

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

(Mark One)

- ☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2025
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: 001-37763

TURNING POINT BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware **20-0709285**
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
5201 Interchange Way, Louisville, KY **40229**
(Address of principal executive offices) (Zip Code)
(502) 778-4421
(Registrant's telephone number, including area code)

Former name, former address and former fiscal year, if changed since last report: not applicable

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	TPB	New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

As of June 30, 2025, the aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant was approximately \$1.31 billion based on such closing sale price of the common stock as reported on the New York Stock Exchange.

At February 23, 2026 there were 19,141,208 shares outstanding of the registrant's voting common stock, par value \$0.01 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2025 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K and will be filed within 120 days of the registrant's fiscal year end.

TURNING POINT BRANDS, INC.
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Cautionary Note Regarding Forward-Looking Statements

This annual report on Form 10-K (this “Annual Report”) contains forward-looking statements within the meaning of the federal securities laws. Forward-looking statements may generally be identified using words such as “anticipate,” “believe,” “expect,” “intend,” “plan” and “will” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Some, but not all, of these risks are described under Item 1A “Risk Factors” and elsewhere throughout this Annual Report. As a result, actual events may differ materially from those expressed in or suggested by the forward-looking statements. Any forward-looking statement made by us in this Annual Report on Form 10-K speaks only as of the date hereof. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect it. We have no obligation, and do not intend, to update any forward-looking statements after the date hereof, except as required by federal securities laws.

PART I

Item 1. Business

Overview

Turning Point Brands, Inc. (the “Company,” “we,” “our,” or “us”) is a leading manufacturer, marketer and distributor of branded consumer products. We sell a wide range of products to adult consumers consisting of staple products with our iconic brands Zig-Zag® and Stoker’s®. We primarily compete in the alternative smoking accessories and Other Tobacco Products (“OTP”) industries, among other markets. The alternative smoking accessories market is a dynamic market experiencing robust secular growth driven by cannabinoid legalization in the U.S. and Canada, and positively evolving consumer perception and acceptance in North America. The OTP industry, which consists of non-cigarette tobacco products, exhibited steady consumer unit annualized volumes during the full year period ended 2025 as reported by Management Science Associates, Inc. (“MSAi”) a third-party analytics and information company. Our segments are led by our core proprietary and iconic brands: Zig-Zag® in the Zig-Zag products segment, and Stoker’s® along with FRE®, Beech-Nut® and Trophy® in the Stoker’s products segment. Our businesses generate meaningful cash flow which we use to further invest in our business, introduce new product lines, finance acquisitions, increase brand support, expand our distribution infrastructure, and strengthen our capital position. We currently ship to approximately 900 distributors with an additional 600 secondary, indirect wholesalers in the U.S. that carry and sell our products. Under the leadership of a senior management team with extensive experience in the consumer products, alternative smoking accessories and tobacco industries, we have grown and diversified our business through new product launches, category expansions, and acquisitions while concurrently improving operational efficiency.

We believe there are meaningful opportunities to grow by investing in organic growth, acquisitions and joint ventures across all product categories. As of December 31, 2025, our products were available in approximately 220,000 retail locations in North America. Our sales team targets widespread distribution to all traditional retail channels, including convenience stores, and we have a growing e-commerce business.

Discontinued Operations

On January 2, 2025, the Company contributed 100% of its interest in South Beach Brands LLC (“SBB”), the subsidiary that owned and operated the Company’s former Creative Distribution Solutions (“CDS”) reportable segment, to General Wireless Operations, Inc. (“GWO”) in exchange for 49% of the issued and outstanding GWO common stock. GWO is majority owned by Standard General, LP.

The assets and liabilities associated with the CDS segment were classified as held for sale as of December 31, 2024, and its financial results were classified as discontinued operations and are reported separately for all periods presented herein until its disposition on January 2, 2025. With the classification of the CDS reportable segment to discontinued operations, the Company now has two reportable segments. Unless otherwise noted, the description of business in this Annual Report on Form 10-K relates solely to the continuing operations, comprised of the Zig-Zag and Stoker’s segments.

Products

Zig-Zag Products

In our Zig-Zag products (“Zig-Zag”) segment, we principally market and distribute (i) rolling papers, tubes, and related products; (ii) finished cigars and make-your-own (“MYO”) cigar wraps; and (iii) other accessories. In addition, we have a majority stake in 10233625 Canada Corp. (“Turning Point Brands Canada”), a specialty marketing and distribution firm focused on building brands in the Canadian cannabis accessories, tobacco and alternative products categories. The strength of the Zig-Zag® brand drives our leadership position in both the rolling papers and MYO cigar wrap markets. Zig-Zag® is the #1 premium and #1 overall rolling paper in the U.S. with approximately 33% total market share according to MSAi.¹ Management estimates that Zig-Zag® is also the #1 brand in the Canadian market. Rolling paper operations are aided by our sourcing relationship with Republic Technology International SAS (“RTI”). See “Distribution and Supply Agreements” below for our discussion of the Zig-Zag® distribution agreement.

In MYO cigar wraps, the Zig-Zag® brand remains the market leader and continues to innovate in novel ways through additional product introductions. For instance, we introduced Zig-Zag® ‘Rillo sized wraps, which are similar in size to cigarillos, the most popular and fastest growing type of machine-made cigars. In June 2020, we purchased certain assets from our long-term commercial partner Durfort Holdings S.R.L (“Durfort”) which included the co-ownership in the intellectual property rights for all of our MYO Homogenized Tobacco Leaf (“HTL”) cigar wraps products. In late 2021, we extended our MYO cigar wraps offering with entries into the growing hemp wraps and natural leaf wraps markets.

¹ Brand ranking and market share percentages obtained from MSAi for the 52-week period ended December 27, 2025.

In July 2019, to extend our reach in Canada, we made a minority investment in Turning Point Brands Canada that we increased to a 65% ownership stake by July 2021. Our majority ownership stake leverages Turning Point Brands Canada's significant expertise in marketing and distributing cannabis accessories and tobacco products throughout Canada. The remainder of Turning Point Brands Canada is owned by its management.

In July 2021, we acquired certain assets of Unitabac, LLC ("Unitabac"), a marketer of mass-market cigars. In the acquisition, we acquired a robust portfolio of cigarillo products and all related intellectual property, including Cigarillo Non-Tip (NT) HTL products and Rolled Leaf and Natural Leaf Cigarillo products that we are using to re-introduce the *Zig-Zag*[®] brand into a large and growing cigarillo market.

We have continued to reposition this segment with growth initiatives focused on new product introductions and new channel expansions that are better aligned with the growing market trends.

Stoker's Products

In our Stoker's products ("Stoker's") segment, we (i) manufacture and market moist snuff tobacco ("MST"), (ii) contract for and market *FRE*[®] and *ALP*[®], our modern oral products, and (iii) contract for and market loose-leaf chewing tobacco products. *Stoker's*[®] is our focus brand in both MST and chewing tobacco. In MST, *Stoker's*[®] remains among the fastest growing brands and holds a 12.4% share in the stores that carry our products and a 8.1% share of the total U.S. MST non-pouch market. *Stoker's*[®] is a pioneer in the MST industry.¹ It was first to introduce the large 12 oz. tub packaging format and is manufactured using a proprietary process that we believe results in a superior product. Starting in 2015, we extended the *Stoker's*[®] MST franchise to include traditional 12oz. cans to broaden retail availability. Our proprietary manufacturing process is conducted at our Dresden, Tennessee plant and packaged in both our Dresden, Tennessee, and Louisville, Kentucky, facilities.

Stoker's[®] chewing tobacco has grown its market share considerably over the last several years becoming the largest brand family in the industry and is presently the #1 discount and #1 overall brand in the industry, with approximately a 34.1% market share.¹ Our status in the chewing tobacco market is further strengthened by *Beech-Nut*[®], the #3 premium brand and #7 overall, as well as *Trophy*[®], *Durango*[®] and the five Wind River Brands. Collectively, the Company is the #1 marketer of chewing tobacco with approximately 38.0% market share.¹ Our chewing tobacco operations are facilitated through our long-standing relationship with Swedish Match (a division of Philip Morris International Inc.), the manufacturer of our loose-leaf chewing tobaccos.

In September 2024, one of the Company's wholly-owned subsidiaries acquired a 50% stake in ALP Supply Co., LLC ("ALP"). ALP is a joint venture established with Last Country Ventures, LLC for the purpose of selling and distributing tobacco-free white pouch nicotine products in 3, 6 and 9 mg strengths. In 2026, ALP intends to broaden its portfolio, including with the introduction of 12 mg strength. Pursuant to the joint venture agreement, the Company's subsidiary is responsible for selling products to ALP and providing warehousing and shipping services on its behalf.

Competitive Strengths

We believe our competitive strengths include the following:

Large, Leading Brands with Significant Scale

We have built a portfolio of leading brands with significant scale that are well recognized by consumers, retailers, and wholesalers. Our *Zig-Zag*[®] and *Stoker's*[®] brands are each well established and date back 146 and 85 years, respectively.

- *Zig-Zag*[®] is the #1 premium and #1 overall rolling paper brand in the U.S., with significant distribution in Canada as well. *Zig-Zag*[®] is also the #1 MYO cigar wrap brand in the U.S., as measured by MSAi.¹ We acquired North American rolling papers distribution rights for *Zig-Zag*[®] in 1997. More importantly, we own the *Zig-Zag*[®] tobacco trademark in the U.S. which we leverage for our MYO cigar wraps product. Approximately 60% of our total 2025 *Zig-Zag*[®] branded net sales are under our own *Zig-Zag*[®] marks rather than those we license from RTI under the Distribution and Licensing Agreements described below.
- *Stoker's*[®] is among the fastest growing MST brands in the industry and is the #1 loose-leaf chewing tobacco brand.¹ We manufacture *Stoker's*[®] MST using only 100% American leaf, utilizing a proprietary process to produce what we believe is a superior product.

¹ Brand rankings and market share percentages obtained from MSAi for the 52-week period ended December 27, 2025.

Zig-Zag[®] is an iconic brand and has strong, enduring brand recognition among a wide audience of consumers. The *Stoker's*[®] brand is seen as an innovator in both the moist snuff and loose-leaf chewing tobacco markets.

Exposure to Growing Cannabinoid Consumption Trends

We believe that the cannabinoid market will continue to grow over the coming years as cannabinoid use becomes increasingly accepted by the U.S. public. Our product offerings, particularly those in our Zig-Zag Products segment, are ideally positioned to benefit from continued growth in consumer consumption.

The legal cannabis market in the U.S. is projected to grow from approximately \$30 billion in 2024 to approximately \$39 billion by 2029 according to an October 2025 report of BDSA, a market research firm focused on the legal cannabis market. With flower being the leading form factor for cannabis consumption among consumers, we believe our product offerings provide us with significant opportunity to expand the number of retail channels we reach. A recent Gallup poll showed 64% Americans now support legalizing cannabis nationwide, approximately twice the amount as twenty years ago. As of the end of 2025, 24 U.S. states and the District of Columbia had legalized cannabis for adult recreational use and a vast majority of states now have comprehensive public medical cannabis programs. In addition, a growing number of U.S. states and foreign jurisdictions have authorized the sale of hemp-derived THC products, further broadening consumer access to intoxicating cannabinoid products outside of the traditional state-licensed cannabis channels.

Successful Track Record of New Product Launches and Category Expansions

We have successfully launched new products and entered new product categories by leveraging the strength of our brands and methodically targeting markets which we believe have significant growth potential:

- In 2009, we extended the *Zig-Zag*[®] tobacco brand into the MYO cigar wraps market and captured a 50% market share within the first two years. We are now a market share leader for MYO cigar wraps with approximately a 35% share of the cigar wraps category and 68% of the share of the HTL cigar wraps sub-category.¹ We believe our success was driven by the *Zig-Zag*[®] tobacco branding, which we feel is widely understood by consumers to represent a favorable, customizable experience ideally suited to MYO products. In late 2021, we extended our *Zig-Zag*[®] MYO cigar wraps offering with entries into the growing hemp wraps and natural leaf wraps markets.
- We extended the *Zig-Zag*[®] brand into hemp rolling papers in 2018 and followed that with the launch of paper cones in 2019 with both products quickly establishing leading positions in their respective categories.
- We leveraged the proud legacy and value of the *Stoker's*[®] brand to introduce a 12 oz. MST tub, a size that was not offered by any other market participant at the time of introduction. *Stoker's*[®] MST has been among the fastest growing moist snuff brands in the industry in terms of pounds sold. While competitors have since introduced larger format tub packaging, the early entry and differentiation of the *Stoker's*[®] product have firmly established us as the market leader with over 55% of the tub market as of 2025. In 2015, we introduced *Stoker's*[®] MST in 1.2 oz. cans to further expand retail penetration, particularly in convenience stores.
- In late 2023, we expanded our oral nicotine offering to include *FRE*[®], a white pouch nicotine product, with a national rollout started in 2024 during which we expanded SKU assortments to include additional nicotine strengths.
- In late 2024, we entered into a joint venture, which launched the ALP white pouch nicotine products.
- We have also had success in acquiring, partnering with and integrating new products and product lines, including Cigarillos, with the acquisition of Unitabac in 2021.

We strategically target product categories that we believe demonstrate significant growth potential and for which the value of our brands is likely to have a meaningful impact. We believe that our track record and existing portfolio of brands provide competitive advantages as we continue to evaluate opportunities to extend our product lines and expand into new categories.

Extensive Distribution Network and Data Driven Sales Organization

We have taken important steps to enhance our selling and distribution network and consumer marketing capabilities that allow us to grow our business while keeping our capital expenditure requirements relatively low. We have long-standing relationships in the core convenience store channel and wholesale distribution network with access to more than 220,000 retail outlets in North America. We are also increasing brand presence through non-traditional channels including headshops, dispensaries, and B2B e-commerce and are expanding our sales team dedicated to these channels. We have added brand dedicated platforms including ZigZag.com to facilitate our e-commerce brand presence and are selling our products on Amazon and other e-commerce sites.

¹ Brand ranking and market share percentages obtained from MSAi for the 52-week period ended December 27, 2025.

We service our customer base with an experienced sales and marketing organization of approximately 257 professionals who possess in-depth knowledge of the OTP market. We extensively use data supported by leading technology, enabling our salesforce to analyze changing trends and effectively identify evolving consumer preferences at the store level and respond efficiently. We subscribe to a sales tracking system provided by MSAi that measures OTP product shipments by all market participants, on a weekly basis, from approximately 600 wholesalers to over 265,000 traditional retail stores in the U.S. This system enables us to understand share and volume trends across multiple categories at the store level, allowing us to allocate field salesforce coverage to the highest opportunity stores, thereby enhancing the value of new store placements and sales activity. Within our Stoker's segment, we continue to see a positive correlation between the frequency of store calls by our salesforce and our retail market share.

Asset-light Business Model that Generates Resilient Free Cash Flow

We have a lean, asset-light manufacturing and sourcing model which leverages outsourced supplier relationships and requires low capital expenditures. We believe our asset-light model provides marketplace flexibility, allows us to achieve favorable margins and generates high free cash flow conversion.

As part of our asset-light operating model, we built long-standing and extensive relationships with leading, high-quality producers from whom we source products including loose-leaf chewing tobacco and cigarette paper, among others.

By outsourcing the production of certain products to a select group of suppliers with whom we have strong relationships, we are able to maintain low overhead costs and minimal capital expenditures. Our supplier relationships allow us to increase the breadth of our product offerings and quickly enter new markets as management is able to focus on brand building and innovation. In 2025, approximately 75% of our net sales were derived from outsourced production operations and our capital expenditures have ranged between \$4.6 million and \$13.5 million per year over the previous three years.

The stability of our cash flows is enhanced by the resilience of our Zig-Zag Products and Stoker's Products business segments which we believe have recession-resistant end-markets. These products are primarily staples that are small ticket purchases for repeat consumers. In addition, we believe the secular shift to the value category in the Stoker's Products segment will benefit the long-term resilience of our brands.

We do not outsource our MST production as a result of our proprietary manufacturing processes which are substantively different than those of our competitors.

Expertise to Succeed in Dynamic Regulatory Environments

We operate in a highly regulated environment involving many different government agencies. In 2009, the U.S. Food and Drug Administration ("FDA") was given jurisdiction over cigarettes and smokeless tobacco, which expanded in 2016 to include cigars and all other tobacco products. This was further expanded in 2022 to cover non-tobacco nicotine products. We believe we have a competitive advantage due to our management team's experience navigating the relevant regulatory environment. We have increased our investments in teams of professionals including regulatory lawyers, scientists and quality assurance processes to ensure we maintain a competitive advantage in this area.

The FDA has implemented a premarket review process, referred to as the PMTA, or the Premarket Tobacco Application process, which requires all tobacco products introduced or changed since 2007 to submit an application to the FDA and receive marketing authorization prior to entering the market. For products already on the market when these requirements became effective, the FDA required applications for those products to be on file by certain dates depending on whether the products were originally regulated under the Family Smoking Prevention Tobacco Control Act ("TCA"), whether they were later "deemed" tobacco products, or whether they contain non-tobacco nicotine and were not otherwise exempt from the TCA. The PMTA process is a very expensive and resource-intensive process and there are currently hundreds of competitors in the market but very few have the capability or the resources to get their products successfully through this process. In the years since, the FDA has rejected millions of applications.

To date, we have spent approximately \$34.8 million in order to file and supplement applications covering a broad portfolio of noncombustible products, including novel oral nicotine products. By developing and submitting for FDA marketing authorization a deep suite of noncombustible products and leveraging our distribution platform, we believe that we have the opportunity to grow as consumers look toward potentially lower-risk product offerings. We believe this is a transformational event for the industry with potential for us to realize substantial benefits over time as the FDA accelerates enforcement thereby creating significant barriers for new entrants as well as significant difficulties for existing companies who may not have the infrastructure needed to comply with these regulatory requirements. See "Risks Related to Legal, Tax and Regulatory Matters" under Item 1A "Risk Factors" for additional information.

In addition, we have been building and expanding an alternative logistics infrastructure across the U.S. to comply with the Prevent All Cigarette Trafficking Act (“PACT Act”) which was recently extended to prohibit the use of the U.S. Postal Service to mail e-cigarette and related products directly to consumers and requires other common carriers to obtain adult signature on delivery.

Experienced Management Team

With extensive experience in consumer products, alternative smoking accessories and tobacco markets, our senior management team has enabled us to grow and diversify our business while improving operational efficiency. Members of management have previous experience at other leading tobacco companies. Given the professional experience of our senior management team, we are able to analyze risks and opportunities from a variety of perspectives. Our senior leadership has embraced a collaborative culture which leverages experience, analytical rigor and creativity to assess opportunities and deliver products that satisfy consumers’ demands. Our management team also brings a proven track record of patient and selective capital deployment into value-enhancing transactions.

Growth Strategies

We are focused on building sustainable margins, expanding the availability of our products, developing innovative new products and enhancing overall operating efficiencies with the goal of improving margins and cash flow. We adopted the following strategies to drive growth in our business and build stockholder value:

Grow Share of Existing Product Lines, Domestically and Internationally

We intend to remain a consumer centered organization with an innovative view and understanding of the alternative smoking accessories and OTP markets. We believe we have strong tailwinds for growth within our existing product lines. Within our Zig-Zag products segment, we are benefitting from secular growth trends in the industry, driving market share gains in our traditional convenience store channel and expanding our presence into non-traditional channels including headshops, dispensaries and e-commerce. Within our Stoker’s products segment, there is ample runway to gain market share driven by same store sales growth and further distribution gains as *Stoker’s*® MST continues to outperform in the category.

In 2025, less than 10% of our revenues were generated outside of the U.S. We believe international sales represent a meaningful growth opportunity. Having established a strong infrastructure and negotiated relationships across multiple segments and products, we are pursuing an international growth strategy to broaden sales and strengthen margins. Our goals include expanding our presence in the worldwide OTP industry on a targeted basis.

