FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2022-05-05** | Period of Report: **2022-03-31**
SEC Accession No. 0001558370-22-007225

(HTML Version on secdatabase.com)

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CPI Card Group Inc.

CIK:**1641614**| IRS No.: **260344657** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-37584** | Film No.: **22894029**
SIC: **2750** Commercial printing

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934**

For the Quarterly Period Ended March 31, 2022.

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Transition Period from to

Commission File Number: 001-37584

CPI Card Group Inc.
(Exact name of the registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**26-0344657** (I.R.S. employer identification no.)
10368 W. Centennial Road **Littleton, CO** (Address of principal executive offices)	**80127** (Zip Code)

(720) 681-6304
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.001 par value	PMTS	Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

Number of shares of Common Stock, $0.001 par value, outstanding as of April 28, 2022: 11,255,466

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PART I - Financial Information
Item 1. Financial Statements

CPI Card Group Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(Amounts in Thousands, Except Share and Per Share Amounts)
(Unaudited)

	March 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 12,136	$ 20,683
Accounts receivable, net of allowances of $162 and $86, respectively	71,177	60,953
Inventories	70,516	58,009
Prepaid expenses and other current assets	6,166	5,522
Income taxes receivable	-	534
Total current assets	159,995	145,701
Plant, equipment, leasehold improvements and operating lease right-of-use assets, net	49,963	47,251
Intangible assets, net	20,887	21,854
Goodwill	47,150	47,150
Other assets	7,740	6,184
Total assets	$ 285,735	$ 268,140
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	$ 30,384	$ 26,443
Accrued expenses	29,672	37,150
Deferred revenue and customer deposits	498	1,182
Total current liabilities	60,554	64,775
Long-term debt	314,388	303,626
Deferred income taxes	5,895	5,253
Other long-term liabilities	18,955	15,506
Total liabilities	399,792	389,160
Commitments and contingencies (Note 14)		
Series A Preferred Stock; $0.001 par value—100,000 shares authorized; 0 shares issued and outstanding at March 31, 2022 and December 31, 2021	—	—
Stockholders' deficit:		
Common stock; $0.001 par value—100,000,000 shares authorized; 11,255,466 shares issued and outstanding at March 31, 2022 and December 31, 2021	11	11
Capital deficiency	(109,821)	(110,782)
Accumulated loss	(4,247)	(10,249)
Total stockholders' deficit	(114,057)	(121,020)
Total liabilities and stockholders' deficit	$ 285,735	$ 268,140

See accompanying notes to condensed consolidated financial statements

CPI Card Group Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income
(Amounts in Thousands, Except Share and Per Share Amounts)
(Unaudited)

	Three Months Ended March 31, 2022	2021
Net sales:		
Products	$ 68,316	$ 47,013
Services	43,108	42,079
Total net sales	111,424	89,092
Cost of sales:		
Products (exclusive of depreciation and amortization shown below)	43,094	27,287
Services (exclusive of depreciation and amortization shown below)	26,857	23,668
Depreciation and amortization	2,195	2,416
Total cost of sales	72,146	53,371
Gross profit	39,278	35,721
Operating expenses:		
Selling, general and administrative (exclusive of depreciation and amortization shown below)	19,882	16,146
Depreciation and amortization	1,415	1,806
Total operating expenses	21,297	17,952
Income from operations	17,981	17,769
Other expense, net:		
Interest, net	(7,865)	(8,976)
Other income (expense), net	(1)	25
Loss on debt extinguishment	(395)	(5,048)
Total other expense, net	(8,261)	(13,999)
Income before income taxes	9,720	3,770
Income tax expense	(3,718)	(1,360)
Net income	$ 6,002	$ 2,410
Basic and diluted earnings per share:		
Basic earnings per share:	$ 0.53	$ 0.21
Diluted earnings per share:	$ 0.51	$ 0.21
Basic weighted-average shares outstanding:	11,255,466	11,230,482
Diluted weighted-average shares outstanding:	11,717,849	11,639,015
Comprehensive income:		
Net income	$ 6,002	$ 2,410
Total comprehensive income	$ 6,002	$ 2,410

See accompanying notes to condensed consolidated financial statements

CPI Card Group Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Deficit
(Dollars in Thousands, Excludes per Share Amounts)
(Unaudited)

	Common Stock		Capital	Accumulated	
	Shares	Amount	deficiency	earnings (loss)	Total
December 31, 2021	11,255,466	$ 11	$ (110,782)	$ (10,249)	$ (121,020)
Stock-based compensation		—	961	—	961
Stock option exercises		—	—	—	—
Components of comprehensive income:					
Net income		—	—	6,002	6,002
March 31, 2022	11,255,466	$ 11	$ (109,821)	$ (4,247)	$ (114,057)

	Common Stock		Capital	Accumulated	
	Shares	Amount	deficiency	earnings (loss)	Total
December 31, 2020	11,230,482	$ 11	$ (111,858)	$ (26,190)	$ (138,037)
Stock-based compensation		—	51	—	51
Components of comprehensive income:					
Net income		—	—	2,410	2,410
March 31, 2021	11,230,482	$ 11	$ (111,807)	$ (23,780)	$ (135,576)

See accompanying notes to condensed consolidated financial statements

CPI Card Group Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Amounts in Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2022	**2021**
Operating activities		
Net income	$ 6,002	$ 2,410
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	3,610	4,222
Stock-based compensation expense	961	51
Amortization of debt issuance costs and debt discount	486	887
Loss on debt extinguishment	395	5,048
Deferred income taxes	642	(177)
Other, net	768	200
Changes in operating assets and liabilities:		
Accounts receivable	(10,300)	(5,884)
Inventories	(12,579)	(8,885)
Prepaid expenses and other assets	(2,057)	107
Income taxes, net	932	1,359
Accounts payable	4,173	3,705
Accrued expenses	(8,840)	(2,790)
Deferred revenue and customer deposits	(684)	(556)
Other liabilities	530	447
Cash (used in) provided by operating activities	(15,961)	144
Investing activities		
Capital expenditures for plant, equipment and leasehold improvements	(3,154)	(2,524)
Other	5	155
Cash used in investing activities	(3,149)	(2,369)
Financing activities		
Principal payments on First Lien Term loan	—	(312,500)
Principal payments on Senior Credit Facility	—	(30,000)
Principal payments on Senior Notes	(20,000)	—
Proceeds from Senior Notes	—	310,000
Proceeds from ABL Revolver, net of discount	30,000	14,750
Debt issuance costs	(262)	(9,452)
Payments on debt extinguishment and other	(600)	(2,685)
Proceeds from finance lease financing	2,074	—
Payments on finance lease obligations	(649)	(610)
Cash provided by (used in) financing activities	10,563	(30,497)
Effect of exchange rates on cash	—	3
Net decrease in cash and cash equivalents	(8,547)	(32,719)
Cash and cash equivalents, beginning of period	20,683	57,603
Cash and cash equivalents, end of period	$ 12,136	$ 24,884
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 13,553	$ 8,382
Income taxes paid	$ 94	$ 1
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 816	$ 432
Financing leases	$ 3,541	$ 526
Accounts payable and accrued expenses for capital expenditures for plant, equipment and leasehold improvements	$ 2,293	$ 256

See accompanying notes to condensed consolidated financial statements

CPI Card Group Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Dollars in Thousands, Except Share and Per Share Amounts or as Otherwise Indicated)
(Unaudited)

1. Business Overview and Summary of Significant Accounting Policies

Business Overview

CPI Card Group Inc. (which, together with its subsidiary companies, is referred to herein as "CPI" or the "Company") is a payment technology company and leading provider of comprehensive Financial Payment Card solutions in the United States. CPI is engaged in the design, production, data personalization, packaging and fulfillment of Financial Payment Cards, which the Company defines as credit, debit and Prepaid Debit Cards issued on the networks of the Payment Card Brands (Visa, Mastercard, American Express and Discover). CPI also offers an instant card issuance solution, which provides card issuing bank customers the ability to issue a personalized debit or credit card within the bank branch to individual cardholders.

CPI serves its customers through a network of high-security production and card services facilities in the United States, each of which is audited for compliance with the standards of the PCI Security Standards Council by one or more of the Payment Card Brands. CPI's leading network of high-security production facilities allows the Company to optimize its solutions offerings and to serve its customers.

COVID-19 Update

The COVID-19 pandemic has impacted, and continues to impact, economies and societies globally, including the locations where we, our customers and our suppliers conduct business. The long-term implications of COVID-19 on the Company's results of operations and overall financial performance remain uncertain, though the health and safety of CPI employees remains paramount.

The Company believes the global impacts from COVID-19, along with other factors, have contributed to certain adverse effects on its supply chain, including increased lead times for, and higher costs of, certain raw materials and components, such as microchips, which are expected to continue in the future. CPI closely monitors its supply chain and has and may continue to purchase additional inventory, compile buffer stock and place orders in advance to help mitigate supply chain constraints. The current environment has also affected the available labor pool in the areas in which the Company operates, which has resulted in increased labor cost and turnover in our facilities, challenges hiring production employees and shipping delays. CPI continues to actively recruit additional employees and offer market competitive salaries to mitigate labor shortages.

Though the Company has implemented measures to mitigate the impacts of the labor and supply chain challenges described above, the Company believes that such impacts, and the associated costs, may continue to increase throughout 2022 and possibly beyond. The Company may not be able to pass all of these costs through to its customers. The Company is experiencing increased production lead times, which it believes are likely to continue throughout 2022 and possibly beyond, depending on the duration of the staffing and supply chain challenges and the level of demand from its customers. The Company will continue to monitor and respond as the situation evolves.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. The CARES Act, among other things, included provisions relating to refundable payroll tax credits, deferment of employer social security payments, changes in net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitation and technical corrections to tax depreciation methods for qualified improvement property. The company deferred employer social security payments in 2020 in accordance with the CARES Act, and the first installment repayment was made in the fourth quarter of 2021. The second installment payment is permitted to be paid no later than the fourth quarter of 2022. Refer to Note 8, “Accrued Expenses” for additional discussion.

Basis of Presentation

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to Form 10-Q and Article 8 of Regulation S-X. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for the fair statement of the results of the interim periods presented. The condensed consolidated balance sheet as of December 31, 2021 is derived from the audited financial statements as of that date. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Use of Estimates

Management uses estimates and assumptions relating to the reporting of assets and liabilities at the date of the financial statements, the reported revenues and expenses recognized during the reporting period, and certain financial statement disclosures in the preparation of the condensed consolidated financial statements. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, goodwill and intangible assets, leases, liability for sales tax, valuation allowances for inventories and deferred taxes, revenue recognized for work performed but not completed and uncertain tax positions. Actual results could differ from those estimates.

Recent Accounting Standards

Recently Issued Accounting Standards

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-13, *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). This ASU changes the model for the recognition of credit losses from an incurred loss model, which recognized credit losses only if it was probable that a loss had been incurred, to an expected loss model, which requires the Company to estimate the total credit losses expected on the portfolio of financial instruments. The effective date of ASU 2016-13 was amended by ASU 2019-10, *Credit Losses Effective Dates.* Since CPI is a smaller reporting company, adoption of this accounting standard is effective for the Company for fiscal years beginning after December 15, 2022, and interim periods therein, with early adoption permitted. The Company has elected not to early adopt this accounting standard. The Company is evaluating the impact of adoption of this standard and does not anticipate the application of ASU 2016-13 will have a material impact on the Company's consolidated financial position and results of operations.

2. Net Sales

The Company disaggregates its net sales by major source as follows:

	Three Months Ended March 31, 2022		
	Products	**Services**	**Total**
Debit and Credit	$ 68,348	$ 23,667	$ 92,015
Prepaid Debit	—	19,461	19,461
Intersegment eliminations	(32)	(20)	(52)
Total	$ 68,316	$ 43,108	$ 111,424

	Three Months Ended March 31, 2021		
	Products	**Services**	**Total**
Debit and Credit	$ 47,179	$ 22,638	$ 69,817
Prepaid Debit	—	19,458	19,458
Intersegment eliminations	(166)	(17)	(183)
Total	$ 47,013	$ 42,079	$ 89,092

Products Net Sales

"Products" net sales are recognized when obligations under the terms of a contract with a customer are satisfied. In most instances, this occurs over time as cards are produced for specific customers and have no alternative use and the Company has an enforceable right to payment for work performed. For work performed but not completed and unbilled, the Company estimates revenue by taking actual costs incurred and applying historical margins for similar types of contracts. Items included in "Products" net sales are produced Financial Payment Cards, including contact-EMV®, contactless dual-interface EMV, contactless and magnetic stripe cards, our eco-focused solutions, including Second Wave® and Earthwise™ cards made with upcycled plastic, metal cards, private label credit cards and retail gift cards. Card@Once® printers and consumables are also included in "Products" net sales, and their associated revenues are recognized at the time of shipping. The Company includes gross shipping and handling revenue in net sales, and shipping and handling costs in cost of sales.

EMV® is a registered trademark in the U.S. and other countries and an unregistered trademark elsewhere. The EMV trademark is owned by EMV Co, LLC.

Services Net Sales

Net sales are recognized for "Services" as the services are performed. Items included in "Services" net sales include the personalization and fulfillment of Financial Payment Cards, providing tamper-evident secure packaging and fulfillment services to Prepaid Debit Card program managers, and software as a service personalization of instant issuance debit cards. As applicable, for work performed but not completed and unbilled, the Company estimates revenue by taking actual costs incurred and applying historical margins for similar types of contracts.

Customer Contracts

The Company often enters into Master Services Agreements ("MSAs") with its customers. Generally, enforceable rights and obligations for goods and services occur only when a customer places a purchase order or statement of work to obtain goods or services under an MSA. The contract term as defined by ASC 606, *Revenue from Contracts with Customers*, is the length of time it takes to deliver the goods or services promised under the purchase order or statement of work. As such, the Company's contracts are generally short term in nature.

3. Accounts Receivable

Accounts receivable consisted of the following:

	March 31, 2022	December 31, 2021
Trade accounts receivable	$ 59,487	$ 50,042
Unbilled accounts receivable	11,852	10,997
	71,339	61,039
Less allowance for doubtful accounts	(162)	(86)
	$ 71,177	$ 60,953

4. Inventories

Inventories consisted of the following:

	March 31, 2022	December 31, 2021
Raw materials	$ 66,522	$ 54,254
Finished goods	7,090	6,778
Inventory reserve	(3,096)	(3,023)
	$ 70,516	$ 58,009

5. Plant, Equipment, Leasehold Improvements and Operating Lease Right-of-Use Assets

Plant, equipment, leasehold improvements and operating lease right-of-use assets consisted of the following:

	March 31, 2022	December 31, 2021
Machinery and equipment	$ 65,916	$ 64,051
Machinery and equipment under financing leases	12,630	9,088
Furniture, fixtures and computer equipment	5,641	4,570
Leasehold improvements	14,456	14,142
Construction in progress	3,421	5,268
	102,064	97,119
Less accumulated depreciation and amortization	(64,517)	(61,937)
Operating lease right-of-use assets, net of accumulated amortization	12,416	12,069
	$ 49,963	$ 47,251

Depreciation expense of plant, equipment and leasehold improvements, including depreciation of assets under financing leases, was $2,643 and $3,073 for the three months ended March 31, 2022 and 2021, respectively.

Operating lease right-of-use assets, net of accumulated amortization, are further described in Note 9, “Financing and Operating Leases.”

6. Goodwill and Other Intangible Assets

The Company reports all of its goodwill in the Debit and Credit segment at March 31, 2022 and December 31, 2021. Goodwill is tested for impairment at least annually on October 1 or more frequently when an event occurs or circumstances change that indicate the carrying value may not be recoverable. The Company did not identify a triggering event requiring a quantitative test for impairment as of March 31, 2022.

Intangible assets consist of customer relationships, technology and software, and trademarks. Intangible amortization expense was $967 and $1,149 for the three months ended March 31, 2022 and 2021, respectively.

At March 31, 2022 and December 31, 2021, intangible assets, excluding goodwill, were comprised of the following:

		March 31, 2022			December 31, 2021		
	Weighted Average Life (Years)	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Customer relationships	17.2	$55,454	$ (36,238)	$19,216	$55,454	$ (35,419)	$20,035
Technology and software	8	7,101	(6,617)	484	7,101	(6,567)	534
Trademarks	8.7	3,330	(2,143)	1,187	3,330	(2,045)	1,285
Intangible assets subject to amortization		$65,885	$ (44,998)	$20,887	$65,885	$ (44,031)	$21,854

The estimated future aggregate amortization expense for the identified amortizable intangibles noted above as of March 31, 2022 was as follows:

2022 (excluding the three months ended March 31, 2022)	$ 2,899
2023	3,867
2024	3,630
2025	3,440
2026	2,471
Thereafter	4,580
	$ 20,887

7. Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In determining fair value, the Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2— Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets and liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term for the assets or liabilities.
- Level 3— Valuations based on unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company's financial assets and liabilities that are not required to be re-measured at fair value in the condensed consolidated balance sheets were as follows:

	Carrying Value as of March 31, 2022	Estimated Fair Value as of March 31, 2022	Fair Value Measurement at March 31, 2022 (Using Fair Value Hierarchy)		
			Level 1	Level 2	Level 3
Liabilities:					
Senior Notes	$290,000	$ 280,575	$ —	$ 280,575	$ —
ABL Revolver	$ 30,000	$ 30,000	$ —	$ 30,000	$ —

	Carrying Value as of December 31, 2021	Estimated Fair Value as of December 31, 2021	Fair Value Measurement at December 31, 2021 (Using Fair Value Hierarchy)		
			Level 1	Level 2	Level 3
Liabilities:					
Senior Notes	$ 310,000	$ 327,050	$ —	$ 327,050	$ —

The aggregate fair value of the Company's Senior Notes (as defined in Note 10, "Long-Term Debt") was based on bank quotes. The fair value measurement associated with the ABL Revolver (as defined in Note 10, "Long-Term Debt") approximates its carrying value as of March 31, 2022, given the applicable variable interest rates and nature of the security interest in Company assets.

The carrying amounts for cash and cash equivalents, accounts receivable and accounts payable each approximate fair value due to their short-term nature.

8. Accrued Expenses

Accrued expenses consisted of the following:

	March 31, 2022	December 31, 2021
Accrued payroll and related employee expenses	$ 8,157	$ 7,558
Accrued employee performance bonus	2,005	6,900
Employer payroll tax, including social security deferral	1,607	1,910
Accrued rebates	1,993	1,423
Estimated sales tax liability	1,004	1,019
Accrued Interest	1,219	7,955
Operating and financing lease liability (current portion)	5,072	4,114
Other	8,615	6,271
Total accrued expenses	$ 29,672	$ 37,150

The estimated sales tax liability is further described in Note 14, "Commitments and Contingencies" and Note 1, "Business Overview and Summary of Significant Accounting Policies."

9. Financing and Operating Leases

Right-of-use ("ROU") represents the right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. A lease is deemed to exist when the Company has the right to control the use of identified property, plant or equipment, as conveyed through a contract, for a certain period of time and consideration paid. The right to control is deemed to occur when the Company has the right to obtain substantially all of the economic benefits of the identified assets and the right to direct the use of such assets.

The components of operating and finance lease costs were as follows:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Operating lease costs	$ 716	$ 509
Variable lease costs	139	164
Short-term operating lease costs	-	172
Total expense from operating leases	$ 855	$ 845
Finance lease cost:		
Right-of-use amortization expense	390	293
Interest on lease liabilities	90	106
Total financing lease costs	$ 480	$ 399

The following table reflects balances for operating and financing leases:

	March 31, 2022	December 31, 2021
Operating leases		
Operating lease right-of-use assets, net of amortization	$ 12,416	$ 12,069
Operating lease liability (current)	$ 2,249	$ 1,857
Long-term operating liability	10,684	10,703
Total operating lease liabilities	$ 12,933	$ 12,560
Financing leases		
Property, equipment and leasehold improvements	$ 12,630	$ 9,088
Accumulated depreciation	(2,864)	(2,451)
Total financing leases in property, equipment and leasehold improvements, net	$ 9,766	$ 6,637
Financing lease liability (current)	$ 2,822	$ 2,257
Long-term financing liability	5,000	2,668
Total financing lease liabilities	$ 7,822	$ 4,925

Finance and operating lease ROU assets are recorded in “Plant, equipment, leasehold improvements and operating lease right-of-use assets, net.” Financing and operating lease liabilities are recorded in “Accrued expenses” and “Other long-term liabilities.”

Future cash payment with respect to lease obligations as of March 31, 2022 were as follows:

	Operating Lease	Financing Leases
2022 (excluding the three months ended March 31, 2022)	$ 2,400	$ 2,603
2022	3,164	2,502
2023	2,896	1,705
2024	2,090	1,414
2025	1,958	446
Thereafter	3,654	40
Total lease payments	16,162	8,710
Less imputed interest	(3,229)	(888)
Total	$ 12,933	$ 7,822

10. Long-Term Debt

At March 31, 2022 and December 31, 2021, long-term debt consisted of the following:

	Interest Rate	March 31, 2022	December 31, 2021
Senior Notes	8.625 %	$290,000	$ 310,000
ABL Revolver	2.060 %	30,000	—
Unamortized deferred financing costs		(5,612)	(6,374)
Total long-term debt		314,388	303,626
Less current maturities		—	—
Long-term debt, net of current maturities		$314,388	$ 303,626

On March 15, 2021, the Company completed a private offering by its wholly-owned subsidiary, CPI CG Inc. (the "Issuer"), of $310,000 aggregate principal amount of 8.625% Senior Notes due 2026 and related guarantees. The Senior Notes bear interest at a rate of 8.625% per annum and mature on March 15, 2026. Interest is payable on the Senior Notes on March 15 and September 15 of each year.

On March 15, 2021, the Company and CPI CG Inc., as borrower, entered into a Credit Agreement with Wells Fargo Bank, National Association, as lender, administrative agent and collateral agent, providing for an ABL Revolver of up to $50,000 (the "ABL Revolver"). On March 3, 2022, the Company and CPI CG Inc. entered into Amendment No. 1 to the Credit Agreement (the "Amendment"), which amended the ABL Revolver. The Amendment, among other things, increased the available borrowing capacity under the ABL Revolver to $75,000, increased the uncommitted accordion feature to $25,000 from $15,000, and revised the interest rate provisions to replace the ABL Revolver's prior LIBOR interest benchmark with updated benchmark provisions using the secured overnight financing rate ("SOFR") administered by the Federal Reserve Bank of New York.

Borrowings under the amended ABL Revolver bear interest at a rate per annum equal to the applicable term SOFR rate selected and adjusted for a credit spread, plus an applicable interest rate margin based on the average unused capacity of the facility. The Company may select a one, three or six month term SOFR rate, which is adjusted for a credit spread of 0.10% to 0.30% depending on the term selected. Through March 31, 2023, the applicable interest rate margin ranges from 1.50% to 1.75% depending on the average unused capacity of the facility for the previous quarter. The unused portion of the ABL Revolver commitment accrues a commitment fee, which ranges from 0.375% to 0.50% per annum, based on the average daily borrowing capacity under the ABL Revolver over the immediately preceding month. Unused commitment fee expense was $62 and $8 for the three months ended March 31, 2022 and 2021, respectively. The fee percentage and calculation of the unused commitment fee changes, effective April 1, 2023, to between 0.375% and 0.50% (determined based on the average revolver usage over a specified period of time) of the unused portion of the facility.

