprehensive loss and its components. The Company's accumulated other comprehensive loss consists of foreign currency translation adjustments and the unrealized gain on interest rate swap contracts, net of tax. Accumulated other comprehensive loss ("AOCI") is separately presented on the Company's consolidated balance sheets as part of shareholders' equity.

Equity-Based Compensation—The Company accounts for equity-based compensation using the fair value method as set forth in the ASC 718, *Compensation—Stock Compensation*, which requires the measurement and recognition of compensation expense for all share-based payment awards based on estimated fair values. This method requires companies to estimate the fair value of stock-based compensation on the date of grant using an option pricing model. The Company estimates the fair value of each equity-based payment award on the date of grant using the Black-Scholes pricing model.

The Black-Scholes model determines the fair value of equity-based payment awards based on the fair value of the underlying common stock on the date of grant and requires the use of estimates and assumptions, which are discussed in Note 13, Stock-Based Compensation.

Common Stock Valuation—Determining the fair value of the Company's common stock requires complex and subjective judgment and estimates. There is inherent uncertainty in making these judgments and estimates. The absence of an active market for the Company's common stock required the Company's Board of Directors to estimate the fair value of the common stock for purpose of setting the exercise price of the options and estimating the fair value of the common stock at the time options were granted based on factors such as valuations of comparable companies, the status of the Company's development and sales efforts, revenue growth, and additional objective and subjective factors relating to the Company's business. The Company performed its analysis in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants' ("AICPA") *Practice Guide, Valuation of Privately Held Company Equity Securities Issues as Compensation*; with this guidance, the Company's Board of Directors exercised reasonable judgment and considered numerous and subjective factors to determine the best estimate of fair value of the Company's common stock, including the following:

Company Specific Factors

- Actual and forecasted operating and financial performance based on management's estimate
- Historical acquisition valuations of the Company
- The development and maintenance of client relationships
- Client and industry recognition
- The hiring and retention of key personnel

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- The historical lack of a public market for the Company's common stock

General Economic Factors

- Industry trends and competitive environment
- Trends in client and the at-large public spending, including client and public confidence
- Overall economic indicators
- The general economic outlook

The common stock valuations have historically leveraged the historical prices paid to acquire the Company's common stock in change of ownership transactions, which were representative of fair value. The purchase price is allocated to those shares outstanding at the time of purchase to calculate the fair value of each share of common stock. This approach was applied consistently from the December 23, 2012, change in ownership forward as well as for the NEP Group, Inc. acquisition. The Company's valuation of common stock has historically been estimated utilizing a market approach. When coincident with the grant date of options, the Company has utilized the valuation ascribed in private equity change in ownership transactions.

Mezzanine Equity—The Company follows the guidance of ASC 480, *Distinguishing Liabilities from Equity*, in determining the treatment of its preferred shares. The convertible preferred stock is classified in mezzanine equity under the terms of ASC 480 as it represents a contingently redeemable security due to the following contingent redemption features:

(1) Mandatory redemption – upon the occurrence of an exit event
(2) Exchange – upon the occurrence of an IPO, the stock can be exchangeable, at the option of the Company, for shares of the Corporation's Class B Common Stock
(3) Optional redemption – at any time after the third anniversary of the issue date (See FN 12), the Company may redeem all or a portion of the shares

The convertible preferred stock is initially measured at its fair value at the issuance date, and the carrying amount is not remeasured as long as it is not probable of becoming redeemable. Costs directly associated with the issuance of the convertible preferred stock (e.g., legal costs) were recorded at issuance as a reduction to the convertible preferred stock amount. At the time when a deemed liquidation event is considered probable, the convertible preferred stock balance will be remeasured to its redemption value (See Note 12, Shareholders' Equity) and the carrying amount of the instrument will be adjusted to equal the redemption value at the end of each reporting period.

As of December 31, 2023, the Company concluded that a deemed liquidation event was not probable and therefore the carrying amount was not remeasured.

Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates. On an ongoing basis, management reviews its estimates based on currently available information. Changes in facts and circumstances may result in revised estimates.

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Recent Accounting Pronouncements

Accounting Standards Issued Not Yet Adopted— There are no recently issued, but not yet adopted, accounting pronouncements which are expected to have a material impact on the Company's Financial Statements and related disclosures.

Adoption of New Accounting Standards—In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13). The current guidance requires the allowance for doubtful accounts to be estimated based on an incurred loss model, which considers past and current conditions. ASU 2016-13 requires companies to use an expected loss model that also considers reasonable and supportable forecasts of future conditions. In November 2019, the FASB issued ASU 2019-10 which amends Topic 326 to become effective for annual periods beginning after December 15, 2022. The standard requires a cumulative-effect adjustment to the balance sheet as of the beginning of the first reporting period in which the guidance is effective. The adoption of this guidance did not have a material impact on its trade receivables within the consolidated results of operations, cash flows, financial position, or disclosures.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* ("ASU 2021-08"), which requires entities (acquirers) to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606. ASU 2021-08 will be effective for fiscal years beginning after December 15, 2022. The adoption of this guidance did not have a material impact on its consolidated results of operations, cash flows, financial position, or disclosures as no acquisitions occurred for the fiscal year ended December 31, 2023.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), which provides temporary optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments in ASU 2020-04 apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* ("ASU 2022-06"), which defers the sunset date of Topic 848 to December 31, 2024. ASU 2020-04 is currently effective and upon adoption may be applied prospectively to contract modifications made on or before December 31, 2024. The Company's first and second lien debt credit agreements transitioned from LIBOR to SOFR in May 2023. The base rate conversion did not have a material impact on the consolidated results of operations, cash flows, financial position, or disclosures.

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On August 5, 2020, the FASB issued ASU 2020-06, *Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)—Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments and contracts on an entity's own equity. The ASU is part of the FASB's simplification initiative, which aims to reduce unnecessary complexity in U.S. GAAP. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023. The Company has decided to adopt this standard early for the fiscal year ending December 31, 2023. The classification of preferred stock is the same prior to and post-adoption of ASU 2020-06, but for simplification purposes the Company has determined early adoption to be beneficial.

2. ACQUISITIONS AND DIVESTITURES

During the year ended December 31, 2023, no business combinations occurred. During the year ended December 31, 2022, the Company completed several business combinations. None of these business combinations individually or in the aggregate were considered material to the Company's consolidated financial statements.

On January 31, 2024, the Company completed the divestiture of its SOS Global Express, Inc. ("SOS") business, which is a global provider of asset light, freight forwarding and logistics management services for $64.0 million, net of cash. The assets and liabilities of SOS were classified as held-for-sale as of December 31, 2023, and are presented respectively within the major classes of assets and liabilities in the consolidated balance sheet.