Expand into Adjacent Categories through Innovation and New Partnerships

We continually evaluate opportunities to expand into adjacent product categories by leveraging our current portfolio and distribution platform, as well as by forming new partnerships. We believe there are meaningful opportunities for growth within the alternative smoking accessories. We maintain a robust product pipeline and plan to strategically introduce new products in attractive, growing markets, both domestically and internationally, with specific focus on our papers and MYO wraps businesses. The strength of the *Zig-Zag*® brand provides a highly-leverageable platform to expand our portfolio with complementary products such as our launch and expansion of hemp papers, paper cones, hemp wraps and natural leaf wraps. As we have done successfully in the past, we will leverage our existing sales infrastructure to drive distribution of new products and are investing to expand our e-commerce distribution capabilities.

We have identified a number of new opportunities and we intend to leverage our existing brands and partnerships to continue the process of commercializing winning products that satisfy consumer needs.

Accelerate Growth Through National Distribution Network

Our business is built around a powerful sales and distribution infrastructure that currently reaches an estimated 220,000 retail outlets in North America. We have a strong presence in independent convenience stores and now service most of the leading chain accounts. Through our e-commerce platforms we have alternative avenues through which we sell third-party products and an increasing amount of our proprietary products. This strategy allows new products to be tested with lower risk before we incorporate them into our wider brick and mortar distribution system.

Combining our different platforms, we have an expansive multi-channel distribution infrastructure that gives us a competitive advantage when we introduce new products or acquire companies that we can integrate into our network. We believe our experienced salesforce, expansive distribution network and leading market analytics put us in a strong position to swiftly execute new product launches in response to evolving consumer and market preferences.

Strategically Pursue Acquisitions

We believe there are meaningful acquisition opportunities in our fragmented markets. We regularly evaluate acquisition opportunities across our industries. In evaluating acquisition opportunities, our focus is on identifying acquisitions that would leverage our distribution platform, regulatory infrastructure and product offerings or enable category expansion in areas with high growth potential to drive profit generation.

The vast majority of our 2025 U.S. gross profit was derived from sales of products currently regulated by the FDA Center for Tobacco Products. We have significant experience in complying with the FDA regulatory regime with a compliance infrastructure composed of legal and scientific professionals. We believe many smaller manufacturers currently lack this infrastructure, which is necessary for complying with the broad scope of FDA regulations. We believe our regulatory compliance infrastructure, combined with our skilled management and strong distribution platform, position us to act as a consolidator within the OTP industry.

We have a strong track record of enhancing our OTP business with strategic and accretive acquisitions. The Company itself was built through acquisitions that were subsequently grown through distribution gains, market share growth and brand extensions into new product categories. This is a playbook that we have drawn on over time with a consistent track record of success. We acquired the U.S. and Canadian rolling papers distribution rights for *Zig-Zag*[®] in 1997 and extended our product offerings including our entry into the MYO cigar wraps category in 2009. In 2003, we acquired the *Stoker's*[®] brand. We have since built the brand to the #1 position in the chewing tobacco industry while successfully leveraging the brand's value through our MST expansion where it remains among the fastest growing MST brands. Our investment in Turning Point Brands Canada in 2019 is accelerating *Zig-Zag*[®]'s growth through alternative channel penetration. In 2020, we acquired certain assets from Durfort, including co-ownership of the intellectual property rights for our MYO cigar wraps products. The transaction increased our share of the economics in a MYO cigar wraps business that was benefitting from secular growth tailwinds. In 2021, we also acquired certain assets from Unitabac, providing a platform to re-enter the large cigarillo category.

Raw Materials, Product Supply, and Inventory Management

We source our products through a series of longstanding, highly valued relationships which allow us to conduct our business on an asset-light, distribution-focused basis.

The components of inventories were as follows as of the dates indicated (in thousands):

	December 31, 2025	December 31, 2024
Raw materials and work in process	\$ 9,715	\$ 7,699
Leaf tobacco	43,747	35,622
Finished goods - <i>Zig-Zag</i> products	33,276	38,042
Finished goods - <i>Stoker's</i> products	18,361	12,966
Other	2,890	1,924
Inventories	<u>\$ 107,989</u>	<u>\$ 96,253</u>

Zig-Zag[®] Products

Pursuant to the *Zig-Zag*[®] distribution agreements, we are required to purchase from RTI all cigarette papers, cigarette tubes and cigarette injecting machines that we sell, subject to RTI fulfilling its obligations under the *Zig-Zag*[®] distribution agreements. See "Distribution and Supply Agreements" below for a discussion of the *Zig-Zag*[®] distribution agreements. If RTI is unable or unwilling to perform its obligations or ceases its cigarette paper manufacturing operations, in each case, as set forth in the Distribution Agreements, we may seek third-party suppliers and continue the use of the *Zig-Zag*[®] trademark to market these products. To ensure we have a steady supply of premium cigarette paper products, as well as cigarette tubes and injectors, RTI is required to maintain, at its expense, a two-month supply of inventory in a bonded, public warehouse in the U.S.

We obtain our MYO cigar wraps from our supplier in the Dominican Republic. We also obtain our *Zig-Zag*[®] branded cigar products from the Dominican Republic.

Stoker's Products

We produce our moist snuff and loose-leaf chewing tobaccos from air-cured and fire-cured leaf tobacco, respectively. We utilize recognized suppliers that generally maintain 12- to 24-month supplies of our various types of tobacco at their facilities. We do not believe we are dependent on any single country or supplier source for tobacco and, if needed, there are dependable alternative supply opportunities as noted below. We generally maintain up to a two-month supply of finished, moist snuff and loose-leaf chewing tobacco on hand. This supply is maintained at our Louisville, Kentucky, facility and in two regional public warehouses to facilitate distribution. In December 2023, a third-party warehouse used by the company was damaged by a tornado, leading to a loss of some of our leaf tobacco inventory. We believe the losses will be fully covered by insurance. See Item 1A. “Risk Factors – Our business may be damaged by events outside of our or our suppliers’ control, such as the impact of epidemics or pandemics, political upheavals, or natural disasters.”

Distribution and Supply Agreements

The Zig-Zag Distribution and License Agreements

In 1992, we entered into two long-term exclusive distribution agreements with respect to sales of Zig-Zag® cigarette papers, cigarette tubes, and cigarette injector machines in the U.S. and Canada (collectively, the “Distribution Agreements”). The Distribution Agreements had an initial twenty-year term, which automatically renews for successive twenty-year terms unless terminated in accordance with the terms of the Distribution Agreements. The Distribution Agreements renewed for their second twenty-year term in November 2012.

Under the Distribution Agreements, we are required to purchase cigarette papers, cigarette tubes, and cigarette injector machines from the licensor; however, our licensor must provide us with sufficient quantities consistent with specific order-to-delivery timelines outlined in the Distribution Agreements. Our product supply is further protected by additional safeguards, including the right to seek third-party suppliers in certain circumstances and a two-month safety stock inventory to be kept in the U.S. at the licensor’s expense. The Distribution Agreements also provide shared responsibility for duties, insurance, shipping, and taxes. The import duties and taxes in the U.S. and Canada are our responsibility, while the licensor is responsible for insurance, export duties, and shipping costs.

Each of the Distribution Agreements contains customary termination provisions, including failure to meet performance obligations, the assignment of the agreement or the consummation of a change of control, in each case, without consent of the licensor, upon certain material breaches, including our agreement not to promote, directly or indirectly, cigarette paper or cigarette paper booklets of a competitor, or upon our bankruptcy, insolvency, liquidation, or other similar event. The licensor also may terminate the Distribution Agreements if a competitor acquires a significant amount of our common stock or if one of our significant stockholders acquires a significant amount of one of our competitors. In the event of a termination, we have agreed that for a period of five years after the termination we will not engage, directly or indirectly, in the manufacturing, selling, distributing, marketing, or otherwise promoting, in the U.S. and Canada, of cigarette paper or cigarette paper booklets of a competitor without consent. There are certain de minimis exceptions to these provisions. For further details, see Item 1A. “Risk Factors – We depend on a small number of key third-party suppliers and producers for our products.”

The Distribution Agreements and the License Agreements were initially entered into with Bolloré S.A. (“Bolloré”). In November 2020, Bolloré assigned the Distribution Agreements and the License Agreements to RTI. For a number of years, RTI has been the outsourced manufacturer of cigarette papers, cigarette tubes, cigarette injector machines and certain other products bearing the Zig-Zag® name.

Swedish Match Manufacturing Agreement

In 2008, we entered into a manufacturing and distribution agreement with Swedish Match whereby Swedish Match became the exclusive manufacturer of our loose-leaf chewing tobacco. Under the agreement, production of our loose-leaf chewing tobacco products was completely transitioned to Swedish Match’s plant located in Owensboro, Kentucky, in 2009. We source all of the tobacco Swedish Match uses to manufacture our products along with certain proprietary flavorings and retain all marketing, design, formula, and trademark rights over our loose-leaf products. We also have the right to approve all product modifications and are solely responsible for decisions related to package design and branding of the loose-leaf tobacco produced for us. Responsibilities related to process control, manufacturing activities, and inventory management with respect to our loose-leaf products are allocated between us and Swedish Match as specified in the agreement. We also have rights to monitor production and quality control processes on an ongoing basis.

The agreement had an initial ten-year term and will automatically be renewed for five successive ten-year terms unless either party provides at least 180 days' notice prior to a renewal term of its intent to terminate the agreement, or unless otherwise terminated by mutual agreement of the parties in accordance with the provisions of the agreement. If a notice of non-renewal is delivered, the contract will expire two years after the date on which the agreement would have otherwise been renewed. The terms allow the agreement to be assumed by a buyer, terminated for uncured material breach, or terminated by us subject to a buyout. We also hold a right of first refusal to acquire the manufacturing plant as well as Swedish Match's chewing tobacco unit. The agreement was automatically renewed for the first of five 10-year renewal periods in September 2018.

Production and Quality Control

We primarily outsource our manufacturing and production processes and focus on packaging, marketing, and distribution. We currently manufacture less than 25% of our products as measured by net sales. Our in-house manufacturing operations are principally limited to (i) the manufacturing of our moist snuff products, which occurs at our facility in Dresden, Tennessee; and (ii) the packaging of our moist snuff products at our facilities in Dresden, Tennessee and Louisville, Kentucky. Our MST products are processed in-house, rather than outsourced, as a result of our proprietary manufacturing processes which are substantively different than those of our competitors.

We use proprietary production processes and techniques, including strict quality controls. Our quality control group routinely tests the quality of the tobacco, flavorings, application of flavorings, premium cigarette papers, tubes and injectors, cigars, MYO cigar wraps, liquid nicotine products, and packaging materials. We utilize sophisticated quality controls to test and closely monitor the quality of our products. The high quality of our tobacco products is largely the result of using high-grade tobacco leaf and food-grade flavorings and, on an ongoing basis, analyzing the tobacco cut, flavorings, and moisture content together with strict specifications for sourced products.

Given the importance of contract manufacturing to our business, our quality control group ensures that established, written procedures and standards are adhered to by each of our contract manufacturers. Responsibilities related to process control, manufacturing activities, quality control, and inventory management with respect to our loose-leaf products are allocated between us and Swedish Match under the manufacturing agreement.

Sales and Marketing

We have grown the size and capacity of our salesforce and intend to continue strengthening the organization to advance our ability to deepen and broaden the retail availability of our products and brands.

As of December 31, 2025, we had a nationwide sales and marketing organization of approximately 276 professionals. Our sales and marketing group focuses on priority markets and sales channels and seeks to operate with a high level of efficiency. In 2025, our Zig-Zag and Stoker's Products sales and marketing efforts enabled our products to reach an estimated 220,000 retail outlets in North America and over 900 direct wholesale customers with an additional 600 secondary, indirect wholesalers in the U.S.

Our Zig-Zag and Stoker's Products sales efforts are focused on wholesale distributors and retail merchants in the independent and chain convenience store, tobacco outlet, food store, mass merchandising, drug store, and non-traditional retail channels. For Zig-Zag Products, we have also developed a growing e-commerce business along with a sales team focused on serving alternative channels such as headshops and dispensaries. We have expanded, and intend to continue to expand, the sales of our products into previously underdeveloped geographic markets and retail channels. In 2025, we derived more than 90% of our net sales from sales in the U.S., with the remainder primarily from sales in Canada.

We subscribe to a sales tracking system from MSAi that records all traditional OTP product shipments (ours as well as those of our competitors) from approximately 600 wholesalers to over 265,000 traditional retail stores in the U.S. This system enables us to understand individual product share and volume trends across multiple categories down to the individual retail store level, allowing us to allocate field salesforce coverage to the highest opportunity stores. Additionally, the ability to select from a range of parameters and to achieve this level of granularity means we can analyze marketplace trends in a timely manner and swiftly evolve our business planning to meet market opportunities.

We employ marketing activities to grow awareness, trial, and sales including selective trade advertising to expand wholesale availability, point-of-sale advertising and merchandising and permanent and temporary displays to improve consumer visibility, and social media. We comply with all regulations relating to the marketing of tobacco products, such as directing marketing efforts to adult consumers, and are committed to full legal compliance in the sales and marketing of our products. To date, we have neither relied upon, nor conducted, any substantial advertising in consumer media for our tobacco products.

For the year ended December 31, 2025, we did not have any customers that accounted for 10% or more of our net sales for the year. We had one customer that accounted for 10.2% of our net sales for the year ended December 31, 2024, and did not have any customers that accounted for 10% or more of our net sales for the year ended December 31, 2023. Our customers use an open purchase order system to buy our products and are not obligated to do so pursuant to ongoing contractual obligations. We perform periodic credit evaluations of our customers and generally do not require collateral on trade receivables. Historically, we have not experienced material credit losses, and we do not believe it is a material risk given the short duration of payment cycles.

Competition

We believe our ability to effectively compete and maintain strong market positions in our principal product lines are due to the high recognition of our brand names, the perceived quality of each of our products, and the efforts of our sales, marketing, and distribution teams. Many of our competitors are better capitalized than we are and have greater resources, financial and otherwise. We compete against “big tobacco,” including Altria Group, Inc.; British American Tobacco p.l.c.; Swedish Match; Swisher International, Inc.; and manufacturers including U.K. based Imperial Brands, PLC, across our segments. “Big tobacco” has substantial resources and a customer base that has historically demonstrated loyalty to their brands.

Competition in the OTP market is based upon not only brand quality and positioning but also on price, packaging, promotion, and retail availability and visibility. Given the decreasing prevalence of cigarette consumption, the “big tobacco” companies continue to demonstrate an increased interest and participation in a number of OTP markets.

Zig-Zag Products

Our principal competitors for premium rolling paper sales are Republic Tobacco, L.P. and HBI International. Our major competitors in MYO cigar wraps are Good Times USA, LLC and New Image Global, Inc. We believe MYO cigar wrap products are used interchangeably with both rolling papers and finished cigar products by many consumers.

Stoker's Products

Our four principal competitors in the moist snuff category are Swedish Match, the American Snuff Company, LLC (a unit of British American Tobacco p.l.c.), Swisher International Group, Inc. and U.S. Smokeless Tobacco Company (a division of Altria Group, Inc.). In the loose-leaf chewing tobacco market, our three principal competitors are Swedish Match, the American Snuff Company, LLC, and Swisher International Group, Inc. We believe moist snuff products are used interchangeably with loose-leaf products by many consumers. For modern oral nicotine products, our four principal competitors are Swedish Match, Modoral Brands Inc. (a unit of British American Tobacco p.l.c.), Swisher International Group, Inc. and Helix Innovations, LLC (a division of Altria Group, Inc.).

Patents, Trademarks, and Trade Secrets

We have numerous registered trademarks relating to our products, including: *Beech-Nut*®, *Trophy*®, *Havana Blossom*®, *Durango*®, *Stoker's*®, *Tequila Sunrise*®, *Fred's Choice*®, *Old Hillside*®, *Our Pride*®, *Red Cap*®, *Tennessee Chew*®, *Big Mountain*®, *Springfield Standard*®, *Snake River*® and *FRE*®. The registered trademarks, which are significant to our business, expire periodically and are renewable for additional 10-year terms upon expiration. Flavor and blend formula trade secrets relating to our tobacco products, which are key assets of our businesses, are maintained under strict secrecy.

The *Zig-Zag*® trade dress trademark for premium cigarette papers and related products are owned by RTI and have been exclusively licensed to us in the U.S. and Canada. We own the *Zig-Zag*® trademark with respect to its use in connection with products made with tobacco including, without limitation, cigarettes, cigars and MYO cigar wraps in the U.S. See “--The Zig-Zag Distribution and License Agreements” above.

Research and Development and Quality Assurance

We have a research and development and quality assurance function that tests raw materials and finished products in order to maintain a high level of product quality and consistency. Research and development largely bases its new product development efforts on our high-tech data systems. We spent approximately \$0.9 million, \$1.3 million, and \$0.6 million dollars on research and development and quality control efforts for the years ended December 31, 2025, 2024, and 2023, respectively.

Human Capital

As of December 31, 2025, we employed 484 full-time and part-time employees. None of our employees are represented by unions. We believe we have a positive relationship with our employees.

We believe that our success is driven by our employees. Our human capital strategy, which is developed and overseen by our Chief People Officer (“CPO”), focuses on the health and safety of our employees, development and retention of current employees, and talent attraction. The Chief Executive Officer (“CEO”) and CPO regularly update the board of directors and its committees on human capital management, as well as the implementation of new initiatives.

Health and Safety: Our health and safety programs are designed to address applicable regulations as well as the specific hazards and work environments of each of our facilities. We regularly conduct safety reviews and training at each of our locations to ensure compliance with applicable regulations and all policies and procedures. We maintain safety committees that meet regularly to discuss and address any potential issues in our warehouse and manufacturing facilities. In addition, we conduct quarterly Motor Vehicle Safety training and annual Motor Vehicle Records checks for those assigned to company vehicles or who are daily drivers. We utilize a number of metrics to assess the performance of our health and safety policies, procedures and initiatives, including lost workdays and any recordable or reportable incidents.

Employee Engagement: We are dedicated to enhancing employee engagement through initiatives that foster connection, transparency, and well-being. Our quarterly town halls provide a forum for leadership to share business updates, recognize achievements, and address employee questions, reinforcing our commitment to communication and alignment. Additionally, our wellness challenges encourage employees to prioritize their physical and mental health, fostering a culture of well-being and teamwork. These efforts reflect our commitment to creating a workplace where employees feel informed, supported, and empowered to succeed.

Training and Talent Development: We provide technical and leadership training to employees at both the officer and non-officer levels. In 2025, the Company launched a Training and Development program, which consists of online and in person training and development tools used by management and employees. We believe effective training and development for our employees is essential to maintain the strength and profitability of the Company, generally, and each brand, specifically. The Company posts its openings internally to allow current employees to apply. In 2025, we had 89 internal promotions within the organization.

Retaining Talent: During the year ended December 31, 2025, our employee voluntary turnover rate was 13.3%, compared to 16.6% in 2024. To retain our employees, we believe it is critical to continually focus on ensuring employees are highly engaged and feel valued. We address these retention efforts in a number of ways from formal surveys and quarterly business updates to regular informal discussions with employees that enable us to listen to, understand and address their concerns.

Employee Benefits: We offer comprehensive benefit programs to our employees that provides them with, among other things, medical, dental, and vision healthcare; 401(k) matching contributions; paid parental leave; tuition assistance; paid holidays; and paid vacation time, paid wellbeing time and other competitive ancillary benefits.

Engaging in our Communities

We believe that focusing on our consumers and customers, while proactively and productively addressing the environment, our employees, our community, and society at large, is the key to driving value for all stakeholders. Our operating principles focus on winning with accountability, integrity, and responsibility. We believe that we will maximize shareholder returns by implementing strategies and establishing goals to address public health concerns and display responsible behaviors to suppliers, customers, members of the organization and most of all to our consumers. Our Nominating and Governance Committee manages oversight of these efforts. As discussed below, our initiatives are led by our Nominating and Governance Executive Committee, as well as subordinate committees that focus on specific initiatives.

Public Health

One key aspect of our program is our distinct focus on our role in public health. We market and sell products intended for adult use only, many containing nicotine. As a result, public health plays a central role in all our product initiatives. We believe in, and work diligently to apply, harm reduction principles to all our products, from development through distribution and marketing. Our vision is built upon the idea that adult consumers, when presented with responsibly marketed and high-quality options, will, in large part, prefer products with a lower risk profile than others. This idea of moving adult consumers down the continuum of risk is a key driver of our future for sustainable growth. We intend to accomplish this by developing low-risk alternatives according to good product stewardship and manufacturing principles in order to increase adult consumer availability of and access to high-quality products that deliver satisfaction but at a lower risk to the user. We will continue to focus our research and development, scientific, policy, and product resources to increase the number of consumers choosing products that are lower risk.