The ABL Revolver includes limitations on the Company’s ability to borrow in certain situations, including limitations based on the calculation of a borrowing capacity and during periods in which the amount available to borrow under the ABL Revolver is less than $7,500. The borrowing capacity represents the net availability under the ABL

Revolver and is calculated as the lesser of a) the total of certain eligible assets, including cash, accounts receivable and inventories, further reduced by stated contribution percentages and adjustments or b) the $75,000 of available borrowing capacity under the ABL Revolver ("Borrowing Base"). The Borrowing Base is further reduced by credit line reserves, letters of credit, as well as the loan ledger balance outstanding on the ABL Revolver. Additionally, commencing with the month immediately following a date on which borrowing availability is below $7,500 and until such time that borrowing availability equals or exceeds $7,500 for 30 consecutive days, the Company must maintain a fixed charge coverage ratio (as defined in the credit agreement for the ABL Revolver) greater than 1.00, calculated for the trailing 12 months in order to borrow under the ABL Revolver.

On March 15, 2021, the Company used net proceeds from the Senior Notes, together with cash on hand and initial borrowings of $15,000 under the ABL Revolver, to pay in full and terminate a previous Senior Credit Facility and a previous First Lien Term Loan on March 15, 2021, and to pay related fees and expenses. Early termination of the Senior Credit Facility required payment of a "make-whole" premium of $2,635 as an early termination penalty, which was paid on March 15, 2021, and recorded as interest expense on the condensed consolidated statement of comprehensive income for the year ended December 31, 2021.

On March 11, 2022, the Issuer used the available borrowing capacity under the ABL Revolver to fund the redemption of $20,000 aggregate principal amount of the Senior Notes at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest thereon to the redemption date.

The Senior Notes are guaranteed by the Company and certain of its current and future wholly-owned domestic subsidiaries (other than the Issuer) that guarantee the ABL Revolver, and are secured by substantially all of the assets of the Issuer and the guarantors, subject to customary exceptions. The ABL Revolver is guaranteed by the Company and its subsidiaries (other than the Issuer and excluded subsidiaries), and is secured by substantially all of the assets of the Issuer and the guarantors, subject to customary exceptions.

The Senior Notes and the ABL Revolver contain covenants limiting the ability of the Company, the Issuer and the Company's restricted subsidiaries to, among other things, incur or guarantee additional debt or issue disqualified stock or certain preferred stock; create or incur liens; pay dividends, redeem stock or make other distributions; make certain investments; create restrictions on the ability of the Issuer and its restricted subsidiaries to pay dividends to the Company or make other intercompany transfers; transfer or sell assets; merge or consolidate; and enter into certain transactions with affiliates, subject to a number of important exceptions and qualifications as set forth in the respective agreements.

The Company has obligations to make an offer to repay the Senior Notes, requiring prepayment in advance of the maturity date, upon the occurrence of certain events including a change of control, certain asset sales and based on an annual excess cash flow calculation. The annual excess cash flow calculation is determined pursuant to the terms of that certain Indenture, dated as of March 15, 2021, by and among Issuer, the Company, the subsidiary guarantors and U.S. Bank National Association, as trustee, with any required prepayments to be made after the issuance of the Company's annual financial statements. No such payment was required to be made in 2022 based on the Company's operating results for the year ended December 31, 2021.

Deferred Financing Costs and Discount

Certain costs and discounts incurred with borrowings are reflected as a reduction to the long-term debt balance. These costs are amortized as an adjustment to interest expense over the life of the borrowing using the effective-interest rate method. The remaining unamortized debt issuance costs recorded on the Senior Notes were $5,612 and is reported as a reduction to the long-term debt balance as of March 31, 2022. The remaining unamortized net discount and debt issuance costs on the ABL Revolver and related Amendment were $1,930 and is recorded as other assets (current and long term) on the condensed consolidated balance sheet as of March 31, 2022.

During the three months ended March 31, 2021, the Company recorded a $5,048 loss on debt extinguishment relating to the unamortized deferred financing costs and debt discount in connection with the termination of the Senior Credit Facility and First Lien Term Loan, as described earlier.

11. Income Taxes

During the three months ended March 31, 2022, the Company recognized an income tax expense of $3,718 on pre-tax income of $9,720, compared to income tax expense of $1,360 on pre-tax income of $3,770 for the prior year period.

For the three months ended March 31, 2022 and 2021, the effective tax rate differs from the U.S. federal statutory income tax rate as follows:

	March 31, 2022	March 31, 2021
Tax at federal statutory rate	21.0 %	21.0 %
State taxes, net	8.9	11.8
Valuation allowance	6.3	—
Permanent items	1.7	3.9
Other	0.3	(0.6)
Effective income tax rate	38.2 %	36.1 %

The net change in the valuation allowance during the three months ended March 31, 2022 was an increase of $611. The change was fully comprised of an increase due to the more restrictive interest deduction limitation in Section 163(j) of the Internal Revenue Code that took effect in 2022.

12. Stockholders' Deficit

Common Stock

Common Stock has a par value of $0.001 per share. Holders of Common Stock are entitled to receive dividends and distributions subject to the participation rights of holders of all classes of stock at the time outstanding, as such holders may have prior rights as to dividends pursuant to the rights of any series of Preferred Stock. Upon any liquidation, dissolution or winding up of the Company, after required payments are made to holders of any series of Preferred Stock, any remaining assets of the Company will be distributed ratably to the holders of Common Stock. Holders of Common Stock are entitled to one vote per share.

13. Earnings per Share

Basic and diluted earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period.

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Numerator:		
Net income	$ 6,002	$ 2,410
Denominator:		
Basic weighted-average common shares outstanding	11,255,466	11,230,482
Dilutive shares	462,383	408,533
Diluted weighted-average common shares outstanding	11,717,849	11,639,015
Basic earnings per share	$ 0.53	$ 0.21

Diluted earnings per share	$	0.51	$	0.21

14. Commitments and Contingencies

Commitments

Refer to Note 9, "Financing and Operating Leases" for details on the Company's future cash payments with respect to financing and operating leases. During the normal course of business, the Company enters into non-cancellable agreements to purchase goods and services, including production equipment and information technology systems. The Company leases real property for its facilities under non-cancellable operating lease agreements. Land and facility leases expire at various dates between 2023 and 2029 and contain various provisions for rental adjustments and renewals. The leases typically require the Company to pay property taxes, insurance and normal maintenance costs. The Company's financing leases expire at various dates between 2022 and 2026 and contain purchase options which the Company may exercise to keep the machinery in use.

Contingencies

In accordance with applicable accounting guidance, the Company establishes an accrued expense when loss contingencies are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. As a matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. Once the loss contingency is deemed to be both probable and estimable, the Company will establish an accrued expense and record a corresponding amount of expense. The Company expenses professional fees associated with litigation claims and assessments as incurred.

Smart Packaging Solutions SA v. CPI Card Group Inc.

On April 20, 2021, Smart Packaging Solutions, SA ("SPS") filed a patent infringement lawsuit against the Company in the United States District Court for the District of Delaware seeking an unspecified amount of damages and equitable relief. In the complaint, SPS alleges that the Company infringed four patents that SPS has exclusively licensed from Feinics AmaTech Teoranta. The patents all relate to antenna technology. SPS alleges that the Company incorporates the patented technology into its products that use contactless communication. The Company does not manufacture antennas; it purchases certain antenna-related components from SPS and a number of other suppliers. The Company's motion to dismiss the Complaint is currently pending. Additionally, a third party, Infineon, has filed requests for Inter Parties Reexamination proceedings concerning each of the four patents. As a result, the Delaware District Court stayed the case pending resolution of the requests for reexamination. Should the reexamination requests be denied or should the patents survive reexamination by the United States Patent Office, the Company intends to defend the suit vigorously. However, no assurance can be given that this matter will be resolved favorably. Due to the stage of this matter, the Company is unable to predict the outcome or the possible loss or range of loss, if any, associated with this matter, and no liability has been recorded as of March 31, 2022.

In addition to the matter described above, the Company may be subject to routine legal proceedings in the ordinary course of business. The Company believes that the ultimate resolution of any such matters will not have a material adverse effect on its business, financial condition or results of operations.

Estimated Sales Tax Liability

The Company has continued to evaluate a state sales tax liability analysis for states in which it has economic nexus and to collect exemption documentation from its customers. It is probable that the Company will be subject to sales tax liabilities plus interest and penalties relating to historical activity in certain states. The estimated liability for sales tax as of March 31, 2022 and December 31, 2021 was $1,004 and $1,019, respectively, and is recorded in accrued expenses in the condensed consolidated balance sheets. The liability decreased from the estimate recorded in the prior period primarily due to the Company remitting cash to the applicable state tax authorities for historical sales tax and interest. The Company may be subject to examination by the relevant state tax authorities. Due to the estimates involved in the analysis, the liability may change in the future. The Company is unable to predict a range of additional loss that is reasonably possible. Sales tax recovered from customers reduces the estimated expense when it is received or probable of collection. Future changes to the liability that impact the condensed consolidated statements of operations will be recorded within Selling, general & administrative ("SG&A"). During the three months ended March 31, 2022 and 2021, the Company recorded a sales tax benefit of $12 and $80, respectively, within SG&A for current activity relating to updates to the estimated liability.

15. Stock-Based Compensation

CPI Card Group Inc. Omnibus Incentive Plan

In October 2015, the Company adopted the CPI Card Group Inc. Omnibus Incentive Plan (the “Omnibus Plan”) pursuant to which cash and equity-based incentives may be granted to participating employees, advisors and directors. On May 27, 2021, the Company’s stockholders approved an amendment and restatement of the Omnibus Plan to, among other things, increase the total number of shares of the Company’s Common Stock reserved and available for issuance thereunder by 1,000,000 shares resulting in a total of 2,200,000 shares of Common Stock issuable under the Omnibus Plan. As of March 31, 2022, there were 940,221 shares of Common Stock available for grant under the Omnibus Plan.

During the three months ended March 31, 2022, the Company granted 10,888 awards of non-qualified stock options. The following is a summary of the activity in outstanding stock options under the Omnibus Plan:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in Years)
Outstanding as of December 31, 2021	778,835	$ 18.02	5.59
Granted	10,888	14.32	6.91
Exercised	—	—	—
Forfeited	(3,870)	29.62	—
Outstanding as of March 31, 2022	785,853	$ 17.91	5.36
Options vested and exercisable as of March 31, 2022	651,478	$ 15.76	5.12
Options vested and expected to vest as of March 31, 2022	785,853	$ 17.91	5.36

The following is a summary of the activity in unvested stock options under the Omnibus Plan:

	Options	Weighted-Average Grant-Date Fair Value
Unvested as of December 31, 2021	127,357	$ 17.42
Granted	10,888	8.49
Forfeited	(3,870)	17.43
Unvested as of March 31, 2022	134,375	$ 16.70

Unvested stock options of 134,375 as of March 31, 2022 have a seven year term and are expected to vest ratably over a two-year period on each anniversary of the grant date.

The fair value of the stock option awards granted during the three months ended March 31, 2022, was
determined using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	Three Months Ended March 31, 2022
Expected term in years (1)	4.25
Volatility (2)	77.44 %
Risk-free interest rate (3)	1.91 %

Dividend yield [4]	— %

(1) The Company estimated the expected term based on the average of the weighted-average vesting period and the contractual term of the stock option awards by utilizing the "simplified method", as the Company does not have sufficient available historical data to estimate the expected term of these stock option awards.

(2) Volatility was based on a weighting of the Company's historical volatility and its peer group, which is comprised of companies with similar industry, size and financial leverage.

(3) The risk-free interest rate was determined by using the United States Treasury rate for the period consistent with the expected option term described above.

(4) The Company's expected annual dividend yield was zero based on current practice.

The following table summarizes the changes in the number of outstanding restricted stock units:

	Shares	Weighted-Average Grant-Date Fair Value	Weighted-Average Remaining Amortization Period (in Years)
Outstanding as of December 31, 2021	261,982	$ 13.19	
Granted	6,459	14.32	
Forfeited	(8,725)	9.32	
Outstanding as of March 31, 2022	259,716	$ 13.35	1.32

The restricted stock unit awards contain conditions associated with continued employment or service. Restricted stock units granted in 2022 are expected to vest ratably over a two-year period on each anniversary of the grant date. On the vesting date, shares of Common Stock will be issued to the award recipients.

Compensation expense for the Omnibus Plan for the three months ended March 31, 2022 and 2021 was $961 and $51, respectively. As of March 31, 2022, the total unrecognized compensation expense related to unvested options and restricted stock units is $3,459, which the Company expects to recognize over an estimated weighted-average period of approximately 1.4 years.

16. Segment Reporting

The Company has identified reportable segments that represent 10% or more of its net sales, EBITDA (as defined below) or total assets, or when the Company believes information about the segment would be useful to the readers of the financial statements. The Company's chief operating decision maker is its Chief Executive Officer, who is charged with management of the Company and is responsible for the evaluation of operating performance and decision making about the allocation of resources to operating segments based on measures, such as net sales and EBITDA.

EBITDA is the primary measure used by the Company's chief operating decision maker to evaluate segment operating performance. As the Company uses the term, "EBITDA" is defined as income before interest expense, income taxes, depreciation and amortization. The Company's chief operating decision maker believes EBITDA is a meaningful measure and is useful as a supplement to GAAP measures as it represents a transparent view of the Company's operating performance that is unaffected by fluctuations in property, equipment and leasehold improvement additions. The Company's chief operating decision maker uses EBITDA to perform periodic reviews and comparison of operating trends and to identify strategies to improve the allocation of resources amongst segments.

As of March 31, 2022, the Company's reportable segments were as follows:

- Debit and Credit;
- Prepaid Debit; and
- Other.

Debit and Credit Segment

The Debit and Credit segment primarily produces Financial Payment Cards and provides integrated card services to card-issuing banks primarily in the United States. Products produced by this segment primarily include EMV and non-EMV Financial Payment Cards, including contact and contactless cards, and Earth Elements™ Eco-Focused Cards. The Company also sells Card@Once instant card issuance solutions, and private label credit cards that are not issued on the networks of the Payment Cards Brands. The Company provides CPI On-Demand® services, where images, personalized payment cards, and related collateral are produced on a one-by-one, on demand basis for customers. This segment also provides a variety of integrated card services, including card personalization and fulfillment services and instant issuance services. The Debit and Credit segment operations are each audited for compliance by multiple Payment Card Brands.

Prepaid Debit Segment

The Prepaid Debit segment primarily provides integrated prepaid card services to Prepaid Debit Card providers in the United States, including tamper-evident security packaging. This segment also produces Financial Payment Cards issued on the networks of the Payment Card Brands that are included in the tamper-evident security packages. The Prepaid Debit segment operation is audited for compliance by multiple Payment Card Brands.

Other

The Other segment includes corporate expenses.

Performance Measures of Reportable Segments

Net Sales and EBITDA of the Company's reportable segments for the three months ended March 31, 2022 and 2021, were as follows:

	Net Sales	
	Three Months Ended March 31,	
	2022	2021
Debit and Credit	$ 92,015	$ 69,817
Prepaid Debit	19,461	19,458
Intersegment eliminations	(52)	(183)
Total	$ 111,424	$ 89,092

	EBITDA	
	Three Months Ended March 31,	
	2022	2021
Debit and Credit	$ 26,094	$ 22,400
Prepaid Debit	6,564	7,573
Other	(11,463)	(13,005)
Total	$ 21,195	$ 16,968

The following table provides a reconciliation of total segment EBITDA to net income for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
Total segment EBITDA	$ 21,195	$ 16,968
Interest, net	(7,865)	(8,976)
Income tax expense	(3,718)	(1,360)
Depreciation and amortization	(3,610)	(4,222)
Net income	$ 6,002	$ 2,410

Net Sales to Geographic Locations, Property, Equipment and Leasehold Improvements and Long-Lived Assets

Each of the Company's Net Sales, Property, Equipment and Leasehold Improvements, and Long-Lived Assets relating to geographic locations outside of the United States is insignificant.

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

References to the "Company," "our," "us" or "we" refer to CPI Card Group Inc. and its subsidiaries. For an understanding of the significant factors that influenced our results, the following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022. This management's discussion and analysis should also be read in conjunction with the management's discussion and analysis and consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission ("SEC").

Cautionary Statement Regarding Forward-Looking Information

Certain statements and information in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (as well as information included in other written or oral statements we make from time to time) may contain or constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "believe," "estimate," "project," "expect," "anticipate," "plan," "intend," "foresee," "should," "would," "could," "continue," "committed," "attempt," "target," "guides," "seek," "focus," "provides guidance," "provides outlook" or other similar expressions are intended to identify forward-looking statements, which are not historical in nature. These forward-looking statements, including statements about our strategic initiatives and market opportunities, are based on our current expectations and beliefs concerning future developments and their potential effect on us and other information currently available. Such forward-looking statements, because they relate to future events, are by their very nature subject to many important risks and uncertainties that could cause actual results or other events to differ materially from those contemplated.

These risks and uncertainties include, but are not limited to: the potential effects of COVID-19 and responses thereto on our business, including our supply chain, customer demand, workforce, operations and ability to comply with certain covenants related to our indebtedness; our transition to being an accelerated filer and complying with Section 404 of the Sarbanes-Oxley Act of 2002 and the costs associated with such compliance and implementation of procedures thereunder; our failure to maintain effective internal control over financial reporting or remediate material weaknesses; our inability to recruit, retain and develop qualified personnel, including key personnel; a disruption or other failure in our supply chain, including as a result of the Russia-Ukraine conflict, or labor pool resulting in increased costs and inability to pass those costs on to our customers and extended production lead times and difficulty meeting customers' delivery expectations; a decline in U.S. and global market and economic conditions and resulting decreases in consumer and business spending and ongoing or accelerating inflationary pressure; our failure to retain our existing customers or identify and attract new customers; system security risks, data protection breaches and cyber-attacks; our substantial indebtedness, including inability to make debt service payments or refinance such indebtedness; the restrictive terms of our indebtedness and covenants of future agreements governing indebtedness and the resulting restraints on our ability to pursue our business strategies; interruptions in our operations, including our information technology ("IT") systems, or in the operations of the third parties that operate the data centers or computing infrastructure on which we rely; disruptions in production at one or more of our facilities; environmental, social and governance preferences and demands of various stakeholders and our ability to conform to such preferences and demands and to comply with any related regulatory requirements; the effects of climate change, negative perceptions of our products due to the impact of our products and production processes on the environment and other ESG-related risks; disruptions in production due to weather conditions, climate change, political instability or social unrest; our inability to adequately protect our trade secrets and intellectual property rights from misappropriation, infringement claims brought against us and risks related to open source software; defects in our software; our limited ability to raise capital in the future; problems in production quality, materials and process; our inability to develop, introduce and commercialize new products; costs and impacts to our financial results relating to the obligatory collection of sales tax and claims for uncollected sales tax in states that impose sales tax collection requirements on out-of-state businesses, as well as potential new U.S. tax legislation increasing the corporate income tax rate and challenges to our income tax positions; our inability to successfully execute on our divestitures or acquisitions; our inability to realize the full value of our long-lived assets; costs relating to product defects and any related product liability and/or warranty claims; our inability to renew licenses with key technology licensors; the highly competitive, saturated and consolidated nature of our marketplace; the effects of delays or interruptions in our ability to source raw materials and components used in our products from foreign countries; failure to comply with regulations, customer contractual requirements and evolving industry standards regarding consumer privacy and data use and security; new and developing technologies that make our existing technology solutions and products obsolete or less relevant or our failure to introduce new products and services in a timely manner; quarterly variation in our operating results; our failure to operate our business in accordance with the Payment Card Industry Security Standards Council security standards or other industry standards; our failure to comply with environmental, health and safety laws and regulations, including climate change regulations that apply to our products and the raw materials we use in our production processes; risks associated with the majority stockholders' ownership of our stock; potential conflicts of interest that may arise due to our board of directors being comprised in part of directors who are principals of our majority stockholders; the influence of securities analysts over the trading market for and price of our common stock; failure to meet the continued listing standards of the Nasdaq Global Market; certain provisions of our organizational documents and other contractual provisions that may delay or prevent a change in control and make it difficult for stockholders other than our majority stockholders to change the composition of our board of directors; our ability to comply with a wide variety of complex laws and regulations and the exposure to liability for any failure to comply; the effect of legal and regulatory proceedings; and other risks that are described in Part I, Item 1A – Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission ("SEC") on March 8, 2022, and our other reports filed from time to time with the SEC.

We caution and advise readers not to place undue reliance on forward-looking statements, which speak only as of the date hereof. These statements are based on assumptions that may not be realized and involve risks and uncertainties that could cause actual results or other events to differ materially from the expectations and beliefs contained herein. We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

Overview

We are a payment technology company and leading provider of comprehensive Financial Payment Card solutions in the United States. We define "Financial Payment Cards" as credit, debit and Prepaid Debit Cards issued on the networks of the "Payment Card Brands" (Visa, Mastercard®, American Express® and Discover®). We define "Prepaid Debit Cards" as debit cards issued on the networks of the Payment Card Brands, but not linked to a traditional bank account. We also offer an instant card issuance solution, which provides card issuing bank customers the ability to issue a personalized debit or credit card within the bank branch to individual cardholders. We have established a leading position in the Financial Payment Card solutions market through more than 20 years of experience.

We serve a diverse set of several thousand customers which includes direct customers and indirect customer relationships whereby CPI provides Financial Payment Card solutions to a customer through a Group Service Provider (as defined below). Our customers include some of the largest issuers of debit and credit cards in the United States, the largest Prepaid Debit Card program managers in the United States, numerous financial technology companies ("FinTechs"), as well as independent community banks, credit unions and Group Service Providers. We define "Group Service Providers" as reseller or card processor organizations that assist small card issuers, such as credit unions, with managing their credit and debit card programs, including managing the Financial Payment Card issuance process, core banking operations and other financial services.

We serve our customers through a network of high-security production and card services facilities in the United States, each of which is audited for compliance with the standards of the Payment Card Industry Security Standards Council (the "PCI Security Standards Council") by one or more of the Payment Card Brands. Many of our customers require us to comply with PCI Security Standards Council requirements that relate to the provision of our products and services. Our leading network of high-security production facilities allows us to optimize our solutions offerings and to serve the needs of our diverse customer base.

Driven by a combination of our strong relationships, quality, technology, and innovation, we believe we have strong positions in the following markets:

- the U.S. prepaid debit market, serving many of the top U.S. Prepaid Debit Card program managers;
- the U.S. small to mid-sized issuer market, which includes independent community banks and credit unions;
- the U.S. large issuer market, serving some of the largest U.S. debit and credit card issuers; and

- the U.S. FinTech market, where we produce and personalize Financial Payment Cards for financial technology companies.

Our business consists of the following reportable segments:

- Debit and Credit, which primarily produces Financial Payment Cards and provides integrated card services to card-issuing banks primarily in the United States;
- Prepaid Debit, which primarily provides integrated prepaid card services to Prepaid Debit Card program managers primarily in the United States; and
- "Other," which includes corporate expenses.

COVID-19 Update

The COVID-19 pandemic has impacted, and continues to impact economies and societies globally, including the locations where we, our customers and our suppliers conduct business. The long-term implications of COVID-19 on the Company's results of operations and overall financial performance remain uncertain.