	SOS Global December 31, 2023
Accounts receivable	$ 10,947
Total current assets held-for-sale	$ 10,947
Intangible assets	$ 9,155
Other assets	1,113
Total noncurrent assets held-for-sale	$ 10,268
Accounts payable	$ 3,867
Accrued expenses	3,354
Total current liabilities held-for-sale	$ 7,221
Deferred taxes	$ 2,111
Other liabilities	764
Total noncurrent liabilities held-for-sale	$ 2,875
Net assets held-for-sale	$ 11,119

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3. ACCOUNTS RECEIVABLE—NET

Accounts receivable consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Billed receivables	$ 183,418	$ 200,084
Unbilled receivables	53,175	59,965
Allowance for doubtful accounts	(3,900)	(4,009)
Accounts receivable—net	$ 232,693	$ 256,040

The opening balance for Accounts receivable – gross, and Deferred revenue – current, and Deferred revenue – long term as of January 1, 2022 was $227.8 million, $41.7 million, and $1.9 million respectively.

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Prepaid insurance	$ 4,429	$ 3,928
Prepaid taxes	9,463	8,350
Prepaid deposits	5,465	11,913
Prepaid maintenance agreements	8,384	7,839
Prepaid direct cost	10,938	12,928
Derivative assets	7,519	22,386
Prepaid other	15,543	14,194
	$ 61,741	$ 81,538

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5. PROPERTY, PLANT, AND EQUIPMENT—NET

Property, plant, and equipment consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Broadcast and production equipment	$ 1,749,269	$ 1,502,668
Furniture and fixtures	17,302	15,483
Building and leasehold improvements	77,968	71,166
Computer equipment	39,090	30,143
Vehicles	55,431	51,833
Construction in progress	85,960	63,850
Property, plant, and equipment—gross	2,025,020	1,735,143
Accumulated depreciation	(1,219,740)	(969,636)
Total property, plant, and equipment—net	$ 805,280	$ 765,507

The Company's depreciation expense was $278.8 million and $247.4 million, for the years ended December 31, 2023 and 2022, respectively.

6. INTANGIBLE ASSETS—NET

Intangible assets relate primarily to those customer relationships obtained through acquisitions (see Note 1). The intangible asset amortization is recorded on a straight-line basis over the estimated useful life of each relationship with a weighted-average useful life remaining of 110 months and 122 months as of December 31, 2023 and 2022, respectively.

The following table presents the gross carrying amount, accumulated amortization, and resulting net intangibles as of December 31, 2023 and 2022:

	2023	2022
Gross carrying amount	$ 402,483	$ 416,583
Accumulated amortization	(140,607)	(117,009)
Foreign currency impact	(9,185)	(11,891)
Net intangibles	$ 252,691	$ 287,683
Indefinite-lived intangible assets—tradenames	$ 41,000	$ 41,000

The Company incurred intangible asset amortization expense of $28.5 million and $28.9 million, for the years ended December 31, 2023 and 2022, respectively. The estimated aggregate intangible asset amortization for the next five years and thereafter is expected to be as follows:

2024	$ 27,671
2025	27,616
2026	27,616
2027	27,586
2028	27,586
Thereafter	114,586
	$ 252,691

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7. GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired (see Note 1). Goodwill is not amortized but is reviewed annually during the fourth quarter for impairment. The following table presents the Company's roll forward of goodwill for the years ended December 31, 2023 and 2022:

Balance—December 31, 2021	$ 1,619,706
Acquisitions of businesses	1,254
Adjustments [1]	599
Foreign currency adjustment	(66,155)
Balance—December 31, 2022	1,555,404
Acquisitions of businesses	-
Adjustments [1]	198
Foreign currency adjustment	17,391
Balance—December 31, 2023	$ 1,572,993

[1] In accordance with the accounting for business combinations, the Company recorded adjustments to goodwill for the effect of the changes in the provisional fair values of the assets required and liabilities assumed during the measurement period (up to one year from the acquisition date) as the Company obtained new information about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement of the amounts recognized as of that date.

8. ACCRUED EXPENSES

Accrued expenses consisted of the following as of December 31, 2023 and 2022:

	2023	2022
Accrued direct costs	$ 49,535	$ 52,773
Accrued compensation	71,298	60,585
Accrued professional services fees	9,612	3,241
Payroll and other taxes	25,184	29,038
Accrued employee benefit costs	14,448	8,385
Accrued capital expenditures	6,434	6,211
Other accruals	12,456	13,041
Total accrued expenses	$ 188,967	$ 173,274

9. LEASES

The Company leases its office facilities, office equipment, broadcast equipment and vehicles under noncancelable lease agreements which expire at various dates through 2080. Some of these lease agreements include an option to renew at the end of the term. The Company also leases certain office facilities on a month-to-month basis. In some instances, the Company is also required to pay its pro rata

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share of real estate taxes and utility costs in connection with the premises. Some of the leases contain fixed annual increases of minimum rent.

The Company's leases frequently allow for lease payments that could vary based on factors such as inflation and the incurrence of contractual charges such as those for common area maintenance or utilities.

Renewal and/or early termination options are common in the lease arrangements, particularly with respect to real estate leases. The Company's right-of-use assets and lease liabilities generally include periods covered by renewal options and exclude periods covered by early termination options (based on the conclusion that it is reasonably certain that the Company will exercise such renewal options and not exercise such early termination options).

The Company is also party to certain sublease arrangements related to real estate leases, where the Company acts as the lessee and intermediate lessor.

The following table presents information about the Company's right-of-use assets and lease liabilities as of December 31, 2023 and 2022 (in thousands):

	Consolidated Balance Sheet Line Item	2023	2022
Right-of use (ROU) asset:			
Operating lease ROU assets	Operating lease right-of-use assets	$255,299	$ 258,951
Finance lease ROU assets	Property, plant, and equipment—net	102,464	84,176
Total ROU assets		$357,763	$ 343,127
Operating lease liabilities:			
Current operating lease liabilities	Current portion of operating lease liabilities	$ 50,042	$ 52,927
Noncurrent operating lease liabilities	Long-term operating lease liabilities	211,105	213,100
Total operating lease liabilities		$261,147	$ 266,027
Finance lease liabilities:			
Current finance lease liabilities	Current portion of finance lease liabilities	$ 42,049	$ 32,642
Noncurrent finance lease liabilities	Finance lease liabilities	75,565	40,618
Total finance lease liabilities		$117,614	$ 73,260

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The following table presents information about lease costs and expenses for the years ended December 31, 2023 and 2022 (in thousands):

	2023	2022
Operating lease costs	$ 71,474	$ 71,775
Finance lease costs:		
Amortization of ROU assets	$ 26,485	$ 17,674
Imputed interest on lease liabilities	$ 4,826	$ 3,710
Other lease costs and income:		
Short-term lease costs	$ 2,069	$ 1,549
Variable lease costs [1]	$ 7,208	$ 7,831

[1] Amounts represent variable costs incurred that were not included in the initial measurement of the lease liability such as common area maintenance and utilities costs associated with leased real estate.