In September 2020 and again in May 2022, we submitted to the FDA PMTA covering several noncombustible products, including novel oral nicotine products. This is an important and necessary step to allow us to offer adult consumers an extensive portfolio of products that serve as alternatives to combustible cigarettes and satisfy a wide variety of consumer preferences. The filings provide detailed scientific data that we believe demonstrates that the products are “appropriate for the protection of public health,” as required by law. Studies to support the applications were performed and included pharmacokinetics studies, a likelihood of use study, and a patterns of use study, in addition to a toxicological review. We also provided a detailed marketing plan to illustrate how we will continue to prevent youth exposure to the products. See “Risks Related to Legal, Tax and Regulatory Matters” under Item 1A “Risk Factors” of this Annual Report on Form 10-K.

Prevention of Youth Access

Our vision is a world where only adult consumers purchase and use products that are not intended for youth. As a seller of products intended for adult-use only, society demands a higher burden of responsibility from us, and we are committed to proactively preventing the underage appeal of and access to those products. We are dedicated to the responsible marketing of our adult use products and are fully committed to complying with all applicable laws and regulations governing them. We target marketing activities to both male and female current nicotine, cannabinoid, and other active consumers that are 21 years of age and older. The marketing of our adult use products does not include content directed toward minors, including child-oriented images or other themes where such imagery is reasonably understood to resonate with minors. We plan to continue to engage in appropriately targeted marketing activity, consistent with all legal requirements, industry standards, and best practices.

Preventing youth access and use of our adult-use products is a key to our continued success. All of our adult-use products are intended to be sold to and used by adults 21 years of age and older, and we are proactive in implementing programs to prevent youth access. For our own online retail (B2C) sales, we display our policies related to age to purchase and shipping restrictions. Additionally, we verify B2B customers using business licenses in order to further prevent bulk sales to consumers, which we believe contributes to social sourcing by youth.

Corporate Governance and Community Leadership

Good corporate governance is critical to our operating principles of winning with accountability, integrity, and responsibility. Acting with accountability, integrity and responsibility is at the core of our business conduct policy. We train all employees on our business conduct policies. We have established meaningful measures for our governance program and our targets and actions will allow us to achieve our goals in this area.

We focus our efforts on fostering a supportive and safe work environment for our team. Our efforts are evidenced through programs like our veterans and women focused business inclusion groups. Our goal is to provide an injury-free workplace where every employee has a safe work environment and feels empowered to speak up. We regularly monitor and provide training as part of our safety program and have active safety committees at each of our sites dedicated to implementing best practices.

Being good stewards of the planet will support our business success. Our major areas of focus are lowering vehicle emissions produced by our fleet, incorporating energy savings initiatives at our facilities, reducing water consumption in our operations, and increasing our recycling efforts. Within each of these categories we are concentrating on developing and measuring progress with an aim to define metrics against which we can track our efforts

In 2025, we continued to integrate these principles into our business practices. Our Nominating and Governance committees report to the Nominating and Governance Executive Committee, comprised of the President and CEO, CFO, and General Counsel, who in turn work with the Board’s Nominating and Governance Committee to enhance and execute our core principles. The following committees report to the Nominating and Governance Executive Committee:

- The Environmental Committee provides a platform to enhance and track the progress of our environmental practices within our business units. The committee is charged with recommending, implementing, and monitoring best practices in the areas of carbon emissions, waste, water conservation, and biodiversity within our business units. In 2025, the Company continued to make substantial investments around reducing energy consumption and environmental waste in our manufacturing operations. Additionally, we have reduced our total fleet mileage through innovative dispatch and scheduling procedures.
- The Social Committee provides a platform to help us become the employer of choice. The committee is charged with recommending and implementing best practices in health and safety, Talent Development and Retention, and Community Engagement.
- The Policies Committee provides a platform to review our governance practices and implement new or updated policies as our needs evolve. The committee is responsible for recommending and implementing appropriate best practices in business ethics, political engagement, supply chain processes, and cybersecurity. The committee is also responsible for recommending and implementing best practices in public health, responsible marketing, and youth access prevention. In 2025, the Policies Committee introduced several new policies, particularly aimed at cybersecurity, and held training sessions with our marketing teams related to prevention of youth appeal.

Further information related to our efforts can be found on our website.

Available Information

More information about Turning Point Brands is available on the Company's website at www.turningpointbrands.com. The U.S. Securities and Exchange Commission (the "SEC") maintains a website at <https://www.sec.gov> that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. On the investor relations portion of our website, www.turningpointbrands.com/investor-relations, we provide a link to our electronic filings with the SEC, including our Annual Report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to these reports. We make all such filings available free of charge as soon as reasonably practicable after filing. The information found on our website is not part of this or any other report we file with or furnish to the SEC.

Item 1A. Risk Factors

The risk factors summarized and detailed below could materially harm our business, operating results and/or financial condition, impair our future prospects and/or cause the price of our common stock to decline. These are not all of the risks we face and other factors not presently known to us or that we currently believe are immaterial may also affect our business if they occur. Material risks that may affect our business, operating results and financial condition include, but are not necessarily limited to, those relating to:

Risks Related to Our Business and Industry

- declining sales of tobacco products and expected continuing decline of sales in the tobacco industry overall;
- our dependence on a small number of third-party suppliers and producers;
- the possibility that we will be unable to identify or contract with new suppliers or producers in the event of a supply or product disruption, as well as other supply chain concerns, including delays in product shipments and increases in freight cost;
- the possibility that our licenses to use certain brands or trademarks will be terminated, challenged or restricted;
- failure to maintain consumer brand recognition and loyalty of our customers and in anticipating and responding to changes in consumer preferences and purchase behavior;
- our reliance on relationships with several large retailers and national chains for distribution of our products;
- intense competition and our ability to compete effectively;
- competition from illicit sources and the damage caused by illicit products to our brand equity;
- contamination of our tobacco supply or products;
- uncertainty and continued evolution of the markets for our products;
- recalls of our products;
- difficulties or liabilities arising from investments in businesses;

Risks Related to Legal, Tax and Regulatory Matters

- substantial and increasing regulation and changes in FDA enforcement priorities;
- regulation or marketing denials of our products by the FDA, which has broad regulatory powers;
- many of our products contain nicotine, which is considered to be a highly addictive substance;
- requirement to maintain compliance with master settlement agreement escrow account;
- possible significant increases in federal, state and local municipal tobacco- and nicotine-related taxes;
- our products are marketed pursuant to a policy of FDA enforcement priorities which could change, and our products could become subject to increased regulatory burdens by the FDA;
- sensitivity of end-customers to increased sales taxes and economic conditions, including as a result of inflation and other declines in purchasing power;
- possible increasing international control and regulation;
- failure to comply with environmental, health and safety regulations;
- imposition of significant tariffs on imports into the U.S.;
- the scientific community's lack of information regarding the long-term health effects of certain substances contained in some of our products;
- significant product liability litigation;

Risks Related to Financial Results, Finances and Capital Structure

- our amount of indebtedness;
- our credit rating and ability to access well-functioning capital markets;
- the terms of our indebtedness, which may restrict our current and future operations;
- our ability to establish and maintain effective internal controls over financial reporting;

Risks Related to our Common Stock

- our certificate of incorporation and bylaws, as well as Delaware law and certain regulations, could discourage or prohibit acquisition bids or merger proposals, which may adversely affect the market price of our common stock;
- our certificate of incorporation limits the ownership of our common stock by individuals and entities that are Restricted Investors (as defined in our Certificate of Incorporation). These restrictions may affect the liquidity of our common stock and may result in Restricted Investors being required to sell or redeem their shares at a loss or relinquish their voting, dividend and distribution rights;
- future sales of our common stock in the public market could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute your ownership in us;
- we may issue preferred stock whose terms could adversely affect the voting power or value of our common stock;

General Risks

- our business may be damaged by events outside of our or our suppliers' control, such as the impact of epidemics or pandemics, political upheavals, or natural disasters;
- adverse impact of climate change and legal and regulatory requirements related to climate change and environmental sustainability;
- our reliance on information technology;
- cybersecurity and privacy breaches, including due to artificial intelligence;
- failure to manage our growth;
- failure to successfully identify, negotiate and complete suitable acquisition opportunities, integrate our acquisitions or otherwise be unable to benefit from pursuing acquisitions;
- fluctuations in our results;
- exchange rate fluctuations;
- adverse U.S. and global economic conditions;
- departure of key management personnel or our inability to attract and retain talent;
- infringement on or misappropriation of our intellectual property;
- third-party claims that we infringe on their intellectual property; and
- impairment of intangible assets, including trademarks and goodwill.

Risks Related to Our Business and Industry

Sales of tobacco products are generally expected to continue to decline.

As a result of restrictions on advertising and promotions, increases in regulation and excise taxes, health concerns, a decline in the social acceptability of tobacco and tobacco-related products, increased pressure from anti-tobacco groups, and other factors, the overall U.S. market for tobacco products has generally been declining in terms of volume of sales and is expected to continue to decline. These factors have intensified over time, especially as it relates to regulation. While OTP products have been more resilient than cigarettes as measured by MSAi, the expectation is that all categories will continue to decline. Our tobacco products comprised approximately 62% of our total 2025 net sales and, while some of our sales volume declines have been offset by higher prices or by increased sales in other product categories, there can be no assurance that these price increases or increased sales can be sustained, especially in an environment of increased regulation, product characteristic restrictions, and taxation and changes in consumer spending habits.

We depend on a small number of key third-party suppliers and producers for our products.

Our operations are largely dependent on a small number of key suppliers and producers to supply or manufacture our products pursuant to long-term contracts. In 2025, our two most important suppliers and producers were: (i) Swedish Match, which produces all of our loose-leaf chewing tobacco in the U.S.; and (ii) RTI, which provides us with exclusive access to the *Zig-Zag*[®] cigarette paper and related accessories in the U.S. and Canada. See Item 1 – “Business – Distribution and Supply Agreements.” Many of our suppliers compete with us in one or more product categories. For example, we have a supply agreement with Swedish Match to manufacture our loose-leaf chewing tobacco, and Swedish Match also manufactures its own brand of loose-leaf chewing tobacco, which it sells in the same channels as we do.

All of our loose-leaf tobacco products are manufactured for us by Swedish Match pursuant to a ten-year renewable agreement, which we entered into in 2008. The agreement will automatically be renewed for five successive ten-year terms unless either party provides at least 180 days' notice prior to a renewal term of its intent to terminate the agreement or unless otherwise terminated in accordance with the provisions of the agreement. If a notice of non-renewal is delivered, the contract will expire two years after the date on which the agreement would have otherwise been renewed. Under this agreement, we retain the rights to all marketing, distribution and trademarks over the loose-leaf brands that we own or license. The agreement renewed for an additional ten-year term in 2018. We share responsibilities with Swedish Match related to process control, manufacturing activities, quality control and inventory management with respect to our loose-leaf products. We rely on the performance by Swedish Match of its obligations under the agreement for the production of our loose-leaf tobacco products. Any significant disruption in Swedish Match's manufacturing capabilities or our relationship with Swedish Match, a deterioration in Swedish Match's financial condition or an industry-wide change in business practices with respect to loose-leaf tobacco products could have a material adverse effect on our business, results of operations, and financial condition. We entered into these agreements when Swedish Match was an independent company, but it has since been acquired by Phillip Morris International. While Swedish Match continues to honor all obligations to us and has indicated that it will continue to do so in the future, relationship dynamics may change over time in light of its new owners.

All of our *Zig-Zag*[®] premium cigarette papers, cigarette tubes and injectors are sourced from RTI, pursuant to the Distribution Agreements. The Distribution Agreements were initially entered into with Bolloré. In November 2020, Bolloré sold its rights to its trademarks for the *Zig-Zag*[®] brand name in the U.S. and Canada to RTI and, in connection with the sale, assigned the Distribution Agreements and the License Agreements to RTI. RTI is an affiliate of one of our competitors. The Distribution Agreements were most recently renewed in 2012, with pricing terms subject to renegotiation every five years, the most recent of which occurred in 2022.

Pursuant to agreements with certain suppliers, we generally maintain a 12- to 24-month supply of our various tobacco products at their facilities. We cannot guarantee our supply of these products will be adequate to meet the demands of our customers. Further, a major fire, violent weather conditions or other disasters that affect us or any of our key suppliers or producers, including RTI or Swedish Match, as well as those of our other suppliers and vendors, could have a material adverse effect on our operations. For example, in December 2023, a third-party warehouse in Tennessee used by the Company incurred significant tornado damage including damage to the Company's property. Although we have insurance coverage for these events, including Company's stock throughput insurance, a prolonged interruption in our operations, as well as those of our producers, suppliers or vendors could have a material adverse effect on our business, results of operations, and financial condition. In addition, we do not know whether we will be able to renew any or all of our agreements on a timely basis, on terms satisfactory to us, or at all.

Any disruptions in our relationships with RTI, Swedish Match or any other significant supplier, a failure to renew any of our agreements or an inability or unwillingness by any supplier to produce sufficient quantities of our products in a timely manner and our failure to find a replacement supplier would have a significant impact on our ability to continue distributing the same volume and quality of products and maintain our market share, even if the disruption were temporary. Such impact could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to identify or contract with new suppliers or producers in the event of a disruption to our supply of products.

In order to continue selling our products in the event of a disruption to our supply, we would have to identify new suppliers or producers that would be required to satisfy significant regulatory requirements. Only a limited number of suppliers or producers (if any) may have the ability to produce our products at the volumes we need, and it could be costly or time-consuming to locate and approve such alternative sources. Moreover, it may be difficult or costly to find suppliers to produce small volumes of our new products in the event we are looking only to supplement current supply as suppliers may impose minimum order requirements. In addition, we may be unable to negotiate pricing or other terms with our existing or new suppliers as favorable as those we currently enjoy. Even if we were able to successfully identify new suppliers and contract with them on favorable terms, these new suppliers would also be subject to stringent regulatory approval procedures that could result in prolonged disruptions to our sourcing and distribution processes.

Furthermore, there is no guarantee that a new third-party supplier could accurately replicate the production process and taste profile of our existing products. We cannot guarantee that a failure to adequately replace our existing suppliers would not have a material adverse effect on our business, results of operations and financial condition.

Our licenses to use certain brands and trademarks may be terminated or not renewed.

We are reliant upon brand recognition in the OTP markets in which we compete as the OTP industry is characterized by a high degree of brand loyalty and a reluctance to switch to new or unrecognizable brands on the part of consumers. Some of the brands and trademarks under which our products are sold are licensed to us for a fixed period of time in respect of specified markets, such as our Distribution and License Agreements for use of the *Zig-Zag*[®] name and associated trademarks in connection with certain of our cigarette papers and related products. See Item 1 – “Business - Distribution and Supply Agreements” for a discussion of these agreements and their major provisions.

We have a number of License Agreements with RTI. The first of these governs licensing, sourcing and the use of the *Zig-Zag*[®] name with respect to cigarette papers, cigarette tubes, and cigarette injector machines, the second governs licensing, sourcing and the use of the *Zig-Zag*[®] name with respect to e-cigarettes, vaporizers, and e-liquids, and the third governs the licensing, sourcing and use of the *Zig-Zag* trademark on paper cones. In 2025, we generated approximately \$178.5 million in the net sales of *Zig-Zag*[®] product segment, of which approximately \$84.7 million was generated from products sold through the License Agreements. In the event that one or more of these License Agreements are not renewed, the terms of the agreements bind us under a five-year non-compete clause, under which we cannot engage in direct or indirect manufacturing, selling, distributing or otherwise promoting cigarette papers of a competitor to *Zig-Zag*[®] without RTI’s consent, except in limited instances. We do not know whether we will renew these agreements on a timely basis, on terms satisfactory to us or at all. As a result of these restrictions, if our License Agreements with respect to the *Zig-Zag*[®] trademark are terminated, we may not be able to access the markets with recognizable brands that would be positioned to compete in these segments.

In the event that any license to use a brand or trademark in our portfolio is terminated or is not renewed after the end of its term, there is no guarantee we will be able to find a suitable replacement, or if a replacement is found, that it will be on favorable terms. Any loss in our brand-name appeal to our existing customers as a result of the lapse or termination of our licenses could have a material adverse effect on our business, results of operations, and financial condition.

We may not be successful in maintaining the consumer brand recognition and consumer loyalty to our products or in anticipating and responding to changes in consumer preferences and purchase behavior.

We compete in a market that relies on innovation and the ability to react to evolving consumer preferences. The alternative smoking accessories and tobacco industries in general, and the OTP industry, in particular, are subject to changing consumer trends, demands and preferences. Therefore, products once favored may over time become disfavored by consumers or no longer perceived as the best option. Consumers in the OTP market have demonstrated a high degree of brand loyalty, but producers must continue to adapt their products in order to maintain their status among these customers as the market evolves. The *Zig-Zag*[®] brand has strong brand recognition among smokers, and our continued success depends in part on our ability to continue to differentiate the brand names that we own or license and maintain similarly high levels of recognition with target consumers. Trends within the alternative smoking accessories and OTP industries change often. Our failure to anticipate, identify or react to changes in these trends could, among other things, lead to reduced demand for our products. Factors that may affect consumer perception of our products include health trends and attention to health concerns associated with tobacco and other products we sell, price-sensitivity in the presence of competitors’ products or substitute products, as well as celebrity and other endorsements. For example, we have witnessed a shift in consumer purchases from chewing tobacco to moist snuff due to its increased affordability. Along with our biggest competitors in the chewing tobacco market, which also produce moist snuff, we have been able to shift priorities and adapt to this change. A failure to react to similar trends in the future could enable our competitors to grow or establish their brands’ market shares in these categories before we have a chance to respond.

Consumer perceptions of tobacco-based products are likely to continue to shift, and our success depends, in part, on our ability to anticipate these shifting tastes and the rapidity with which the markets in which we compete will evolve in response to these changes on a timely and affordable basis. If we are unable to respond effectively and efficiently to changing consumer preferences, including by broadening our product portfolios across price-points and categories and by bringing to market new and innovative products that appeal to adult consumers, the demand for our products may decline, which could have a material adverse effect on our business, results of operations, and financial condition.

Regulations may be enacted in the future, particularly in light of increasing restrictions on the form and content of the marketing of tobacco products, that would make it more difficult to appeal to our consumers and to leverage existing recognition of the brands that we own or license. Furthermore, even if we are able to continue to distinguish our products, there can be no assurance that the sales, marketing and distribution efforts of our competitors will not be successful in persuading consumers of our products to switch to their products. Many of our competitors have greater access to resources than we do, which better positions them to conduct market research in relation to branding strategies or costly marketing campaigns. Any loss of consumer brand loyalty to our products or reduction of our ability to effectively brand our products in a recognizable way will have a material effect on our ability to continue to sell our products and maintain our market share, which could have a material adverse effect on our business, results of operations and financial condition.

Our distribution efforts rely in part on our ability to leverage relationships with large retailers and national chains.

Our distribution efforts rely in part on our ability to leverage relationships with large retailers and national chains to sell and promote our products, which is dependent upon the strength of the brand names that we own or license and our salesforce effectiveness. In order to maintain these relationships, we must continue to supply products that will bring steady business to these retailers and national chains. We may not be able to sustain these relationships or establish other relationships with such entities, which could have a material adverse effect on our ability to execute our branding strategies, our ability to access the end-user markets with our products and our ability to maintain our relationships with the producers of our products. For example, our inability to meet benchmarking provisions in contracts or maintain and leverage our retail relationships on a scale sufficient to make us an attractive distributor would have a material adverse effect on our business, results of operations and financial condition. In addition, there are factors beyond our control that may prevent us from leveraging existing relationships, such as industry consolidation.

If we are unable to develop and sustain relationships with large retailers and national chains, or we are unable to leverage those relationships due to factors such as a decline in the role of brick-and-mortar retailers in North America, our capacity to maintain and grow brand and product recognition and increase sales volume will be significantly undermined. In such an event, we may ultimately be forced to pursue and rely on local and more fragmented sales channels, which will have a material adverse effect on our business, results of operations and financial condition.