The Company believes the global impacts from COVID-19, along with other factors, have contributed to certain adverse effects on its supply chain, including increased lead times for, and higher costs of, certain raw materials and components, such as microchips, which are expected to continue in the future. The current environment has also affected the available labor pool in the areas in which the Company operates, which has resulted in increased labor cost and turnover in our facilities, challenges hiring production employees and shipping delays.

Though the Company has implemented measures to mitigate the impacts of the labor and supply chain challenges described above, the Company believes that such impacts, and the associated costs, may continue to increase throughout 2022 and possibly beyond. The Company may not be able to pass all of these costs through to its customers. The Company is experiencing increased production lead times, which it believes are likely to continue throughout 2022 and possibly beyond, depending on the duration of the staffing and supply chain challenges and the level of demand from its customers. The Company will continue to monitor and respond as the situation evolves, including mitigation efforts such as purchasing additional inventory and attempting to hire additional production employees. See Part I, Item 1A, Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 for further discussion of the possible impact of the COVID-19 pandemic on the Company.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. The CARES Act, among other things, included provisions relating to refundable payroll tax credits, deferment of employer social security payments, changes in net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitation and technical corrections to tax depreciation methods for qualified improvement property. We deferred employer social security payments in 2020 in accordance with the CARES Act, and the first installment repayment was made in the fourth quarter of 2021. The second installment payment is permitted to be paid no later than the fourth quarter of 2022.

Trends and Key Factors Affecting our Financial Performance

We believe the following key factors may have a meaningful impact on our business performance and may negatively influence our financial and operating results:

- We have experienced, and expect to continue to experience, labor availability issues, particularly in the Company's production facilities. In the three months ended March 31, 2022, the Company incurred increased employee compensation and recruiting expenses in Cost of Sales and Operating

Expenses, which we expect to continue to increase throughout 2022 and possibly beyond as the Company continues to actively recruit additional employees and is affected by increasing inflationary pressure. Also as a result of labor shortages and supply chain constraints, as described below, the Company has experienced extended production lead times in some areas of the business and difficulty meeting some customers' delivery expectations. We continue to proactively monitor, assess and take steps to minimize disruptions and delays in production; however, these disruptions and delays have caused the Company to lose or delay customer opportunities, and are likely to continue throughout 2022 and possibly beyond.

- We have experienced, and continue to experience, inflationary pressure in our supply chain, as well as delays and difficulties in sourcing key materials and components needed for our products. Such issues as well as other factors such as staffing challenges, have continued to strain the global supply chain network, which has resulted in increased costs of certain raw materials and components, increased shipping costs, freight and logistics delays, longer lead times, shortages of raw materials we use in our products, such as the on-going global microchip shortage, and unpredictability. While we are taking actions to limit this pressure, including placing orders in advance and compiling buffer stock, we expect to experience supply chain impacts on our business and our ability to meet customer demand in future periods. Also, geopolitical uncertainties associated with the ongoing Russia and Ukraine conflict, as well as recent COVID-19 impacts in China, are introducing additional supply chain disruptions on a macro-economic level, which may further compound the Company’s supply chain challenges. Additionally, certain microchip manufacturers have indicated they plan to limit the types of microchips that they manufacture, which will affect our ability to continue to provide lower-cost contact microchips for certain of our customers. This could cause us and affected customers to migrate programs to more expensive microchip options or to contactless cards at a faster pace than expected, which may be disruptive for the Company and affected customers. While we may be able to pass on some of our increased labor and material costs to our customers, cost inflation has increased at a faster pace than anticipated, and we expect these factors will impact profitability throughout 2022 and possibly beyond. In addition, given that raw materials inventory is recognized on a first-in, first-out basis, we expect the impact of increasing raw materials costs to be realized into our statement of operations throughout 2022 and possibly beyond.

- Our Second Wave® payment cards feature a core made with recovered ocean-bound plastic (“ROBP”), which we currently source from Haiti and process using single source suppliers. Due to political instability and other factors in Haiti as well as the supply chain constraints described above, there is an increased likelihood that we may face challenges in obtaining an adequate supply of ROBP, which is necessary to meet customer demand for our Second Wave cards. The Company actively monitors and manages its supply chain, including compiling buffer stock of materials and evaluating alternative suppliers and sources for ROBP, but it is uncertain how issues in Haiti and other factors in the ROBP supply chain will affect our ability to continue obtaining sufficient ROBP. Additionally, to the extent we are able to secure one or more alternative suppliers of ROBP, such alternative suppliers may be similarly constrained by local or global geopolitical challenges, instability and unpredictability, and we may be subject to increased shipping and materials costs, which we may not be able to pass through to our customers.

- As of June 30, 2021, the market value of outstanding shares of our common stock owned by non-affiliates exceeded $75 million, which triggered the Company being classified as an accelerated filer with respect to SEC regulations and filing requirements effective with the year ended December 31, 2021. As a result, our annual assessment of the effectiveness of our internal control over financial reporting must be audited by our external audit firm in compliance with the provisions of Section 404 of the Sarbanes-Oxley Act of 2002 (“the Sarbanes-Oxley Act”). Continued compliance with this new requirement has significantly increased our compensation expense, professional fees and other administrative costs during the three months ended March 31, 2022. We expect these increased costs to continue throughout 2022 and possibly beyond. In connection with our evaluation and testing during 2021, management identified deficiencies that they determined resulted in material weaknesses in internal controls, and the related remediation efforts have also increased such costs. For additional information, see Part I, Item 4, *Controls and Procedures*.

Results of Operations

The following table presents the components of our condensed consolidated statements of operations for each of the periods presented:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
	(dollars in thousands)	
Net sales:		
Products	$ 68,316	$ 47,013
Services	43,108	42,079
Total net sales	111,424	89,092
Cost of sales	72,146	53,371
Gross profit	39,278	35,721
Operating expenses	21,297	17,952
Income from operations	17,981	17,769
Other expense, net:		
Interest, net	(7,865)	(8,976)
Other (expense) income, net	(1)	25
Loss on debt extinguishment	(395)	(5,048)
Income before taxes	9,720	3,770
Income tax expense	(3,718)	(1,360)
Net income	$ 6,002	$ 2,410

Segment Discussion

Three Months Ended March 31, 2022 Compared With Three Months Ended March 31, 2021

Net Sales

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	$ Change	% Change
	(dollars in thousands)			
Net sales by segment:				
Debit and Credit	$ 92,015	$ 69,817	$ 22,198	31.8 %
Prepaid Debit	19,461	19,458	3	0.0 %
Eliminations	(52)	(183)	131	*
Total	$ 111,424	$ 89,092	$ 22,332	25.1 %

* Not meaningful

Debit and Credit:

Net sales for Debit and Credit increased $22.2 million, or 31.8%, for the three months ended March 31, 2022 compared to the corresponding period in the prior year. Product net sales increased due to increased volumes from existing customers, including the transition to contactless and eco-focused cards, and higher Card@Once instant issuance sales. Net sales from card personalization increased due to higher volumes of contactless cards, partially offset by a decrease in volumes for our existing customers in our CPI On-Demand service, which benefited in the prior year first quarter from COVID-19 related government disbursement work. Contactless cards have additional technology to process contactless transactions and generally have a higher selling price than contact-only EMV® cards.

Prepaid Debit:

Net sales for Prepaid Debit was flat for the three months ended March 31, 2022 compared to the corresponding period in the prior year. Prepaid Debit net sales in the prior year first quarter benefitted from the acquisition of new customer portfolios.

Gross Profit and Gross Profit Margin

	Three Months Ended March 31,					
	2022	% of 2022 Net Sales	2021	% of 2021 Net Sales	$ Change	% Change
			(dollars in thousands)			
Gross profit by segment:						
Debit and Credit	$32,230	35.0 %	$27,549	39.5 %	$ 4,681	17.0 %
Prepaid Debit	7,048	36.2 %	8,172	42.0 %	(1,124)	(13.8)%
Total	$39,278	35.3 %	$35,721	40.1 %	$ 3,557	10.0 %

Debit and Credit:

Gross profit for Debit and Credit increased $4.7 million, or 17.0%, for the three months ended March 31, 2022 compared to the corresponding period in the prior year primarily due to the net sales increase described above, partially offset by higher materials and labor costs. Gross profit margin decreased to 35.0% during the three months ended March 31, 2022, compared to 39.5% in the corresponding period in the prior year, primarily due to increased materials and labor costs as a percentage of sales.

Prepaid Debit:

Gross profit for Prepaid Debit decreased $1.1 million, or 13.8%, for the three months ended March 31, 2022 compared to the corresponding period in the prior year. Gross profit margin for Prepaid Debit decreased to 36.2% for the three months ended March 31, 2022 compared to 42.0% in the corresponding period in the prior year. The decreases in gross profit and gross profit margin were primarily due to increases in labor and materials costs.

Operating Expenses

	Three Months Ended March 31,					
	2022	% of 2022 Net Sales	2021	% of 2021 Net Sales	$ Change	% Change
			(dollars in thousands)			
Operating expenses by segment:						
Debit and Credit	$ 8,120	8.8 %	$ 7,395	10.6 %	$ 725	9.8 %
Prepaid Debit	1,080	5.5 %	1,154	5.9 %	(74)	(6.4)%
Other	12,097	* %	9,403	* %	2,694	28.7 %
Total	$ 21,297	19.1 %	$ 17,952	20.1 %	$ 3,345	18.6 %

Debit and Credit:

Debit and Credit operating expenses increased $0.7 million, or 9.8%, for the three months ended March 31, 2022 compared to the corresponding period in the prior year, primarily due to increased selling and compensation costs due to strong business performance.

Prepaid Debit:

Prepaid Debit operating expenses decreased less than $0.1 million, or 6.4%, for the three months ended March 31, 2022 compared to the corresponding period in the prior year.

Other:

Other operating expenses increased $2.7 million, or 28.7%, primarily due to a $1.9 million increase in compensation expenses, resulting from increased employee headcount and higher labor cost, and an $0.8 million increase in professional fees and other costs related to compliance with the Sarbanes-Oxley Act.

Income from Operations and Operating Margin

	Three Months Ended March 31,					
	2022	% of 2022 Net Sales	2021	% of 2021 Net Sales	$ Change	% Change
			(dollars in thousands)			
Income from operations by segment:						
Debit and Credit	$ 24,110	26.2 %	$20,154	28.9 %	$ 3,956	19.6 %
Prepaid Debit	5,968	30.7 %	7,018	36.1 %	(1,050)	(15.0)%
Other	(12,097)	* %	(9,403)	* %	(2,694)	28.7 %
Total	$ 17,981	16.1 %	$17,769	19.9 %	$ 212	1.2 %

* Not meaningful

Debit and Credit:

Income from operations for Debit and Credit increased $4.0 million, or 19.6%, for the three months ended March 31, 2022 compared to the corresponding period in the prior year, primarily due to higher net sales, partially offset by increased material and labor costs. Operating margin decreased to 26.2% for the three months ended March 31, 2022 compared to 28.9% in the corresponding period in the prior year primarily due to increased materials and labor costs as a percentage of sales.

Prepaid Debit:

Income from operations for Prepaid Debit decreased $1.1 million, or 15.0%, for the three months ended March 31, 2022 compared to the corresponding period in the prior year, primarily due to lower gross profit. Operating margin decreased to 30.7% for the three months ended March 31, 2022 compared to 36.1% in the corresponding period in the prior year primarily due to increased labor and materials costs as a percentage of sales.

Other:

The loss from operations in Other increased $2.7 million, or 28.7%, for the three months ended March 31, 2022 compared to the corresponding period in the prior year primarily due to the factors described above under "Operating Expenses."

Interest, net:

Interest expense decreased to $7.9 million for the three months ended March 31, 2022 from $9.0 million in the corresponding period in the prior year. Interest expense was higher in the first quarter of 2021 primarily due to $2.6 million of "make-whole" interest premium paid in connection with the termination of our $30 million senior credit agreement (the "Senior Credit Facility") on March 15, 2021. This was partially offset by higher interest rates on our 8.625% Senior Secured Notes (the "Senior Notes") issued in 2021, compared to the interest rates on the debt facilities in the prior year period.

Loss on debt extinguishment:

During the three months ended March 31, 2022, we recorded a $0.4 million loss on debt extinguishment relating to the $20.0 million early redemption the Senior Notes as we expensed the associated portion of the unamortized deferred financing costs.

During the three months ended March 31, 2021 we recorded a $5.0 million loss on debt extinguishment relating to the termination of both our previous Senior Credit Facility and First Lien Term Loan as we expensed the unamortized deferred financing costs and debt discount. This was completed in connection with the issuance of the Senior Notes and entry into our new asset-based, senior secured revolving credit facility (the "ABL Revolver") on March 15, 2021.

Income tax expense:

During the three months ended March 31, 2022, we recorded income tax expense of $3.7 million on pre-tax income of $9.7 million, representing an effective income tax rate of 38.2%. During the three months ended March 31, 2021, we recorded income tax expense of $1.4 million on pre-tax income of $3.8 million, representing an effective income tax rate of 36.1%. For the quarter ended March 31, 2022, the effective income tax rate differs from the federal U.S. statutory rate of 21.0% primarily due to the impact of state taxes and a valuation allowance related to the more restrictive interest deduction limitation in Section 163(j) of the Internal Revenue Code that took effect in 2022. For the quarter ended March 31, 2021, the effective income tax rate differs from the federal U.S. statutory rate of 21.0% primarily due to the impact of state taxes and permanent items.

Net income:

During the three months ended March 31, 2022, net income was $6.0 million, compared to net income of $2.4 million in the corresponding period in the prior year. The increase was primarily due to the impact of debt refinancing costs incurred in the 2021 first quarter, as well as increased sales growth, partially offset by the increased material, labor, and "Selling, general & administrative" costs.

Liquidity and Capital Resources

At March 31, 2022, we had $12.1 million of cash and cash equivalents.

Our ability to make investments in and grow our business, service our debt and improve our debt leverage ratios, while maintaining strong liquidity, will depend upon our ability to generate excess operating cash flows through our operating subsidiaries. Although we can provide no assurances, we believe that our cash flows from operations, combined with our current cash levels, will be adequate to fund debt service requirements and provide cash, as required, to support our ongoing operations, capital expenditures, lease obligations and working capital needs.

On March 11, 2022, we used the available borrowing capacity under the ABL Revolver to fund the redemption of $20.0 million aggregate principal amount of the Senior Notes at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest thereon to the redemption date.

On March 15, 2021, we completed a private offering of $310.0 million aggregate principal amount of 8.625% senior secured notes due 2026 and related guarantees at an issue price of 100%. The Senior Notes bear interest at a rate of 8.625% per annum and mature on March 15, 2026. Interest is payable on the Senior Notes on March 15 and September 15 of each year.

On March 15, 2021, we entered into a credit agreement with Wells Fargo Bank, National Association providing for an ABL Revolver of up to $50.0 million. On March 3, 2022, we entered into Amendment No. 1 to Credit Agreement (the "Amendment"), which amended the ABL Revolver. The Amendment, among other things, increased the available borrowing capacity under the ABL Revolver to $75.0 million, increased the uncommitted accordion feature to $25.0 million, and revised the interest rate provisions to replace the ABL Revolver's prior LIBOR interest benchmark with updated benchmark provisions using the secured overnight financing rate ("SOFR") as administered by the Federal Reserve Bank of New York.

Borrowings under the amended ABL Revolver bear interest at a rate per annum equal to the applicable term SOFR rate selected and adjusted for a credit spread, plus an applicable interest rate margin based on the average unused capacity of the facility. We may select a one, three or six month term SOFR rate, which is adjusted for a credit spread of 0.10% to 0.30% depending on the term selected. Through March 31, 2023, the applicable interest rate margin ranges from 1.50% to 1.75% depending on the average unused capacity of the facility for the previous quarter. The applicable interest rate margin range changes, effective April 1, 2023, to between 1.25% and 1.75%, depending on the average unused capacity of the facility. The unused portion of the ABL Revolver commitment accrues a commitment fee, which ranges from 0.375% to 0.50% per annum, based on the average daily borrowing capacity under the ABL Revolver over the immediately preceding month. The fee percentage and calculation of the unused commitment fee changes, effective April 1, 2023, to between 0.375% and 0.50% (determined based on the average revolver usage over a specified period of time) of the unused portion of the facility.

As of March 31, 2022, we have $30.0 million in ABL Revolver borrowings outstanding and $45.0 million available to borrow under the ABL Revolver. Amounts borrowed and outstanding under the ABL Revolver are required to be repaid in full, together with any accrued and unpaid interest, on the earliest to occur of March 15, 2026 and the date that is 90 days prior to the maturity of the Senior Notes (and may be subject to earlier mandatory prepayment upon certain events).

The ABL Revolver includes limitations on our ability to borrow in certain situations, including limitations based on the calculation of a borrowing capacity and during periods in which the amount available to borrow under the ABL Revolver is less than $7.5 million. The borrowing capacity represents the net availability under the ABL Revolver and is calculated as the lesser of a) the total of certain eligible assets, including cash, accounts receivable and inventories, further reduced by stated contribution percentages and adjustments or b) the $75.0 million of available borrowing capacity under the ABL Revolver ("Borrowing Base"). The Borrowing Base is further reduced by credit line reserves, letters of credit, as well as the loan ledger balance outstanding on the ABL Revolver. Additionally, commencing with the month immediately following a date on which borrowing availability is below $7.5 million and until such time that borrowing availability equals or exceeds $7.5 million for 30 consecutive days, we must maintain a fixed charge coverage ratio (as defined in the credit agreement for the ABL Revolver) greater than 1.00, calculated for the trailing 12 months in order to borrow under the ABL Revolver.

Prior to March 15, 2023, the Company may redeem some or all of the Senior Notes at a "make-whole" redemption price, and on or after March 15, 2023, the Company may redeem some or all of the Senior Notes at a redemption price initially set at 104.313% of the principal amount of the notes to be redeemed, and reducing over time to 100%, in each case plus accrued and unpaid interest. Additionally, prior to March 15, 2023, the Company may redeem, on one or more occasions, up to 40% of the aggregate principal amount of the Senior Notes with the proceeds of certain equity offerings, at a redemption price equal to 108.625% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest. Furthermore, prior to March 15, 2023, but not more than once during each consecutive twelve-month, the Company may also redeem up to 10% of the aggregate principal amount of the Senior Notes at a redemption price equal to 103% of the principal amount of the notes being redeemed, plus accrued and unpaid interest.

The Company has obligations to make an offer to repay the Senior Notes, requiring prepayment in advance of the maturity date, upon the occurrence of certain events including a change of control, certain asset sales and based on an annual excess cash flow calculation. The annual excess cash flow calculation is determined pursuant to the terms of the related indenture, with any required payments to be made after the issuance of the Company's annual financial statements. No such payment is required based on the Company's 2021 operating results.

In connection with the issuance of the Senior Notes and entry into the ABL Revolver, we terminated our Senior Credit Facility and First Lien Term Loan. Net proceeds from the Senior Notes, together with cash on hand and initial borrowings of $15 million under the ABL Revolver, were used to pay in full and terminate the Senior Credit Facility and First Lien Term Loan on March 15, 2021, and to pay related fees and expenses. During the three months ended March 31, 2021, prior to the termination of the First Lien Term Loan, we paid an excess free cash flow balance of $7.8 million pursuant to the terms of the debt agreements. As of March 31, 2022, the Company had $290 million aggregate principal amount outstanding on the Senior Notes, plus accrued and unpaid interest.

Operating Activities

Cash used in operating activities for the three months ended March 31, 2022 was $16.0 million compared to cash provided by operating activities of $0.1 million during the three months ended March 31,

2021. Cash generated from earnings for the three months ended March 31, 2022 was offset by working capital increases, including an increase in accounts receivable of $10.3 million due to higher net sales compared to the previous quarter. We also increased inventories by $12.6 million during the quarter ended March 31, 2022, including procurement of EMV contactless chips to support our business, and to maintain certain levels of inventory to help mitigate supply chain constraints. We also decreased accrued expenses by $8.8 million during the quarter ended March 31, 2022, primarily related to payments on accrued interest and employee performance incentive compensation during the period.

Investing Activities

Cash used in investing activities for the three months ended March 31, 2022 was $3.1 million, compared to $2.4 million during the three months ended March 31, 2021. Cash used in investing activities was related primarily to capital expenditures, including investments to support the business, such as machinery and information technology equipment. As presented in our supplemental disclosures of non-cash information on the statement of cash flows, finance leases were executed for the acquisition of right-of-use machinery and equipment assets totaling $3.5 million during the three months ended March 31, 2022, compared to $0.5 million during the corresponding period of the prior year.

Financing Activities

During the three months ended March 31, 2022, cash provided by financing activities was $10.6 million. Proceeds from the ABL Revolver were $30.0 million and in connection with the ABL Amendment, we paid $0.3 million of debt issuance costs. A portion of the proceeds from the ABL Revolver were used to redeem $20.0 million of Senior Notes and to pay $0.6 million of early redemption costs. We received $2.1 million under financing leases and we paid $0.6 million of principal on financing leases during each of the three months ending March 31, 2022 and 2021.

During the three months ended March 31, 2021, cash used in financing activities was $30.5 million. Proceeds from the Senior Notes and ABL Revolver, net of discount, were $310.0 million and $14.8 million, respectively. We paid $9.5 million of debt issuance costs and $2.7 million of debt extinguishment costs, which included an early termination "make-whole" interest premium of $2.6 million on the Senior Credit Facility. We used proceeds from the Senior Notes and initial borrowings under the ABL Revolver, plus cash on hand, to pay in full and terminate the Senior Credit Facility balance of $30.0 million and the First Lien Term Loan balance of $304.7 million on March 15, 2021. Prior to the termination of the First Lien Term Loan, we paid an excess free cash flow balance of $7.8 million pursuant to the terms of the debt agreements.

Working Capital

Our working capital as of March 31, 2022 was $99.4 million, compared to $80.9 million as of December 31, 2021. During the three months ended March 31, 2022, our inventory balance increased $12.5 million to support the business, accounts receivable increased $10.2 million, and accrued expenses decreased $7.5 million. These increases were partially offset by a decrease in our cash balance of $8.5 million and an increase in accounts payable of $3.9 million.

Material Cash Requirements

Our material cash requirements include interest payments on our long-term debt, operating and finance lease payments, and purchase obligations to support our operations.

Debt Service Requirements

As of March 31, 2022, the total projected principal and interest payments on our borrowings were $421.9 million, primarily related to the Senior Notes, of which $25.9 million of interest and principal is expected to be paid in the next 12 months. The remaining interest payments are expected to be paid over the remaining term of the Senior Notes which mature in 2026, and the principal is due upon maturity. We have estimated our future interest payments assuming no additional borrowings under the ABL Revolver, no early redemptions of principal on the Senior Notes, no early voluntary or required repayment of the borrowings under the ABL Revolver within the next twelve months, and no debt issuances or renewals upon the maturity dates of our notes. However, we may borrow additional amounts under the ABL Revolver, redeem principal on the Senior Notes early or refinance all or a portion of our borrowings in future periods.

Leases

We lease real property for production and services, in addition to equipment. Refer to Part II, Item 8, Financial Statements and Supplemental Data, Note 9, "Financing and Operating Leases" for details on our leasing arrangements, including future maturities of our operating lease liabilities.