The following table provides the undiscounted amount of future cash flows included in the Company's lease liabilities as of December 31, 2023, for each of the five years subsequent to December 31, 2023, and thereafter, as well as a reconciliation of such undiscounted cash flows to the Company's lease liabilities as of December 31, 2023 (in thousands):

	Operating Leases	Finance Leases
2024	$ 60,756	$ 50,097
2025	48,086	38,598
2026	40,230	23,757
2027	32,191	15,612
2028	25,790	1,819
Thereafter	148,742	1,097
Total future lease payments	355,795	130,980
Less: amount representing interest	(94,648)	(13,366)
Present value of future lease payments	$ 261,147	$ 117,614

The following table provides the weighted average remaining lease terms and weighted average discount rates for the Company's leases as of December 31, 2023 and 2022:

	2023	2022
Weighted average remaining lease term, weighted based on lease liability balances:		
Operating leases	10.7 years	10.7 years
Finance leases	3.1 years	2.5 years
Weighted average discount rate, weighted based on remaining balance of lease payments:		
Operating leases	5.5 %	5.6 %
Finance leases	7.4 %	5.4 %

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The following table provides certain cash flows and supplemental non-cash information related to our leases for the years ended December 31, 2023 and 2022 (in thousands):

	2023	2022
Non-cash operating lease assets obtained in exchange for operating lease liabilities	$ 70,150	$ 35,354
Operating cash payments for operating leases	$ 71,605	$ 71,105
Financing cash payments for finance leases	$ 37,176	$ 34,983

Sale-Leaseback Arrangements

During the year ended December 31, 2023, the Company entered into eleven failed sale-leaseback arrangements under ASC 842 for the purpose of financing capital expenditures. The sales leaseback transactions were as follows:

Sale Leaseback Transactions

Start Date	Cash Received	Term
May 2023 (Arrangement 1)	$ 1,345	36 months
May 2023 (Arrangement 2)	3,672	36 months
May 2023 (Arrangement 3)	2,237	36 months
June 2023	1,005	36 months
July 2023	9,216	36 months
August 2023 (Arrangement 1)	4,644	48 months
August 2023 (Arrangement 2)	5,606	36 months
September 2023 (Arrangement 1)	4,942	48 months
September 2023 (Arrangement 2)	24,569	48 months
December 2023 (Arrangement 1)	7,338	48 months
December 2023 (Arrangement 2)	7,289	48 months
Proceeds from sale leaseback	$ 71,863	

During the year ended December 31, 2022, the Company entered into five failed sale-leaseback arrangements under ASC 842 for the purpose of financing capital expenditures. The sales leaseback transactions were as follows:

Sale Leaseback Transactions

Start Date	Cash Received	Term
March 2022	$ 16,000	36 months
June 2022	10,892	36 months
August 2022	6,747	36 months
October 2022 (Arrangement 1)	4,187	36 months
October 2022 (Arrangement 2)	4,126	36 months
Proceeds from sale leaseback	$ 41,952	

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10. LONG-TERM DEBT

Long-term debt consisted of the following as of December 31, 2023 and 2022:

	2023	2022
First lien term loan—USD	$1,422,093	$1,414,710
First lien term loan—Euro	540,631	521,477
Second lien term loan	240,000	240,000
First lien term loan—Outside Broadcast	1,197	1,338
Revolving line of credit	171,490	186,000
Revolving line of credit—NEP Australia	19,128	19,096
Revolving line of credit—NEP New Zealand	7,900	11,112
First lien term loan—NEP Sweden	1,214	2,333
	2,403,653	2,396,066
Less current portion	(29,084)	(28,306)
Less unamortized discount and issuance costs	(49,962)	(25,406)
Long-term portion	$2,324,607	$2,342,354

The Company's Credit Arrangements

On October 19, 2018, the Company entered into multiple credit agreements with a financial institution and other lenders. The credit agreements were entered into as a means to finance a portion of the NEP Group, Inc. Acquisition and were comprised of a $250.0 million revolving credit facility, a $1,130.0 million USD first lien term loan, a 397.1 million EUR, or approximately $450.3 million USD, Euro first lien term loan (collectively, the "First Lien Credit Facilities"), and a $240.0 million USD second lien term loan (all together collectively, the "Credit Agreements").

First Lien Credit Facilities—On August 13, 2019, the Company amended its Euro first lien term loan, increasing it by 110.0 million EUR, or approximately $122.3 million.

On June 2, 2020, the Company amended its USD first lien term loan and entered into a New Term Facility (the "2020 Dollar Term Facility") in an aggregate amount of $100.0 million. On February 26, 2021, the Company elected to exercise its right to borrow $25.0 million on the Delayed Draw Term Loans under the 2020 Dollar Term Facility.

On November 23, 2021, the Company amended its USD first lien term loan and entered into a New Term Facility (the "2021 Dollar Term Facility") in an aggregate amount of $210.0 million.

On October 7, 2022, the Company amended its revolving credit facility to extend the maturity date. Under this amendment, the maturity date of the revolving credit facility was extended to February 28, 2025, and applied to $245.0 million of the $250.0 million of revolving credit facility limit. The remaining $5.0 million of revolving credit facility not included in the extended maturity date matured on October 19, 2023. Additionally, the revolving credit facility's LIBOR rate loan borrowings were converted to SOFR rate loan borrowings.

On March 6, 2023, the Company amended its revolving credit facility to increase the letter of credit sublimit by $10.0 million from $20.0 million to $30.0 million.

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On May 26, 2023, the Company amended the reference rate of its first lien credit facilities whereby all existing LIBOR borrowings converted to SOFR Rate Loan borrowings.