We face intense competition and may fail to compete effectively.

We are subject to significant competition across our segments and compete against companies in all segments that have access to significant resources in terms of technology, relationships with suppliers and distributors and access to cash flow and financial markets.

The OTP industry is characterized by brand recognition and loyalty, with product quality, price, marketing and packaging constituting the primary methods of competition. Substantial marketing support, merchandising display, competitive pricing and other financial incentives generally are required to introduce a new brand and to improve and maintain a brand's market position. Our principal competitors are "big tobacco," which includes Altria Group, Inc. and British American Tobacco p.l.c., as well as Swedish Match, Swisher International and manufacturers of electronic cigarettes, including U.K.-based Imperial Brands PLC. These competitors are significantly larger than us and aggressively seek to limit the distribution or sale of other companies' products, at both wholesale and retail levels. For example, certain competitors have entered into agreements limiting retail-merchandising displays of other companies' products or imposing minimum prices for OTP products, thereby limiting their competitors' ability to offer discounted products.

In addition, the tobacco industry is experiencing a trend toward industry consolidation, most recently evidenced by the November 2022 acquisition of Swedish Match AB by Philip Morris International Inc., the December 2018 investment in Juul Labs by Altria, the July 2017 acquisition of Reynolds American, Inc. by British American Tobacco p.l.c. and the June 2015 acquisition of Lorillard, Inc. by Reynolds American, Inc. Additional industry consolidation could result in a more competitive environment if our competitors are able to increase their combined resources, enhance their access to national distribution networks or become acquired by established companies with greater resources than ours. Any inability to compete due to our smaller scale as the industry continues to consolidate and be dominated by "big tobacco" could have a material adverse effect on our business, results of operations and financial condition.

There can be no assurance that our products will be able to compete successfully against "big tobacco" or any of our other competitors, some of which have far greater resources, capital, experience, market penetration, sales and distribution channels than us.

The competitive environment and our competitive position are also significantly influenced by economic conditions, the state of consumer confidence, competitors' introduction of low-priced products or innovative products, higher taxes, higher absolute prices and larger gaps between price categories, reliance on competitors for certain raw materials and product regulation that diminishes the consumer's ability to differentiate tobacco products. Due to the impact of these factors, as well as higher state and local excise taxes and the increased market share of deep discount brands, the tobacco industry has become increasingly price competitive. As we seek to adapt to the price competitive environment, our competitors that are better capitalized may be able to sustain price discounts for long periods of time by spreading the loss across their expansive portfolios, with which we are not positioned to compete.

We also expect our competitors to continue to improve their technology infrastructure, including with the use of artificial intelligence ("AI") and machine learning solutions, to interact with clients, suppliers and other third-parties to sell their products, utilize (and even monetize) their data and support and grow their client base. Our ability to innovate our own technology infrastructure and integrate new technology solutions into our existing infrastructure will affect our ability to compete.

Competition from illicit sources may have an adverse effect on our overall sales volume, restricting the ability to increase selling prices and damaging brand equity.

Illicit trade and tobacco trafficking in the form of counterfeit products, smuggled genuine products and locally manufactured products on which applicable taxes or regulatory requirements are evaded represent a significant and growing threat to the legitimate tobacco industry. Factors such as increasing tax regimes, regulatory restrictions, and compliance requirements have resulted in more consumers switching to illegal, cheaper tobacco products and providing greater rewards for smugglers. We expect that this trend will continue and even accelerate if additional regulatory requirements make it more difficult or expensive to obtain genuine products. Illicit trade can have an adverse effect on our overall sales volume, restrict the ability to increase selling prices, damage brand equity and may lead to commoditization of our products.

We have continued to see increases in the sale of illicit or unauthorized tobacco and nicotine products, which the FDA and other agencies have had limited success in combating. If we are unable to compete against these products, our sales volumes may be negatively materially impacted until the implementation of stronger enforcement activity.

Although we combat counterfeiting of our products by engaging in certain tactics, such as requiring all sales force personnel to randomly collect our products from retailers in order to be reviewed for authenticity and using a private investigation firm to help perform surveillance of retailers we suspect are selling counterfeit products, no assurance can be given that we will be able to detect or stop sales of all counterfeit products. In addition, we have in the past and will continue to bring suits against retailers and distributors that sell certain counterfeit products. While we have been successful in securing financial recoveries from and helping to obtain criminal convictions of counterfeiters in the past, no assurance can be given that we will be successful in any such suits or that such suits will be successful in stopping other retailers or distributors from selling counterfeit products. Even if we are successful, such suits could consume a significant amount of management's time and could also result in significant expenses to the Company. Any failure to track and prevent counterfeiting of our products could have a material adverse effect on our ability to maintain or effectively compete for the products we distribute under our brand names, which would have a material adverse effect on our business, financial position, results of operations and cash flows.

Contamination of, or damage to, our products could adversely impact sales volume, market share and profitability.

Our market position may be affected through the contamination of our tobacco supply or products during the manufacturing process or at different points in the entire supply chain. We keep significant amounts of inventory of our products in warehouses and it is possible that this inventory could become contaminated or damaged during the storage period. For example, in December 2023, a third-party warehouse in Tennessee used by the Company incurred significant tornado damage including damage to all the Company's property stored in that warehouse. Although we have alternative sources of tobacco to ensure we meet all demand, if another event were to occur we may not have sufficient supply. In addition, our suppliers generally keep significant amounts of our inventory on hand and it is probable that such inventory could become contaminated or damaged even prior to arrival at our premises. If contamination or damage of our inventory or packaged products occurs, whether as a result of a failure in quality control by us or by one of our suppliers, we may incur significant costs in replacing the inventory and recalling products. We may be unable to meet customer demand and may lose customers who purchase alternative brands or products. In addition, consumers may lose confidence in the affected product.

Under the terms of our contracts, we impose requirements on our major suppliers to maintain quality and comply with product specifications and requirements and on our third-party co-manufacturer to comply with all federal, state and local laws. These third-party suppliers and co-manufacturers, however, may not continue to produce products that are consistent with our standards or that are in compliance with applicable laws, and we cannot guarantee that we will be able to identify instances in which our third-party suppliers or co-manufacturers fail to comply with our standards or applicable laws.

A loss of sales volume from a contamination event may also affect our ability to supply our current customers and, in turn, recapture their business in the event they are forced to switch products or brands, even if on a temporary basis. We may also be subject to legal action as a result of a contamination, which could result in negative publicity and affect our sales. During this time, our competitors may benefit from an increased market share that could be difficult and costly to regain. Such a contamination event could have a material adverse effect on our business, financial position, results of operations and cash flows.

The market for certain of our products is subject to a great deal of uncertainty and is still evolving.

Novel nicotine and cannabinoid products, having been introduced to the market over the past fifteen years, are at a relatively early stage of development compared to “traditional” tobacco products and represent the core components of a market that is evolving rapidly, highly regulated and characterized by a number of market participants. Rapid growth in the use of, and the interest in, these products is recent and may not continue on a lasting basis. The long-term demand trends and market acceptance for these products are subject to a high level of uncertainty. Therefore, we are subject to all of the business risks associated with a new enterprise in an evolving market. Continued evolution, uncertainty and the resulting increased risk of failure of our new and existing product offerings in this market could have a material adverse effect on our ability to build and maintain market share and on our business, results of operations and financial condition. Further, there can be no assurance that we will be able to continue to effectively compete in the novel nicotine and cannabinoid products marketplace.

We could decide, or be required to, recall products, which could have a material adverse effect on our business, reputation, financial position, results of operations, or cash flows.

We could decide, or laws or regulations could require us, to recall products due to the failure to meet quality standards or specifications, suspected or confirmed and deliberate or unintentional product contamination, or other product adulteration, misbranding or tampering. A product recall or a product liability or other claim (even if unsuccessful or without merit) could have negative economic consequences and also generate negative publicity about us and our products. In addition, if another company recalls or experiences negative publicity related to a product in a category in which we compete, adult tobacco consumers might reduce their overall consumption of products in the category. Any of these events could have a material adverse effect on our business, reputation, financial position, results of operations, or cash flows.

We may encounter difficulties or liabilities arising from investments in businesses.

We have made substantial investments in businesses, and we expect that we will continue to do so in the foreseeable future. For instance, in January 2025, we contributed our interest in our former CDS segment to GWO, an entity owned by us and affiliates of Standard General, L.P., and now have a 49% interest in GWO. We are continually evaluating acquisitions, divestitures and strategic investments that are significant to our business both in the United States and internationally. However, these activities involve numerous risks. Key challenges include the difficulty of identifying suitable acquisition targets, negotiating acquisitions on favorable terms, retaining essential customers, employees, and contracts, and successfully integrating new businesses without significant disruptions. Additionally, there may be unforeseen costs associated with integration, liabilities that exceed expectations, or operating results that fall short of projections. There is also a risk that anticipated synergies and value may not materialize as expected. For example, we recently entered into a joint venture with ALP to further our presence in the modern oral nicotine space. While we are optimistic about its potential success, we recognize the possibility of encountering difficulties, including strategic differences that could impact performance lead to business losses.

Furthermore, any acquisitions, joint ventures and strategic investments and associated integration activities demand significant time and attention from our management team and other key personnel, which can divert resources from other priorities. There can be no assurance that any acquisitions, joint ventures and strategic investments will be successfully integrated into our operations, that competition for attractive opportunities will not intensify or that we will be able to complete such acquisitions, joint ventures and strategic investments on acceptable terms and conditions. The costs and challenges associated with unsuccessful acquisition, joint venture or strategic investment efforts may adversely affect our business, financial condition, results of operations and cash flows.

Additionally, in connection with any acquisitions or divestitures, we may become subject to contingent liabilities or legal claims, including but not limited to third party liability and other tort claims; claims for breach of contract; employment-related claims; environmental, health and safety regulatory actions and liabilities; permitting, regulatory or other legal compliance issues; or tax liabilities. If we become subject to any of these liabilities or claims, and they are not adequately covered by insurance or an enforceable indemnity or similar agreement from a creditworthy counterparty, we may be responsible for significant out-of-pocket expenditures. These liabilities, if they materialize, could have an adverse effect on our business, financial condition, results of operations and cash flows.

Risks Related to Legal, Tax and Regulatory Matters

We are subject to substantial and increasing regulation.

The tobacco industry has been under public scrutiny for over 50 years. Industry critics include special interest groups, the U.S. Surgeon General and many legislators and regulators at the local, state and federal levels. A wide variety of federal, state, and local laws limit the advertising, sale and use of tobacco, and these laws have proliferated in recent years. Together with changing public attitudes towards tobacco consumption, the constant expansion of regulations has been a major cause of the overall decline in the consumption of tobacco products since the early 1970s. These regulations relate to, among other things, the importation of tobacco products and shipping throughout the U.S. market, increases in the minimum age to purchase tobacco products, imposition of taxes, sampling and advertising bans or restrictions, flavor bans or restrictions, ingredient and constituent disclosure requirements and media campaigns and restrictions on where consumers may use tobacco products. Additional restrictions may be adopted or agreed to in the future. These limitations may make it difficult for us to maintain the value of any brand.

The trend toward increasing regulation of the tobacco industry experienced over the last few decades is likely to differ between the various U.S. states and Canadian provinces in which we currently conduct the majority of our business. Extensive and inconsistent regulation by multiple states and at different governmental levels could prove to be particularly disruptive to our business as we may be unable to accommodate such regulations in a cost-effective manner that allows us to continue to compete in an economically viable way. Regulations are often introduced without industry input and have significantly contributed to reduced industry sales volumes and increased illicit trade.

In 1986, federal legislation was enacted regulating smokeless tobacco products (including dry and moist snuff and chewing tobacco) by, among other things, requiring health warnings on smokeless tobacco packages and prohibiting the advertising of smokeless tobacco products on media subject to the jurisdiction of the Federal Communications Commission ("FCC"). Since 1986, other proposals have been made at the federal, state and local levels for additional regulation of tobacco products. It is likely that additional proposals will be made in the coming years. For example, the PACT Act initially prohibited the use of the U.S. Postal Service to mail cigarette and smokeless tobacco products and also amended the Jenkins Act, which established cigarette sales reporting requirements for state excise tax collection, to require individuals and businesses that make interstate sales of certain cigarette or smokeless tobacco to comply with state tax laws. The PACT Act was later extended to also cover e-cigarette and related products. See Item 1A - "Many of our products have not obtained premarket authorization from the FDA and are currently marketed pursuant to a policy of FDA enforcement priorities, which could change. There could be a material adverse impact on our business development efforts if the FDA determines that our products are not subject to this compliance policy, or if our products become subject to increased regulatory enforcement burdens imposed by the FDA and other regulatory or legislative bodies" below for further details. Additional federal or state regulation relating to the manufacture, sale, distribution, advertising, labeling, mandatory ingredients disclosure and nicotine yield information disclosure of tobacco products could reduce sales, increase costs, and have a material adverse effect on our business, financial position, results of operations and cash flows.

On June 22, 2009, the Family Smoking Prevention and Tobacco Control Act (the "Tobacco Control Act") granted the FDA regulatory authority over tobacco products. The Tobacco Control Act also amended the Federal Cigarette Labeling and Advertising Act, which governs how cigarettes can be advertised and marketed, as well as the Comprehensive Smokeless Tobacco Health Education Act, which governs how smokeless tobacco can be advertised and marketed. In addition to the FDA and FCC, we are subject to regulation by numerous other federal agencies, including the Federal Trade Commission, the Department of Justice, the Alcohol and Tobacco Tax and Trade Bureau, the U.S. Environmental Protection Agency, the U.S. Department of Agriculture ("USDA"), the Consumer Product Safety Commission, the U.S. Customs and Border Protection and the U.S. Center for Disease Control and Prevention's Office on Smoking and Health. There have also been adverse legislative and political decisions and other unfavorable developments for the tobacco industry concerning cigarette smoking and the tobacco industry generally, which we believe have received widespread public attention. The FDA has, and other governmental entities have, expressed concerns about the use of flavors in tobacco products and an interest in significant regulation of such use, up to and including bans in certain products. There can be no assurance as to the ultimate content, timing or effect of any regulation of tobacco products by governmental bodies, nor can there be any assurance that potential corresponding declines in demand resulting from negative media attention would not have a material adverse effect on our business, results of operations and financial condition. Any such regulation has the potential to increase costs and have a material adverse effect on our business, ability to compete, financial position, results of operations and cash flows.

However, the recent change in the U.S. presidential administration, along with the overturning of the Chevron doctrine, which previously granted judicial deference to regulatory agencies, has increased uncertainty in the regulatory and legislative processes. As a result, we cannot predict whether challenges to existing agency regulations will increase or how lower courts will interpret this decision in relation to other regulatory schemes without further clarification from the U.S. Supreme Court. This could have significant consequences on tobacco regulations, tobacco advertisement and marketing, tax laws, consumer protection,

environmental regulations and other regulatory areas with which we must comply. Any of these regulation changes could negatively affect how we conduct our business and market our offerings and increase our regulatory compliance or tax expense, which could, in turn, have a material adverse effect on our business, financial condition and results or operation. Furthermore, new policy approaches may have the effect of harming our business regardless of whether that is the intent and may also affect our ability to operate as we have in the past.

Our products are regulated by the FDA, which has broad regulatory powers.

The vast majority of our 2025 U.S. net sales are derived from the sale of products that are currently regulated by the FDA. The Tobacco Control Act grants the FDA broad regulatory authority over the design, manufacture, sale, marketing and packaging of tobacco products. Among the regulatory powers conferred to the FDA under the Tobacco Control Act is the authority to impose tobacco product standards that are appropriate for the protection of the public health, require manufacturers to obtain FDA review and authorization for the marketing of certain new or modified tobacco products and impose various additional restrictions. Such restrictions may include requiring reduction or elimination of the use of particular constituents or components, requiring product testing, or addressing other aspects of tobacco product construction, constituents, properties or labeling.

Specifically, the Tobacco Control Act (i) increases the number of health warnings required on cigarette and smokeless tobacco products, increases the size of warnings on packaging and in advertising, requires the FDA to develop graphic warnings for cigarette packages, and grants the FDA authority to require new warnings, (ii) imposes restrictions on the sale and distribution of tobacco products, including significant restrictions on tobacco product advertising and promotion as well as the use of brand and trade names, (iii) bans the use of “light,” “mild,” “low” or similar descriptors on tobacco products, (iv) bans the use of “characterizing flavors” in cigarettes other than tobacco or menthol, (v) requires manufacturers to report ingredients and harmful constituents and requires the FDA to disclose certain constituent information to the public, (vi) authorizes the FDA to require the reduction of nicotine and the potential reduction or elimination of other constituents or additives, including menthol, (vii) establishes resource-intensive pre-market and “substantial equivalence” review pathways for tobacco products that are considered new, (viii) gives the FDA broad authority to deny product applications thereby preventing the sale or distribution of the product subject to the application (and requiring such product to be removed from the market, if applicable), and (ix) requires tobacco product manufacturers (and certain other entities) to register with the FDA.

The FDA charges user fees based on the USDA unit calculations pro-rated to the annualized FDA congressionally allocated budget. These fees only apply to certain products currently regulated by the FDA, which include our core products (other than cigarette paper products), but we may in the future be required to pay such fees on more of our products, and we cannot accurately predict which additional products may be subject to such fees or the magnitude of such fees, which could become significant. A change in which products are subject to these fees may also impact the amount of fees payable by us (or to which we are subject) due to the reallocation of fees across new product categories.

Although the Tobacco Control Act prohibits the FDA from issuing regulations banning all cigarettes, all smokeless tobacco products, all little cigars, all cigars other than little cigars, all pipe tobacco, or all roll-your-own tobacco, or requiring the reduction of nicotine yields of a tobacco product to zero, it is likely that regulations with the FDA promulgated pursuant to the Tobacco Control Act could nonetheless result in a decrease in sales of these products in the U.S. We believe that such regulation could adversely affect our ability to compete against our larger competitors, who may be able to more quickly and cost-effectively comply with these new rules and regulations. Our ability to gain efficient and timely market clearance for new tobacco products, or even to keep existing products on the market, could also be affected by FDA rules, regulations and enforcement policies. Some of our currently marketed products that are subject to FDA regulation will require marketing authorizations from the FDA for us to continue marketing them (e.g., pre-market or substantial equivalence marketing authorizations, as applicable to the product), which we cannot guarantee we will be able to obtain. In addition, as a result of the U.S. Supreme Court’s decision to overturn the Chevron doctrine, it will become increasingly difficult to determine which new laws will apply to our business and when, as there will likely be an increase in legal challenges to new regulations. Failure to comply with new or existing tobacco laws under which the FDA imposes regulatory requirements could result in significant financial penalties and government investigations of us. To the extent we are unable to respond to, or comply with, new FDA regulations it could have a material adverse effect on our business, financial position, results of operations and cash flows.

Many of our products contain nicotine, which is considered to be a highly addictive substance.

Many of our products contain nicotine, a chemical that is considered to be highly addictive. The Tobacco Control Act empowers the FDA to regulate the amount of nicotine found in tobacco products, but not to require the reduction of nicotine yields of a tobacco product to zero. Any FDA regulation, whether of nicotine levels or other product attributes, may require us to reformulate, recall and/or discontinue certain of the products we may sell from time to time, which may have a material adverse effect on our ability to market our products and have a material adverse effect on our business, results of operations and financial condition.

We are required to maintain cash amounts within an escrow account in order to be compliant with a settlement agreement between us and certain U.S. states and territories.

In November 1998, the major U.S. cigarette manufacturers entered into the Master Settlement Agreement (“MSA”) and the Smokeless Tobacco Master Settlement Agreement (“STMSA”) with 46 U.S. states and certain U.S. territories and possessions. Pursuant to the MSA and subsequent states’ statutes, a “cigarette manufacturer” (which is defined to also include a manufacturer of roll your own (“RYO”)/MYO cigarette tobacco) has the option of either becoming a signatory to the MSA, or, as we have elected, operating as a non-participating manufacturer (“NPM”) by funding and maintaining an escrow account, with sub-accounts on behalf of each settling state. These NPM escrow accounts are governed by states’ escrow and complementary statutes that are generally monitored by the Office of the State Attorney General. The statutes require NPM companies to deposit, on an annual basis, into qualified banks’ escrow funds based on the number of cigarettes or cigarette equivalents, which is measured by pounds of RYO/MYO tobacco sold. NPM companies are, within specified limits, entitled to direct the investment of the escrowed funds and withdraw any interest or appreciation, but cannot withdraw the principal for twenty-five years from the year of each annual deposit, except to withdraw funds deposited pursuant to an individual state’s escrow statute to pay a final judgment to that state’s plaintiffs in the event of such a final judgment. The investment vehicles available to us are specified in the state escrow agreements and are limited to low-risk government securities.