Purchase Obligations

A purchase obligation is an agreement to purchase goods or services that is enforceable, legally binding, and specifies all significant terms. There have not been any material changes to the purchase obligations disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from those estimates. Our Critical Accounting Policies and Estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021, for which there were no material changes as of March 31, 2022, included:

- Revenue recognition, including estimates of work performed but not completed, and
- Income taxes, including valuation allowances and uncertain tax positions.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required due to smaller reporting company status.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a–15(e) and 15d–15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act")) as of March 31, 2022. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2022, our disclosure controls and procedures were not effective due to material weaknesses in internal control over financial reporting previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021. As of the date of this report, the material weaknesses did not result in any identified material misstatements to the financial statements and there were no changes to previously reported financial results.

Remediation Plan for Material Weaknesses

To remediate the material weaknesses referenced above, the Company has been pursuing the remediation steps identified in the Company's Annual Report on Form 10-K for the year ended December 31, 2021. We have conducted trainings, hired additional qualified resources and have engaged a nationally recognized accounting firm to assist with the design and implementation of control procedures to address the identified risks of material misstatements in key process areas. Management is continuing to design and implement internal controls to require appropriate reviews and retention of documentation of those reviews with regards to our purchasing and revenue processes. We are also implementing new systems and automating certain processes to enhance our internal controls and to address these material weaknesses. We are assessing and revising the controls over user access administration and have implemented manual monitoring activities over batch processing to ensure appropriate segregation of duties on journal entries processed in batches. We are also enhancing our change management controls relating to custom reports in certain information technology systems and performing additional analysis of source documentation to implement effective controls over information, primarily in the purchasing and revenue processes.

The material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and are tested for operating effectiveness.

Changes in Internal Control over Financial Reporting

Except the changes in internal control over financial reporting related to the material weaknesses described above, there have been no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during our first quarter of 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – Other Information

Item 1. Legal Proceedings

Smart Packaging Solutions SA v. CPI Card Group Inc.

On April 20, 2021, Smart Packaging Solutions, SA ("SPS") filed a patent infringement lawsuit against the Company in the United States District Court for the District of Delaware seeking an unspecified amount of damages and equitable relief. In the complaint, SPS alleges that the Company infringed four patents that SPS has exclusively licensed from Feinics AmaTech Teoranta. The patents all relate to antenna technology. SPS alleges that the Company incorporates the patented technology into its products that use contactless communication. The Company does not manufacture antennas; it purchases certain antenna-related components from SPS and a number of other suppliers. The Company's motion to dismiss the Complaint is currently pending. Additionally, a third party, Infineon, has filed requests for Inter Parties Reexamination proceedings concerning each of the four patents. As a result, the Delaware District Court stayed the case pending resolution of the requests for reexamination. Should the reexamination requests be denied or should the patents survive reexamination by the United States Patent Office, the Company intends to defend the suit vigorously. However, no assurance can be given that this matter will be resolved favorably.

In addition to the matter described above, the Company may be subject to routine legal proceedings in the ordinary course of business. The Company believes that the ultimate resolution of any such matters will not have a material adverse effect on its business, financial condition or results of operations.

Item 1A. Risk Factors

The risk factors disclosed in Part I, Item 1A Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2021 set forth information relating to various risks and uncertainties that could materially adversely affect our business, financial condition and operating results. Such risk factors continue to be relevant to an understanding of our business, financial condition and operating results. As of the date of this Quarterly Report on Form 10-Q, there have been the following material changes with respect to such risk factors.

The ongoing military action by Russia in Ukraine could have a negative impact on the global economy, which could materially adversely affect our business, operations, operating results and financial condition.

On February 24, 2022, Russian forces launched significant military action against Ukraine, and sustained conflict and disruption in the region is possible. Governments in the United States, United Kingdom and European Union have each imposed export controls on certain products and financial and economic sanctions on certain industry sectors and parties in Russia. Further escalation of geopolitical tensions or military action related to the conflict, as a result of such controls and sanctions or otherwise, could adversely affect the global economy and financial markets and accelerate inflationary pressures, among other things, which could negatively affect the demand for our products and further disrupt our supply chain. The conflict also increases the risk of retaliatory acts from Russia impacting U.S. companies, which may include disruptions to our technology infrastructure, including through cyberattack, ransom attack or cyber-intrusion. Although we have no operations in Russia or Ukraine, we believe we have experienced shortages in raw materials and increased costs for transportation and energy due in part to the negative impact of the Russia-Ukraine conflict on the global economy, which impacts may persist or worsen as the conflict continues or escalates. The extent and duration of the military action, sanctions and resulting market and economic disruptions are impossible to predict but could be substantial.

Item 6. Exhibits

Exhibit Number	Exhibit Description
10.1	Form of 2022 Executive Short-Term Incentive Plan
10.2	Form of 2022 Employee Short-Term Incentive Plan
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL ta
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CPI CARD GROUP INC.

May 5, 2022	/s/ Amintore Schenkel
	Amintore Schenkel
	Chief Financial Officer
	(Principal Financial Officer)

Exhibit 10.1

CPI CARD GROUP INC.

EXECUTIVE SHORT-TERM INCENTIVE PLAN

1. Purpose. This CPI Card Group Inc. (the "***Company***") Executive Short-Term Incentive Plan (the "***Plan***") is designed to align the interests of the Company and eligible key employees of the Company Group, as defined herein.

2. Adoption of the Plan. The Company, intending to be legally bound, hereby adopts the Plan effective as of January 1, 2022 (the "***Effective Date***"). The Plan shall be in effect from the Effective Date and shall continue through December 31, 2022, unless earlier terminated or amended by the Company in accordance with Section 8(e) (the "***Term***"). The expiration or termination of the Term shall not in any event reduce or adversely affect any amounts due to any Participant hereunder for any Performance Period ending on or before such date.

3. General. Unless explicitly provided for in a written agreement between the Company and a Participant, the compensation provided under the Plan is intended to be in addition to all other compensation payable to Participants under any employment agreement or incentive plan or program in effect with the Company or its direct or indirect subsidiaries.

4. Definitions. For purposes of this Plan:

(a) "***Adjusted EBITDA***" means EBITDA as may be adjusted for (i) stock compensation expense, (ii) foreign currency changes, (iii) legal costs incurred with certain patent, shareholder and other litigation, (iv) impairments, (v) restructuring charges, (vi) operations discontinued, divested or restructured, including severance costs, (vii) charges directly related to acquisitions and divestitures, (viii) executive officer severance payments, (ix) other significant, unusual and non-recurring charges as determined by the Committee in its sole discretion, and (x) for the fourth quarter and on an annual basis, sales work-in-process. For the avoidance of doubt, (i) Adjusted EBITDA shall not be adjusted for sales work-in-process in the first, second or third calendar quarters of the applicable calendar year and (ii) the Committee may resolve to modify the foregoing adjustments during the Term without amending the Plan.

(b) "***Annual Performance Incentive***" means the amount designated as the Annual Performance Incentive in a Participant's Participation Statement.

(c) "***Board***" means the Company's Board of Directors.

(d) "***Cause***" means, unless otherwise specified in a Participant's employment or other written agreement between the Participant and the Company in effect as of the date of the Participant's termination of employment, the Participant's (i) material breach of Participant's duties and responsibilities, which is not remedied within thirty (30) days after the Company gives the Participant written notice specifying such breach, (ii) commission of a felony, (iii) commission of or engaging in any act of fraud, embezzlement, theft, a material breach of trust or any material act of dishonesty involving the Company or its subsidiaries, which, in each case, proximately causes substantial and material economic injury to the Company and its subsidiaries, taken as a whole, (iv) significant violation of the code of conduct of the Company or its subsidiaries or of any statutory or common law duty of loyalty to the Company or its subsidiaries, or (v) the

Participant's material breach of any written covenant or agreement with the Company or its subsidiaries not to disclose any confidential information related to the Company or its subsidiaries, or not to compete or interfere with the Company or its subsidiaries, which, in each case that, if susceptible to remedy, is not remedied within thirty (30) days after the Company gives the Participant written notice specifying such breach.

(e) "***Committee***" means the Compensation Committee of the Board.

(f) "***Company Group***" means the Company and its direct and indirect subsidiaries.

(g) "***Disability***" means, unless otherwise specified in a Participant's employment or other written agreement between the Participant and the Company in effect as of the date of the Participant's termination of employment, a Participant's inability, due to physical or mental incapacity, to perform the essential functions of the Participant's job, for one hundred eighty (180) consecutive days.

(h) "***EBITDA***" means the Company's earnings from continuing operations, before interest, taxes, depreciation, and amortization as determined in accordance with past practice.

(i) "***Good Leaver***" means a Participant whose employment or service with the Company Group is terminated by the Company for a reason other than Cause, is terminated by the Participant for Good Reason or is terminated due to the Participant's death or Disability.

(j) "***Good Reason***" means, unless otherwise specified in a Participant's employment or other written agreement between the Participant and the Company in effect as of the date of the Participant's termination of employment, any of the following, in each case, without the Participant's written consent: (i) a change in the Participant's title or any material diminution of Participant's responsibilities or authority or the assignment of any duties inconsistent with the Participant's position, in each case, compared to what was in effect as of the Effective Date; (ii) a reduction of the Participant's annual base salary; or (iii) a relocation of the Participant's principal office location more than fifty (50) miles from the Company's offices at which the Participant is based as of the Effective Date (except for required travel on the Company's business to an extent substantially consistent with the Participant's business travel obligations as of the Effective Date or remote work arrangements). Notwithstanding the foregoing, the occurrence of an event that would otherwise constitute Good Reason will cease to be an event constituting Good Reason upon any of the following: (x) the Participant's failure to provide written notice to the Company within thirty (30) days of the first occurrence of such event; (y) substantial correction of such occurrence by the Company within thirty (30) days following receipt of the Participant's written notice described in (x); or (z) the Participant's failure to actually terminate employment within the thirty (30)-day period following the expiration of the Company's thirty (30)-day cure period.

(k) "***Net Sales***" means net sales adjusted for work-in-process on a quarterly basis. On an annual basis, sales work-in-process is included in "Net Sales" in accordance with U.S. GAAP. For the avoidance of doubt, Net Sales shall not be adjusted for sales work-in-process in the first, second or third calendar quarters of the applicable calendar year.

(l) "***Participant***" shall have the meaning ascribed thereto in Section 5 hereof.

(m) "***Participation Statement***" means the statement provided to a Participant describing the Participant's opportunity to earn a Performance Incentive under this Plan.

(n) "***Performance Goals***" means the Performance Metrics established by the Committee for the Board and set forth in Exhibit A hereto, that will consist of (i) Quarterly Threshold Performance Goals, (ii) Quarterly Target Performance Goals, (iii) Quarterly Maximum Performance Goals (collectively, the "***Quarterly Performance Goals***"), (iv) Annual Threshold Performance Goals, (v) Annual Target Performance Goals, and (iv) Annual Maximum Performance Goals (collectively, the "***Annual Performance Goals***"). For purposes of catch-up payments described in Section 6(b), "***Performance Goals***" will consist of (x) Cumulative Quarterly Threshold Performance Goals; (y) Cumulative Quarterly Target Performance Goals; and (z) Cumulative Quarterly Maximum Performance Goals, collectively, the "***Cumulative Performance Goals***" of the applicable Performance Metrics.

(o) "***Performance Incentive***" means the Quarterly Performance Incentive and the Annual Performance Incentive.

(p) "***Performance Metric***" means the specific performance criteria used in determining Performance Goals for the Performance Period; provided that each Performance Metric shall be adjusted on a pro forma basis to take into account any acquisitions or dispositions consummated during the Performance Period. To the extent relevant, the Committee shall have the discretion to adjust the Performance Metrics to exclude costs and benefits associated with the Company's restructuring and other unusual and/or non-recurring items.

(q) "***Performance Period***" means with respect to the calendar year indicated in a Participant's Participation Statement, (i) for a Participant's Quarterly Performance Incentive, each successive calendar quarter commencing on January 1 of such calendar year (each, a "***Quarterly Performance Period***"), and (ii) for a Participant's Annual Performance Incentive, such calendar year (an "***Annual Performance Period***").

(r) "***Quarterly Performance Incentive***" means the amount designated as the Quarterly Performance Incentive in a Participant's Participation Statement.

(s) "***Section 409A***" means Section 409A of the Internal Revenue Code of 1986, as amended.

5. Eligible Participants. Each person designated by the Committee from time to time shall be a Participant under the Plan and eligible to receive a Quarterly Performance Incentive and an Annual Performance Incentive with respect to each applicable Performance Period.

6. Term of Participation.

(a) Quarterly Performance Incentive. Quarterly Performance Incentives will be earned in accordance with this Section 6(a).

(i) Single Quarter Measurement. Subject to the provisions of this Plan and any Participation Statement, each Participant shall earn a Quarterly Performance Incentive as of the end of each applicable Quarterly Performance Period, depending upon the extent to which the Performance Goals have been achieved for such Quarterly Performance Period; provided, however, that payment of any Quarterly Performance Incentive to a Participant shall not exceed 125% of the target opportunity for such Quarterly Performance Incentive (set forth in the Participant's Participation Statement) regardless of the extent to which the Company may exceed the Performance Goals for such Quarterly Period (the "***Quarterly Payment Cap***").

(ii) Cumulative Measurement. In addition to being measured on a quarterly basis, each Performance Metric shall be measured cumulatively as of the end of the second Quarterly Performance Period and each Performance Period thereafter (a "***Relevant Performance Period***"). A "catch-up" payment may be made to the extent the Company equals or exceeds the Cumulative Performance Goals for the applicable Quarterly Performance Period, subject to the Quarterly Payment Cap ("***Catch-Up Payments***"). The amount of each Catch-Up Payment will be equal to the excess of (i) the aggregate Quarterly Performance Incentive payable for such Relevant Performance Period based on the achievement of the applicable Cumulative Performance Goals for such Relevant Performance Period over (ii) the aggregate amount of Quarterly Performance Incentives previously paid to the Participant and the amount payable to the Participant under Section 6(a)(i) above for the Relevant Performance Period.

(b) Annual Performance Incentive. Annual Performance Incentives will be earned in accordance with this Section 6(b).

(i) Subject to the provisions of this Plan and any Participation Statement, each Participant shall earn an Annual Performance Incentive as of the end of the applicable Annual Performance Period, depending upon the extent to which the applicable Performance Goals have been achieved for such Annual Performance Period.

(ii) Annual True-Up. For each Participant, the Company shall perform a year-end "true-up" calculation to determine if each such Participant is owed an additional payment ("***True-Up Payment***") up to the Incentive Cap as a result of the applicability of the Quarterly Payment Cap to the payment of any Quarterly Performance Incentives or Catch-Up Payments. Subject to the Incentive Cap, the Company shall pay an annual True-Up Payment at the end of the applicable Annual Performance Period equal to the excess of (i) the aggregate Quarterly Performance Incentives and Catch-Up Payments that would have been payable to the Participant if the Quarterly Payment Cap were not applied over (ii) the aggregate amount of Quarterly Performance Incentives and Catch-Up Payments previously paid to the Participant pursuant to Section 6(a).

(c) Performance Goals. Exhibit A sets forth the (i) relevant Performance Goals for each Performance Period and (ii) the percentage of each Participant's Quarterly Performance Incentive amount and Annual Incentive Performance amount payable upon the achievement of the applicable Performance Goals. The payout schedule for a Performance Incentive for a Participant shall be based on the (a) Participant's individual target payment amount that has been approved by the Committee and included in the Participant's Participation Statement and (b) the level of achievement of the applicable Performance Metrics for a particular Performance Period. Except as otherwise may be provided by the Committee, in its sole discretion, no Performance Incentive shall be payable for a Performance Metric unless the applicable Threshold Performance Goals for such Performance Metric (set forth in Exhibit A) are achieved. Notwithstanding anything to the contrary herein, the Committee shall have the right, in its sole discretion, to modify (including any increase or reduction) or eliminate all or any portion of any Performance Incentive payable to a Participant based on individual performance or any other factors that the Committee, in its discretion, shall deem appropriate.

(d) Incentive Cap. The cumulative payment to any Participant of any amounts hereunder, including the Quarterly Performance Incentives, Catch-Up Payments, the Annual Performance Incentive and the True-Up Payment, shall not exceed the applicable maximum Performance Metrics established by the Committee (the "***Incentive Cap***") relating to such Participant's target opportunity for Quarterly Performance Incentives and Annual Performance Incentive (set forth in the Participant's Participation Statement) regardless of the extent to which the Company may exceed the Performance Goals for any Performance Period.

(e) Continued Employment. Except as set forth below, to earn a Performance Incentive for any Performance Period, a Participant must remain employed by the Company Group through the date on which the Performance Incentive for the applicable Performance Period is paid. Except as set forth in this Section 6(e), a Participant whose employment with the Company terminates for any reason prior to the date on which the Performance Incentive for the applicable Performance Period is paid shall forfeit the right to any Performance Incentive for that Performance Period. Notwithstanding the foregoing, a Participant who becomes a Good Leaver shall be entitled to a pro rata portion (based on the percentage of the applicable Quarterly Performance Period the Participant was employed by the Company Group at the time the Participant became a Good Leaver) of the associated Quarterly Performance Incentive that would otherwise have been earned for such Quarterly Performance Period determined based on actual achievement of the relevant Performance Goals. For the avoidance of doubt, a Participant who becomes a Good Leaver shall not be entitled to a pro rata portion of the Annual Performance Incentive that would have been earned for such Annual Performance Period unless otherwise (and only to the extent) determined by the Committee in its sole discretion.

7. Performance Certification. Promptly after the end of each Performance Period and as soon as quarterly or annual financials, as applicable, are estimable, the Committee shall certify the degree to which the applicable Performance Goals have been achieved and the amount of the applicable Performance Incentive payable to each Participant hereunder. Any Performance Incentive required to be made under this Plan shall be paid on a fully-vested basis by the Company as soon as practicable after the end of the applicable Performance Period, but in any event not less than (i) forty five (45) days after the end of the Performance Period with respect to the Quarterly Performance Incentive for the first, second and third Quarterly Performance Periods, and (ii) two and a half (2½) months after the end of the Annual Performance Period with respect to the fourth quarter Quarterly Performance Incentive and the Annual Performance Incentive.

8. Plan Administration. This Plan shall be administered by the Committee. The Committee is given full authority and discretion within the limits of this Plan to establish such

administrative measures as may be necessary to administer and attain the objectives of this Plan and may delegate the authority to administer the Plan to an officer of the Company. The Committee (or its delegate, as applicable) shall have full power and authority to construe and interpret this Plan and any interpretation by the Committee shall be binding on all Participants and shall be accorded the maximum deference permitted by law.

(a) All rights and interests of Participants under this Plan shall be non-assignable and nontransferable, and otherwise not subject to pledge or encumbrance, whether voluntary or involuntary, other than by will or by the laws of descent and distribution. In the event of any sale, transfer or other disposition of all or substantially all of the Company's assets or business, whether by merger, stock sale, consolidation or otherwise, the Company may assign this Plan to the acquirer in such transaction.

(b) Any payment to a Participant in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Company Group related to this Plan, and the Company may require Participant, as a condition precedent to such payment, to execute a receipt and release to such effect.

(c) Payment of amounts due under the Plan shall be provided to a Participant in the same manner as Participant receives his or her regular paycheck or by mail at the last known address of Participant in the possession of the Company, at the discretion of Committee. The Company may deduct all applicable taxes and any other withholdings required to be withheld with respect to the payment of any award pursuant to this Plan.

(d) The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to ensure the payment of any award provided for hereunder. Performance Incentive payments shall not be considered to be extraordinary, special incentive compensation, and such payments will not be included as "earnings," "wages," "salary," or "compensation" in any welfare, life insurance or other arrangement of the Company Group.

(e) The Company shall have the right, in its sole discretion, to modify, supplement, suspend or terminate this Plan at any time; provided that, except as required by law, in no event shall any amendment or termination adversely affect the rights of Participants regarding any Performance Incentive for a Performance Period that has commenced as of the date of such action without the prior written consent of the affected Participants.

(f) Nothing contained in this Plan shall in any way affect the right and power of the Company to discharge any Participant or otherwise terminate his or her employment at any time or for any reason or to change the terms of his or her employment in any manner.

(g) Except as otherwise provided under this Plan, any expense incurred in administering this Plan shall be borne by the Company.

(h) Captions preceding the sections hereof are inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provision hereof.

(i) The administration of the Plan shall be governed by the laws of Colorado, without regard to the conflict of law principles of any state. Any persons or corporations who now are or shall subsequently become parties to the Plan shall be deemed to consent to this provision.

(j) The Plan is intended to be exempt from the requirements of Section 409A and each payment hereunder shall be considered a separate payment. To the extent that the Plan is not exempt from the requirements of Section 409A, the Plan is intended to comply with the requirements of Section 409A and shall be limited, construed and interpreted in accordance with such intent. In the event that amounts payable hereunder are considered "deferred compensation" subject to Section 409A and the Participant is a "specified employee" for purposes of Section 409A, then no payment of any amount that is due under this Plan because of a "separation from service" (as defined in Section 409A without regard to alternative definitions thereunder) will be paid before the date that is six months following the date of such Participant's "separation from service" (as defined in Section 409A without regard to alternative definitions thereunder) or, if earlier, the date of the Participant's death, unless such payment can be made in a manner that complies with Section 409A, and any amounts so deferred will be paid in a lump sum on the day after such six month period elapses. Notwithstanding the foregoing, in no event whatsoever shall the Company be liable for any additional tax, interest, income inclusion or other penalty that may be imposed on a Participant by Section 409A or for damages for failing to comply with Section 409A.

(k) Nothing contained in this Plan is intended to limit the Participant's ability to (i) report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"), (ii) communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company or (iii) under applicable United States federal law to (A) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (B) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

(l) The awards granted under this Plan and any payment under this Plan are subject to forfeiture, recovery by the Company or other action pursuant to the applicable Participation Statement or any Company clawback or recoupment policy of the Company, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

* * * * * * * *

IN WITNESS WHEREOF, the Company has caused the Plan to be signed by its duly authorized officer as of the date first set forth above.

CPI CARD GROUP INC.