On December 14, 2023, the Company amended its first lien credit facilities to extend the maturity dates. Other terms and conditions are as follows:

USD (in millions)	Maturity		Extended	Original Issuance Discount		Interest Rate	Exit
	Former	Amended	Tranche[1]	PIK[2] %	PIK[2] Amount	PIK[3] %	Premium
USD First Lien Term Loan[6]	Oct 2025	Aug 2026	$ 1,069.3	1.50%	$ 16.0	1.50%	2.00%
2020 Dollar Term Facility	Jun 2025	Jun 2026	121.1	2.00%	2.4	1.50%	2.00%
2021 Dollar Term Facility	Oct 2025	Aug 2026	206.3	1.50%	3.1	1.50%	2.00%
Euro First Lien Term Loan[7]	Oct 2025	Aug 2026	533.8	1.50%	8.0	1.50%	2.00%

	Interest Rates as of December 31,		Installment	Final
	2023	2022	Payments[8]	Payment[5]
USD First Lien Term Loan[6]	8.72%	7.63%	$ 2.8	$ 1,054.8
2020 Dollar Term Facility	13.72%	12.63%	0.3	120.4
2021 Dollar Term Facility	9.47%	8.38%	0.5	203.7
Euro First Lien Term Loan[7]	7.34%	5.40%	1.4	526.6

Notes

(1) - Represents the amount of outstanding debt principal immediately prior to the amendment

(2) - "Paid-in-kind" upfront fee

(3) - "Paid-in-kind" interest per annum. All PIK interest is automatically capitalized and added to oustanding principal and bears interest

(4) - Applies for any prepayment, exit event, or maturity

(5) - Plus any exit premium and incremental accrued PIK

(6) - A "non-extended" tranche of the remaining original term loan amount of $7.0 million did not extend maturity and was not subject to any change in terms conditions.

(7) - Functional currency as follows - extended tranche (483.6 million EUR), OID PIK (7.3 million EUR), installment payment (1.3 million EUR), final payment (477.0 million EUR)

(8) - Installment payments are issued quarterly

Revolving Credit Facility—The amendment extended the maturity date from February 2025 to May 2026. No other terms or conditions were modified from the amendment.

The combined amount of outstanding borrowings under the revolving line of credit and the letters of credit may not exceed $245.0 million. The total amounts available under the revolving line of credit at December 31, 2023 and 2022, were $53.9 million and $50.7 million, respectively. The total amount of outstanding letters of credit as of December 31, 2023 and 2022, were $19.6 million and $13.3 million, respectively.

Interest rates for the revolving credit facility were 8.86% - 11.00% and 7.73% - 9.50% at December 31, 2023 and 2022, respectively.

USD Second Lien Term Loan—The USD Second Lien Term Loan is payable in full at maturity date at October 2026.

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Interest is charged at either the lender's base rate or at SOFR plus an applicable margin, at the Company's discretion.

Interest rates for the USD Second Lien Term Loan were 12.47% and 11.38% at December 31, 2023 and 2022, respectively.

The Credit Agreements are guaranteed on a senior basis by all of the Company's subsidiaries and are collateralized by substantially all of the assets of the Company and its subsidiaries. The Credit Agreements contain certain covenants that require the Company to maintain a minimum leverage coverage ratio. The credit agreements further limit declaration of dividends and additional indebtedness and contain restrictions on the transferring of assets and the transferring or encumbering of the Company's stock. The Company is currently in compliance with all financial covenants required under the Credit Agreements.

Borrowings under the Company's Credit Agreements are subject to mandatory prepayment terms in the event of a debt or equity issuance, a recovery event, asset disposition, or excess cash flows, as defined in the Credit Agreements.

Interest for both the First Lien Credit Facilities and Second Lien Term Loan is charged at either the lender's base rate or SOFR plus an applicable margin and are payable in one-, two-, three-, or six-month interest periods at the Company's discretion.

Outside Broadcast Debt—In connection with the Company's acquisition of Outside Broadcast on April 29, 2015, the Company assumed Outside Broadcast's debt. As of December 31, 2023 and 2022, respectively, this debt balance is comprised of an outstanding loan with a third party financial institution.

Outside Broadcast's remaining outstanding loan balance as of December 31, 2023 and 2022 was approximately 1.1 million EUR, or $1.2 million, and 1.3 million EUR, or $1.3 million, respectively, and matures in November 2029. Principal and interest payments are payable quarterly. As of December 31, 2023, and 2022, the interest rate was 1.83%, respectively.

NEP Sweden Debt—In connection with the Company's asset purchase of Jupiter Technologies AB (Jupiter) on November 1, 2022, the Company assumed Jupiter's debt. As of December 31, 2023, this debt balance is comprised of two outstanding loans (Loan A and Loan B) with a third party legal entity.

NEP Sweden's remaining outstanding loan balance as of December 31, 2023 and 2022 was approximately 12.3 million SEK, or $1.2 million, and 24.3 million SEK, or $2.3 million, respectively. Loan A matures on October 31, 2025 and Loan B matures on April 30, 2024. Principal and interest payments are payable monthly. As of December 31, 2023 and 2022, the interest rate was 0%. The interest rate for Loan A and Loan B increases to 5.0% in calendar year 2024 and the interest rate for Loan A increases to 10.0% in calendar year 2025.

NEP Australia and New Zealand Debt— During 2015, NEP Australia entered into a credit agreement with a third-party financial institution. The credit agreement is comprised of a few revolving credit facilities as summarized in the table below, with the respective outstanding balances (in USD) as of December 31, 2023 and 2022:

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Revolving Credit Facilities

Facility	Borrowing Capacity	Maturity	2023	2022
Facility A	28.0M AUD, or $19.1M	March 31, 2025	$ 19,068	$ 19,096
Facility E1	14.0M NZD, or $8.8M	March 31, 2024	4,108	7,303
Facility E2	6.0M NZD, or $3.8M	March 31, 2024	3,792	3,810

Other Credit Facilities

Facility	Borrowing Capacity	Maturity	Facility Type
Facility B	4.5M AUD, or $3.1M	March 31, 2024	Multi Option
Facility C	2.0M AUD, or $1.4M	March 31, 2024	Overdraft
Facility D	1.5M AUD, or $1.0M	March 31, 2024	Travel Credit Card

As of December 31, 2023 and 2022, the other credit facilities did not have an outstanding balance. The total amount of outstanding letters of credit under Facility B as of December 31, 2023 and 2022, were 4.5 million AUD, or $3.1 million and 3.0 million AUD, or $2.0 million, respectively.

Generally, the interest payments are payable in one, two, three, or six-month interest periods, at the Company's discretion. These loans bear interest at the Australian Bank Bill Swap Reference Rate plus an applicable margin. As of December 31, 2023 and 2022, the interest rates in effect for Facility A, Facility E1, and Facility E2 were approximately 6.27%, 8.33%, and 8.33%, and 4.88%, 3.55%, and 3.55%, respectively.