Various states have enacted or proposed complementary legislation intended to curb the activity of certain manufacturers and importers of cigarettes or MYO tobacco that are selling into MSA states without signing the MSA or who have failed to properly establish and fund a qualifying escrow account. We believe we have been fully compliant with all applicable laws, regulations, and statutes, although compliance-related issues may, from time to time, be disruptive to our business, any of which could have a material adverse effect on our business, results of operations, and financial condition.

Future changes to the MSA, such as legislation that extends the MSA to products to which it does not currently apply or legislation that limits the ability of companies to receive unused escrow funds after 25 years, may have a material adverse effect on our business, results of operations and financial condition. For example, Oregon recently passed a law that would create new fees on NPM companies for future sales of cigarettes. Despite the amounts maintained and funded to the escrow account, compliance with the funding requirements for the escrow account does not necessarily prevent future federal and/or state regulations with respect to the OTP industry from having a material adverse effect on our business, results of operations and financial condition.

Increases in tobacco-related taxes have been proposed or enacted and are likely to continue to be proposed or enacted in numerous jurisdictions.

Tobacco products, premium cigarette papers and tubes have long been subject to substantial federal, state and local excise taxes. Such taxes have frequently been increased or proposed to be increased, in some cases significantly, to fund various legislative initiatives or further disincentivize tobacco usage. Since 1986, smokeless products have been subject to federal excise tax. Federally, smokeless products are taxed by weight (in pounds or fractional parts thereof) manufactured or imported.

Since the State Children’s Health Insurance Program (“S-CHIP”) reauthorization in early 2009, which utilizes, among other things, taxes on tobacco products to fund health insurance coverage for children, the federal excise tax increases adopted have been substantial and have materially reduced sales in the RYO/MYO cigarette smoking products market, and also caused volume declines in other markets. Although the RYO/MYO cigarette smoking tobacco and related products market had been one of the fastest growing markets in the tobacco industry in the five years prior to 2009, the reauthorization of S-CHIP increased the federal excise tax on RYO tobacco from \$1.10 to \$24.78 per pound, and materially reduced the MYO cigarette smoking tobacco market in the U.S. There have not been any increases enacted since 2009, but bills are introduced regularly, which, if enacted into law, could result in an increase in federal excise and other tobacco-related taxes. We cannot guarantee that we will not be subject to further increases, nor whether any such increases will affect prices in a way that further deters consumers from purchasing our products and/or affects our net revenues in a way that renders us unable to compete effectively.

In addition to federal excise taxes, every state and certain city and county governments have imposed substantial excise taxes on sales of tobacco products, and many have raised or proposed to raise excise taxes in recent years. Approximately one-half of the states tax MST on a weight-based versus ad valorem system of taxation. Additional states may consider adopting such revised tax structures as well. Tax increases, depending on their parameters, may result in consumers switching between tobacco products or may depress overall tobacco consumption, which is likely to result in declines in overall sales volumes.

Any future enactment of increases in federal or state excise taxes on our tobacco products or rulings that certain of our products should be categorized differently for excise tax purposes could adversely affect demand for our products and may result in consumers switching between tobacco products or a depression in overall tobacco consumption, which would have a material adverse effect on our business, results of operations and financial condition.

Many of our products have not obtained premarket authorization from the FDA and are currently marketed pursuant to a policy of FDA enforcement priorities, which could change. There could be a material adverse impact on our business development efforts if the FDA determines that our products are not subject to this compliance policy, or if our products become subject to increased regulatory enforcement burdens imposed by the FDA and other regulatory or legislative bodies.

Effective August 8, 2016, FDA's regulatory authority under the Tobacco Control Act was extended to all remaining tobacco-derived products, including: (i) cigars and their components or parts (such as cigar tobacco); (ii) pipe tobacco; (iii) hookah products; or (iv) any other tobacco product "newly deemed" by the FDA. These deeming regulations apply to all products made or derived from tobacco intended for human consumption, but excluding accessories of tobacco products (such as lighters). Subsequently, on April 14, 2022, the FDA Center for Tobacco Products also obtained jurisdiction over non-tobacco nicotine products ("NTN Products"), including synthetic nicotine. That law subjects NTN Products to the same requirements as tobacco-derived products.

The deeming regulations require us to (i) register with the FDA and report product and ingredient listings; (ii) market newly deemed products only after FDA review and approval; (iii) only make direct and implied claims of reduced risk if the FDA approves after finding that scientific evidence supports the claim and that marketing the product will benefit public health as a whole; (iv) refrain from distributing free samples; (v) implement minimum age and identification restrictions to prevent sales to individuals under age 18; (vi) develop an approved warning plan and include prescribed health warnings on packaging and advertisements; and (vii) refrain from selling the products in vending machines, unless the machine is located in a facility that never admits youth. Newly deemed tobacco products are also subject to the other requirements of the Tobacco Control Act, such as that they not be adulterated or misbranded. The FDA could in the future promulgate good manufacturing practice regulations for these and our other products, and indeed has indicated it intends to do so, which could have a material adverse impact on our ability and the cost to manufacture our products.

Marketing authorizations will be necessary in order for us to continue our distribution of certain of our cigar and other novel nicotine products, such as our nicotine pouches. The FDA has announced various compliance policies whereby it does not intend to prioritize enforcement for lack of premarket authorization against newly-deemed products, provided that such tobacco products were marketed as of August 8, 2016; are not marketed in certain manners likely to be attractive to youth; and for which premarket applications were timely submitted. As a result of litigation and subsequent FDA Guidance, marketing applications for newly-deemed products were required to have been submitted no later than September 9, 2020, with the exception of our "preexisting" products (products in commerce as of February 15, 2007) which are already authorized. Under the FDA's compliance policy, such products could remain on the market until September 9, 2021, unless the FDA made an adverse determination prior to that date. Subsequent to September 9, 2021, the FDA indicated its enforcement priority is those applicants who have received negative action on their application, such as a Marketing Denial Order ("MDO") or Refuse to File notification and who continue to illegally sell those unauthorized products, as well as products for which manufacturers failed to submit a marketing application. Further, NTN Product manufacturers were required to file a PMTA by May 14, 2022, in order to continue selling products currently on the market. NTN Products subject of a timely-filed PMTA, and not in receipt of a negative action, were allowed to remain on the market until July 13, 2022, at which time these products became subject to enforcement, similar to tobacco-derived products remaining under review.

In September 2020, we submitted applications on a timely basis for the appropriate authorizations for our products that are deemed products under the 2016 deeming regulations, not otherwise grandfathered. We believe that these products satisfy the criteria for current marketing pursuant to the FDA's compliance policy. For our NTN Products, we filed several PMTAs by May 14, 2022. There can be no guarantee that the FDA will authorize these products, and the FDA may bring an enforcement action against our products for lack of premarket authorization and/or deny our premarket applications in the meantime. If the FDA were to issue additional MDOs that remained in effect it could have an adverse impact on our business.

We also have certain previously regulated tobacco products which the FDA removed from review but remain subject to "provisional" substantial equivalence submissions made on March 22, 2011; however, the FDA has the discretion to reinstate review of these products. We cannot predict whether regulators, including the FDA, will permit the marketing or sale of any particular products or whether they will impose a burdensome regulatory framework on such products. In addition, the FDA could, for a variety of reasons, determine that products on the market but pending FDA review of the associated PMTA, or those that have previously received authorization are not appropriate for the public health, and the FDA could require such products be taken off the market. We also cannot predict whether or to what extent the FDA will take enforcement actions against manufacturers and products that violate the law. If the FDA establishes regulatory processes that we are unable or unwilling to comply with, our business, results of operations, financial condition and prospects could be adversely affected.

The anticipated costs of complying with future FDA regulations will be dependent on the rules issued and implemented by the FDA, the timing and clarity of any new rules or guidance documents accompanying these rules, the reliability and simplicity (or complexity) of the electronic systems utilized by the FDA for information and reports to be submitted, and the details required by FDA for such information and reports with respect to each regulated product. Failure to comply with existing or new FDA regulatory requirements could result in significant financial penalties and could have a material adverse effect on our business, results of operations, financial condition and ability to market and sell our products. Compliance and related costs could be substantial and could significantly increase the costs of operating in our product categories.

In addition, failure to comply with the Tobacco Control Act and with FDA regulatory requirements could result in litigation, criminal convictions or significant financial penalties and could impair our ability to market and sell certain of our products. At present, we are not able to predict whether the Tobacco Control Act will impact our products to a greater degree than competitors in the industry, which would affect our competitive position.

Furthermore, in addition to the FDA, federal, state and local government entities have also proposed or effectuated restrictions related to our products. For example, the PACT Act has now been amended to apply to products not originally intended to be covered, which has impacts at the federal and state levels. These requirements are in addition to any increased regulation of internet sales that may be in effect or passed legislatively at the federal, state, or local levels, or promulgated via rulemaking by a government agency. Increased regulation of additives in tobacco products through federal, state, or local governments may also adversely affect our products. Some states have also adopted or are considering adopting laws that create a “registry” of products allowed to be sold by licensed distributors and retailers. Certain of our products may not meet the criteria to be added to or remain on these registries, which may discourage or prevent licensed distributors and retailers from selling such products. The application of these types of restrictions, and of any new laws or regulations which may be adopted in the future, to these products could result in additional expenses and require us to change our advertising and labeling, and methods of marketing and distribution of our products, any of which could have a material adverse effect on our business, results of operations and financial condition. The present regulatory landscape has made it even harder to predict whether there will be increased challenges to how the FDA and other government entities regulate the manner of marketing and sale of our products. The unpredictability could also negatively affect our business, financial position, results of operations and cash flows.

Our distribution to our wholesalers and retailers is dependent on the demands of their customers who are sensitive to increased taxes and economic conditions affecting their disposable income.

Consumer purchases of tobacco products are historically affected by economic conditions, such as changes in employment, salary and wage levels, the availability of consumer credit, inflation, interest rates, fuel prices, sales taxes, and the level of consumer confidence in prevailing and future economic conditions. Discretionary consumer purchases, such as of OTP, may decline during recessionary periods or at other times when disposable income is lower, and taxes may be higher. In 2022, the U.S. and other developed countries experienced significantly heightened inflationary pressures related to the policies implemented during the coronavirus pandemic and the ensuing economic recovery, causing disruptions in demand, supply chains and labor markets. While the global inflation rate began to ease somewhat in 2024 and 2025 as a result of central bank policy tightening, core inflation remains persistent and downward pressure on consumer purchasing power remains. While the decline in consumer purchasing power has not as of yet, led to a decrease in sales of our products, continued economic pressures in our target consumer market could lead to a decrease in discretionary purchases which could have a material adverse impact on our business results of operations and financial conditions.

In addition, some states have begun collecting taxes on internet sales. These taxes apply to our online sales of FRE[®] products into those states and may result in reduced demand from the independent wholesalers who may not be able to absorb the increased taxes or successfully pass them onto the end-user without experiencing reduced demand. Further, as a result of recent court decisions related to the taxability of internet purchases, states are now able to impose sales tax on internet purchases made from out-of-state sellers, even if the seller does not have a physical presence in the taxing state. Consequently, additional states are likely to seek or have begun to impose sales tax on our online sales. The requirement to collect, track and remit taxes may require us to increase our prices, which may affect demand for our products or conversely reduce our net profit margin, which could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to increasing international control and regulation.

The World Health Organization’s Framework Convention on Tobacco Control (“FCTC”) is the first international public health treaty that establishes a global agenda to reduce initiation of tobacco use and regulate tobacco in an effort to encourage tobacco cessation. Over 180 governments worldwide have ratified the FCTC. The FCTC has led to increased efforts to reduce the supply and demand of tobacco products and to encourage governments to further regulate the tobacco industry. These efforts have, over time, expanded to focus broadly on consumer products containing nicotine, such as vapor products. The tobacco industry expects

significant regulatory developments to take place over the next few years, driven principally by the FCTC. Regulatory initiatives that have been proposed, introduced or enacted include:

- the levying of substantial and increasing tax and duty charges;
- restrictions or bans on advertising, marketing and sponsorship;
- the display of larger health warnings, graphic health warnings and other labeling requirements;
- restrictions on packaging design, including the use of colors and generic packaging;
- restrictions or bans on the display of tobacco product packaging at the point of sale, and restrictions or bans on cigarette vending machines;
- requirements regarding testing, disclosure and performance standards for tar, nicotine, carbon monoxide and other smoke constituents levels;
- requirements regarding testing, disclosure and use of tobacco product ingredients;
- increased restrictions on smoking in public and workplaces and, in some instances, in private places and outdoors;
- elimination of duty-free allowances for travelers; and
- encouraging litigation against tobacco companies.

If the U.S. becomes a signatory to the FCTC and/or national laws are enacted in the U.S. that reflect the major elements of the FCTC, our business, financial position, results of operations and cash flows could be materially and adversely affected.

As part of our strategy, we have begun to expand our business into key international locations, such as introducing our moist snuff tobacco products in South America. International expansion may subject us to additional international regulation, either by the countries that are the object of the strategic expansion or through international regulatory regimes, such as the FCTC, to which those countries may be signatories. While we are primarily engaged in business activities in the United States, we engage in certain international business activities that are subject to various U.S. and foreign laws and regulations, such as foreign privacy laws, the U.S. Foreign Corrupt Practices Act (“FCPA”) and other laws prohibiting bribery and corruption. On February 10, 2025, the President issued an executive order directing a pause in enforcement of the FCPA for an initial 180-day period while new enforcement guidelines are created. On June 10, 2025, the U.S. Department of Justice issued new enforcement guidelines which set forth an approach to FCPA enforcement that is explicitly aimed at promoting U.S. economic interests and national security. It is unclear how these new guidelines may affect our industry as a whole or our business in particular. Although we have a compliance system designed to prevent and detect violations of applicable law, no system can provide assurance that it will always protect against improper actions by employees, joint venture partners, investees or third parties. Violations of these laws, or allegations of such violations could result in reputational harm, legal challenges and significant penalties and other costs.

To the extent our existing or future products become subject to international regulatory regimes that we are unable to comply with or fail to comply with, they may have a material adverse effect on our business, financial position, results of operations and cash flows.

Our failure to comply with certain environmental, health and safety regulations could adversely affect our business.

The storage, distribution and transportation of some of the products that we sell are subject to a variety of federal and state environmental regulations. In addition, our manufacturing facilities are similarly subject to federal, state and local environmental laws. We are also subject to operational, health and safety laws and regulations. Our failure to comply with these laws and regulations could cause a disruption in our business, an inability to maintain our manufacturing resources, and additional and potentially significant remedial costs and damages, fines, sanctions or other legal consequences that could have a material adverse effect on our business, financial position, results of operations and cash flows.

Imposition of significant tariffs on imports into the U.S. could have a material adverse effect on our business.

We are required to purchase all our cigarette papers, cigarette tubes and cigarette injector machines under the Distribution Agreements from the supplier in France. In 2018, the U.S. imposed significant additional tariffs on certain goods imported from outside the U.S. by executive administrative action, and these tariffs remain in place. If the U.S. were to impose additional tariffs on goods we import, it is likely to make it more costly for us to import goods from other countries. As a result, our business, financial condition and results of operations could be materially adversely affected.

While the U.S. has taken steps to impose tariffs on a number of countries, most notably Canada, India, Mexico and China, there is little visibility into how U.S. trade policies will be affected by these actions. If the U.S. were to impose additional tariffs on goods we import, it is likely to make it more costly for us to import goods from other countries. As a result, our business, financial condition and results of operations could be materially adversely affected.

The scientific community has not yet studied extensively the long-term health effects of certain substances contained in some of the products we previously sold and some products sold by businesses in which we have invested.

Electronic cigarettes, vaporizers and modern oral nicotine/white pouch products were recently developed and therefore the scientific community has not had a sufficient period of time to study the long-term health effects of their use. Currently, there is no way of knowing whether these products are safe for their intended use. If the scientific community were to determine conclusively that use of any or all of these products poses long-term health risks, market demand for these products and their use could materially decline. Such a determination could also lead to litigation and significant regulation. Loss of demand for our product, product liability claims and increased regulation stemming from unfavorable scientific studies on these products could have a material adverse effect on our business, results of operations and financial condition.

We are subject to significant product liability litigation.

The tobacco industry has experienced, and continues to experience, significant product liability litigation. Most tobacco liability lawsuits have been brought against manufacturers and sellers of cigarettes by individual plaintiffs, often participating on a class-action basis, for injuries allegedly caused by cigarette smoking or by exposure to cigarette smoke. However, several lawsuits have also been brought against manufacturers and sellers of smokeless products for injuries to health allegedly caused by use of smokeless products. Litigation is subject to significant uncertainty, and there could be adverse developments in pending or future cases. An unfavorable outcome or settlement of pending litigation could encourage the commencement of additional litigation. In addition to the risks to our business, results of operations and financial condition resulting from adverse results in any such action, ongoing litigation may divert management's attention and resources, which could have an impact on our business and operations. There can be no assurance that we will not sustain losses in connection with such lawsuits and that such losses will not have a material adverse effect on our business, financial position, results of operations and cash flows.

We have been, and may become, involved in legal proceedings relating to other matters including insurance claims, employee claims, tort or contract claims, federal or state regulatory investigations, securities class actions and other legal proceedings or investigations, which could have a negative impact on our reputation, business and financial condition and divert the attention of our management from the operation of our business. Litigation is inherently unpredictable and can result in excessive or unanticipated verdicts and/or injunctive relief that affect how we operate our business.

For a description of current material litigation to which we or our subsidiaries are a party, see Item 3 "Legal Proceedings" and Note 19 "Contingencies" in Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K, for additional information.

Risks Related to Financial Results, Finances and Capital Structure

We have indebtedness that could affect our financial condition.

In February 2025, we issued \$300.0 million of our 7.625% senior secured notes due 2032 (the "2032 Notes"), the proceeds of which were used to repay our existing 5.625% senior secured notes due 2026. The 2032 Notes are senior secured obligations of the Company and guarantors and currently comprise all of our outstanding debt. We have the ability to borrow up to \$75.0 million under our asset-backed revolving credit facility entered into in November 2023 (the "2023 ABL Facility"), subject to borrowing base compliance, under which only letters of credit of \$2.3 million were outstanding as of December 31, 2025. The 2023 ABL Facility bears interest at a floating rate. If we cannot generate sufficient cash flow from operations to service our debt, we may need to further refinance our debt, dispose of assets or issue equity to obtain necessary funds. We do not know whether we will be able to do any of this on a timely basis or on terms satisfactory to us or at all.

Our substantial amount of indebtedness could limit our ability to:

- obtain necessary additional financing for working capital, capital expenditures or other purposes in the future;
- plan for, or react to, changes in our business and the industries in which we operate;
- make future acquisitions or pursue other business opportunities;
- react in an extended economic downturn;
- pay dividends; and
- repurchase stock.

Our credit rating and ability to access well-functioning capital markets are important to our ability to secure future debt financing on acceptable terms.

Our access to capital markets and the terms of such access depend on multiple factors including the condition of the capital markets, our operating performance and our credit ratings. These ratings are based on a number of factors including their assessment of our financial strength and financial policies. Our borrowing costs will be dependent to some extent on the rating assigned to our debt. However, there can be no assurance that any particular rating assigned to us will remain in effect for any given period of time or that a rating will not be changed or withdrawn by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating so warrant. Incurrence of additional debt by us could adversely affect our credit rating. Any disruptions or turmoil in the capital markets or any downgrade of our credit rating could adversely affect our cost of funds, liquidity, competitive position and access to capital markets, which could materially and adversely affect our business operations, financial condition and results of operations. In addition, downgrading the credit rating of our debt securities or placing us on a watch list for possible future downgrading would likely have an adverse effect on the market price of our securities.