By: ____________________________________
Name: Sonya Vollmer
Its: Chief Human Resources Officer

Exhibit A

Performance Metrics and Goals

1. Payable if Quarterly Threshold Performance Metric Achieved:	50% of the Applicable Portion of the Participant's Target Quarterly Performance Incentive
2. Payable if Quarterly Target Performance Metric Achieved:	100% of the Applicable Portion of the Participant's Target Quarterly Performance Incentive
3. Payable if Quarterly Maximum Performance Metric Achieved:	200% of the Applicable Portion of the Participant's Target[1] Quarterly Performance Incentive
4. Payable if Cumulative Quarterly Threshold Performance Metric Achieved:	50% of the Applicable Portion of the Participant's aggregate Target Quarterly Performance Incentive through the end of the Applicable Performance Period
5. Payable if Cumulative Quarterly Target Performance Metric Achieved:	100% of the Applicable Portion of the Participant's aggregate Target Quarterly Performance Incentive through the end of the Applicable Performance Period
6. Payable if Cumulative Quarterly Maximum Performance Metric Achieved:	200% of the Applicable Portion of the Participant's aggregate Target Quarterly Performance Incentive through the end of the Applicable Performance Period[2]
7. Payable if Annual Threshold Performance Metric Achieved:	50% of the Applicable Portion of the Participant's Target Annual Performance Incentive
8. Payable if Annual Target Performance Metric Achieved:	100% of the Applicable Portion of the Participant's Target Annual Performance Incentive
9. Payable if Annual Maximum Performance Metric Achieved:	200% of the Applicable Portion of the Participant's Target Annual Performance Incentive
10. Portion of Applicable Portion Payable if Achievement is Between Performance Metrics:	Calculated on the basis of straight-line interpolation

1 **Capped at 125% of Target Quarterly Performance Incentive for Q1, Q2, Q3 and Q4.**

2 **Capped at 125% of Target Quarterly Performance Incentive for Q2, Q3 and Q4.**

I. For any Performance Incentive that is funded based on Company performance as indicated in a Participation Statement:

(i) **Performance Metric: Adjusted EBITDA**

Applicable Portion of Target Performance Incentive: 70%

Performance Period:	**First Performance Period**	**Second Performance Period**	**Third Performance Period**	**Fourth Performance Period**	**Annual Performance Period**
Quarterly Threshold Performance Goal	18,000,000	17,680,000	18,270,000	15,400,000	N/A
Quarterly Target Performance Goal	21,180,000	20,800,000	21,490,000	18,120,000	N/A
Quarterly Maximum Performance Goal	23,300,000	22,880,000	23,640,000	19,930,000	N/A
Annual Threshold Performance Goal[3]	N/A	N/A	N/A	N/A	69,350,000
Annual Target Performance Goal	N/A	N/A	N/A	N/A	81,590,000
Annual Maximum Performance Goal	N/A	N/A	N/A	N/A	89,750,000
Cumulative Quarterly Threshold Performance Goal	N/A	35,680,000	53,950,000	69,350,000	N/A
Cumulative Quarterly Target Performance Goal	N/A	41,980,000	63,470,000	81,590,000	N/A
Cumulative Quarterly Maximum Performance Goal	N/A	46,180,000	69,820,000	89,750,000	N/A

3 If threshold is not achieved, then no Annual Performance Incentive will be paid.

(ii) **Performance Metric:** **Net Sales**

Applicable Portion of Target Performance Incentive: **30%**

Performance Period:	**First Performance Period**	**Second Performance Period**	**Third Performance Period**	**Fourth Performance Period**	**Annual Performance Period**
Quarterly Threshold Performance Goal	89,320,000	88,070,000	88,480,000	85,330,000	N/A
Quarterly Target Performance Goal	99,240,000	97,860,000	98,310,000	94,810,000	N/A
Quarterly Maximum Performance Goal	109,160,000	107,650,000	108,140,000	104,290,000	N/A
Annual Threshold Performance Goal	N/A	N/A	N/A	N/A	351,200,000
Annual Target Performance Goal	N/A	N/A	N/A	N/A	390,220,000
Annual Maximum Performance Goal	N/A	N/A	N/A	N/A	429,240,000
Cumulative Quarterly Threshold Performance Goal	N/A	177,390,000	265,870,000	351,200,000	N/A
Cumulative Quarterly Target Performance Goal	N/A	197,100,000	295,410,000	390,220,000	N/A
Cumulative Quarterly Maximum Performance Goal	N/A	216,810,000	324,950,000	429,240,000	N/A

Exhibit 10.2

CPI CARD GROUP INC.

EMPLOYEE SHORT-TERM INCENTIVE PLAN

1. Purpose. This CPI Card Group Inc. (the "***Company***") Employee Short-Term Incentive Plan (the "***Plan***") is designed to align the interests of the Company and eligible key employees of the Company Group, as defined herein.

2. Adoption of the Plan. The Company, intending to be legally bound, hereby adopts the Plan effective as of January 1, 2022 (the "***Effective Date***"). The Plan shall be in effect from the Effective Date and shall continue through December 31, 2022, unless earlier terminated or amended by the Company in accordance with Section 8(e) (the "***Term***"). The expiration or termination of the Term shall not in any event reduce or adversely affect any amounts due to any Participant hereunder for any Performance Period ending on or before such date.

3. General. Unless explicitly provided for in a written agreement between the Company and a Participant, the compensation provided under the Plan is intended to be in addition to all other compensation payable to Participants under any employment agreement or incentive plan or program in effect with the Company or its direct or indirect subsidiaries.

4. Definitions. For purposes of this Plan:

(a) "***Annual Performance Incentive***" means the amount designated as the Annual Performance Incentive in a Participant's Participation Statement.

(b) "***Board***" means the Company's Board of Directors.

(c) "***Committee***" means the Compensation Committee of the Board.

(d) "***Company Group***" means the Company and its direct and indirect subsidiaries.

(e) "***Disability***" means, unless otherwise specified in a Participant's employment or other written agreement between the Participant and the Company in effect as of the date of the Participant's termination of employment, a Participant's inability, due to physical or mental incapacity, to perform the essential functions of the Participant's job, for one hundred eighty (180) consecutive days.

(f) "***Good Leaver***" means a Participant whose employment or service with the Company Group is terminated due to the Participant's death or Disability.

(g) "***Participant***" shall have the meaning ascribed thereto in Section 5 hereof.

(h) "***Participation Statement***" means the statement provided to a Participant describing the Participant's opportunity to earn a Performance Incentive under this Plan.

(i) "***Performance Goals***" means the Performance Metrics established by the Committee for the Board that will be set forth in a Participant's Participation Statement.

(j) “***Performance Incentive***” means the Quarterly Performance Incentive and the Annual Performance Incentive.

(k) “***Performance Metric***” means the specific performance criteria used in determining Performance Goals for the Performance Period; provided that each Performance Metric shall be adjusted on a pro forma basis to take into account any acquisitions or dispositions consummated during the Performance Period. To the extent relevant, the Committee shall have the discretion to adjust the Performance Metrics to exclude costs and benefits associated with the Company’s restructuring and other unusual and/or non-recurring items.

(l) “***Performance Period***” means with respect to the calendar year indicated in a Participant’s Participation Statement, (i) for a Participant’s Quarterly Performance Incentive, each successive calendar quarter commencing on January 1 of such calendar year (each a “***Quarterly Performance Period***”), and (ii) for a Participant’s Annual Performance Incentive, such calendar year (an “***Annual Performance Period***”).

(m) “***Quarterly Performance Incentive***” means the amount designated as the Quarterly Performance Incentive in a Participant’s Participation Statement.

(n) “***Section 409A***” means Section 409A of the Internal Revenue Code of 1986, as amended.

5. Eligible Participants. Each person designated by the Committee, or its designee, from time to time shall be a “Participant” under the Plan and eligible to receive a Quarterly Performance Incentive and an Annual Performance Incentive with respect to each applicable Performance Period.

6. Term of Participation.

(a) Quarterly Performance Incentive. Quarterly Performance Incentives will be earned in accordance with this Section 6(a).

(i) Single Quarter Measurement. Subject to the provisions of this Plan and any Participation Statement, each Participant shall earn a Quarterly Performance Incentive as of the end of each applicable Quarterly Performance Period, depending upon the extent to which the Performance Goals have been achieved for such Quarterly Performance Period; provided, however, that payment of any Quarterly Performance Incentive to a Participant shall not exceed 125% of the target opportunity for such Quarterly Performance Incentive (set forth in the Participant’s Participation Statement) regardless of the extent to which the Company may exceed the Performance Goals for such Quarterly Period (the “***Quarterly Payment Cap***”).

(ii) Cumulative Measurement. In addition to being measured on a quarterly basis, each Performance Metric shall be measured cumulatively as of the end of the second Quarterly Performance Period and each Performance Period thereafter (a “***Relevant Performance Period***”). A “catch-up” payment may be made to the extent the Company equals or exceeds the cumulative Performance Goals for the applicable Quarterly Performance Period, subject to the Quarterly Payment Cap (“***Catch-Up Payments***”). The amount of each Catch-Up Payment will be equal to the excess of (i) the aggregate Quarterly Performance Incentive payable for such Relevant Performance Period based on the achievement of the applicable cumulative Performance Goals for such Relevant Performance Period over (ii) the aggregate amount of Quarterly Performance Incentives previously paid to the Participant and the amount payable to the Participant under Section 6(a)(i) above for the Relevant Performance Period.

(b) Annual Performance Incentive. Annual Performance Incentives will be earned in accordance with this Section 6(b).

(i) Annual Measurement. Subject to the provisions of this Plan and any Participation Statement, each Participant shall earn an Annual Performance Incentive as of the end of the applicable Annual Performance Period, depending upon the extent to which the applicable Performance Goals have been achieved for such Annual Performance Period. The Company's Chief Executive Officer may, in the Chief Executive Officer's sole discretion, determine that a Participant's Annual Performance Incentive may be adjusted based on such Participant's individual performance or otherwise, provided that any such adjustment shall not apply to the True-Up Payment and shall be subject to the Incentive Cap (as such terms are defined below).

(ii) Annual True-Up. For each Participant, the Company shall perform a year-end "true-up" calculation to determine if each such Participant is owed an additional payment ("***True-Up Payment***") up to the Incentive Cap as a result of the applicability of the Quarterly Payment Cap to the payment of any Quarterly Performance Incentives or Catch-Up Payments. Subject to the Incentive Cap, the Company shall pay an annual True-Up Payment at the end of the applicable Annual Performance Period equal to the excess of (i) the aggregate Quarterly Performance Incentives and Catch-Up Payments that would have been payable to the Participant if the Quarterly Payment Cap were not applied over (ii) the aggregate amount of Quarterly Performance Incentives and Catch-Up Payments previously paid to the Participant pursuant to Section 6(a).

(c) Performance Goals. Each Participation Statement will set forth the (i) relevant Performance Goals for the annual Performance Period and (ii) the percentage of each Participant's Quarterly Performance Incentive amount and Annual Incentive Performance amount payable upon the achievement of the applicable Performance Goals. The Performance Goals will be set and maintained by the Committee. The payout schedule for a Performance Incentive for a Participant shall be based on the (a) Participant's individual target payment amount that has been approved by the Committee, or its designee, and included in the Participant's Participation Statement and (b) the level of achievement of the applicable Performance Metrics for a particular Performance Period. Except as otherwise may be provided by the Committee, in its sole discretion, no Performance Incentive shall be payable for a Performance Metric unless the applicable threshold Performance Goals for such Performance Metric are achieved. Notwithstanding anything to the contrary herein, the Committee or the Company's Chief Executive Officer shall have the right, in each of their sole discretion, to modify (including any increase or reduction) or eliminate all or any portion of any Performance Incentive payable to a Participant based on individual performance or any other factors that the Committee or the Chief Executive Officer shall deem appropriate.

(d) Incentive Cap. The cumulative payment to any Participant of any amounts hereunder, including the Quarterly Performance Incentives, Catch-Up Payments, the Annual Performance Incentive and the True-Up Payment, shall not exceed the applicable maximum Performance Metrics established by the Committee (the "***Incentive Cap***") relating to such Participant's target opportunity for the Quarterly Performance Incentives and the Annual Performance Incentive (set forth in the Participant's Participation Statement) regardless of the extent to which the Company may exceed the Performance Goals for any Performance Period.

(e) Continued Employment. Except as set forth below, to earn a Performance Incentive for any Performance Period, a Participant must remain employed by the Company Group through the date on which the Performance Incentive for the applicable Performance Period is paid. Except as set forth in this Section 6(e), a Participant whose employment with the Company terminates for any reason prior to the date on which the Performance Incentive for the applicable Performance Period is paid shall forfeit the right to any Performance Incentive for that Performance Period. Notwithstanding the foregoing, a Participant who becomes a Good Leaver shall be entitled to a pro rata portion (based on the percentage of the applicable Quarterly Performance Period the Participant was employed by the Company Group at the time the Participant became a Good Leaver) of the associated Quarterly Performance Incentive that would otherwise have been earned for such Quarterly Performance Period determined based on actual achievement of the relevant Performance Goals. For the avoidance of doubt, a Participant who becomes a Good Leaver shall not be entitled to a pro rata portion of the Annual Performance Incentive that would have been earned for such Annual Performance Period unless otherwise (and only to the extent) determined by the Committee in its sole discretion.

7. Performance Certification. Promptly after the end of each Performance Period and as soon as quarterly or annual financials, as applicable, are estimable, the Committee shall certify the degree to which the applicable Performance Goals have been achieved and the amount of the applicable Performance Incentive payable to each Participant hereunder. Any Performance Incentive required to be made under this Plan shall be paid on a fully-vested basis by the Company as soon as practicable after the end of the applicable Performance Period, but in any event not less than (i) forty five (45) days after the end of the Performance Period with respect to the Quarterly Performance Incentive for the first, second and third Quarterly Performance Periods, and (ii) two and a half (2½) months after the end of the Annual Performance Period with respect to the fourth quarter Quarterly Performance Incentive and the Annual Performance Incentive.

8. Plan Administration. This Plan shall be administered by the Committee. The Committee is given full authority and discretion within the limits of this Plan to establish such administrative measures as may be necessary to administer and attain the objectives of this Plan and may delegate the authority to administer the Plan to an officer of the Company. The Committee (or its delegate, as applicable) shall have full power and authority to construe and interpret this Plan and any interpretation by the Committee shall be binding on all Participants and shall be accorded the maximum deference permitted by law.

(a) All rights and interests of Participants under this Plan shall be non-assignable and nontransferable, and otherwise not subject to pledge or encumbrance, whether voluntary or involuntary, other than by will or by the laws of descent and distribution. In the event of any sale, transfer or other disposition of all or substantially all of the Company's assets or business, whether by merger, stock sale, consolidation or otherwise, the Company may assign this Plan to the acquirer in such transaction.

(b) Any payment to a Participant in accordance with the provisions of this Plan shall, to the extent thereof, be in full satisfaction of all claims against the Company Group related to this Plan, and the Company may require Participant, as a condition precedent to such payment, to execute a receipt and release to such effect.

(c) Payment of amounts due under the Plan shall be provided to a Participant in the same manner as Participant receives his or her regular paycheck or by mail at the last known address of Participant in the possession of the Company, at the discretion of the Committee. The Company may deduct all applicable taxes and any other withholdings required to be withheld with respect to the payment of any award pursuant to this Plan.

(d) The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to ensure the payment of any award provided for hereunder. Performance Incentive payments shall not be considered as extraordinary, special incentive compensation, and such payments will not be included as "earnings," "wages," "salary," or "compensation" in any welfare, life insurance or other arrangement of the Company Group.

(e) The Company shall have the right, in its sole discretion, to modify, supplement, suspend or terminate this Plan at any time; provided that, except as required by law, in no event shall any amendment or termination adversely affect the rights of Participants regarding any Performance Incentive for a Performance Period that has commenced as of the date of such action without the prior written consent of the affected Participants.

(f) Nothing contained in this Plan shall in any way affect the right and power of the Company to discharge any Participant or otherwise terminate his or her employment at any time or for any reason or to change the terms of his or her employment in any manner.

(g) Except as otherwise provided under this Plan, any expense incurred in administering this Plan shall be borne by the Company.

(h) Captions preceding the sections hereof are inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provision hereof.

(i) The administration of the Plan shall be governed by the laws of Colorado, without regard to the conflict of law principles of any state. Any persons or corporations who now are or shall subsequently become parties to the Plan shall be deemed to consent to this provision.

(j) The Plan is intended to be exempt from the requirements of Section 409A and each payment hereunder shall be considered a separate payment. To the extent that the Plan is not exempt from the requirements of Section 409A, the Plan is intended to comply with the requirements of Section 409A and shall be limited, construed and interpreted in accordance with such intent. In the event that amounts payable hereunder are considered "deferred compensation" subject to Section 409A and the Participant is a "specified employee" for purposes of Section 409A, then no payment of any amount that is due under this Plan because of a "separation from service" (as defined in Section 409A without regard to alternative definitions thereunder) will be paid before the date that is six months following the date of such Participant's "separation from service" (as defined in Section 409A without regard to alternative definitions thereunder) or, if earlier, the date of the Participant's death, unless such payment can be made in a manner that complies with Section 409A, and any amounts so deferred will be paid in a lump sum on the day after such six month period elapses. Notwithstanding the foregoing, in no event whatsoever shall the Company be liable for any additional tax, interest, income inclusion or other penalty that may be imposed on a Participant by Section 409A or for damages for failing to comply with Section 409A.

(k) Nothing contained in this Plan is intended to limit the Participant's ability to (i) report possible violations of law or regulation to, or file a charge or complaint with, the Securities and Exchange Commission, the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Department of Justice, the Congress, any Inspector General, or any other federal, state or local governmental agency or commission ("Government Agencies"), (ii) communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company or (iii) under applicable United States federal law to (A) disclose in confidence trade secrets to federal, state, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (B) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.

(l) The awards granted under this Plan and any payment under this Plan are subject to forfeiture, recovery by the Company or other action pursuant to the applicable Participation Statement or any Company clawback or recoupment policy of the Company, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

* * * * * * * *

IN WITNESS WHEREOF, the Company has caused the Plan to be signed by its duly authorized officer as of the date first set forth above.

CPI CARD GROUP INC.

By: ______________________________
Name: Sonya Vollmer
Its: Chief Human Resources Officer

Exhibit 31.1

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Scott Scheirman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CPI Card Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2022

/s/ Scott Scheirman

Scott Scheirman

President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Amintore Schenkel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CPI Card Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2022

/s/ Amintore Schenkel

Amintore Schenkel
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of CPI Card Group Inc. (the "Company") for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott Scheirman, President and Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scott Scheirman
Scott Scheirman
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 5, 2022

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of CPI Card Group Inc. (the "Company") for the period ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Amintore Schenkel, Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Amintore Schenkel
Amintore Schenkel
Chief Financial Officer
(Principal Financial Officer)

Date: May 5, 2022

Document and Entity Information - shares	3 Months Ended Mar. 31, 2022	Apr. 28, 2022
Cover Abstract		
Document Type	10-Q	
Document Quarterly Report	true	
Document Period End Date	Mar. 31, 2022	
Document Transition Report	false	
Entity File Number	001-37584	
Entity Registrant Name	CPI Card Group Inc.	
Entity Central Index Key	0001641614	
Entity Incorporation, State or Country Code	DE	
Entity Tax Identification Number	26-0344657	
Entity Address, Address Line One	10368 W. Centennial Road	
Entity Address, City or Town	Littleton	
Entity Address, State or Province	CO	
Entity Address, Postal Zip Code	80127	
City Area Code	720	
Local Phone Number	681-6304	
Amendment Flag	false	
Current Fiscal Year End Date	--12-31	
Title of 12(b) Security	Common Stock, $0.001 par value	
Trading Symbol	PMTS	
Security Exchange Name	NASDAQ	
Entity Current Reporting Status	Yes	
Entity Interactive Data Current	Yes	
Entity Filer Category	Accelerated Filer	
Entity Small Business	true	
Entity Emerging Growth Company	false	
Entity Shell Company	false	
Entity Common Stock, Shares Outstanding		11,255,466
Document Fiscal Year Focus	2022	
Document Fiscal Period Focus	Q1	

Condensed Consolidated Balance Sheets - USD ($) $ in Thousands	Mar. 31, 2022	Dec. 31, 2021
Current assets:		
Cash and cash equivalents	$ 12,136	$ 20,683
Accounts receivable, net of allowances of $162 and $86, respectively	71,177	60,953
Inventories	70,516	58,009
Prepaid expenses and other current assets	6,166	5,522
Income taxes receivable		534
Total current assets	159,995	145,701
Plant, equipment, leasehold improvements and operating lease right-of-use assets, net	49,963	47,251
Intangible assets, net	20,887	21,854
Goodwill	47,150	47,150
Other assets	7,740	6,184
Total assets	285,735	268,140
Current liabilities:		
Accounts payable	30,384	26,443
Accrued expenses	29,672	37,150
Deferred revenue and customer deposits	498	1,182
Total current liabilities	60,554	64,775
Long-term debt	314,388	303,626
Deferred income taxes	5,895	5,253
Other long-term liabilities	18,955	15,506
Total liabilities	399,792	389,160
Commitments and contingencies (Note 14)		
Series A Preferred Stock; $0.001 par value-100,000 shares authorized; 0 shares issued and outstanding at March 31, 2022 and December 31, 2021		
Stockholders' deficit:		
Common stock; $0.001 par value-100,000,000 shares authorized; 11,255,466 shares issued and outstanding at March 31, 2022 and December 31, 2021	11	11
Capital deficiency	(109,821)	(110,782)
Accumulated loss	(4,247)	(10,249)
Total stockholders' deficit	(114,057)	(121,020)
Total liabilities and stockholders' deficit	$ 285,735	$ 268,140

Condensed Consolidated Balance Sheets (Parenthetical) - USD ($) $ in Thousands	Mar. 31, 2022	Dec. 31, 2021
Condensed Consolidated Balance Sheets		
Allowance on accounts receivable	$ 162	$ 86
Preferred shares, par value (in dollars per share)	$ 0.001	$ 0.001
Preferred shares, authorized shares (in shares)	100,000	100,000
Preferred shares, issued shares (in shares)	0	0
Preferred shares, outstanding shares (in shares)	0	0
Common shares, par value (in dollars per share)	$ 0.001	$ 0.001
Common shares, authorized shares (in shares)	100,000,000	100,000,000
Common shares, issued shares (in shares)	11,255,466	11,255,466
Common shares, outstanding shares (in shares)	11,255,466	11,255,466

Condensed Consolidated Statements of Operations and Comprehensive Income - USD ($) $ in Thousands	3 Months Ended	
	Mar. 31, 2022	Mar. 31, 2021
Net sales:		
Net Sales	$ 111,424	$ 89,092
Cost of sales:		
Depreciation and amortization	2,195	2,416
Total cost of sales	72,146	53,371
Gross profit	39,278	35,721
Operating expenses:		
Selling, general and administrative (exclusive of depreciation and amortization shown below)	19,882	16,146
Depreciation and amortization	1,415	1,806
Total operating expenses	21,297	17,952
Income from operations	17,981	17,769
Other expense, net:		
Interest, net	(7,865)	(8,976)
Other income (expense), net	(1)	25
Loss on debt extinguishment	(395)	(5,048)
Total other expense, net	(8,261)	(13,999)
Income before income taxes	9,720	3,770
Income tax expense	(3,718)	(1,360)
Net income	$ 6,002	$ 2,410
Basic earnings per share: (in dollar per share)	$ 0.53	$ 0.21
Diluted earnings per share: (in dollar per share)	$ 0.51	$ 0.21
Basic weighted-average shares outstanding (in shares)	11,255,466	11,230,482
Diluted weighted-average shares outstanding (in shares)	11,717,849	11,639,015
Comprehensive income:		
Net income	$ 6,002	$ 2,410
Total comprehensive income	6,002	2,410
Products		
Net sales:		
Net Sales	68,316	47,013
Cost of sales:		
Products and Services (exclusive of depreciation and amortization shown below)	43,094	27,287
Services		
Net sales:		
Net Sales	43,108	42,079
Cost of sales:		
Products and Services (exclusive of depreciation and amortization shown below)	$ 26,857	$ 23,668