The same covenants apply to all of the facilities, which are a minimum leverage ratio and interest cover ratio and a fixed charge coverage ratio covenant. The Company is currently in compliance with the covenants contained in these agreements.

Five-year maturities of long-term debt as of December 31, 2023 were as follows:

2024	$ 29,084
2025	46,903
2026	2,327,019
2027	184
2028	184
Thereafter	279
	$ 2,403,653

11. INCOME TAXES

The Company files income tax returns in the US federal jurisdiction and various state and foreign jurisdictions. The Company is responsible for paying the taxes relating to such items, including any subsequent adjustments resulting from the redetermination of such tax liabilities by the applicable taxing authorities.

Loss before income taxes as of December 31, 2023 and 2022, were as follows:

	2023	2022
United States	$(166,165)	$(114,884)
International	(42,571)	(41,276)
Loss before income taxes	$(208,736)	$(156,160)

Income tax benefit (expense) as of December 31, 2023 and 2022, consisted of the following:

	2023	2022
Current:		
Federal	$ (154)	$ (45)
State	(957)	(478)
Foreign	(5,546)	(6,515)
Total	(6,657)	(7,038)
Deferred:		
Federal	(733)	(2,289)
State	(2,132)	5,404
Foreign	343	2,341
Total	(2,522)	5,456
Income tax expense	$ (9,179)	$ (1,582)

A reconciliation of US income tax computed at the statutory rate to the effective tax rate is as follows:

	Year Ended December 31, 2023 Tax Benefit		Year Ended December 31, 2022 Tax Benefit	
	(Expense)	Rate	(Expense)	Rate
US federal statutory rate	$ 43,749	21.00 %	$ 32,746	21.00 %
Tax rate differential on foreign income	4,881	2.34	2,006	1.29
State income tax—less applicable federal income tax	6,540	3.14	3,704	2.38
Permanently disallowed deductions	(1,531)	(0.73)	308	0.20
Impact of Restructuring			(4,182)	(2.68)
Adjustments to prior year taxes	(2,481)	(1.19)	(3,101)	(1.99)
Stock Compensation	(1,768)	(0.85)	(1,955)	(1.25)
Foreign Currency Gain	305	0.15	(327)	(0.21)
US tax of foreign sourced income	1,618	0.78	2,194	1.41
Valuation allowance	(61,363)	(29.45)	(33,007)	(21.17)
Other	871	0.42	32	0.01
Effective tax rate	$ (9,179)	(4.39)%	$ (1,582)	(1.01)%

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The components of net deferred tax assets and liabilities were as follows as of December 31, 2023 and 2022:

	2023	2022
Deferred tax assets:		
Accrued expenses	$ 4,923	$ 5,561
Deferred rent	155	861
Compensation accruals	6,031	5,445
Stock options	1,648	1,238
Transaction costs	211	33
Unrealized loss	7,747	10,593
Disallowed interest expense	108,867	71,928
Operating lease liabilities	64,284	65,572
Capitalized research and development	934	-
Debt refinancing	6,868	-
Partnership basis differences	1,256	-
Other	4,331	1,972
Net operating losses:		
Federal	97,177	98,188
State	20,856	17,163
Foreign	50,770	44,794
Deferred tax assets	376,058	323,348
Valuation allowance	(178,898)	(111,241)
Net deferred tax assets	197,160	212,107
Deferred tax liabilities:		
Property, plant, and equipment	(58,553)	(60,947)
Intangible assets	(80,322)	(85,370)
Operating lease right of use assets	(62,844)	(65,366)
Interest rate swap	(1,748)	(7,016)
Total deferred tax liabilities	(203,467)	(218,699)
Net deferred tax liabilities	$ (6,307)	$ (6,592)

At December 31, 2023, the Company has federal, state, and foreign net operating loss carryforwards in the amount of $462.7 million, $314.3 million, and $218.8 million, respectively, which are set to expire in various periods from 2024 through 2043. At December 31, 2022, the Company has federal, state, and foreign net operating loss carryforwards in the amount of $467.6 million, $277.0 million, and $183.1 million, respectively, which are set to expire in various periods from 2023 through 2043.

Deferred taxes arise due to temporary differences in the basis of assets and liabilities and from net operating losses and credit carryforwards. In general, deferred tax assets represent future tax benefits to be received when certain expenses previously recognized in the Company's consolidated statements of operations and comprehensive loss become deductible under applicable income tax laws, or loss and credit carryforwards are utilized. Accordingly, realization of deferred tax assets is dependent on future

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taxable income against which these deductions, losses, and credits can be utilized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

As of December 31, 2023 and 2022, the Company maintained a valuation allowance of $101.9 million and $53.4 million, respectively, on US federal and state net deferred tax assets and $77.0 million and $57.8 million, respectively, on non-US deferred tax assets. During 2023, the Company increased the US valuation allowance by $48.4 million in accordance with the expected reversal of deferred tax assets and liabilities. The Company maintains a valuation allowance where it has determined it is more-likely-than-not that the benefit of certain deferred tax assets will not be realized. The entire amount of the US balance of $101.9 million relates to U.S. federal and state net operating losses and IRC Section 163j interest limitation carryforwards that the Company does not believe it will generate sufficient taxable income to utilize. The non-US valuation allowances are primarily in Australia, Ireland, Sweden, the United Kingdom, and the Netherlands and are related to a history of pre-tax losses.

On January 31, 2024, the Company completed the divestiture of its SOS Global Express, Inc. business. The assets and liabilities of SOS are classified as held for sale as of December 31, 2023. The Company analyzed the tax implications of the sale and the potential need to record deferred taxes for the outside basis differences in the entities and determined there is no tax expense expected in the sale of the foreign subsidiaries and as a result, no deferred taxes were recorded in relation to the entities held for sale. The Company does not anticipate it will dispose of any additional foreign subsidiaries in the foreseeable future and therefore has not recorded deferred taxes on the difference between the financial reporting and tax basis of its investments. The Company had an overall accumulated deficit in its foreign subsidiaries as of December 31, 2017 and therefore no transition tax was incurred under the Tax Cuts and Jobs Act ("Tax Act"). Certain of the Company's foreign subsidiaries with accumulated earnings that were deemed remitted under the Tax Act were not significant and are considered indefinitely reinvested. Upon actual cash distribution of these earnings, the Company may be subject to US taxation on currency gains or losses that occur between the date the earnings were deemed remitted and the date cash is distributed in the future, state income taxes and withholding taxes where applicable. We estimate that we will not incur significant additional taxes on those potential remittances.