The terms of the agreement governing our indebtedness may restrict our current and future operations, which would adversely affect our ability to respond to changes in our business and to manage our operations.

The indenture governing the 2032 Notes and our 2023 ABL Facility each contain, and any future indebtedness of ours would likely contain, a number of restrictive covenants that impose significant operating and financial restrictions on us, including restrictions on our ability to, among other things

- incur additional debt, disqualified stock and preferred stock;
- pay dividends and make other restricted payments;
- create liens;
- make investments and acquisitions;
- engage in sales of assets and subsidiary stock;
- enter into sale-leaseback transactions;
- enter into transactions with affiliates; and
- transfer all or substantially all of our assets or enter into merger or consolidation transactions.

Our 2023 ABL Facility also requires us to maintain certain financial ratios under certain limited circumstances. A failure by us to comply with the covenants or financial ratios in our debt instruments could result in an event of default under the facility, which could adversely affect our ability to respond to changes in our business and manage our operations. In the event of any default under our debt instruments, the lenders under the facility could elect to declare all amounts outstanding under such instruments to be due and payable and require us to apply all of our available cash to repay these amounts. If the indebtedness under one of our debt instruments were to be accelerated, it could cause an event of default and/or a cross-acceleration of our obligations under our other debt instruments and there can be no assurance that our assets would be sufficient to repay this indebtedness in full, which could have a material adverse effect on our business, results of operations, and financial condition.

If we fail to establish and maintain proper and effective internal control over financial reporting, our operating results and our ability to operate our business could be harmed.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we establish and maintain internal control over financial reporting, and we are also required to establish disclosure controls and procedures under applicable SEC rules. An effective internal control environment is necessary to enable us to produce reliable financial reports and is an important component of our efforts to prevent and detect financial reporting errors and fraud. Management is required to provide an annual assessment on the effectiveness of our internal control over financial reporting and our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting.

The process of designing and implementing effective internal controls over financial reporting is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments in which we operate, and to expend resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. The measures we take may not be sufficient to satisfy our obligations as a public company and if we are unable to establish or maintain appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations on a timely basis, result in material misstatements in our consolidated financial statements and harm our results of operations. We cannot provide assurances that material weaknesses or significant deficiencies will not be discovered in the future or that we will be able to remediate such weaknesses or deficiencies in a timely manner. A material weakness is a

deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. Management previously identified a material weakness in internal control related to ineffective information technology general controls in the areas of user access and program change management over certain information technology systems that support the Company's financial reporting process. Our management developed and implemented a remediation plan to address such material weakness. Based on the implementation of this remediation plan, we have concluded that the material weakness was remediated as of December 31, 2025. While we recently remediated the aforementioned material weaknesses in our internal control over financial reporting, there can be no assurance that our remediation efforts will be effective in all respects or that we will be able to successfully remediate any future material weaknesses. If we are unable to implement and maintain effective internal controls over financial reporting, we may be unable to timely and accurately report our financial results, which could increase our operating costs, trigger an event of default under our debt agreements or otherwise harm our business, investor confidence or the value of our ordinary shares. Failure to maintain effective internal control over financial reporting also could potentially subject us to sanctions or investigations by the SEC or other regulatory authorities.

Risks Related to our Common Stock

Our certificate of incorporation and bylaws, as well as Delaware law and certain regulations, could discourage or prohibit acquisition bids or merger proposals, which may adversely affect the market price of our common stock.

Our certificate of incorporation authorizes our board of directors to issue preferred stock without stockholder approval. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our certificate of incorporation, bylaws and applicable law could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders, including:

- limitations on the removal of directors;
- limitations on the ability of our stockholders to call special meetings;
- limitations on stockholder action by written consent;
- establishing advance notice provisions for stockholder proposals and nominations for elections to the board of directors to be acted upon at meetings of stockholders; and
- limitations on the ability of our stockholders to fill vacant directorships or amend the number of directors constituting our board of directors.

Our certificate of incorporation limits the ownership of our common stock by individuals and entities that are Restricted Investors. These restrictions may affect the liquidity of our common stock and may result in Restricted Investors being required to sell or redeem their shares at a loss or relinquish their voting, dividend and distribution rights.

For so long as we or one of our subsidiaries is party to any of the Distribution Agreements, our certificate of incorporation will limit the ownership of our common stock by any "Restricted Investor" to 14.9% of our outstanding common stock and shares convertible or exchangeable therefor (including our non-voting common stock) (the "Permitted Percentage"). A "Restricted Investor" is defined as: (i) any entity that directly or indirectly manufactures, sells, markets, distributes or otherwise promotes cigarette paper booklets, filter tubes, injector machines or filter tips in the U.S., the District of Columbia, the territories, possessions and military bases of the U.S. and the Dominion of Canada (a "RTI Competitor"), (ii) any entity that owns more than a 20% equity interest in any RTI Competitor, or (iii) any person who serves as a director or officer of, or any entity that has the right to appoint an officer or director of, any RTI Competitor or of any entity that owns more than a 20% equity interest in any RTI Competitor (each, a "Restricted Investor"). Our certificate of incorporation further provides that any issuance or transfer of shares to a Restricted Investor in excess of the Permitted Percentage will be ineffective as against us and that neither we nor our transfer agent will register the issuance or transfer of shares or be required to recognize the transferee or owner as a holder of our common stock for any purpose except to exercise our remedies described below. Any shares in excess of the Permitted Percentage in the hands of a Restricted Investor will not have any voting or dividend rights and are subject to redemption by us in our discretion. The liquidity or market value of the shares of our common stock may be adversely impacted by such transfer restrictions.

As a result of the above provisions, a proposed transferee of our common stock that is a Restricted Investor may not receive any return on its investment in shares it purchases or owns, as the case may be, and it may sustain a loss. We are entitled to redeem all or any portion of such shares acquired by a Restricted Investor in excess of the Permitted Percentage ("Excess Shares") at a redemption price based on a fair market value formula that is set forth in our certificate of incorporation, which may be paid in any form, including cash or promissory notes, at our discretion. Excess Shares not yet redeemed will not be accorded any voting, dividend or distribution rights while they constitute Excess Shares. As a result of these provisions, a stockholder who is a Restricted Investor may be required to sell its shares of our common stock at an undesirable time or price and may not receive

any return on its investment in such shares. However, we may not be able to redeem Excess Shares for cash because our operations may not have generated sufficient excess cash flow to fund the redemption and we may incur additional indebtedness to fund all or a portion of such redemption, in which case our financial condition may be materially weakened.

Our certificate of incorporation permits us to require that owners of any shares of our common stock provide certification of their status as a Restricted Investor. In the event that a person does not submit such documentation, our certificate of incorporation provides us with certain remedies, including the suspension of the payment of dividends and distributions with respect to shares held by such person and deposit of any such dividends and distributions into an escrow account. As a result of non-compliance with these provisions, an owner of the shares of our common stock may lose significant rights associated with those shares.

Although our certificate of incorporation contains the above provisions intended to assure compliance with the restrictions on ownership of our common stock by Restricted Investors, we may not be successful in monitoring or enforcing the provisions. A failure to enforce or otherwise maintain compliance could lead RTI to exercise its termination rights under the agreements, which would have a material and adverse effect on the Company's financial position and its results of operations.

In addition to the risks described above, the foregoing restrictions could delay, defer or prevent a transaction or change in control that might involve a premium price for our common stock or that might otherwise be in the best interest of our stockholders.

Future sales of our common stock in the public market could reduce our stock price, and any additional capital raised by us through the sale of equity or convertible securities may dilute our stockholders.

We may sell additional shares of common stock in public or private offerings and may also sell securities convertible to common stock. We may also be required to issue common stock at the exercise or vesting of certain of our incentive equity awards of which 719,309 shares remain outstanding and unvested. The Company entered into an at-the-market offering program (the "ATM Program") on December 13, 2024, with B. Riley Securities Inc. and Barclays Capital Inc. On November 5, 2025, the Company increased the aggregate dollar amount of shares of common stock that it may sell under the ATM Program by an additional \$200,000,000. See Note 22, "Dividends, Share Issuances and Share Repurchases" of our Notes to Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K for further discussion.

We cannot predict the size of future issuances of our common stock or securities convertible into common stock or the effect, if any, that future issuances and sales of shares of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock.

We may issue preferred stock whose terms could adversely affect the voting power or value of our common stock.

Our certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of the common stock.

General Risks

Our business may be damaged by events outside of our or our suppliers' control, such as the impact of epidemics, political upheavals, or natural disasters.

We have manufacturing operations in Tennessee and Kentucky. Additionally, we have critical suppliers of raw materials and finished products in other regions of the U.S. and in other countries. Events may impact our ability to manufacture products or prevent critical suppliers from performing their obligations to us, through no fault of any party. Examples of such events could include the effect of epidemics; political upheavals including violent changes in government, regional conflicts, such as the war in Ukraine, and the reaction of the governments throughout the world to those conflicts such as the implementation of sanctions, widespread labor unrest, or breakdowns in civil order; and natural disasters, such as hurricanes, tornados, earthquakes or floods. In December 2023, a third-party warehouse in Tennessee used by the Company incurred significant tornado damage including damage to the Company's property, which resulted in us recording a \$15.2 million inventory reserve related to our leaf tobacco inventory. If such events were to occur or reoccur and disrupt our manufacturing capabilities or supply arrangements, there can be no assurance that we could quickly remedy the impact and there could be a material adverse impact on our business, financial position, results of operations, and cash flows.

Additionally, current macroeconomic conditions including high inflation, high gas prices and unpredictable interest rates have caused and may continue to cause delays to supply chain and commercial markets, which limit access to, and increase the cost of, raw materials and services. Furthermore, challenging economic conditions can create the risk that our suppliers, distributors, logistics providers or other third-party partners suffer financial or operational difficulties, which may impact their ability to provide us with or distribute finished product or raw materials and services in a timely manner or at all. If we are unable to compensate for supply shortages or elevated commodity and other costs through sustained price increases, cost efficiencies, such as in manufacturing and distribution, or otherwise manage the exposure through sourcing strategies, the limited use of commodity hedging contracts or through other initiatives, any such delays or distribution challenges could have a material adverse impact on our business, financial position, results of operations and cash flows.

Climate change and legal and regulatory requirements related to climate change and environmental sustainability may have an adverse impact on our business and results of operations.

Our operations may be impacted by adverse weather patterns or other natural disasters, such as hurricanes, earthquakes, floods, fires, and tornadoes. While we seek to mitigate our business risks associated with climate change by seeking business partners, including within our supply chain, that are committed to operating in ways that protect the environment or mitigate environmental impacts, we recognize that there are inherent climate-related risks wherever business is conducted. Our operations may be vulnerable to the adverse effects of climate change, which are predicted to increase the frequency and severity of weather events and other natural cycles such as wildfires and droughts. For instance, if a hurricane or tornado were to shut down, damage or destroy one of our facilities or warehouses, as occurred in December of 2023, our operations could be severely impacted. See “—Our business may be damaged by events outside of our or our suppliers’ control, such as the impact of epidemics, political upheavals, or natural disasters” above. Such events have the potential to disrupt our operations, cause manufacturing facility closures, disrupt the business of our third-party suppliers and impact our customers, all of which may cause us to suffer losses and additional costs to maintain or resume operations.

In addition, legal and regulatory requirements have been adopted that are intended to reduce or mitigate environmental issues and may relate to, among other things, greenhouse gas emissions, alternative energy policy, single-use plastics and additional disclosure obligations with respect to climate change and environmental sustainability matters. This additional regulation could materially adversely affect our business, results of operations, cash flows and financial condition by increasing our compliance and manufacturing costs and negatively impacting our reputation if we are unable to, or are perceived not to, satisfy such requirements.

Reliance on information technology means a significant disruption could affect our communications and operations.

We increasingly rely on information technology systems for our internal communications, controls, reporting and relations with customers and suppliers and information technology is becoming a significantly important tool for our sales staff. Our marketing and distribution strategy are dependent upon our ability to closely monitor consumer and market trends on a highly specified level, for which we are reliant on our highly sophisticated data tracking systems, which are susceptible to disruption or failure. In addition, our reliance on information technology exposes us to cyber-security risks, which could have a material adverse effect on our ability to compete. We expect our use of data to increase, including through the use of analytics, and the continued use of AI and machine learning solutions. In engaging in these data-related activities, we rely on our own technology systems and software, and those of third-party vendors. These data-related activities are vulnerable to potential disruption or failure.

Security and privacy breaches, including increasingly prevalent and sophisticated cyberattacks, may expose us to liability, cause us to lose customers or may disrupt our relationships and ongoing transactions with other entities with whom we contract throughout our supply chain. The failure of our information systems to function as intended, or the penetration by outside parties’ intent on disrupting business processes, could result in significant costs, loss of revenue, assets or personal or other sensitive data and reputational harm.

Security and privacy breaches may expose us to liability and cause us to lose customers.

Federal and state laws require us to safeguard our wholesalers’, retailers’ and consumers’ financial information, including credit card information. Although we have established security procedures to protect against identity theft and the theft of our customers’ financial information, our security and testing measures may not prevent security breaches. We have been in the past and may again in the future be subject to cyberattacks, including attacks that have resulted in the theft of customer financial information, such as credit card information; however, no cyberattack on our systems to date has resulted in material liability for us. Companies have been increasingly subject to a wide variety of cybersecurity attacks, hacking, phishing, malware, ransomware and other attempts to gain unauthorized access to systems or data. These attacks have become increasingly sophisticated over time and may be conducted or “sponsored” by nation states with significant resources. The rapid evolution and increased adoption of AI technology and other evolving technology may also increase the prevalence and impact of cyberattacks and might also intensify our cybersecurity risk.

We cannot guarantee that a future breach would not result in material liability or otherwise harm our business. In the event of any such breach, we may be required to notify governmental authorities or consumers under breach disclosure laws, indemnify consumers or other third parties for losses resulting from the breach, and expend resources investigating and remediating any vulnerabilities that contributed to the occurrence of the breach. Typically, we rely on encryption and authentication technology licensed from third parties to enhance transmission security of confidential information in relation to financial and other sensitive information that we have on file. Advances in computer capabilities, new discoveries in the field of cryptography, inadequate facility security or other developments may result in a compromise or breach of the technology used by us to protect customer data. Any compromise of our security, even a security breach that does not result in a material liability, could harm our reputation and therefore, our business and financial condition. In addition, a party who is able to circumvent our security measures or exploit inadequacies in our security measures, could, among other effects, misappropriate proprietary information (including trade secrets), cause interruptions in our operations or expose customers and other entities with which we interact to computer viruses or other disruptions. Actual or perceived vulnerabilities may lead to claims against us. While we maintain cyber errors and omissions ("E&O") insurance that covers certain cyber risks, our insurance coverage may be insufficient to cover all claims or losses. To the extent the measures we have taken prove to be insufficient or inadequate, we may become subject to litigation or administrative sanctions, which could result in significant fines, penalties or damages and harm to our reputation.

We may fail to manage our growth.

We have expanded over our history and intend to grow in the future. We acquired the *Stoker's*[®] brand in 2003 and have continued to develop it through the introduction of new products, such as moist snuff. In 2024 and 2025, we accelerated our national roll-out and expanded manufacturing of our white nicotine pouch brand FRE and on behalf of our joint venture, ALP Supply Co, LLC ("ALP"), furthering our entry into the modern oral nicotine space. The acquisition of certain tobacco assets and distribution rights from Durfort and BluntWrap USA secured long-term control of our Zig-Zag MYO cigar wrap products and provided us access to a portfolio of tobacco products with significant strategic value, and the acquisition of certain tobacco assets from Unitabac expanded our capabilities in the growing cigar market. However, any future growth will place additional demands on our resources, and we cannot be sure we will be able to manage our growth effectively. If we are unable to manage our growth while maintaining the quality of our products and profit margins, or if new systems that we implement to assist in managing our growth do not produce the expected benefits, our business, financial position, results of operations and cash flows could be adversely affected. We may not be able to support, financially or otherwise, future growth, or hire, train, motivate and manage the required personnel. Our failure to manage growth effectively could also limit our ability to achieve our goals as they relate to streamlined sales, marketing and distribution operations and the ability to achieve certain financial metrics.

We may fail to successfully identify, negotiate, and complete suitable investment or acquisition opportunities, integrate our acquisitions or otherwise be unable to benefit from pursuing acquisitions.

We believe there are meaningful opportunities to grow through acquisitions and joint ventures across all OTP and adjacent product categories and we expect to continue a strategy of selectively identifying and acquiring businesses with complementary products. For instance, in 2024, we entered the ALP joint venture to expand our product offering in the modern oral space. We may be unable to identify, negotiate, and complete suitable acquisition opportunities on reasonable terms in the future. There can be no assurance that any business acquired by us will be successfully integrated with our operations or prove to be profitable to us. We may incur future liabilities related to acquisitions. Should any of the following problems, or others, occur as a result of our acquisition strategy, the impact could be material:

- difficulties integrating personnel from acquired entities and other corporate cultures into our business;
- difficulties integrating information systems;
- the potential loss of key employees of acquired companies;
- the assumption of liabilities and exposure to undisclosed or unknown liabilities of acquired companies; or
- the diversion of management attention from existing operations.

We are subject to fluctuations in our results that make it difficult to track trends and develop strategies in the short-term.

In response to competitor actions and pricing pressures, we have engaged in significant use of promotional and sales incentives. We regularly review the results of our promotional spending activities and adjust our promotional spending programs in an effort to maintain our competitive position. Accordingly, unit sales volume and sales promotion costs in any period are not necessarily indicative of sales and costs that may be realized in subsequent periods. Additionally, promotional activity significantly increases net sales in the month in which it is initiated, and net sales are adversely impacted in the month after a promotion. Accordingly, based upon the timing of our marketing and promotional initiatives, we have and may continue to experience significant variability in our results, which could affect our ability to formulate strategies that allow us to maintain our market presence across volatile periods. If our fluctuations obscure our ability to track important trends in our key markets, it may have a material adverse effect on our business, results of operations and financial condition.

We are subject to the risks of exchange rate fluctuations.

Currency movements and suppliers' price increases relating to premium cigarette papers and cigarette tubes are the primary factors affecting our cost of sales. These products are purchased under the Distribution Agreements and the License Agreements, and we make payments in euros. Thus, we bear certain foreign exchange rate risk for certain of our inventory purchases. In addition, as part of our strategy, we have begun strategic international expansions. As a result, we may be more sensitive to the risks of exchange rate fluctuations. To manage this risk, we sometimes utilize short-term forward currency contracts to purchase euros for our inventory purchases. We have a foreign exchange currency policy which governs our hedging of risk. While we engage in hedging transactions from time to time, no assurance can be made that we will be successful in eliminating currency exchange risks or that changes in currency rates will not have a material adverse effect on our business, results of operations and financial condition.

Adverse U.S. and global economic conditions could negatively impact our business, prospects, results of operations, financial condition or cash flows.

Our business and operations are sensitive to global economic conditions. These conditions include interest rates, energy costs, inflation, recession, fluctuations in debt and equity capital markets and the general condition of the U.S. and world economy. A material decline in the economic conditions affecting consumers, which causes a reduction in disposable income for the average consumer, may change consumption patterns, and may result in a reduction in spending on OTP or a switch to cheaper products or products obtained through illicit channels. Although the high rates of inflation experienced over the past three years in the United States and other countries in which we operate began to ease somewhat in 2024 and 2025, core inflation remains persistent. As a result, inflation has had, and may continue to have, a negative impact on the purchasing power of consumers. Material inflation may also lead to significant increases in property, E&O and other insurance premiums which could affect our results of operations and liquidity and may also result in us self-insuring if the premiums become uneconomical.

We currently self-insure a portion of our risk through our captive insurance company. To the extent that our captive insurance company is unable to bear that risk, we may be required to fund additional capital to our captive insurance company or we may be required to bear that loss.

The departure of key management personnel and the failure to attract and retain talent could adversely affect our operations.

Our success depends upon the continued contributions of our senior management. Our ability to implement our strategy of attracting and retaining the best talent may be impaired by the decreasing social acceptance of tobacco usage. The tobacco industry competes for talent with the consumer products industry and other companies that enjoy greater societal acceptance. As a result, we may be unable to attract and retain the best talent, which could have a material adverse effect on our business, results of operations and financial condition.