Condensed Consolidated Statements of Stockholders' Deficit - USD ($) $ in Thousands	Common Stock	Capital deficiency	Accumulated loss	Total
Beginning balance at Dec. 31, 2020	$ 11	$ (111,858)	$ (26,190)	$ (138,037)
Beginning balance (in shares) at Dec. 31, 2020	11,230,482			
Stock-based compensation		51		51
Components of comprehensive income:				
Net income			2,410	2,410
Ending balance at Mar. 31, 2021	$ 11	(111,807)	(23,780)	(135,576)
Ending balance (in shares) at Mar. 31, 2021	11,230,482			
Beginning balance at Dec. 31, 2021	$ 11	(110,782)	(10,249)	$ (121,020)
Beginning balance (in shares) at Dec. 31, 2021	11,255,466			11,255,466
Stock-based compensation		961		$ 961
Components of comprehensive income:				
Net income			6,002	6,002
Ending balance at Mar. 31, 2022	$ 11	$ (109,821)	$ (4,247)	$ (114,057)
Ending balance (in shares) at Mar. 31, 2022	11,255,466			11,255,466

Condensed Consolidated Statements of Cash Flows - USD ($) $ in Thousands	3 Months Ended	
	Mar. 31, 2022	Mar. 31, 2021
Operating activities		
Net income	$ 6,002	$ 2,410
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	3,610	4,222
Stock-based compensation expense	961	51
Amortization of debt issuance costs and debt discount	486	887
Loss on debt extinguishment	395	5,048
Deferred income tax	642	(177)
Other, net	768	200
Changes in operating assets and liabilities:		
Accounts receivable	(10,300)	(5,884)
Inventories	(12,579)	(8,885)
Prepaid expenses and other assets	(2,057)	107
Income taxes, net	932	1,359
Accounts payable	4,173	3,705
Accrued expenses	(8,840)	(2,790)
Deferred revenue and customer deposits	(684)	(556)
Other liabilities	530	447
Cash (used in) provided by operating activities	(15,961)	144
Investing activities		
Capital expenditures for plant, equipment and leasehold improvements	(3,154)	(2,524)
Other	5	155
Cash used in investing activities	(3,149)	(2,369)
Financing activities		
Principal payments on First Lien Term Loan		(312,500)
Principal payments on Senior Credit Facility		(30,000)
Principal payments on Senior Notes	(20,000)	
Proceeds from Senior Notes		310,000
Proceeds from ABL Revolver, net of discount	30,000	14,750
Debt issuance costs	(262)	(9,452)
Payments on debt extinguishment and other	(600)	(2,685)
Proceeds from finance lease financing	2,074	
Payments on finance lease obligations	(649)	(610)
Cash provided by (used in) financing activities	10,563	(30,497)
Effect of exchange rates on cash		3
Net decrease in cash and cash equivalents	(8,547)	(32,719)
Cash and cash equivalents, beginning of period	20,683	57,603
Cash and cash equivalents, end of period	12,136	24,884
Supplemental disclosures of cash flow information		
Cash paid during the period for: Interest	13,553	8,382

Cash paid during the period for: Income taxes paid	94	1
Right-of-use assets obtained in exchange for lease obligations- Operating leases	816	432
Right-of-use assets obtained in exchange for lease obligations- Financing leases	3,541	526
Accounts payable and accrued expenses for capital expenditures for plant, equipment and leasehold improvements	$ 2,293	$ 256

Business Overview and Summary of Significant Accounting Policies

Business Overview and Summary of Significant Accounting Policies

Business Overview and Summary of Significant Accounting Policies

3 Months Ended

Mar. 31, 2022

CPI Card Group Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Dollars in Thousands, Except Share and Per Share Amounts or as Otherwise Indicated)
(Unaudited)

1. Business Overview and Summary of Significant Accounting Policies

Business Overview

CPI Card Group Inc. (which, together with its subsidiary companies, is referred to herein as "CPI" or the "Company") is a payment technology company and leading provider of comprehensive Financial Payment Card solutions in the United States. CPI is engaged in the design, production, data personalization, packaging and fulfillment of Financial Payment Cards, which the Company defines as credit, debit and Prepaid Debit Cards issued on the networks of the Payment Card Brands (Visa, Mastercard, American Express and Discover). CPI also offers an instant card issuance solution, which provides card issuing bank customers the ability to issue a personalized debit or credit card within the bank branch to individual cardholders.

CPI serves its customers through a network of high-security production and card services facilities in the United States, each of which is audited for compliance with the standards of the PCI Security Standards Council by one or more of the Payment Card Brands. CPI's leading network of high-security production facilities allows the Company to optimize its solutions offerings and to serve its customers.

COVID-19 Update

The COVID-19 pandemic has impacted, and continues to impact, economies and societies globally, including the locations where we, our customers and our suppliers conduct business. The long-term implications of COVID-19 on the Company's results of operations and overall financial performance remain uncertain, though the health and safety of CPI employees remains paramount.

The Company believes the global impacts from COVID-19, along with other factors, have contributed to certain adverse effects on its supply chain, including increased lead times for, and higher costs of, certain raw materials and components, such as microchips, which are expected to continue in the future. CPI closely monitors its supply chain and has and may continue to purchase additional inventory, compile buffer stock and place orders in advance to help mitigate supply chain constraints. The current environment has also affected the available labor pool in the areas in which the Company operates, which has resulted in increased labor cost and turnover in our facilities, challenges hiring production employees and shipping delays. CPI continues to actively recruit additional employees and offer market competitive salaries to mitigate labor shortages.

Though the Company has implemented measures to mitigate the impacts of the labor and supply chain challenges described above, the Company believes that such impacts, and the associated costs, may continue to increase throughout 2022 and possibly beyond. The Company may not be able to pass all of these costs through to its customers. The Company is experiencing increased production lead times, which it believes are likely to continue throughout 2022 and possibly beyond, depending on the duration of the staffing and supply chain challenges and the level of demand from its customers. The Company will continue to monitor and respond as the situation evolves.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. The CARES Act, among other things, included provisions relating to refundable payroll tax credits, deferment of employer social security payments, changes in net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitation and technical corrections to tax depreciation methods for qualified improvement property. The company deferred employer social security payments in 2020 in accordance with the CARES Act, and the first installment repayment was made in the fourth quarter of 2021. The second installment payment is permitted to be paid no later than the fourth quarter of 2022. Refer to Note 8, "Accrued Expenses" for additional discussion.

Basis of Presentation

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to Form 10-Q and Article 8 of Regulation S-X. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for the fair statement of the results of the interim periods presented. The condensed consolidated balance sheet as of December 31, 2021 is derived from the audited financial statements as of that date. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Use of Estimates

Management uses estimates and assumptions relating to the reporting of assets and liabilities at the date of the financial statements, the reported revenues and expenses recognized during the reporting period, and certain financial statement disclosures in the preparation of the condensed consolidated financial statements. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, goodwill and intangible assets, leases, liability for sales tax, valuation allowances for inventories and deferred taxes, revenue recognized for work performed but not completed and uncertain tax positions. Actual results could differ from those estimates.

Recent Accounting Standards

Recently Issued Accounting Standards

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-13, *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). This ASU changes the model for the recognition of credit losses from an incurred loss model, which recognized credit losses only if it was probable that a loss had been incurred, to an expected loss model, which requires the Company to estimate the total credit losses expected on the portfolio of financial instruments. The effective date of ASU 2016-13 was amended by ASU 2019-10, *Credit Losses Effective Dates.* Since CPI is a smaller reporting company, adoption of this accounting standard is effective for the Company for fiscal years beginning after December 15, 2022, and interim periods therein, with early adoption permitted. The Company has elected not to early adopt this accounting standard. The Company is evaluating the impact of adoption of this standard and does not anticipate the application of ASU 2016-13 will have a material impact on the Company's consolidated financial position and results of operations.

Net Sales	3 Months Ended Mar. 31, 2022

Net Sales.

Net Sales

2. Net Sales

The Company disaggregates its net sales by major source as follows:

	Three Months Ended March 31, 2022		
	Products	Services	Total
Debit and Credit	$ 68,348	$ 23,667	$ 92,015
Prepaid Debit	—	19,461	19,461
Intersegment eliminations	(32)	(20)	(52)
Total	$ 68,316	$ 43,108	$ 111,424
	Three Months Ended March 31, 2021		
	Products	Services	Total
Debit and Credit	$ 47,179	$ 22,638	$ 69,817
Prepaid Debit	—	19,458	19,458
Intersegment eliminations	(166)	(17)	(183)
Total	$ 47,013	$ 42,079	$ 89,092

Products Net Sales

"Products" net sales are recognized when obligations under the terms of a contract with a customer are satisfied. In most instances, this occurs over time as cards are produced for specific customers and have no alternative use and the Company has an enforceable right to payment for work performed. For work performed but not completed and unbilled, the Company estimates revenue by taking actual costs incurred and applying historical margins for similar types of contracts. Items included in "Products" net sales are produced Financial Payment Cards, including contact-EMV®, contactless dual-interface EMV, contactless and magnetic stripe cards, our eco-focused solutions, including Second Wave® and Earthwise™ cards made with upcycled plastic, metal cards, private label credit cards and retail gift cards. Card@Once® printers and consumables are also included in "Products" net sales, and their associated revenues are recognized at the time of shipping. The Company includes gross shipping and handling revenue in net sales, and shipping and handling costs in cost of sales.

EMV® is a registered trademark in the U.S. and other countries and an unregistered trademark elsewhere. The EMV trademark is owned by EMV Co, LLC.

Services Net Sales

Net sales are recognized for "Services" as the services are performed. Items included in "Services" net sales include the personalization and fulfillment of Financial Payment Cards, providing tamper-evident secure packaging and fulfillment services to Prepaid Debit Card program managers, and software as a service personalization of instant issuance debit cards. As applicable, for work performed but not completed and unbilled, the Company estimates revenue by taking actual costs incurred and applying historical margins for similar types of contracts.

Customer Contracts

The Company often enters into Master Services Agreements ("MSAs") with its customers. Generally, enforceable rights and obligations for goods and services occur only when a customer places a purchase order or statement of work to obtain goods or services under an MSA. The contract term as defined by ASC 606, *Revenue from Contracts with Customers*, is the length of time it takes to deliver the goods or services promised under the purchase order or statement of work. As such, the Company's contracts are generally short term in nature.

Accounts Receivable	3 Months Ended Mar. 31, 2022
Accounts Receivable	
Accounts Receivable	**3. Accounts Receivable** Accounts receivable consisted of the following:

	March 31, 2022	December 31, 2021
Trade accounts receivable	$ 59,487	$ 50,042
Unbilled accounts receivable	11,852	10,997
	71,339	61,039
Less allowance for doubtful accounts	(162)	(86)
	$ 71,177	$ 60,953

Inventories	3 Months Ended Mar. 31, 2022

Inventories

Inventories

4. Inventories

Inventories consisted of the following:

	March 31, 2022	December 31, 2021
Raw materials	$ 66,522	$ 54,254
Finished goods	7,090	6,778
Inventory reserve	(3,096)	(3,023)
	$ 70,516	$ 58,009

Plant, Equipment, Leasehold Improvements and Operating Lease Right-of-Use Assets	3 Months Ended Mar. 31, 2022

Plant, Equipment, Leasehold Improvements and Operating Lease Right-of-Use Assets

Plant, Equipment, Leasehold Improvements and Operating Lease Right-of-Use Assets

5. Plant, Equipment, Leasehold Improvements and Operating Lease Right-of-Use Assets

Plant, equipment, leasehold improvements and operating lease right-of-use assets consisted of the following:

	March 31, 2022	December 31, 2021
Machinery and equipment	$ 65,916	$ 64,051
Machinery and equipment under financing leases	12,630	9,088
Furniture, fixtures and computer equipment	5,641	4,570
Leasehold improvements	14,456	14,142
Construction in progress	3,421	5,268
	102,064	97,119
Less accumulated depreciation and amortization	(64,517)	(61,937)
Operating lease right-of-use assets, net of accumulated amortization	12,416	12,069
	$ 49,963	$ 47,251

Depreciation expense of plant, equipment and leasehold improvements, including depreciation of assets under financing leases, was $2,643 and $3,073 for the three months ended March 31, 2022 and 2021, respectively.

Operating lease right-of-use assets, net of accumulated amortization, are further described in Note 9, “Financing and Operating Leases.”

Goodwill and Other Intangible Assets	3 Months Ended Mar. 31, 2022
Goodwill and Other Intangible Assets	
Goodwill and Other Intangible Assets	**6. Goodwill and Other Intangible Assets**

The Company reports all of its goodwill in the Debit and Credit segment at March 31, 2022 and December 31, 2021. Goodwill is tested for impairment at least annually on October 1 or more frequently when an event occurs or circumstances change that indicate the carrying value may not be recoverable. The Company did not identify a triggering event requiring a quantitative test for impairment as of March 31, 2022.

Intangible assets consist of customer relationships, technology and software, and trademarks. Intangible amortization expense was $967 and $1,149 for the three months ended March 31, 2022 and 2021, respectively.

At March 31, 2022 and December 31, 2021, intangible assets, excluding goodwill, were comprised of the following:

		March 31, 2022			December 31, 2021		
	Weighted Average Life (Years)	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Customer relationships	17.2	$55,454	$ (36,238)	$19,216	$55,454	$ (35,419)	$20,035
Technology and software	8	7,101	(6,617)	484	7,101	(6,567)	534
Trademarks	8.7	3,330	(2,143)	1,187	3,330	(2,045)	1,285
Intangible assets subject to amortization		$65,885	$ (44,998)	$20,887	$65,885	$ (44,031)	$21,854

The estimated future aggregate amortization expense for the identified amortizable intangibles noted above as of March 31, 2022 was as follows:

2022 (excluding the three months ended March 31, 2022)	$ 2,899
2023	3,867
2024	3,630
2025	3,440
2026	2,471
Thereafter	4,580
	$ 20,887

Fair Value of Financial Instruments	3 Months Ended Mar. 31, 2022
Fair Value of Financial Instruments	
Fair Value of Financial Instruments	

7. Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). In determining fair value, the Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2— Observable inputs other than Level 1 prices, such as quoted prices in active markets for similar assets and liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term for the assets or liabilities.
- Level 3— Valuations based on unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company's financial assets and liabilities that are not required to be re-measured at fair value in the condensed consolidated balance sheets were as follows:

	Carrying Value as of March 31, 2022	Estimated Fair Value as of March 31, 2022	Fair Value Measurement at March 31, 2022 (Using Fair Value Hierarchy)		
			Level 1	Level 2	Level 3
Liabilities:					
Senior Notes	$290,000	$ 280,575	$ —	$ 280,575	$ —
ABL Revolver	$ 30,000	$ 30,000	$ —	$ 30,000	$ —

	Carrying Value as of December 31, 2021	Estimated Fair Value as of December 31, 2021	Fair Value Measurement at December 31, 2021 (Using Fair Value Hierarchy)		
			Level 1	Level 2	Level 3
Liabilities:					
Senior Notes	$ 310,000	$ 327,050	$ —	$ 327,050	$ —

The aggregate fair value of the Company's Senior Notes (as defined in Note 10, "Long-Term Debt") was based on bank quotes. The fair value measurement associated with the ABL Revolver (as defined in Note 10, "Long-Term Debt") approximates its carrying value as of March 31, 2022, given the applicable variable interest rates and nature of the security interest in Company assets.

The carrying amounts for cash and cash equivalents, accounts receivable and accounts payable each approximate fair value due to their short-term nature.

Accrued Expenses	3 Months Ended Mar. 31, 2022

Accrued Expenses.

Accrued Expenses

8. Accrued Expenses

Accrued expenses consisted of the following:

	March 31, 2022	December 31, 2021
Accrued payroll and related employee expenses	$ 8,157	$ 7,558
Accrued employee performance bonus	2,005	6,900
Employer payroll tax, including social security deferral	1,607	1,910
Accrued rebates	1,993	1,423
Estimated sales tax liability	1,004	1,019
Accrued Interest	1,219	7,955
Operating and financing lease liability (current portion)	5,072	4,114
Other	8,615	6,271
Total accrued expenses	$ 29,672	$ 37,150

The estimated sales tax liability is further described in Note 14, "Commitments and Contingencies" and Note 1, "Business Overview and Summary of Significant Accounting Policies."

Financing and Operating Leases	3 Months Ended Mar. 31, 2022
Financing and Operating Leases	
Financing and Operating Leases	

9. Financing and Operating Leases

Right-of-use ("ROU") represents the right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. A lease is deemed to exist when the Company has the right to control the use of identified property, plant or equipment, as conveyed through a contract, for a certain period of time and consideration paid. The right to control is deemed to occur when the Company has the right to obtain substantially all of the economic benefits of the identified assets and the right to direct the use of such assets.

The components of operating and finance lease costs were as follows:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Operating lease costs	$ 716	$ 509
Variable lease costs	139	164
Short-term operating lease costs	-	172
Total expense from operating leases	$ 855	$ 845
Finance lease cost:		
Right-of-use amortization expense	390	293
Interest on lease liabilities	90	106
Total financing lease costs	$ 480	$ 399

The following table reflects balances for operating and financing leases:

	March 31, 2022	December 31, 2021
Operating leases		
Operating lease right-of-use assets, net of amortization	$ 12,416	$ 12,069
Operating lease liability (current)	$ 2,249	$ 1,857
Long-term operating liability	10,684	10,703
Total operating lease liabilities	$ 12,933	$ 12,560
Financing leases		
Property, equipment and leasehold improvements	$ 12,630	$ 9,088
Accumulated depreciation	(2,864)	(2,451)
Total financing leases in property, equipment and leasehold improvements, net	$ 9,766	$ 6,637
Financing lease liability (current)	$ 2,822	$ 2,257
Long-term financing liability	5,000	2,668
Total financing lease liabilities	$ 7,822	$ 4,925

Finance and operating lease ROU assets are recorded in "Plant, equipment, leasehold improvements and operating lease right-of-use assets, net." Financing and operating lease liabilities are recorded in "Accrued expenses" and "Other long-term liabilities."

Future cash payment with respect to lease obligations as of March 31, 2022 were as follows:

	Operating Lease	Financing Leases
2022 (excluding the three months ended March 31, 2022)	$ 2,400	$ 2,603
2022	3,164	2,502
2023	2,896	1,705
2024	2,090	1,414
2025	1,958	446
Thereafter	3,654	40
Total lease payments	16,162	8,710
Less imputed interest	(3,229)	(888)
Total	$ 12,933	$ 7,822

Long-Term Debt	3 Months Ended Mar. 31, 2022

Long-Term Debt.

Long-Term Debt

10. Long-Term Debt

At March 31, 2022 and December 31, 2021, long-term debt consisted of the following:

	Interest Rate	March 31, 2022	December 31, 2021
Senior Notes	8.625 %	$290,000	$ 310,000
ABL Revolver	2.060 %	30,000	—
Unamortized deferred financing costs		(5,612)	(6,374)
Total long-term debt		314,388	303,626
Less current maturities		—	—
Long-term debt, net of current maturities		$314,388	$ 303,626

On March 15, 2021, the Company completed a private offering by its wholly-owned subsidiary, CPI CG Inc. (the “Issuer”), of $310,000 aggregate principal amount of 8.625% Senior Notes due 2026 and related guarantees. The Senior Notes bear interest at a rate of 8.625% per annum and mature on March 15, 2026. Interest is payable on the Senior Notes on March 15 and September 15 of each year.

On March 15, 2021, the Company and CPI CG Inc., as borrower, entered into a Credit Agreement with Wells Fargo Bank, National Association, as lender, administrative agent and collateral agent, providing for an ABL Revolver of up to $50,000 (the “ABL Revolver”). On March 3, 2022, the Company and CPI CG Inc. entered into Amendment No. 1 to the Credit Agreement (the “Amendment”), which amended the ABL Revolver. The Amendment, among other things, increased the available borrowing capacity under the ABL Revolver to $75,000, increased the uncommitted accordion feature to $25,000 from $15,000, and revised the interest rate provisions to replace the ABL Revolver’s prior LIBOR interest benchmark with updated benchmark provisions using the secured overnight financing rate (“SOFR”) administered by the Federal Reserve Bank of New York.

Borrowings under the amended ABL Revolver bear interest at a rate per annum equal to the applicable term SOFR rate selected and adjusted for a credit spread, plus an applicable interest rate margin based on the average unused capacity of the facility. The Company may select a one, three or six month term SOFR rate, which is adjusted for a credit spread of 0.10% to 0.30% depending on the term selected. Through March 31, 2023, the applicable interest rate margin ranges from 1.50% to 1.75% depending on the average unused capacity of the facility for the previous quarter. The unused portion of the ABL Revolver commitment accrues a commitment fee, which ranges from 0.375% to 0.50% per annum, based on the average daily borrowing capacity under the ABL Revolver over the immediately preceding month. Unused commitment fee expense was $62 and $8 for the three months ended March 31, 2022 and 2021, respectively. The fee percentage and calculation of the unused commitment fee changes, effective April 1, 2023, to between 0.375% and 0.50% (determined based on the average revolver usage over a specified period of time) of the unused portion of the facility.

The ABL Revolver includes limitations on the Company’s ability to borrow in certain situations, including limitations based on the calculation of a borrowing capacity and during periods in which the amount available to borrow under the ABL Revolver is less than $7,500. The borrowing capacity represents the net availability under the ABL Revolver and is calculated as the lesser of a) the total of certain eligible assets, including cash, accounts receivable and inventories, further reduced by stated contribution percentages and adjustments or b) the $75,000 of available borrowing capacity under the ABL Revolver (“Borrowing Base”). The Borrowing Base is further reduced by credit line reserves, letters of credit, as well as the loan ledger balance outstanding on the ABL Revolver. Additionally, commencing with the month immediately following a date on which borrowing availability is below $7,500 and until such time that borrowing availability equals or exceeds $7,500 for 30 consecutive days, the Company must maintain a fixed charge coverage ratio (as defined in the credit agreement for the ABL Revolver) greater than 1.00, calculated for the trailing 12 months in order to borrow under the ABL Revolver.

On March 15, 2021, the Company used net proceeds from the Senior Notes, together with cash on hand and initial borrowings of $15,000 under the ABL Revolver, to pay in full and terminate a previous Senior Credit Facility and a previous First Lien Term Loan on March 15, 2021, and to pay related fees and expenses. Early termination of the Senior Credit Facility required payment of a “make-whole” premium of $2,635 as an early termination penalty, which was paid on March 15, 2021, and recorded as interest expense on the condensed consolidated statement of comprehensive income for the year ended December 31, 2021.

On March 11, 2022, the Issuer used the available borrowing capacity under the ABL Revolver to fund the redemption of $20,000 aggregate principal amount of the Senior Notes at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest thereon to the redemption date.

The Senior Notes are guaranteed by the Company and certain of its current and future wholly-owned domestic subsidiaries (other than the Issuer) that guarantee the ABL Revolver, and are secured by substantially all of the assets of the Issuer and the guarantors, subject to customary exceptions. The ABL Revolver is guaranteed by the Company and its subsidiaries (other than the Issuer and excluded subsidiaries), and is secured by substantially all of the assets of the Issuer and the guarantors, subject to customary exceptions.

The Senior Notes and the ABL Revolver contain covenants limiting the ability of the Company, the Issuer and the Company’s restricted subsidiaries to, among other things, incur or guarantee additional debt or issue disqualified stock or certain preferred stock; create or incur liens; pay dividends, redeem stock or make other distributions; make certain investments; create restrictions on the ability of the Issuer and its restricted subsidiaries to pay dividends to the Company or make other intercompany transfers; transfer or sell assets; merge or consolidate; and enter into certain transactions with affiliates, subject to a number of important exceptions and qualifications as set forth in the respective agreements.