The following is a reconciliation of the gross amounts of unrecognized income tax benefits as of December 31, 2023 and 2022:

	2023	2022
Balance—January 1	$ 3,382	$ 3,336
Gross decreases for tax positions of prior years	(71)	-
Gross increases for tax positions of current year	256	143
Lapse of statute of limitations	(102)	(97)
Balance—December 31	$ 3,465	$ 3,382

As of December 31, 2023 approximately $2.8 million of the $3.4 million and as of December 31, 2022 approximately $2.8 million of the $3.4 million, respectively, of unrecognized tax benefits would reduce the Company's effective tax rate if recognized.

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The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. In 2022, the Company continued to accrue an insignificant amount of interest expense in income tax expense. In 2023 and 2022, approximately $0.2 million and $0.1 million, respectively, were accrued for payment of interest and penalties.

During 2023 or 2022, the Company has not identified new uncertain tax positions related to the acquisitions which occurred during the year.

The statute of limitations for the Company's federal and state income tax returns is generally three years. However, to the extent there are federal and state net operating losses being carried forward from prior years, those tax years remain open under statute until the net operating loss has been utilized, upon which time the three-year statute begins. As such, the Company's federal and state tax returns that remain subject to examination would be primarily from 2004 and thereafter. The Company's foreign tax returns that remain subject to examination would be primarily from 2021 and thereafter for the Netherlands, from 2017 and thereafter for Sweden, 2020 and thereafter for Finland, from 2019 and thereafter for Australia, from 2018 and thereafter for Germany, and from 2021 and thereafter for the United Kingdom.

12. SHAREHOLDERS' EQUITY

NEP Common Stock—Class A and Class B

In conjunction with the NEP Group, Inc. Acquisition, the Company was formed with the authority to issue 12,500,000 shares of Common Stock, with a par value of $0.01 per share. In January 2023 and August 2023, the Company's Board of Directors authorized an increase of 300,000 shares and 100,000 shares of Common Stock, respectively, for an accumulated total authorized issuance of 12,900,000. Of the total Common Shares, 11,500,000 shares are designated "Class A Common Stock" and 1,400,000 shares are designated "Class B Common Stock." There were no shares of the Class B Common Stock issued as of December 31, 2023.

Voting Rights—Each holder of Class A Common Stock shall be entitled to one vote for each share thereof held of record by such holder on all matters on which stockholders generally are entitled to vote. Each holder of Class B Common Stock shall not be entitled to any voting powers for such shares thereof, except as (and then only to the extent) otherwise required by the laws of the State of Delaware. If a vote or consent of the holders of Class B Common Stock should at any time be required by the laws of the State of Delaware on any matter, each holder of the shares of Class B Common Stock shall be entitled to 1/1,000,000th of a vote on such matter for each share of Class B Common Stock held of record by such holder.

Liquidation Preferences—In the event of any dissolution, liquidation or winding up of the Company, the holders of Class A Common Stock shall first be entitled to receive an amount of the distributable assets of the Company equal to the aggregate amount of catch-up contributions on a pro rata proportion to the number of shares held. Secondly, each holder of shares of Class B Common Stock shall be entitled to the pro rata portion of the remaining amount of the distributable assets after the aforementioned distribution to each of the holders of Class A Common Stock and to each holder of shares of the Class A Common Stock, the remaining amount of distributable assets not otherwise allocated to the holders of Class B Common Stock pro rata in proportion to the number of such shares held.

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Series A Preferred Stock

On January 19, 2023 (the "issue date"), NEP's shareholders authorized the issuance of 225,000 shares of Preferred Stock and NEP entered into a Series A Preferred Stock ("Preferred Stock") Agreement with an original six month term with the Carlyle Group under which Carlyle Group had the right to purchase up to 176,942 shares. 122,173 shares were issued during the year at a purchase price of $1,000 per share. Issuance costs of $0.6 million were deducted from the related proceeds. As of December 31, 2023, total accrued paid-in-kind dividends were $18.4 million, and total balance of preferred stock was $139.9 million.

Redemption Features—At any time after the 3rd anniversary of the issue date, the Company shall have the right, at its option, to redeem all or any portion of the shares of Series A Preferred Stock at a redemption price of $1,000 per share (the "liquidation value") plus accrued dividends plus any additional premium as determined in good faith by the Board of Directors in the event of excess equity from an exit event (the "redemption price"). Upon the occurrence of an exit event, the Company shall redeem all of the shares of Preferred Stock at the redemption price.

Voting Rights—Each holder of Preferred Stock shall be entitled to one vote for each share held of record on all matters voted on by holders of Class A Common Stock; voting together as a single class. As long as any share of the Preferred Stock is outstanding, the Company must obtain Preferred Stock voter majority prior to modifying any by-laws of incorporation, authorizing any class of senior securities, or to change the authorized number of shares of Preferred Stock.

Liquidation Preferences—In the event of any liquidation, each holder shall be entitled to receive liquidating distributions out of the assets of the Company legally available for distribution to its stockholders, after satisfaction of all liabilities and obligations to creditors of the Company, but before any payment or distribution of any assets of the Company is made or set apart for holders of any Junior Securities, including the Common Stock, for such Holder's shares of Series A Preferred Stock in an amount equal to the redemption price, in each case of such shares as of the date of the liquidation, and each holder would not be entitled to any further payment with respect to such shares.

Dividends—Holders of the issued and outstanding shares of Series A Preferred Stock are entitled to receive dividends annually on December 31 of each year, commencing on the first such date following the issue date. Dividends shall accrue on a daily basis at the rate of SOFR plus 15% on the liquidation value and on any accrued dividends with respect to such share, whether or not declared by the Company and whether or not the Company has funds available to make payment thereof. In the event of any liquidation, each holder of the Preferred Stock is entitled to receive liquidating distributions in an amount equal to the redemption price. Since the accrued dividends increase the liquidation preferences, this feature was treated as a paid-in-kind dividend. No dividends have been declared as of December 31, 2023.

13. STOCK-BASED COMPENSATION

NEP Share-Based Awards—The NEP Group Holdings, Inc. Equity Incentive Plan (the "Option Plan") provides for the grant of incentive stock options, nonqualified stock options and other share-based awards to persons or entities that provide services to the Company or its affiliates who, in the opinion of the Company's Board of Directors, are in a position to make a contribution to the long-term success of the Company. The Option Plan initially authorized the issuance of awards up to an aggregate of 1,000,000 shares of the Company's common stock. In August 2020, the Company's Board of Directors

amended the Option Plan to permit the issuance of an additional 300,000 shares or up to an aggregate of 1,300,000 shares of the Company's common stock.