Our intellectual property rights may be infringed or misappropriated.

We currently rely on trademark and other intellectual property rights to establish and protect our products, including the brand names and logos we own or license. Third parties have in the past infringed on and misappropriated and may in the future infringe or misappropriate, these trademarks and our other intellectual property rights. Our ability to maintain and further build brand recognition is dependent on the continued and exclusive use of these trademarks, service marks and other proprietary intellectual property rights, including the names and logos we own or license. Despite our attempts to ensure these intellectual property rights are protected, third parties may take actions that could materially and adversely affect our rights or the value of this intellectual property. Any enforcement concerning our intellectual property rights, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources. Expenses related to protecting and enforcing our intellectual property rights, the loss or compromise of any of these rights or the loss of revenues as a result of infringement or misappropriation could have a material adverse effect on our business, results of operations and financial condition, and may prevent the brands we own or license from growing or maintaining market share.

Third parties may claim that we infringe or misappropriate their intellectual property rights.

Competitors in the tobacco, liquid nicotine and other markets in which we operate may claim that we infringe on or misappropriate their intellectual property rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, injunctions against us and/or the payment of damages. Further, our distribution businesses distribute third-party product brands with those suppliers' branding and imagery. If that branding or imagery is alleged by other parties to infringe or otherwise violate intellectual property rights, we could be drawn into such litigation.

We may be required to write down intangible assets, including trademarks and goodwill, due to impairment, which could have a material adverse effect on our results of operations or financial position.

We periodically calculate the fair value of our reporting units and intangible assets to test for impairment. This calculation may be affected by several factors, including general macroeconomic conditions, government actions, including FDA regulatory actions and inaction, changes in category growth (decline) rates as a result of changing adult consumer preferences, success of planned new product expansions, competitive activity, unfavorable outcomes with respect to litigation proceedings, including actions brought against us alleging patent infringement, and income and excise taxes. Certain events also can trigger an immediate review of intangible assets. If an impairment is determined to exist, we will incur impairment losses, which could have a material adverse effect on our results of operations or financial position.

Item 1B. Unresolved Staff Comments

None

Item 1C. Cybersecurity

We rely on our technology infrastructure and information systems for our internal communications, controls, reporting and relations with customers and suppliers, to utilize our data, and to bill, collect, and make payments. Our technology infrastructure and information systems also support and form the foundation for our accounting and finance systems and form an integral part of our disclosure and accounting control environment. Our internally developed system and processes, as well as those systems and processes provided by third-party vendors, may be susceptible to damage or interruption from cybersecurity threats, which include any unauthorized access to our information systems that may result in adverse effects on the confidentiality, integrity, or availability of such systems or the related information. Potential cybersecurity threats include terrorist or hacker attacks, the introduction of malicious computer viruses, ransomware, falsification of banking and other information, insider risk, or other security breaches. Such attacks have become more and more sophisticated over time, especially as threat actors have become increasingly well-funded by, or themselves include, governmental actors with significant means. We expect that sophistication of cyber-threats will continue to evolve as threat actors increase their use of AI and machine-learning technologies.

We have implemented robust processes to assess, identify, and manage cybersecurity risks, including potentially material risks, related to our internal information systems and our products. In response to the increasing threats presented by cyber incidents, in 2023 we established a Cybersecurity Steering Committee, which meets regularly. This committee is comprised of our Head of IT and Security Leader, along with our Associate General Counsel who reports to our General Counsel. The Cybersecurity Steering Committee oversees activities related to the monitoring, prevention, detection, mitigation and remediation of cybersecurity risks. The Cybersecurity Steering Committee develops and implements cybersecurity risk mitigation strategies and activities, including the management of comprehensive incident response plans, oversees the cybersecurity risks posed by third-party vendors, ensures policies and procedures are current and followed, and receives regular updates on cybersecurity-related matters.

Our Board of Directors oversees our enterprise risk management process and our Audit Committee of the Board has direct oversight of our management of cybersecurity risks. Under the direction and supervision of our Chief Financial Officer, we conduct an annual comprehensive enterprise risk assessment, which includes details of our management of enterprise-wide risk topics, such as those related to cybersecurity risks. The Board of Directors receives the full results of the annual enterprise risk assessment, including an evaluation of cybersecurity risks presented, a detailed description of the actions we have taken to mitigate these risks. Our Cybersecurity Steering Committee reviews the results of any enterprise risk assessment with management on a regular basis and with the Board of Directors quarterly or when risks are identified. Management provides a comprehensive update to the Audit Committee of the Board on cybersecurity threats and risk mitigation at least annually, and more frequently as relevant.

Our Head of IT, reporting to our Chief Financial Officer, has principal responsibility for assessing and managing cybersecurity risks and threats, implementing the activities and systems necessary to address such risks and threats and preparing updates for the Board of Directors. Our Head of IT has over 20 years of IT experience, including over 10 years experience in cybersecurity, data security and regulatory compliance. Our Security Leader reports to our Head of IT and is responsible for the operation of our cybersecurity program and management of our cybersecurity team. Our Security Leader has 20 years of IT experience.

We have adopted the National Institute of Standards and Technology Cybersecurity Framework and the Center for Internet Security Critical Security Controls to continually evaluate and enhance our cybersecurity. Activities include mandatory quarterly online training for all employees, technical security controls, enhanced data protection, the maintenance of backup and protective systems, policy review and implementation, the evaluation and retention of cybersecurity insurance, periodic assessments of third-party service providers to assess cyber preparedness of key vendors, and running simulated cybersecurity drills, including vulnerability scanning, penetration testing and disaster recovery exercises, throughout our organization. These cybersecurity drills are performed both in-house and by a third-party service provider. We use automated tools that monitor, detect, and prevent cybersecurity risks and have a security operations center that operates 24 hours a day to alert us to any potential cybersecurity threats. Our Cybersecurity Steering Committee also has effected comprehensive incident response plans that outline the appropriate communication flow and response for certain categories of potential cybersecurity incidents. The Cybersecurity Steering Committee escalates events, including to the Chief Financial Officer, Audit Committee and Board of Directors, as relevant, according to pre-defined criteria.

If we were to experience a cybersecurity incident, our Security Leader would inform the Cybersecurity Steering Committee, which would then evaluate and assess the materiality of the incident to the Company and the impact of the incident on the Company's information technology infrastructure and data integrity, and determine whether the incident should be reported to the Audit Committee of the Board in advance of the next regular cybersecurity update. The Cybersecurity Steering Committee, with the assistance and input of the Audit Committee of the Board, has established a set of predefined criteria that it uses to make such reporting determinations. Once a cybersecurity incident has been reported to the Audit Committee of the Board, the Audit Committee of the Board, with the input of the Cybersecurity Steering Committee, will determine how to address it.

We engage subject matter experts such as consultants and auditors to assist us in establishing processes to assess, identify, and manage potential and actual cybersecurity threats, to actively monitor our systems internally using widely accepted digital applications, processes, and controls, and to provide forensic assistance to facilitate system recovery in the case of an incident. The Cybersecurity Steering Committee oversees and establishes the parameters of our engagement with these experts to ensure we obtain supplement assistance needed in this area, if any.

If we were to experience a cybersecurity incident, we may suffer interruptions in service, loss of assets or data, or reduced functionality. Security breaches of our systems which allow inappropriate access to or inadvertent transfer of information and misappropriation or unauthorized disclosure of confidential information, belonging to us or to our employees, providers, suppliers, customers or insurance companies could result in our suffering significant financial and reputational damage. Though we take steps to ensure our products and software are secure, a cyber-attack could result in the loss or compromise of our or our employees', suppliers' and customers' critical data. If a supplier or customer alleges that a cyber-attack causes or contributes to a loss or compromise of critical data, whether or not caused by us, we could face harm to our reputation and financial condition and incur regulatory repercussions. See Item 1A "Risk Factors – Security and privacy breaches may expose us to liability and cause us to lose customers". A cybersecurity incident could materially harm our reputation and financial condition and cause us to incur legal liability and increased costs when responding to such events.

Item 2. Properties

As of December 31, 2025, we operated manufacturing, distribution, office, and warehouse space in the U.S., all of which is leased with the exception of our Dresden, Tennessee manufacturing facility, which is owned. To provide a cost-efficient supply of products to our customers, we maintain centralized management of internal manufacturing and nationwide distribution facilities. Our two manufacturing and distribution facilities located in Louisville, Kentucky, and Shepherdsville, Kentucky, are used by both our segments. Our third manufacturing and distribution facility located in Dresden, Tennessee is used by our Stoker's Product segment. We believe our facilities are adequate for our current and anticipated future use.

Item 3. Legal Proceedings

For a description of our material pending legal proceedings, see Note 19, "Contingencies" in Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K, which is incorporated herein by reference.

Also see Item 1A "Risk Factors - We are subject to significant product liability litigation" for additional details.

Item 4. Mine Safety Disclosures

Not applicable.

Information about our Executive Officers

Listed below are the executive officers of the Company. Our executive officers are appointed by, and serve at the discretion of, our board of directors. There are no family relationships between any of the executive officers, and there is no arrangement or understanding between any executive officer and any other person pursuant to which the executive officer was selected.

Graham Purdy, age 54, has served as our President and CEO since October 2022. Prior to October 2022, Mr. Purdy served as Chief Operating Officer since November 2019 after serving as President of our New Ventures Division since December 2017. Mr. Purdy joined the Company in 2004 and has held various leadership positions since that time. Prior to joining the Company, Mr. Purdy spent 7 years at Philip Morris, USA where he served in senior sales and sales management positions. Mr. Purdy holds a Bachelor of Arts from California State University, Chico.

David Glazek, age 48, was appointed Executive Chair of the Board in January 2023. Mr. Glazek served as a director of our Company since November 2012, and as our Lead Independent Director from January 2018 until October 2022, and as our non-executive Chair since September 2019. Mr. Glazek was a Partner and Portfolio Manager of Standard General L.P. from 2008 to 2023, and an investment banker at Lazard Frères & Co. from 2000 to 2003 and from 2006 to 2008. He also worked at the Blackstone Group. Throughout his career he has served on numerous public and private company boards of directors. In addition, he is an Adjunct Professor at Columbia Business School. Mr. Glazek holds a Bachelor of Arts from the University of Michigan and a J.D. from Columbia Law School.

Andrew Flynn, age 50, joined the Company as our Chief Financial Officer in April 2024. Mr. Flynn previously served as the CFO of Connected Cannabis Co. from September 2021 until March 2024. Prior to joining Connected, from June 2019 until September 2021, Mr. Flynn served in various positions at Juul Labs, including as Senior Vice President. Earlier in his career, Mr. Flynn served as Vice President of Finance at James Hardie Building Products, and Vice President of Finance at Arrow Electronics. Mr. Flynn holds a BS from Indiana University and an MBA from the University of Colorado, Denver.

Brittani N. Cushman, age 41, has been our Senior Vice President, General Counsel, and Secretary since November 2020 and has served in various roles in our legal department since joining the Company in October 2014, most recently serving as Senior Vice President of External Affairs. Prior to joining the Company, Ms. Cushman spent five years at Xcaliber International, Ltd., L.L.C., where she was most recently the General Counsel, responsible for all legal affairs. Ms. Cushman holds a Bachelor of Science in Business Administration, *magna cum laude*, in business management from the University of Tulsa and a J.D. from Washington and Lee University School of Law.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

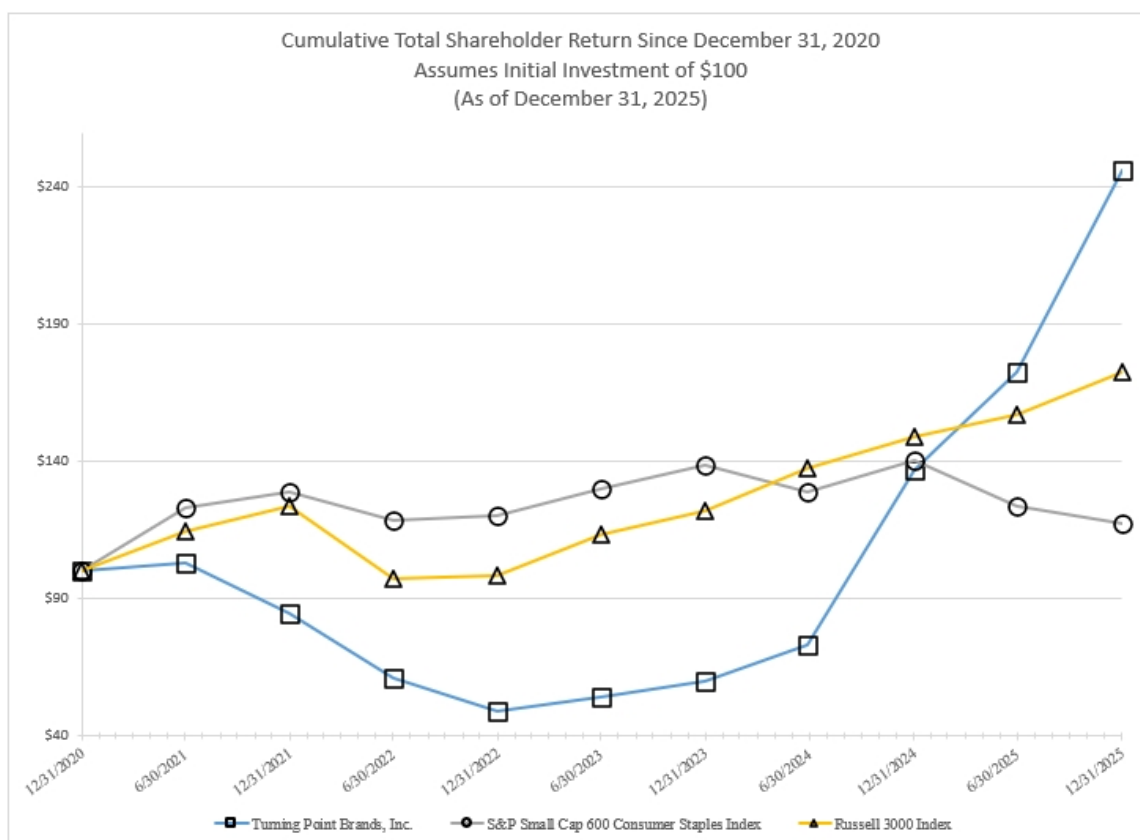
The principal stock exchange on which Turning Point Brands, Inc.'s common stock, par value \$0.01 per share, (the "Common Stock") is listed is the New York Stock Exchange under the symbol "TPB." At February 23, 2026, there were 272 holders of record of the Company's Common Stock. The last reported sales price of the Company's Common Stock on February 23, 2026 was \$135.73.

Dividends. We have a history of paying cash dividends. Future dividend amounts will be considered after reviewing financial results and capital needs and will be declared at the discretion of our Board of Directors. During the years ended December 31, 2025, 2024, and 2023, the Company paid cash dividends of \$0.30 per common share for \$5.5 million, \$0.28 per common share for \$4.9 million and \$0.26 per common share for \$4.5 million, respectively.

Equity Compensation Plan Information. For certain information concerning securities authorized for issuance under the Company's equity compensation plans, see "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder matters," which notes that the information required by this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2026 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2025.

Performance graph. The graph below compares the cumulative total shareholder return of our common stock for the last five years with the cumulative total return for the same period of the Russell 3000 Index and the S&P Small Cap 600 Consumer Staples Index. The information presented assumes the investment of \$100 in common stock and each of the indices as of the market close on December 31, 2020 and the reinvestment of all dividends on a quarterly basis.

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or incorporated by reference into any filing of the Company's under the Securities Act, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.



Issuer purchases of equity securities.

On February 25, 2020, the Company's Board of Directors approved a \$50.0 million share repurchase program, which is intended for opportunistic execution based upon a variety of factors including market dynamics. On October 25, 2021, the Board of Directors increased the approved share repurchase program by \$30.7 million, and by an additional \$24.6 million on February 24, 2022. On November 6, 2024, the Board of Directors of the Company increased the Company's share repurchase authorization by \$77.9 million to an aggregate amount of \$100.0 million. On November 4, 2025, the Company's Board of Directors increased the share repurchase authorization by \$100.0 million to an aggregate amount of \$200.0 million. This share repurchase program has no expiration date and is subject to the ongoing discretion of the Board of Directors. All repurchases to date under our stock repurchase programs have been made through open market transactions, but in the future, we may also purchase shares through privately negotiated transactions or 10b5-1 repurchase plans. There were no purchases of our common stock made by us during the three months ended December 31, 2025 in connection with the repurchase program.

Item 6. Selected Financial Data

Reserved

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion is intended to help the reader understand the results of operations and financial condition of the Company. The discussion is provided as a supplement to, and should be read in conjunction with our historical consolidated financial statements and accompanying notes, which are included elsewhere in this Annual Report on Form 10-K and incorporated herein by reference. In addition, this discussion includes forward-looking statements subject to risks and uncertainties that may result in actual results differing from statements we make. See “Cautionary Note Regarding Forward-Looking Statements.” Factors that could cause actual results to differ include those risks and uncertainties discussed in Item 1A “Risk Factors.”

The following discussion relates to the audited financial statements of Turning Point Brands, Inc., included elsewhere in this Annual Report on Form 10-K. In this discussion, unless the context requires otherwise, references to “the Company” “we,” “our,” or “us” refer to Turning Point Brands, Inc., and its consolidated subsidiaries. References to “TPB” refer to Turning Point Brands, Inc., without any of its subsidiaries. We were incorporated in 2004 under the name North Atlantic Holding Company, Inc. On November 4, 2015, we changed our name to Turning Point Brands, Inc. Many of the amounts and percentages in this discussion have been rounded for convenience of presentation.

Overview

Turning Point Brands, Inc. is a leading manufacturer, marketer and distributor of branded consumer products. We sell a wide range of products to adult consumers consisting of staple products with our iconic brands Zig-Zag® and Stoker’s® and our next-generation products to fulfill evolving consumer preferences. Among other markets, we compete in the alternative smoking accessories and Other Tobacco Products (“OTP”) industries. The alternative smoking accessories market is a dynamic market experiencing robust secular growth driven by cannabinoid legalization in the U.S. and Canada and positively evolving consumer perception and acceptance in North America. The OTP industry, which consists of non-cigarette tobacco products, exhibited flat consumer unit annualized growth during the full year period ended 2025 as reported by MSAi a third-party analytics and information company. Our segments are led by our core proprietary and iconic brands: Zig-Zag® in the Zig-Zag products segment and Stoker’s® along with FRE®, Beech-Nut® and Trophy® in the Stoker’s products segment. Our businesses generate solid cash flow which we use to invest in our business, finance acquisitions, increase brand support, expand our distribution infrastructure, and strengthen our capital position. We currently ship to approximately 900 distributors with an additional 600 secondary, indirect wholesalers in the U.S. that carry and sell our products. Under the leadership of a senior management team with extensive experience in the consumer products, alternative smoking accessories and tobacco industries, we have grown and diversified our business through new product launches, category expansions and acquisitions while concurrently improving operational efficiency.

We believe there are meaningful opportunities to expand through investing in organic growth via acquisitions and joint ventures across all product categories. Our products are currently available in approximately 220,000 retail locations in North America. Our sales team targets widespread distribution to all traditional retail channels, including convenience stores, and we have a growing e-commerce business.

Recent Developments

As a result of the U.S. trade policies beginning in 2025, we incurred tariff charges on certain products we import from overseas manufacturers. Certain of these tariffs were imposed by the administration utilizing the International Emergency Economic Powers Act(IEEPA). In February 2026, the United States Supreme Court held that the International Emergency Economic Powers Act does not authorize the president to impose tariffs and the government immediately ceased collecting such tariffs. While this ruling prohibits the imposition of tariffs under IEEPA it does not provide for a refund mechanism, and we cannot assure as to when or how much of the tariffs the Company previously paid under IEEPA will be refunded.

In addition, the ruling does not prohibit the imposition of tariffs pursuant to other statutes. For instance, in response to the ruling the administration imposed a blanket 10% on all products importers pursuant to section 122 of the Trade Act of 1974.