The Company has obligations to make an offer to repay the Senior Notes, requiring prepayment in advance of the maturity date, upon the occurrence of certain events including a change of control, certain asset sales and based on an annual excess cash flow calculation. The annual excess cash flow calculation is determined pursuant to the terms of that certain Indenture, dated as of March 15, 2021, by and among Issuer, the Company, the subsidiary guarantors and U.S. Bank National Association, as trustee, with any required prepayments to be made after the issuance of the Company’s annual financial statements. No such payment was required to be made in 2022 based on the Company’s operating results for the year ended December 31, 2021.

Deferred Financing Costs and Discount

Certain costs and discounts incurred with borrowings are reflected as a reduction to the long-term debt balance. These costs are amortized as an adjustment to interest expense over the life of the borrowing using the effective-interest rate method. The remaining unamortized debt issuance costs recorded on the Senior Notes were $5,612 and is reported as a reduction to the long-term debt balance as of March 31, 2022. The remaining unamortized net discount and debt issuance costs on the ABL Revolver and related Amendment were $1,930 and is recorded as other assets (current and long term) on the condensed consolidated balance sheet as of March 31, 2022.

During the three months ended March 31, 2021, the Company recorded a $5,048 loss on debt extinguishment relating to the unamortized deferred financing costs and debt discount in connection with the termination of the Senior Credit Facility and First Lien Term Loan, as described earlier.

Income Taxes	3 Months Ended Mar. 31, 2022

11. Income Taxes

During the three months ended March 31, 2022, the Company recognized an income tax expense of $3,718 on pre-tax income of $9,720, compared to income tax expense of $1,360 on pre-tax income of $3,770 for the prior year period.

For the three months ended March 31, 2022 and 2021, the effective tax rate differs from the U.S. federal statutory income tax rate as follows:

	March 31,	
	2022	2021
Tax at federal statutory rate	21.0 %	21.0 %
State taxes, net	8.9	11.8
Valuation allowance	6.3	—
Permanent items	1.7	3.9
Other	0.3	(0.6)
Effective income tax rate	38.2 %	36.1 %

The net change in the valuation allowance during the three months ended March 31, 2022 was an increase of $611. The change was fully comprised of an increase due to the more restrictive interest deduction limitation in Section 163(j) of the Internal Revenue Code that took effect in 2022.

Stockholders' Deficit	3 Months Ended Mar. 31, 2022
Stockholders' Deficit	
Stockholders' Deficit	**12. Stockholders' Deficit** **Common Stock** Common Stock has a par value of $0.001 per share. Holders of Common Stock are entitled to receive dividends and distributions subject to the participation rights of holders of all classes of stock at the time outstanding, as such holders may have prior rights as to dividends pursuant to the rights of any series of Preferred Stock. Upon any liquidation, dissolution or winding up of the Company, after required payments are made to holders of any series of Preferred Stock, any remaining assets of the Company will be distributed ratably to the holders of Common Stock. Holders of Common Stock are entitled to one vote per share.

Earnings per Share	3 Months Ended Mar. 31, 2022

Earnings per Share

Earnings per Share

13. Earnings per Share

Basic and diluted earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding during the period.

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Numerator:		
Net income	$ 6,002	$ 2,410
Denominator:		
Basic weighted-average common shares outstanding	11,255,466	11,230,482
Dilutive shares	462,383	408,533
Diluted weighted-average common shares outstanding	11,717,849	11,639,015
Basic earnings per share	$ 0.53	$ 0.21
Diluted earnings per share	$ 0.51	$ 0.21

Commitments and Contingencies	3 Months Ended Mar. 31, 2022
Commitments and Contingencies	
Commitments and Contingencies	**14. Commitments and Contingencies**

Commitments

Refer to Note 9, “Financing and Operating Leases” for details on the Company’s future cash payments with respect to financing and operating leases. During the normal course of business, the Company enters into non-cancellable agreements to purchase goods and services, including production equipment and information technology systems. The Company leases real property for its facilities under non-cancellable operating lease agreements. Land and facility leases expire at various dates between 2023 and 2029 and contain various provisions for rental adjustments and renewals. The leases typically require the Company to pay property taxes, insurance and normal maintenance costs. The Company’s financing leases expire at various dates between 2022 and 2026 and contain purchase options which the Company may exercise to keep the machinery in use.

Contingencies

In accordance with applicable accounting guidance, the Company establishes an accrued expense when loss contingencies are both probable and estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. As a matter develops, the Company, in conjunction with any outside counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is probable and estimable. Once the loss contingency is deemed to be both probable and estimable, the Company will establish an accrued expense and record a corresponding amount of expense. The Company expenses professional fees associated with litigation claims and assessments as incurred.

Smart Packaging Solutions SA v. CPI Card Group Inc.

On April 20, 2021, Smart Packaging Solutions, SA (“SPS”) filed a patent infringement lawsuit against the Company in the United States District Court for the District of Delaware seeking an unspecified amount of damages and equitable relief. In the complaint, SPS alleges that the Company infringed four patents that SPS has exclusively licensed from Feinics AmaTech Teoranta. The patents all relate to antenna technology. SPS alleges that the Company incorporates the patented technology into its products that use contactless communication. The Company does not manufacture antennas; it purchases certain antenna-related components from SPS and a number of other suppliers. The Company’s motion to dismiss the Complaint is currently pending. Additionally, a third party, Infineon, has filed requests for Inter Parties Reexamination proceedings concerning each of the four patents. As a result, the Delaware District Court stayed the case pending resolution of the requests for reexamination. Should the reexamination requests be denied or should the patents survive reexamination by the United States Patent Office, the Company intends to defend the suit vigorously. However, no assurance can be given that this matter will be resolved favorably. Due to the stage of this matter, the Company is unable to predict the outcome or the possible loss or range of loss, if any, associated with this matter, and no liability has been recorded as of March 31, 2022.

In addition to the matter described above, the Company may be subject to routine legal proceedings in the ordinary course of business. The Company believes that the ultimate resolution of any such matters will not have a material adverse effect on its business, financial condition or results of operations.

Estimated Sales Tax Liability

The Company has continued to evaluate a state sales tax liability analysis for states in which it has economic nexus and to collect exemption documentation from its customers. It is probable that the Company will be subject to sales tax liabilities plus interest and penalties relating to historical activity in certain states. The estimated liability for sales tax as of March 31, 2022 and December 31, 2021 was $1,004 and $1,019, respectively, and is recorded in accrued expenses in the condensed consolidated balance sheets. The liability decreased from the estimate recorded in the prior period primarily due to the Company remitting cash to the applicable state tax authorities for historical sales tax and interest. The Company may be subject to examination by the relevant state tax authorities. Due to the estimates involved in the analysis, the liability may change in the future. The Company is unable to predict a range of additional loss that is reasonably possible. Sales tax recovered from customers reduces the estimated expense when it is received or probable of collection. Future changes to the liability that impact the condensed consolidated statements of operations will be recorded within Selling, general & administrative ("SG&A"). During the three months ended March 31, 2022 and 2021,
the Company recorded a sales tax benefit of $12 and $80, respectively, within SG&A for current activity relating to updates to the estimated liability.

Stock Based Compensation

3 Months Ended
Mar. 31, 2022

Stock Based Compensation

Stock Based Compensation

15. Stock-Based Compensation

CPI Card Group Inc. Omnibus Incentive Plan

In October 2015, the Company adopted the CPI Card Group Inc. Omnibus Incentive Plan (the "Omnibus Plan") pursuant to which cash a may be granted to participating employees, advisors and directors. On May 27, 2021, the Company's stockholders approved an amendment and re Plan to, among other things, increase the total number of shares of the Company's Common Stock reserved and available for issuance thereunder resulting in a total of 2,200,000 shares of Common Stock issuable under the Omnibus Plan. As of March 31, 2022, there were 940,221 shares of for grant under the Omnibus Plan.

During the three months ended March 31, 2022, the Company granted 10,888 awards of non-qualified stock options. The following is a s outstanding stock options under the Omnibus Plan:

	Options		Weighted- Average Exercise Price
Outstanding as of December 31, 2021	778,835	$	18.0
Granted	10,888		14.3
Exercised	—		–
Forfeited	(3,870)		29.6
Outstanding as of March 31, 2022	785,853	$	17.9
Options vested and exercisable as of March 31, 2022	651,478	$	15.7
Options vested and expected to vest as of March 31, 2022	785,853	$	17.9

The following is a summary of the activity in unvested stock options under the Omnibus Plan:

	Options	
Unvested as of December 31, 2021	127,357	$
Granted	10,888	
Forfeited	(3,870)	
Unvested as of March 31, 2022	134,375	$

Unvested stock options of 134,375 as of March 31, 2022 have a seven year term and are expected to vest ratably over a two-year period grant date.

The fair value of the stock option awards granted during the three months ended March 31, 2022, was determined using a Black-Scholes option-pricing model with the following weighted-average assumptions:

Expected term in years (1)	
Volatility (2)	
Risk-free interest rate (3)	
Dividend yield (4)	

(1) The Company estimated the expected term based on the average of the weighted-average vesting period and the contractual term of the stock option awards by utilizing the Company does not have sufficient available historical data to estimate the expected term of these stock option awards.

(2) Volatility was based on a weighting of the Company's historical volatility and its peer group, which is comprised of companies with similar industry, size and financial leve

(3) The risk-free interest rate was determined by using the United States Treasury rate for the period consistent with the expected option term described above.

(4) The Company's expected annual dividend yield was zero based on current practice.

The following table summarizes the changes in the number of outstanding restricted stock units:

	Shares		Weighted- Average Grant-Date Fair Value
Outstanding as of December 31, 2021	261,982	$	13.19
Granted	6,459		14.32
Forfeited	(8,725)		9.32
Outstanding as of March 31, 2022	259,716	$	13.35

The restricted stock unit awards contain conditions associated with continued employment or service. Restricted stock units granted in 2
ratably over a two-year period on each anniversary of the grant date. On the vesting date, shares of Common Stock will be issued to the award re

Compensation expense for the Omnibus Plan for the three months ended March 31, 2022 and 2021 was $961 and $51, respectively. As o
total unrecognized compensation expense related to unvested options and restricted stock units is $3,459, which the Company expects to recogniz
weighted-average period of approximately 1.4 years.

Segment Reporting	3 Months Ended Mar. 31, 2022
Segment Reporting	
Segment Reporting	**16. Segment Reporting**

The Company has identified reportable segments that represent 10% or more of its net sales, EBITDA (as defined below) or total assets, or when the Company believes information about the segment would be useful to the readers of the financial statements. The Company's chief operating decision maker is its Chief Executive Officer, who is charged with management of the Company and is responsible for the evaluation of operating performance and decision making about the allocation of resources to operating segments based on measures, such as net sales and EBITDA.

EBITDA is the primary measure used by the Company's chief operating decision maker to evaluate segment operating performance. As the Company uses the term, "EBITDA" is defined as income before interest expense, income taxes, depreciation and amortization. The Company's chief operating decision maker believes EBITDA is a meaningful measure and is useful as a supplement to GAAP measures as it represents a transparent view of the Company's operating performance that is unaffected by fluctuations in property, equipment and leasehold improvement additions. The Company's chief operating decision maker uses EBITDA to perform periodic reviews and comparison of operating trends and to identify strategies to improve the allocation of resources amongst segments.

As of March 31, 2022, the Company's reportable segments were as follows:

- Debit and Credit;
- Prepaid Debit; and
- Other.

Debit and Credit Segment

The Debit and Credit segment primarily produces Financial Payment Cards and provides integrated card services to card-issuing banks primarily in the United States. Products produced by this segment primarily include EMV and non-EMV Financial Payment Cards, including contact and contactless cards, and Earth Elements™ Eco-Focused Cards. The Company also sells Card@Once instant card issuance solutions, and private label credit cards that are not issued on the networks of the Payment Cards Brands. The Company provides CPI On-Demand® services, where images, personalized payment cards, and related collateral are produced on a one-by-one, on demand basis for customers. This segment also provides a variety of integrated card services, including card personalization and fulfillment services and instant issuance services. The Debit and Credit segment operations are each audited for compliance by multiple Payment Card Brands.

Prepaid Debit Segment

The Prepaid Debit segment primarily provides integrated prepaid card services to Prepaid Debit Card providers in the United States, including tamper-evident security packaging. This segment also produces Financial Payment Cards issued on the networks of the Payment Card Brands that are included in the tamper-evident security packages. The Prepaid Debit segment operation is audited for compliance by multiple Payment Card Brands.

Other

The Other segment includes corporate expenses.

Performance Measures of Reportable Segments

Net Sales and EBITDA of the Company's reportable segments for the three months ended March 31, 2022 and 2021, were as follows:

	Net Sales	
	Three Months Ended March 31,	
	2022	2021
Debit and Credit	$ 92,015	$ 69,817
Prepaid Debit	19,461	19,458
Intersegment eliminations	(52)	(183)
Total	$ 111,424	$ 89,092

	EBITDA	
	Three Months Ended March 31,	
	2022	2021
Debit and Credit	$ 26,094	$ 22,400
Prepaid Debit	6,564	7,573
Other	(11,463)	(13,005)
Total	$ 21,195	$ 16,968

The following table provides a reconciliation of total segment EBITDA to net income for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
Total segment EBITDA	$ 21,195	$ 16,968
Interest, net	(7,865)	(8,976)
Income tax expense	(3,718)	(1,360)
Depreciation and amortization	(3,610)	(4,222)
Net income	$ 6,002	$ 2,410

Net Sales to Geographic Locations, Property, Equipment and Leasehold Improvements and Long-Lived Assets

Each of the Company's Net Sales, Property, Equipment and Leasehold Improvements, and Long-Lived Assets relating to geographic locations outside of the United States is insignificant.

Business Overview and Summary of Significant Accounting Policies (Policies)	3 Months Ended Mar. 31, 2022
Business Overview and Summary of Significant Accounting Policies	
Basis of Presentation	**Basis of Presentation** Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to Form 10-Q and Article 8 of Regulation S-X. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary for the fair statement of the results of the interim periods presented. The condensed consolidated balance sheet as of December 31, 2021 is derived from the audited financial statements as of that date. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.
Use of Estimates	**Use of Estimates** Management uses estimates and assumptions relating to the reporting of assets and liabilities at the date of the financial statements, the reported revenues and expenses recognized during the reporting period, and certain financial statement disclosures in the preparation of the condensed consolidated financial statements. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, goodwill and intangible assets, leases, liability for sales tax, valuation allowances for inventories and deferred taxes, revenue recognized for work performed but not completed and uncertain tax positions. Actual results could differ from those estimates.
Recent Accounting Standards	**Recent Accounting Standards** *Recently Issued Accounting Standards* In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-13, *Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). This ASU changes the model for the recognition of credit losses from an incurred loss model, which recognized credit losses only if it was probable that a loss had been incurred, to an expected loss model, which requires the Company to estimate the total credit losses expected on the portfolio of financial instruments. The effective date of ASU 2016-13 was amended by ASU 2019-10, *Credit Losses Effective Dates.* Since CPI is a smaller reporting company, adoption of this accounting standard is effective for the Company for fiscal years beginning after December 15, 2022, and interim periods therein, with early adoption permitted. The Company has elected not to early adopt this accounting standard. The Company is evaluating the impact of adoption of this standard and does not anticipate the application of ASU 2016-13 will have a material impact on the Company's consolidated financial position and results of operations.

Net Sales (Tables)	3 Months Ended Mar. 31, 2022

Net Sales.

Schedule of disaggregation of net sales by major source

	Three Months Ended March 31, 2022		
	Products	Services	Total
Debit and Credit	$68,348	$23,667	$ 92,015
Prepaid Debit	—	19,461	19,461
Intersegment eliminations	(32)	(20)	(52)
Total	$68,316	$43,108	$ 111,424

	Three Months Ended March 31, 2021		
	Products	Services	Total
Debit and Credit	$47,179	$22,638	$ 69,817
Prepaid Debit	—	19,458	19,458
Intersegment eliminations	(166)	(17)	(183)
Total	$47,013	$42,079	$ 89,092

Accounts Receivable (Tables)	3 Months Ended Mar. 31, 2022

Accounts Receivable

Schedule of accounts receivable

	March 31, 2022	December 31, 2021
Trade accounts receivable	$ 59,487	$ 50,042
Unbilled accounts receivable	11,852	10,997
	71,339	61,039
Less allowance for doubtful accounts	(162)	(86)
	$ 71,177	$ 60,953

Inventories (Tables)

Inventories (Tables)	3 Months Ended Mar. 31, 2022

Inventories

Schedule of inventories

	March 31, 2022	December 31, 2021
Raw materials	$ 66,522	$ 54,254
Finished goods	7,090	6,778
Inventory reserve	(3,096)	(3,023)
	$ 70,516	$ 58,009

Plant, Equipment, Leasehold Improvements and Operating Lease Right-of-Use Assets (Tables)	3 Months Ended
	Mar. 31, 2022
Plant, Equipment, Leasehold Improvements and Operating Lease Right-of-Use Assets	
Schedule of plant, equipment, leasehold improvements and operating lease right-to-use assets	

	March 31, 2022	December 31, 2021
Machinery and equipment	$ 65,916	$ 64,051
Machinery and equipment under financing leases	12,630	9,088
Furniture, fixtures and computer equipment	5,641	4,570
Leasehold improvements	14,456	14,142
Construction in progress	3,421	5,268
	102,064	97,119
Less accumulated depreciation and amortization	(64,517)	(61,937)
Operating lease right-of-use assets, net of accumulated amortization	12,416	12,069
	$ 49,963	$ 47,251

Goodwill and Other Intangible Assets (Tables)	3 Months Ended Mar. 31, 2022

Goodwill and Other Intangible Assets

Schedule of intangible assets excluding goodwill

	Weighted Average Life (Years)	March 31, 2022 Cost	March 31, 2022 Accumulated Amortization	March 31, 2022 Net Book Value	December 31, 2021 Cost	December 31, 2021 Accumulated Amortization	December 31, 2021 Net Book Value
Customer relationships	17.2	$55,454	$ (36,238)	$19,216	$55,454	$ (35,419)	$20,035
Technology and software	8	7,101	(6,617)	484	7,101	(6,567)	534
Trademarks	8.7	3,330	(2,143)	1,187	3,330	(2,045)	1,285
Intangible assets subject to amortization		$65,885	$ (44,998)	$20,887	$65,885	$ (44,031)	$21,854

Schedule of future aggregate amortization expense for identified amortizable intangibles

The estimated future aggregate amortization expense for the identified amortizable intangibles noted above as of March 31, 2022 was as follows:

2022 (excluding the three months ended March 31, 2022)	$ 2,899
2023	3,867
2024	3,630
2025	3,440
2026	2,471
Thereafter	4,580
	$ 20,887

Fair Value of Financial Instruments (Tables)

	3 Months Ended
	Mar. 31, 2022

Fair Value of Financial Instruments

Schedule of financial assets and liabilities subject to fair value measurements

The Company’s financial assets and liabilities that are not required to be re-measured at fair value in the condensed consolidated balance sheets were as follows:

	Carrying Value as of March 31, 2022	Estimated Fair Value as of March 31, 2022	Fair Value Measurement at March 31, 2022 (Using Fair Value Hierarchy)		
			Level 1	Level 2	Level 3
Liabilities:					
Senior Notes	$290,000	$ 280,575	$ —	$ 280,575	$ —
ABL Revolver	$ 30,000	$ 30,000	$ —	$ 30,000	$ —

	Carrying Value as of December 31, 2021	Estimated Fair Value as of December 31, 2021	Fair Value Measurement at December 31, 2021 (Using Fair Value Hierarchy)		
			Level 1	Level 2	Level 3
Liabilities:					
Senior Notes	$ 310,000	$ 327,050	$ —	$ 327,050	$ —

Accrued Expenses (Tables)	3 Months Ended Mar. 31, 2022

Accrued Expenses.

Schedule of Accrued Expenses

	March 31, 2022	December 31, 2021
Accrued payroll and related employee expenses	$ 8,157	$ 7,558
Accrued employee performance bonus	2,005	6,900
Employer payroll tax, including social security deferral	1,607	1,910
Accrued rebates	1,993	1,423
Estimated sales tax liability	1,004	1,019
Accrued Interest	1,219	7,955
Operating and financing lease liability (current portion)	5,072	4,114
Other	8,615	6,271
Total accrued expenses	$ 29,672	$ 37,150

Financing and Operating Leases (Tables)	3 Months Ended Mar. 31, 2022

Financing and Operating Leases

Schedule of operating and finance lease costs

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Operating lease costs	$ 716	$ 509
Variable lease costs	139	164
Short-term operating lease costs	-	172
Total expense from operating leases	$ 855	$ 845
Finance lease cost:		
Right-of-use amortization expense	390	293
Interest on lease liabilities	90	106
Total financing lease costs	$ 480	$ 399

Schedule of balances for operating and financing leases

	March 31, 2022	December 31, 2021
Operating leases		
Operating lease right-of-use assets, net of amortization	$ 12,416	$ 12,069
Operating lease liability (current)	$ 2,249	$ 1,857
Long-term operating liability	10,684	10,703
Total operating lease liabilities	$ 12,933	$ 12,560
Financing leases		
Property, equipment and leasehold improvements	$ 12,630	$ 9,088
Accumulated depreciation	(2,864)	(2,451)
Total financing leases in property, equipment and leasehold improvements, net	$ 9,766	$ 6,637
Financing lease liability (current)	$ 2,822	$ 2,257
Long-term financing liability	5,000	2,668
Total financing lease liabilities	$ 7,822	$ 4,925

Schedule of future cash payments with respect to lease obligations

Future cash payment with respect to lease obligations as of March 31, 2022 were as follows:

	Operating Lease	Financing Leases
2022 (excluding the three months ended March 31, 2022)	$ 2,400	$ 2,603
2022	3,164	2,502
2023	2,896	1,705
2024	2,090	1,414
2025	1,958	446
Thereafter	3,654	40
Total lease payments	16,162	8,710
Less imputed interest	(3,229)	(888)
Total	$ 12,933	$ 7,822

Long-Term Debt (Tables)	3 Months Ended Mar. 31, 2022

Long-Term Debt.