In September 2023, the Company's Board of Directors amended the Option Plan to permit the issuance of an additional 100,000 shares or up to an aggregate of 1,400,000 shares of the Company's common stock.

In accordance with ASC 718, *Compensation—Stock Compensation*, compensation expense for stock options is recorded over the vesting period based on the fair value at the date of grant. The fair value of stock options at the date of grant was calculated using the Black-Scholes model, and the assumptions are listed below:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Expected dividend yield	- %	- %
Expected life (years)	6.5	6.5
Expected volatility	43.04%–43.82%	40.86%–42.56%
Risk-free interest rate	3.44%–4.54%	1.57%–4.14%
Weighted average fair value of options granted	$ 59.08	$ 51.31

The Black-Scholes model determines the fair value of equity-based payment awards based on the fair value of the underlying common stock on the date of grant and requires the use of estimates and assumptions, including the fair value of the Company's common stock, exercise price of the stock option, expected volatility, expected life, risk-free interest rate, and dividend rate.

Volatility—The Company estimates the expected volatility of its stock options by taking the average historical volatility of a group of comparable publicly traded companies over a period equal to the expected life of the options; it is not practical for the Company to estimate its own volatility due to the lack of a liquid market and historical prices.

Expected Life— The expected life or term of the units was determined by applying the simplified method, using the mid-point between the vesting period and the contractual term for each grant as the expected life.

Risk-Free Interest Rate—The risk-free interest rate is the estimated average interest rate based on US Treasury zero-coupon notes with terms consistent with the expected life of the awards.

Forfeiture Rate—The Company accounts for forfeitures of awards as they occur.

Dividend Yield—The Company has not historically paid and does not expect to pay dividends in the near future. As such, the dividend yield is 0%.

The aforementioned assumptions used in calculating the fair value of the stock options represent management judgment. As a result, if factors change and different assumptions are used, the stock-based compensation expense could be materially different in the future.

Class A Time-Vesting Options and Class B Units

A portion of the stock options granted vest based on the passage of time (Time-vesting Options) and a portion vest based on the achievement of performance conditions (Performance-vesting Options).

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Changes in the Company's time-vesting Class A stock options were as follows:

	Time-Vesting Class A Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
Options outstanding—December 31, 2021	345,691	101.84	7.5
Granted	138,290	109.56	-
Exercised	-	-	-
Forfeited	(13,330)	101.84	-
Options outstanding—December 31, 2022	470,651	104.11	7.4
Options vested and expected to vest—December 31, 2022	470,651	104.11	7.4
Options exercisable—December 31, 2022	219,872	101.84	6.2
Options outstanding—December 31, 2022	470,651	104.11	7.4
Granted	301,317	117.11	-
Exercised	-	-	-
Forfeited	(54,812)	103.40	-
Options outstanding—December 31, 2023	717,156	109.52	7.7
Options vested and expected to vest—December 31, 2023	717,156	109.52	7.7
Options exercisable—December 31, 2023	291,448	102.61	5.5

The Option Plan also provides for the grant of Class B Unit awards. The grant date fair value of the Class B Unit awards is determined by Management on the date of grant and approved by the Board of Directors. A portion of the Class B Unit awards vest based the passage of time (Time-vesting Class B Units) and a portion vest based on the achievement of performance conditions (Performance-vesting Class B units).

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Changes in the Company's time-vesting Class B Unit awards were as follows:

	Time-Vesting Class B Units	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
Class B Units outstanding—December 31, 2021	476,000	101.84	8.5
Granted	8,000	101.84	-
Exercised	-	-	-
Forfeited	-	-	-
Class B Units outstanding—December 31, 2022	484,000	101.84	7.5
Class B Units vested and expected to vest—December 31, 2022	484,000	101.84	7.5
Class B Units exercisable—December 31, 2022	218,000	101.84	7.3
Class B Units outstanding—December 31, 2022	484,000	101.84	7.5
Granted	-	-	-
Exercised	-	-	-
Forfeited	(148,800)	101.84	-
Class B Units outstanding—December 31, 2023	335,200	101.84	6.5
Class B Units vested and expected to vest—December 31, 2023	335,200	101.84	6.5
Class B Units exercisable—December 31, 2023	311,600	101.84	6.4

Compensation expense relating to all time-vesting stock awards (employee and nonemployee) is recorded on a straight-line basis. During the years ended December 31, 2023 and 2022, compensation expense related to stock options was $4.5 million and $2.9 million, respectively. As of December 31, 2023 and 2022, the total unrecognized compensation cost related to time-vesting options outstanding was $21.5 million and $9.7 million, respectively, and is expected to be recognized over a weighted average period of 4.4 years and 3.8 years, respectively.

During the years ended December 31, 2023 and 2022, compensation expense related to Class B Units was $5.5 million and $8.0 million, respectively. As of December 31, 2023 and 2022, the total unrecognized compensation cost related to time-vesting Class B Units outstanding was $1.6 million and $19.3 million, respectively, and is expected to be recognized over a weighted average period of 2.0 years and 2.6 years, respectively.

Class A Performance-Vesting Options and Class B Units

The Company has certain options and Class B Units that vest based on performance conditions achieved.

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Changes in the Company's performance-vesting Class A stock options were as follows:

	Performance-Vesting Class A Options	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
Options outstanding—December 31, 2021	86,423	101.84	7.5
Granted	34,573	109.56	-
Exercised	-	-	-
Forfeited	(3,445)	101.84	-
Options outstanding—December 31, 2022	117,551	104.11	7.4
Options exercisable—December 31, 2022	-	-	-
Options outstanding—December 31, 2022	117,551	104.11	7.4
Granted	73,995	117.11	-
Exercised	-	-	-
Forfeited	(13,703)	103.40	-
Options outstanding—December 31, 2023	177,843	109.54	7.7
Options exercisable—December 31, 2023	-	-	-

None of the performance-vesting options vested and no stock-based compensation expense was recognized, as the performance condition was not considered probable, during the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the total unrecognized compensation cost related to performance-vesting options outstanding was $8.6 million and $4.7 million, respectively.