Schedule of long-term debt

	Interest Rate	March 31, 2022	December 31, 2021
Senior Notes	8.625 %	$290,000	$ 310,000
ABL Revolver	2.060 %	30,000	—
Unamortized deferred financing costs		(5,612)	(6,374)
Total long-term debt		314,388	303,626
Less current maturities		—	—
Long-term debt, net of current maturities		$314,388	$ 303,626

Income Taxes (Tables)	3 Months Ended Mar. 31, 2022

Income Taxes

Schedule of effective income tax rate reconciliation

	March 31,	
	2022	2021
Tax at federal statutory rate	21.0 %	21.0 %
State taxes, net	8.9	11.8
Valuation allowance	6.3	—
Permanent items	1.7	3.9
Other	0.3	(0.6)
Effective income tax rate	38.2 %	36.1 %

Earnings per Share (Tables)	3 Months Ended Mar. 31, 2022

Earnings per Share

Computation of basic and diluted earnings per share

	Three Months Ended March 31,	
	2022	2021
Numerator:		
Net income	$ 6,002	$ 2,410
Denominator:		
Basic weighted-average common shares outstanding	11,255,466	11,230,482
Dilutive shares	462,383	408,533
Diluted weighted-average common shares outstanding	11,717,849	11,639,015
Basic earnings per share	$ 0.53	$ 0.21
Diluted earnings per share	$ 0.51	$ 0.21

Stock Based Compensation (Tables)	**3 Months Ended Mar. 31, 2022**

Stock Based Compensation

Summary of outstanding and exercisable stock options

	Options	Weighted-Average Exercise Price
Outstanding as of December 31, 2021	778,835	$ 18.0
Granted	10,888	14.3
Exercised	—	–
Forfeited	(3,870)	29.6
Outstanding as of March 31, 2022	785,853	$ 17.9
Options vested and exercisable as of March 31, 2022	651,478	$ 15.7
Options vested and expected to vest as of March 31, 2022	785,853	$ 17.9

Schedule of vesting for unvested options

	Options
Unvested as of December 31, 2021	127,357
Granted	10,888
Forfeited	(3,870)
Unvested as of March 31, 2022	134,375

Schedule of valuation assumptions

Expected term in years (1)	
Volatility (2)	
Risk-free interest rate (3)	
Dividend yield (4)	

(1) The Company estimated the expected term based on the average of the weighted-average vesting period and the contractual term of the stock option awards by utilizing th Company does not have sufficient available historical data to estimate the expected term of these stock option awards.

(2) Volatility was based on a weighting of the Company's historical volatility and its peer group, which is comprised of companies with similar industry, size and financial lev

(3) The risk-free interest rate was determined by using the United States Treasury rate for the period consistent with the expected option term described above.

(4) The Company's expected annual dividend yield was zero based on current practice.

Summary of changes in outstanding restricted stock units

	Shares	Weighted-Average Grant-Date Fair Value
Outstanding as of December 31, 2021	261,982	$ 13.19
Granted	6,459	14.32
Forfeited	(8,725)	9.32
Outstanding as of March 31, 2022	259,716	$ 13.35

Segment Reporting (Tables)	3 Months Ended Mar. 31, 2022

Segment Reporting

Schedule of revenue and EBITDA of the company's reportable segments

	Net Sales	
	Three Months Ended March 31,	
	2022	2021
Debit and Credit	$ 92,015	$ 69,817
Prepaid Debit	19,461	19,458
Intersegment eliminations	(52)	(183)
Total	$ 111,424	$ 89,092

	EBITDA	
	Three Months Ended March 31,	
	2022	2021
Debit and Credit	$ 26,094	$ 22,400
Prepaid Debit	6,564	7,573
Other	(11,463)	(13,005)
Total	$ 21,195	$ 16,968

Schedule of reconciliation of total segment EBITDA to income before taxes

	Three Months Ended March 31,	
	2022	2021
Total segment EBITDA	$21,195	$16,968
Interest, net	(7,865)	(8,976)
Income tax expense	(3,718)	(1,360)
Depreciation and amortization	(3,610)	(4,222)
Net income	$ 6,002	$ 2,410

Net Sales (Details) - USD ($) $ in Thousands	3 Months Ended	
	Mar. 31, 2022	Mar. 31, 2021
Disaggregation of Revenue		
Net Sales	$ 111,424	$ 89,092
Operating Segments | Debit and Credit		
Disaggregation of Revenue		
Net Sales	92,015	69,817
Operating Segments | Prepaid Debit		
Disaggregation of Revenue		
Net Sales	19,461	19,458
Intersegment eliminations		
Disaggregation of Revenue		
Net Sales	(52)	(183)
Products		
Disaggregation of Revenue		
Net Sales	68,316	47,013
Products | Operating Segments | Debit and Credit		
Disaggregation of Revenue		
Net Sales	68,348	47,179
Products | Intersegment eliminations		
Disaggregation of Revenue		
Net Sales	(32)	(166)
Services		
Disaggregation of Revenue		
Net Sales	43,108	42,079
Services | Operating Segments | Debit and Credit		
Disaggregation of Revenue		
Net Sales	23,667	22,638
Services | Operating Segments | Prepaid Debit		
Disaggregation of Revenue		
Net Sales	19,461	19,458
Services | Intersegment eliminations		
Disaggregation of Revenue		
Net Sales	$ (20)	$ (17)

Accounts Receivable (Details) - USD ($) $ in Thousands	Mar. 31, 2022	Dec. 31, 2021
Accounts Receivable		
Trade accounts receivable	$ 59,487	$ 50,042
Unbilled accounts receivable	11,852	10,997
Accounts receivable, gross	71,339	61,039
Less allowance for doubtful accounts	(162)	(86)
Accounts receivable, net	$ 71,177	$ 60,953

Inventories (Details) - USD ($) $ in Thousands	Mar. 31, 2022	Dec. 31, 2021
Inventories		
Raw materials	$ 66,522	$ 54,254
Finished goods	7,090	6,778
Inventory reserve	(3,096)	(3,023)
Inventory	$ 70,516	$ 58,009

Plant, Equipment, Leasehold Improvements and Operating Lease Right-of-Use Assets (Details) - USD ($) $ in Thousands	3 Months Ended		
	Mar. 31, 2022	Mar. 31, 2021	Dec. 31, 2021
Plant, Equipment and Leasehold Improvements			
Plant, equipment and leasehold improvements, gross	$ 102,064		$ 97,119
Less accumulated depreciation and amortization	(64,517)		(61,937)
Operating lease right-of-use assets, net of accumulated amortization	12,416		12,069
Total property, equipment and leasehold improvements, net	49,963		47,251
Depreciation	2,643	$ 3,073	
Machinery and equipment			
Plant, Equipment and Leasehold Improvements			
Plant, equipment and leasehold improvements, gross	65,916		64,051
Machinery and equipment under financing leases			
Plant, Equipment and Leasehold Improvements			
Plant, equipment and leasehold improvements, gross	12,630		9,088
Furniture, fixtures and computer equipment			
Plant, Equipment and Leasehold Improvements			
Plant, equipment and leasehold improvements, gross	5,641		4,570
Leasehold improvements			
Plant, Equipment and Leasehold Improvements			
Plant, equipment and leasehold improvements, gross	14,456		14,142
Construction in progress			
Plant, Equipment and Leasehold Improvements			
Plant, equipment and leasehold improvements, gross	$ 3,421		$ 5,268

Goodwill and Other Intangible Assets - Intangible Assets (Details) - USD ($) $ in Thousands	3 Months Ended		
	Mar. 31, 2022	Mar. 31, 2021	Dec. 31, 2021
Intangible Assets			
Intangible amortization expense	$ 967	$ 1,149	
Intangible assets subject to amortization, Gross Book Value	65,885		$ 65,885
Intangible assets subject to amortization, Accumulated Amortization	(44,998)		(44,031)
Intangible assets subject to amortization, Net Book Value	$ 20,887		21,854
Customer relationships			
Intangible Assets			
Weighted Average Life	17 years 2 months 12 days		
Intangible assets subject to amortization, Gross Book Value	$ 55,454		55,454
Intangible assets subject to amortization, Accumulated Amortization	(36,238)		(35,419)
Intangible assets subject to amortization, Net Book Value	$ 19,216		20,035
Technology and software			
Intangible Assets			
Weighted Average Life	8 years		
Intangible assets subject to amortization, Gross Book Value	$ 7,101		7,101
Intangible assets subject to amortization, Accumulated Amortization	(6,617)		(6,567)
Intangible assets subject to amortization, Net Book Value	$ 484		534
Trademarks			
Intangible Assets			
Weighted Average Life	8 years 8 months 12 days		
Intangible assets subject to amortization, Gross Book Value	$ 3,330		3,330
Intangible assets subject to amortization, Accumulated Amortization	(2,143)		(2,045)
Intangible assets subject to amortization, Net Book Value	$ 1,187		$ 1,285

Goodwill and Other Intangible Assets - Future Aggregate Amortization Expense (Details) - USD ($) $ in Thousands	Mar. 31, 2022	Dec. 31, 2021
Estimated future aggregate amortization expense		
2022 (excluding the three months ended March 31, 2022)	$ 2,899	
2023	3,867	
2024	3,630	
2025	3,440	
2026	2,471	
Thereafter	4,580	
Intangible assets subject to amortization, Net Book Value	$ 20,887	$ 21,854

Fair Value of Financial Instruments (Details) - USD ($) $ in Thousands	Mar. 31, 2022	Dec. 31, 2021	Mar. 15, 2021
Senior Notes			
Liabilities:			
Carrying amount	$ 290,000	$ 310,000	$ 310,000
ABL Revolver			
Liabilities:			
Carrying amount	30,000		
Level 2 | Senior Notes			
Liabilities:			
Long-term debt	280,575		
Level 2 | ABL Revolver			
Liabilities:			
Long-term debt	30,000		
Senior Credit Facility			
Liabilities:			
Carrying amount		310,000	
Senior Credit Facility | Level 2			
Liabilities:			
Long-term debt		327,050	
Estimate of Fair Value | Senior Notes			
Liabilities:			
Long-term debt	280,575		
Estimate of Fair Value | ABL Revolver			
Liabilities:			
Long-term debt	$ 30,000		
Estimate of Fair Value | Senior Credit Facility			
Liabilities:			
Long-term debt		$ 327,050	

Accrued Expenses (Details) - USD ($) $ in Thousands	Mar. 31, 2022	Dec. 31, 2021
Accrued Expenses.		
Accrued payroll and related employee expenses	$ 8,157	$ 7,558
Accrued employee performance bonus	2,005	6,900
Employer payroll tax, including social security deferral	1,607	1,910
Accrued rebates	1,993	1,423
Estimated sales tax liability	1,004	1,019
Accrued interest	1,219	7,955
Operating and financing lease liability (current portion)	5,072	4,114
Other	8,615	6,271
Total accrued expenses	$ 29,672	$ 37,150

Financing and Operating Leases - Components of Operating and Finance Lease Expense (Details) - USD ($) $ in Thousands	3 Months Ended	
	Mar. 31, 2022	Mar. 31, 2021
Operating lease cost:		
Operating lease costs	$ 716	$ 509
Variable lease costs	139	164
Short-term operating lease costs		172
Total expense from operating leases	855	845
Finance lease cost:		
Right-of-use amortization expense	390	293
Interest on lease liabilities	90	106
Total financing lease cost	$ 480	$ 399

Financing and Operating Leases - Operating and Financing Leases (Details) - USD ($) $ in Thousands	Mar. 31, 2022	Dec. 31, 2021
Leases		
Operating lease right-of-use assets, net of amortization	$ 12,416	$ 12,069
Operating Lease, Right-of-Use Asset, Statement of Financial Position [Extensible List]	Property, Plant, Equipment and Operating Lease Right-of-Use Asset	Property, Plant, Equipment and Operating Lease Right-of-Use Asset
Operating lease liability (current)	$ 2,249	$ 1,857
Operating Lease, Liability, Current, Statement of Financial Position [Extensible List]	Accrued Liabilities, Current	Accrued Liabilities, Current
Long-term operating liability	$ 10,684	$ 10,703
Operating Lease, Liability, Noncurrent, Statement of Financial Position [Extensible List]	Other Liabilities, Noncurrent	Other Liabilities, Noncurrent
Total operating lease liabilities	$ 12,933	$ 12,560
Property, equipment and leasehold improvements	102,064	97,119
Accumulated depreciation	(64,517)	(61,937)
Total property, equipment and leasehold improvements, net	49,963	47,251
Financing lease liability (current)	$ 2,822	$ 2,257
Finance Lease, Liability, Current, Statement of Financial Position [Extensible List]	Accrued Liabilities, Current	Accrued Liabilities, Current
Long-term financing liability	$ 5,000	$ 2,668
Finance Lease, Liability, Noncurrent, Statement of Financial Position [Extensible List]	Other Liabilities, Noncurrent	Other Liabilities, Noncurrent
Total financing lease liabilities	$ 7,822	$ 4,925
Financing leases		
Leases		
Property, equipment and leasehold improvements	12,630	9,088
Accumulated depreciation	(2,864)	(2,451)
Total property, equipment and leasehold improvements, net	$ 9,766	$ 6,637

Financing and Operating Leases - Lease Maturity (Details) - USD ($) $ in Thousands	Mar. 31, 2022	Dec. 31, 2021
Operating Leases		
2022 (excluding the three months ended March 31, 2022)	$ 2,400	
2023	3,164	
2024	2,896	
2025	2,090	
2026	1,958	
Thereafter	3,654	
Total operating lease payment	16,162	
Less imputed interest	(3,229)	
Total operating lease liabilities	12,933	$ 12,560
Financing Leases		
2022 (excluding the three months ended March 31, 2022)	2,603	
2023	2,502	
2024	1,705	
2025	1,414	
2026	446	
Thereafter	40	
Total financing lease payment	8,710	
Less imputed interest	(888)	
Total financing lease liabilities	$ 7,822	$ 4,925

Long-Term Debt - Long-Term Debt (Details) - USD ($) $ in Thousands	Mar. 31, 2022	Dec. 31, 2021	Mar. 15, 2021
Long-term Debt			
Unamortized deferred financing costs	$ (5,612)	$ (6,374)	
Total debt	314,388	303,626	
Total long-term debt	$ 314,388	303,626	
Senior Notes			
Long-term Debt			
Interest rate (as a percent)	8.625%		
Long-term debt	$ 290,000	310,000	$ 310,000
ABL Revolver			
Long-term Debt			
Interest rate (as a percent)	2.06%		
Long-term debt	$ 30,000		
Senior Credit Facility			
Long-term Debt			
Long-term debt		$ 310,000	

Long-Term Debt - First Lien Credit Facility (Details) $ in Thousands	Apr. 01, 2023	Mar. 11, 2022 USD ($)	Mar. 03, 2022 USD ($)	Mar. 15, 2021 USD ($)	3 Months Ended Mar. 31, 2023	Mar. 31, 2022 USD ($) item	Mar. 31, 2021 USD ($)	Dec. 31, 2021 USD ($)
Long-term Debt								
Proceeds from Revolving Credit Facility						$ 30,000	$ 14,750	
Loss on debt extinguishment						$ (395)	(5,048)	
Senior Notes								
Long-term Debt								
Interest rate (as a percent)				8.625%		8.625%		
Repayment of debt		$ 20,000						
Long-term debt				$ 310,000		$ 290,000		$ 310,000
Prepayment of debt						0		
Debi issuance cost						5,612		
Redemption percentage (as a percent)		103.00%						
ABL Revolver								
Long-term Debt								
Maximum borrowing capacity			$ 75,000	50,000		75,000		
Maximum uncommitted accordion feature amount			$ 25,000	15,000				
Long-term debt						30,000		
Proceeds from Revolving Credit Facility				15,000				
Debi issuance cost						1,930		
Available to borrow threshold amount						$ 7,500		
Number of consecutive days at or above available to borrow threshold amount | item						30		
Minimum fixed coverage ratio (as a percent)						100.00		
Unused commitment fee expense						$ 62	8	
ABL Revolver | Minimum								
Long-term Debt								
Unused commitment fee (as a percent)			0.375%					
ABL Revolver | Maximum								
Long-term Debt								
Unused commitment fee (as a percent)			0.50%					
ABL Revolver | SOFR | Minimum								
Long-term Debt								
Applicable margin over reference rate (as a percent)			0.10%		1.50%			

ABL Revolver | SOFR | Maximum						
Long-term Debt						
Applicable margin over reference rate (as a percent)		0.30%		1.75%		
Senior Credit Facility						
Long-term Debt						
Long-term debt						$ 310,000
Early termination penalty			$ 2,635			
Loss on debt extinguishment					$ 5,048	
Senior Credit Facility | Minimum						
Long-term Debt						
Unused commitment fee (as a percent)	0.375%					
Senior Credit Facility | Maximum						
Long-term Debt						
Unused commitment fee (as a percent)	0.50%					

Income Taxes (Details) - USD ($) $ in Thousands	3 Months Ended	
	Mar. 31, 2022	Mar. 31, 2021
Income Taxes		
Income tax expense	$ (3,718)	$ (1,360)
Income (loss) before income taxes	$ 9,720	$ 3,770

Income Taxes - Effective Income Tax Rate Reconciliation (Details)	3 Months Ended	
	Mar. 31, 2022	Mar. 31, 2021
Effective Income Tax Rate Reconciliation		
Tax at federal statutory rate (as a percent)	21.00%	21.00%
State taxes, net (as a percent)	8.90%	11.80%
Valuation allowance (as a percent)	6.30%	
Permanent items (as a percent)	1.70%	3.90%
Other (as a percent)	0.30%	(0.60%)
Effective income tax rate (as a percent)	38.20%	36.10%

Income Taxes - Unrecognized Tax Benefits (Details) $ in Thousands	3 Months Ended Mar. 31, 2022 USD ($)
Unrecognized Tax Benefits	
Net increase in valuation allowance	$ 611

Stockholders' Deficit (Details)	Mar. 31, 2022 item $ / shares	Dec. 31, 2021 $ / shares
Stockholders' Deficit		
Common shares, par value (in dollars per share) | $ / shares	$ 0.001	$ 0.001
Common Stock		
Class of Stock		
Voting rights per share | item	1	

Earnings per Share (Details) - USD ($) $ / shares in Units, $ in Thousands	3 Months Ended	
	Mar. 31, 2022	Mar. 31, 2021
Numerator:		
Net income	$ 6,002	$ 2,410
Denominator:		
Basic weighted-average common shares outstanding (in shares)	11,255,466	11,230,482
Dilutive shares	462,383	408,533
Diluted weighted-average shares outstanding (in shares)	11,717,849	11,639,015
Basic earnings per share: (in dollar per share)	$ 0.53	$ 0.21
Diluted earnings per share: (in dollar per share)	$ 0.51	$ 0.21

Commitments and Contingencies - Contingencies (Details)	3 Months Ended			
	Mar. 31, 2022 USD ($)	Mar. 31, 2021 USD ($)	Dec. 31, 2021 USD ($)	Apr. 20, 2021 item
Commitments and Contingencies				
Sales tax expense reversed	$ 12,000	$ 80,000		
Estimated sales tax liability	1,004,000		$ 1,019,000	
Pending Litigation				
Commitments and Contingencies				
Estimated sales tax liability	1,004,000		$ 1,019,000	
Smart Packaging Solutions SA v. CPI Card Group, Inc. | Pending Litigation				
Commitments and Contingencies				
The number of patents involved in lawsuit | item				4
Loss contingency accrual	$ 0			

Stock Based Compensation - Omnibus Incentive Plan (Details) - Omnibus Plan - Stock Options - $ / shares	May 27, 2021	3 Months Ended Mar. 31, 2022	12 Months Ended Dec. 31, 2021
Stock based compensation			
Number of additional shares authorized	1,000,000		
Number of shares available for grant	2,200,000	940,221	
Stock options granted (in shares)		10,888	
Number of shares			
Balance at beginning of year (in shares)		778,835	
Granted (in shares)		10,888	
Forfeited (in shares)		(3,870)	
Balance at end of year (in shares)		785,853	778,835
Options: Options vested and exercisable		651,478	
Options: Options vested and expected to vest		785,853	
Weighted-Average Exercise Price			
Balance at beginning of year (in dollars per share)		$ 18.02	
Granted (in dollars per share)		14.32	
Forfeited (in dollars per share)		29.62	
Balance at end of year (in dollars per share)		17.91	$ 18.02
Weighted-Average Exercise Price: Options vested and exercisable		15.76	
Weighted-Average Exercise Price: Options vested and expected to vest		$ 17.91	
Weighted- Average Remaining Contractual Term (in Years)			
Balance (in years)		5 years 4 months 9 days	5 years 7 months 2 days
Granted (in years)		6 years 10 months 28 days	
Weighted-Average Remaining Contractual Term (in Years): Options vested and exercisable		5 years 1 month 13 days	
Weighted-Average Remaining Contractual Term (in Years): Options vested and expected to vest		5 years 4 months 9 days	
Number of unvested options scheduled to vest			
Non-Vested Options as of beginning of period		127,357	
Granted (in shares)		10,888	
Forfeited (in shares)		(3,870)	
Non-Vested Options as of end of period		134,375	127,357
Weighted-Average Grant Date Fair Value			
Non-Vested, beginning balance		$ 17.42	
Granted: Weighted-Average Grant Date Fair Value		8.49	
Forfeited: Weighted-Average Grant Date Fair Value		17.43	
Non-Vested, ending balance		$ 16.70	$ 17.42
Valuation Assumptions:			
Expected term in years		4 years 3 months	

Volatility (as a percent)	77.44%
Risk-free interest rate	1.91%
Dividend yield (as a percent)	0.00%
Granted: Weighted-Average Grant Date Fair Value	$ 8.49
2022	
Number of unvested options scheduled to vest	
Non-Vested Options as of end of period	134,375
Valuation Assumptions:	
Term of award	P7Y
Vesting period	2 years

Stock Based Compensation - Restricted Stock Units (Details) - Omnibus Plan - USD ($) $ / shares in Units, $ in Thousands	3 Months Ended	
	Mar. 31, 2022	Mar. 31, 2021
Weighted Average Grant Date Fair Value		
Unrecognized compensation expense	$ 3,459	
Period over which compensation expense expected to recognize	1 year 4 months 24 days	
Restricted stock units		
Number of Restricted Stock Units		
Units outstanding at the beginning of the period (in shares)	261,982	
Granted (in shares)	6,459	
Forfeited (in shares)	(8,725)	
Units outstanding at the end of the period (in shares)	259,716	
Weighted Average Grant Date Fair Value		
Units outstanding at the beginning of the period (in dollars per shares)	$ 13.19	
Granted (in dollars per share)	14.32	
Forfeited (in dollars per share)	9.32	
Units outstanding at the end of the period (in dollars per shares)	$ 13.35	
Weighted-Average Remaining Amortization Period	1 year 3 months 25 days	
Compensation expense	$ 961	$ 51

Segment Reporting - Revenue and EBITDA from Continuing Operations (Details) - USD ($) $ in Thousands	3 Months Ended	
	Mar. 31, 2022	Mar. 31, 2021
Segment Reporting		
Net Sales	$ 111,424	$ 89,092
EBITDA	21,195	16,968
Debit and Credit		
Segment Reporting		
EBITDA	26,094	22,400
Prepaid Debit		
Segment Reporting		
EBITDA	6,564	7,573
Other		
Segment Reporting		
EBITDA	(11,463)	(13,005)
Operating Segments | Debit and Credit		
Segment Reporting		
Net Sales	92,015	69,817
Operating Segments | Prepaid Debit		
Segment Reporting		
Net Sales	19,461	19,458
Intersegment eliminations		
Segment Reporting		
Net Sales	$ (52)	$ (183)

Segment Reporting - Reconciliation of EBITDA to net income (Details) - USD ($) $ in Thousands	3 Months Ended	
	Mar. 31, 2022	Mar. 31, 2021
Reconciliation of total segment EBITDA to income before taxes		
Total segment EBITDA	$ 21,195	$ 16,968
Interest, net	(7,865)	(8,976)
Income tax expense	(3,718)	(1,360)
Depreciation and amortization	(3,610)	(4,222)
Net income	$ 6,002	$ 2,410