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Changes in the Company's performance-vesting Class B Unit awards were as follows:

	Performance-Vesting Class B Units	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)
Class B Units outstanding—December 31, 2021	119,000	101.84	8.5
Granted	2,000	101.84	-
Exercised	-	-	-
Forfeited	-	-	-
Class B Units outstanding—December 31, 2022	121,000	101.84	7.5
Class B Units exercisable—December 31, 2022	-	-	-
Class B Units outstanding—December 31, 2022	121,000	101.84	7.5
Granted	-	-	-
Exercised	-	-	-
Forfeited	(51,000)	101.84	-
Class B Units outstanding—December 31, 2023	70,000	101.84	6.5
Class B Units exercisable—December 31, 2023	-	-	-

None of the performance-vesting Class B Units vested and no stock-based compensation expense was recognized as the performance condition was not considered probable, during the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the total unrecognized compensation cost related to performance-vesting Class B Units outstanding was $6.0 million and $10.2 million, respectively.

14. RELATED-PARTY TRANSACTIONS

The Company has a consulting agreement with its majority shareholder, The Carlyle Group. As part of this consulting agreement, the Company is to pay an annual management fee of $2.5 million, plus expense reimbursements of up to $0.3 million. These fees are payable in advance in equal quarterly installments. During the years ended December 31, 2023 and 2022, management fees paid were $1.3 million and $6.9 million, respectively. These fees are recorded within Other Expense on the statement of operations and comprehensive loss.

In 2020, the Company entered into stock subscription agreements with certain employees and shareholders that were collateralized with a recourse note. These employees were terminated in 2023, and the notes were fully redeemed for $1.0 million.

The Company's corporate facility is leased through Development Partners, a real estate partnership, the ownership of which is comprised of certain members of management. For each of the years ended December 31, 2023 and 2022, the Company made payments on the lease totaling $1.0 million and $0.9 million, respectively.

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15. EMPLOYEE BENEFIT PLAN

The Company has a 401(k) Savings Plan (the "Plan") that allows employees to contribute from their annual compensation, subject to statutory limitations. The Plan covers all full-time employees who have attained age 18 as of the first of the month following the date of hire. The Company matches up to 2.0% of employee contributions and may make additional discretionary contributions equal to a percentage of eligible compensation. The Company's contribution remitted to the Plan during the years ended December 31, 2023 and 2022, was $3.4 million and $3.1 million, respectively.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Risk Management Objective of Using Derivatives

The Company is exposed to risk from both its business operations and economic conditions. The Company principally manages its exposures to operational risks through its core business activities. Economic risks, including interest rate, liquidity, and credit risk are managed through the use of derivative financial instruments. Specifically, the Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During 2023 and 2022, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in comprehensive loss and subsequently reclassified into interest expense in the same period during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt.

The Company entered into the following series of forward starting swaps to hedge against changes in interest rates with the credit facility, and were designated as cash flow hedges.

Trade Date	Effective Date	Maturity Date	Notional
October 2018	October 2018	October 2023	515M USD
October 2018	October 2018	October 2023	100M USD
October 2018	October 2018	October 2023	235M USD
October 2018	December 2018	September 2023	275M EUR
July 2020	June 2020	October 2023	100M USD
October 2022	October 2022[1]	October 2024	300M - 713M USD
October 2022	December 2022	October 2024	100M - 238M USD
January 2023	October 2023	October 2024	75M - 350M EUR
December 2023	October 2024	December 2025	400M USD
			500M USD

(1) In accordance with the LIBOR to SOFR reference rate transition described in ASU 2020-04, the effective date for the swaps were amended to begin May 2023.

Credit Risk Management

The Company regularly reviews the creditworthiness of its financial counterparties and does not expect to incur a significant loss from the failure of any counterparties to perform under any agreements. The Company is not subject to any obligations to post collateral under derivative instrument contracts. Certain derivative instrument contracts entered into by the Company are governed by master agreements, which contain credit-risk-related contingent features that would allow the counterparties to terminate the contracts early and request immediate payment should the Company trigger an event of default on other specified borrowings. The Company records all derivative instruments on a gross basis in the consolidated balance sheets. Accordingly, there are no offsetting amounts that net assets against liabilities.

Fair Value of Derivative Instruments

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets as of December 31, 2023 and 2022.

		Derivatives	
	Consolidated Balance Sheet Location	2023	2022
Asset—Interest rate swaps	Other current assets	$ 7,519	$ 22,386
	Other assets	$ -	$ 1,142
Liability—Interest rate swaps	Other liabilities	$ (1,355)	$ (1,735)

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Effect of Cash Flow Hedge Accounting on Accumulated Other Comprehensive Loss

The table below presents the effect of cash flow hedge accounting on accumulated other comprehensive loss as of December 31, 2023 and 2022.

	Amount of Gain/(Loss) Recognized in AOCL (Net of Tax) on Derivatives (Effective Portion)	
	2023	2022
Interest rate swaps	$ (16,374)	$ 62,635

Effect of Cash Flow Hedge Accounting on the Consolidated Statements of Operations and Comprehensive Loss

The table below presents the effect of the Company's derivative financial instruments on the consolidated statements of operations and comprehensive loss for the years ended December 31, 2023 and 2022.

	Consolidated Income Statement Location	Amount of (Income) Loss Reclassified from AOCL into Earnings (Effective Portion)	
		December 31, 2023	December 31, 2022
Interest rate swaps	Interest expense	$ (26,258)	$ 13,945

Fair Value Measurement

Financial assets and liabilities carried at fair value are classified in the tables below in one of three categories described within Note 1, Organization and Significant Accounting Policies.

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Interest rate swap contracts, net	$ -	$ 6,164	$ -	$ 6,164

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Interest rate swap contracts, net	$ -	$ 21,793	$ -	$ 21,793

The following section describes the valuation methodology used to measure the Company's financial assets and liabilities that were accounted for at fair value:

	Level	Significant Inputs
Interest rate swap contract	2	Broker quotations, market transactions in either listed or over-the counter markets

Overview of Valuation Methodology

As required by U.S. GAAP for fair value measurements and disclosures, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and the placement within the fair value hierarchy levels. There were no transfers between Level 1 and Level 2 during the periods presented.

17. SUBSEQUENT EVENTS

On January 11, 2024, the Company entered into another forward starting swap. This swap was designed as a cash flow hedge against the Company's floating-rate debt. The Company executed $500.0 million of a notional value swap with an effective date of October 31, 2024. The swap has a maturity of 14 months.

On January 31, 2024, the Company completed the divestiture of its SOS Global Express, Inc. ("SOS") business, which is a global provider of asset light, freight forwarding and logistics management services for $64.0 million, net of cash on hand.

On February 29, 2024, an additional 30,000 shares of Series A Preferred Stock were issued at a price of $1,000 per share, or $30.0 million.

The Company has evaluated and disclosed subsequent events through March 27, 2024, the date when these consolidated financial statements were available to be issued. Except as indicated, no matters were identified that require adjustment to or disclosure within the consolidated financial statements.

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