Products

We operate in two segments: Zig-Zag products and Stoker’s products segments. In our Zig-Zag products segment, we principally market and distribute (i) rolling papers, tubes, and related products; (ii) finished cigars and make-your-own (“MYO”) cigar wraps; and (iii) lighters and other accessories. In addition, we have a majority stake in Turning Point Brands Canada which is a specialty marketing and distribution firm focused on building brands in the Canadian cannabis accessories, tobacco and alternative products categories. In our Stoker’s products segment, we (i) manufacture and market moist snuff tobacco (“MST”) and (ii) contract for and market FRE®, our modern oral product; and (iii) contract for and market loose-leaf chewing tobacco products.

Our portfolio of brands includes some of the most widely recognized names in the alternative smoking accessories and OTP industries such as *Zig-Zag*® and *Stoker's*®. The following table sets forth the market share and category rank of our core products and demonstrates their industry positions within measured distribution channels:

Brand	Product	TPB Segment	Market Share ⁽¹⁾	Category Rank ⁽¹⁾
<i>Zig-Zag</i> ®	Cigarette Papers	Zig-Zag Products	32.7%	#1 premium, #1 overall
<i>Zig-Zag</i> ®	MYO Cigar Wraps	Zig-Zag Products	34.3%	#1 overall
<i>Stoker's</i> ®	Moist Snuff	Stoker's Products	8.1%	#2 discount, #5 overall
<i>Stoker's</i> ®	Chewing Tobacco	Stoker's Products	34.1%	#1 discount, #1 overall

⁽¹⁾ Market share and category rank data for all products are derived from MSAi data for the 52 week period ended December 27, 2025.

We subscribe to a sales tracking system from MSAi that records all OTP product shipments (ours as well as those of our competitors) from approximately 600 wholesalers to over 265,000 traditional retail stores in the U.S. This system enables us to understand individual product share and volume trends across multiple categories down to the individual retail store level, allowing us to allocate field salesforce coverage to the highest opportunity stores. Our sales and marketing group of approximately 257 professionals utilize the MSAi system to efficiently target markets and sales channels with the highest sales potential.

Our Zig-Zag products and Stoker's products segments primarily generate revenues from the sale of our products to wholesale distributors who, in turn, resell the products to retail operations. Our net sales, which include federal excise taxes, consist of gross sales net of cash discounts, returns, and selling and marketing allowances.

We rely on long-standing relationships with high-quality, established manufacturers to provide the majority of our produced products. Approximately 75% of our production, as measured by net sales, is outsourced to suppliers. The remaining production consists primarily of our moist snuff tobacco operations located in Dresden, Tennessee, and Louisville, Kentucky. Our principal operating expenses include the cost of raw materials used to manufacture the limited number of our products which we produce in-house; the cost of finished products, which are generally purchased goods; federal excise taxes; legal expenses; and compensation expenses, including benefits and costs of salaried personnel.

Key Factors Affecting Our Results of Operations

We consider the following to be the key factors affecting our results of operations:

- Our ability to further penetrate markets with our existing products;
- Our ability to introduce new products and product lines that complement our core business;
- Decreasing interest in some tobacco products among consumers;
- Competition;
- Price sensitivity in our end-markets;
- Marketing and promotional initiatives, which cause variability in our results;
- Cost related to increasing regulation of promotional and advertising activities;
- General economic conditions, including consumer access to disposable income and other conditions affecting purchasing power such as inflation and the interest rate environment;
- Labor and production costs;
- Cost of complying with regulation as well as the unpredictable nature of the regulatory regimes;
- Changes to U.S. trade policies, especially related to import tariffs;
- Counterfeit and other illegal products in our end-markets;
- Currency fluctuations;
- Our ability to identify attractive acquisition opportunities; and
- Our ability to successfully integrate acquisitions.

Results of Operations

Summary

The table and discussion set forth below relates to our consolidated results of continuing operations for the years ended:

(in thousands)

	For the years ended December 31,		
	2025	2024	% Change
Consolidated Results of Operations Data:			
Net sales			
Zig-Zag products	\$ 178,478	\$ 192,394	-7.2%
Stoker's products	284,584	168,266	69.1%
Total net sales	463,062	360,660	28.4%
Cost of sales	198,748	159,095	24.9%
Gross profit			
Zig-Zag products	95,901	106,585	-10.0%
Stoker's products	168,413	94,980	77.3%
Total gross profit	264,314	201,565	31.1%
Selling, general, and administrative expenses	168,987	122,407	38.1%
Other operating income	-	(1,674)	-100.0%
Operating income			
Zig-Zag products	\$ 58,941	\$ 66,697	-11.6%
Stoker's products	109,105	68,272	59.8%
Total segment operating income	\$ 168,046	\$ 134,969	24.5%
Corporate unallocated	(72,719)	(54,137)	34.3%
Total operating income	\$ 95,327	\$ 80,832	17.9%
Other income	(6,616)	-	100.0%
Interest expense, net	17,466	13,983	24.9%
Investment (gain) loss	(1,060)	1,968	-153.9%
(Income) losses from equity method investment	1,159	(75)	-1645.3%
Loss on extinguishment of debt	1,235	-	100.0%
Income from continuing operations before income taxes	83,143	64,956	28.0%
Income tax expense	14,991	16,929	-11.4%
Consolidated net income from continuing operations	68,152	48,027	41.9%
Net income attributable to non-controlling interest	9,987	701	1324.7%
Net income from continuing operations attributable to Turning Point Brands, Inc.	\$ 58,165	\$ 47,326	22.9%

Comparison of Year Ended December 31, 2025, to Year Ended December 31, 2024

Net Sales: For the year ended December 31, 2025, consolidated net sales increased \$102.4 million, or 28.4%, compared to the prior year period, primarily driven by an increase in net sales in the Stoker's segment mainly relating to modern oral growth.

For the year ended December 31, 2025, net sales in the Zig-Zag products segment decreased \$13.9 million, or 7.2%, compared to the prior year period. The decrease in net sales was driven primarily by \$15.2 million decline in U.S. papers, wraps, as well as \$1.7 million decline in cigars, which was anticipated with expected opportunity costs associated with our focus on oral expansion. This decline was partially offset by \$2.9 million of growth in our Canadian business.

For the year ended December 31, 2025, net sales in the Stoker's products segment increased \$116.3 million, or 69.1%, compared to the prior year period. The increase in net sales was driven primarily by \$107.7 million of growth in modern oral products while the remaining growth is attributable to MST and loose-leaf chewing tobacco.

Gross Profit: For the year ended December 31, 2025, consolidated gross profit increased \$62.7 million, or 31.1%, compared to the prior year period. Gross profit as a percentage of net sales increased to 57.1% of net sales for the year ended December 31, 2025, from 55.9% of net sales for the year ended December 31, 2024. The overall increase in gross profit margin was driven primarily by improved margin contribution from modern oral products and MST in the Stoker's products segment.

For the year ended December 31, 2025, gross profit in the Zig-Zag products segment decreased \$10.7 million, or 10.0%, compared to the prior year period. Gross profit as a percentage of net sales decreased to 53.7% of net sales for the year ended December 31, 2025, from 55.4% of net sales for the year ended December 31, 2024, driven primarily by Zig-Zag cigar wraps margins due to imposed tariffs and a shift in product mix with an increase in products with lower margins in the segment.

For the year ended December 31, 2025, gross profit in the Stoker's products segment increased \$73.4 million, or 77.3%, compared to the prior year period. Gross profit as a percentage of net sales increased to 59.2% of net sales for the year ended December 31, 2025 from 56.4% of net sales for the year ended December 31, 2024, driven primarily by the growth in net sales of modern oral products generating higher margin contributions than the previous year.

Selling, General and Administrative Expenses: For the year ended December 31, 2025, selling, general and administrative expenses increased \$46.6 million, or 38.1%, compared to the prior year period primarily due to increased shipping and selling costs related to the increase in modern oral sales in the period compared to prior period. Selling, general and administrative expenses for the year ended December 31, 2025, included \$6.9 million of stock options, restricted stock and incentives expense, \$1.2 million of expense related to corporate restructuring, \$4.8 million of expense related to PMTA, a \$0.8 million increase in non-recurring outbound freight costs related to our ERP transition, \$0.9 million of legal expenses incurred in connection with litigation related to an insurance claim for the tobacco damaged in a tornado, \$2.0 million related to transaction costs and \$0.2 million of expense related to the implementation of the new ERP and CRM systems. Selling, general and administrative expenses for the year ended December 31, 2024, included \$7.2 million of stock options, restricted stock and incentives expense, \$4.6 million of expense related to corporate restructuring, \$3.6 million of expense related to PMTA, \$2.1 million related to transaction costs and \$0.9 million of expense related to the implementation of the new ERP and CRM systems.

Other Operating Income: For the year ended December 31, 2025, other operating income decreased \$1.7 million compared to the prior year period due to a federal excise tax refund of \$1.7 million received in 2024.

Operating Income: For the year ended December 31, 2025, consolidated operating income increased \$14.5 million, or 17.9%, compared to the prior year period. Operating income as a percentage of net sales decreased to 20.6% of net sales for the year ended December 31, 2025 from 22.4% of net sales for the year ended December 31, 2024, primarily due to an increase in unallocated corporate expenses.

For the year ended December 31, 2025, operating income in the Zig-Zag products segment decreased \$7.8 million, or 11.6%, compared to the prior year period. Operating income as a percentage of net sales decreased to 33.0% of net sales for the year ended December 31, 2025 from 34.7% of net sales for the year ended December 31, 2024, primarily due to a federal excise tax refund of \$1.7 million received in 2024 which increased operating income which did not recur in 2025.

For the year ended December 31, 2025, operating income in the Stoker's products segment increased \$40.8 million, or 59.8%, compared to the prior year period. Operating income as a percentage of net sales decreased to 38.3% of net sales for the year December 31, 2025 from 40.6% of net sales for the year ended December 31, 2024, primarily from increased sales and marketing expenses for the segment relating to modern oral growth.

Included in consolidated operating income are costs of the Company which are not assigned to one of the two reportable segments and includes: (i) corporate overhead expense, including executive management, finance, legal and information technology salaries and professional services, such as audit, external legal costs and information technology services; as well as (ii) costs related to the FDA premarket tobacco product application. For the year ended December 31, 2025, unallocated costs were \$72.7 million compared to \$54.1 million in the prior year period, an increase of \$18.6 million or 34.3%, primarily driven by joint venture related expenses.

Other Income: For the year ended December 31, 2025, other income was \$6.6 million stemming from a \$5.5 million employee retention credit refund received and \$1.8 million received for management fees in the current year. We recognized no other income in 2024.

Interest Expense, net: For the year ended December 31, 2025, interest expense, net increased \$3.5 million compared to the prior year period as a result of the issuance of the 2032 Notes in February 2025 which bear interest at a higher rate and have a higher outstanding principal amount than the 2026 Notes which were repaid with proceeds from the issuance of the 2032 Notes partially offset by interest income generated by the employee retention credit received in the current year.

(Income) Losses from Equity Method Investment: For the year ended December 31, 2025, (income) losses from investments in equity method investments decreased \$1.2 million compared to the prior year period as a result of a \$5.5 million loss from GWO partially offset by \$4.2 million of net income from its distribution business.

Investment (Income) Loss: For the year ended December 31, 2025, investment (income) loss increased to \$1.1 million income compared to \$2.0 million loss for the year ended December 31, 2024. The change is primarily the result of impairment charges recognized on our investment in Old Pal for \$0.9 million for the year ended December 31, 2025 that were offset by gains on marketable available-for-sale securities of \$1.4 million, compared to impairment charges recognized on our investments in Bomani for \$1.8 million and Old Pal for \$0.8 million for the year ended December 31, 2024.

Loss on Extinguishment of Debt: For the year ended December 31, 2025, loss on extinguishment of debt was \$1.2 million as a result of the redemption of the 2026 Notes in February 2025. We had no loss on extinguishment of debt in 2024.

Income Tax Expense: The Company's income tax expense was \$15.0 million, or 18.0% of income from continuing operations before income taxes for the year ended December 31, 2025. The Company's income tax expense was \$16.9 million, or 26.1% of income from continuing operations before income taxes for the year ended December 31, 2024. The decrease in tax rate compared to the prior year is due to the inclusion of permanent tax differences related to the Company's restricted stock units that were issued and stock options that were exercised in the year ended December 31, 2025.

Net Income Attributable to Non-Controlling Interest: Net income attributable to non-controlling interest was \$10.0 million for the year ended December 31, 2025, compared to a net loss of \$0.7 million for the year ended December 31, 2024. The increase in income from non-controlling interest compared to the prior year period is due to the consolidation of a joint venture starting in December 2024.

Net Income from Continuing Operations Attributable to Turning Point Brands, Inc.: Due to the factors described above, net income from continuing operations attributable to Turning Point Brands, Inc. for the years ended December 31, 2025 and 2024, was \$58.2 million and \$47.3 million, respectively.

Comparison of Year Ended December 31, 2024, to Year Ended December 31, 2023

For a discussion of the comparison of the year ended December 31, 2024 to the year ended December 31, 2023, refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Company's Annual Report on Form 10-K for the year ended December 31, 2024.

Loss from Discontinued Operations, net of tax

On January 2, 2025, the Company contributed 100% of its interest in SBB, the subsidiary that owned and operated the Company's CDS segment, to GWO in exchange for 49% of the issued and outstanding GWO common stock on a fully-diluted basis. GWO is majority owned by Standard General, LP. The assets and liabilities associated with the CDS business were classified as held for sale as of December 31, 2024, and its financial results are classified as discontinued operations and reported separately for all periods presented herein. Upon meeting the criteria for held for sale classification, the Company recorded a non-cash charge of \$8.8 million with an equivalent valuation allowance against net assets held for sale to reduce the carrying value of the disposal group to fair value.

Loss from discontinued operations, net of tax for the years ended December 31 are as follows:

<i>(in thousands)</i>	For the years ended December 31,	
	2025	2024
Loss from discontinued operations, net of tax	\$ -	\$ (7,517)

Comparison of Year Ended December 31, 2025, to Year Ended December 31, 2024

For the year ended December 31, 2025, net loss from discontinued operations was \$0, compared to a loss of \$7.5 million for the year ended December 31, 2024. This prior year loss related to operations that were classified as discontinued in 2024 and no such activity occurred in 2025.

Comparison of Year Ended December 31, 2024, to Year Ended December 31, 2023

For a discussion of the comparison of the year ended December 31, 2024 to the year ended December 31, 2023, refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Company's Annual Report on Form 10-K for the year ended December 31, 2024.

EBITDA and Adjusted EBITDA

To supplement our financial information presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, we use non-U.S. GAAP financial measures including EBITDA and Adjusted EBITDA. We believe Adjusted EBITDA provides useful information to management and investors regarding certain financial and business trends relating to our financial condition and results of operations. Adjusted EBITDA is used by management to compare our performance to that of prior periods for trend analyses and planning purposes and is presented to our Board of Directors. We believe that EBITDA and Adjusted EBITDA are appropriate measures of operating performance because they eliminate the impact of expenses that do not relate to operating performance. In addition, our debt instruments contain covenants which use Adjusted EBITDA calculations.

We define “EBITDA” as net income before interest expense, gain (loss) on extinguishment of debt, income tax expense, depreciation, and amortization. We define “Adjusted EBITDA” as net income before interest expense, gain (loss) on extinguishment of debt, income tax expense, depreciation, amortization, other non-cash items, and other items we do not consider the ordinary course in our evaluation of ongoing operating performance noted in the reconciliation below. Among other items that we adjust Adjusted EBITDA for is FDA PMTA expense. The Company believes it is appropriate to adjust for this spend as the costs are incurred in connection with what it views as a non-traditional regulatory process that requires applications be submitted for covered products that are already on the market. As a result, Company’s management believes it is most appropriate to assess the performance of the Company’s business – the sale of its various products - without regard to these costs and believes that adjusting for these costs provides investors and the public markets with the most meaningful metrics to assess performance of the business.

Non-U.S. GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with U.S. GAAP. Adjusted EBITDA excludes significant expenses required to be recorded in our financial statements by U.S. GAAP and is subject to inherent limitations. Other companies in our industry may calculate this non-U.S. GAAP measure differently than we do or may not calculate it at all, limiting its usefulness as a comparative measure. The tables below provide reconciliations between net income and Adjusted EBITDA.

(in thousands)

	Years ended December 31,		
	2025	2024	2023
Net income attributable to Turning Point Brands, Inc.	\$ 58,165	\$ 39,809	\$ 38,462
Loss from discontinued operations, net of tax	-	7,517	285
Add:			
Interest expense, net	17,767	13,983	14,645
Loss (Gain) on extinguishment of debt	1,235	-	(1,664)
Income tax expense	15,456	16,929	23,999
Depreciation expense	3,298	3,329	2,780
Amortization expense	4,225	2,333	1,338
EBITDA	<u>\$ 100,146</u>	<u>\$ 83,900</u>	<u>\$ 79,845</u>
Components of Adjusted EBITDA			
Corporate restructuring (a)	1,260	4,634	199
ERP/CRM implementation (b)	211	993	552
Stock based compensation (c)	6,974	7,243	6,561
Transactional expenses and strategic initiatives (d)	2,004	2,107	165
Non-recurring freight (e)	837	-	-
Non-recurring legal (f)	941	-	-
FDA PMTA (g)	4,816	3,592	2,098
Mark-to-market gain on Canadian inter-company note (h)	(513)	942	-
Non-cash asset impairment (i)	6,738	2,722	12,177
Gain on investment (j)	(1,392)	-	-
ERC refund (k)	(5,451)	-	-
Honorarium (l)	318	-	-
Manufacturing start-up costs (m)	642	-	-
Tariff adjustment (n)	1,991	-	-
FET refund (o)	-	(1,674)	(4,345)
Legal settlement (p)	-	-	(4,000)
Adjusted EBITDA	<u>\$ 119,522</u>	<u>\$ 104,459</u>	<u>\$ 93,252</u>

(a) Represents costs associated with corporate restructuring, including severance and early retirement.

- (b) Represents cost associated with scoping and mobilization of new ERP and CRM systems and temporary cost of duplicative ERP licenses.
- (c) Represents non-cash stock options, restricted stock, PSRUs, etc.
- (d) Represents fees incurred for transaction expenses.
- (e) Represents elevated non-recurring outbound freight costs due to ERP transition.
- (f) Represents legal expenses incurred in connection with litigation related to an insurance claim.
- (g) Represents costs associated with applications related to FDA premarket tobacco production application ("PMTA"). The PMTA regime requires the Company to submit an application to the FDA to receive marketing authorization to continue to sell certain of its product lines with continued sales permitted during the pendency of the applications. The application is a onetime resource-intensive process for each covered product line; however, due to the nature of the implementation process for those product lines already in the market, applications can take multiple years to complete rather than the typical one-time submission. The Company currently has only two product lines currently subject to the PMTA process, having utilized other regulatory pathway options available for our other product lines. The Company does not expect to submit additional PMTA applications for any new product lines after the submission for the pending two are complete.
- (h) Represents a mark to market loss attributable to foreign exchange fluctuation.
- (i) Represents impairment of goodwill, intangible and investment assets.
- (j) Represents gain on investments.
- (k) Represents an employee retention credit refund received which is included in other income, net.
- (l) Represents an honorarium gift included in other income, net.
- (m) Represents non-recurring expenses incurred during the start-up of manufacturing lines.
- (n) Represents adjustment to costs of goods sold to reflect prevailing tariff rates.
- (o) Represents a federal excise tax refund included in other operating income.
- (p) Represents other income from litigation settlement.

Liquidity and Capital Resources

Our principal uses for cash are working capital, debt service and capital expenditures and other growth initiatives. As of December 31, 2025, we had \$222.8 million cash on hand and as of December 31, 2024 we had \$46.2 million (excluding CDS segment cash of \$2.8 million). As of December 31, 2025, we had up to \$65.8 million of availability under the 2023 ABL Facility. After giving effect to the issuance of the 2032 Notes and redemption of the 2026 Notes in February 2025, our cash on hand would have been \$90.2 million as of December 31, 2024, and borrowing availability under the ABL would have remained the same. We have no borrowings outstanding under our ABL as of December 31, 2025. Our Convertible Senior Notes matured on July 15, 2024, and were retired with cash.

Our adjusted working capital which we define as current assets less cash and current liabilities, increased \$21.6 million compared to the prior year end. This amount excludes CDS segment assets and liabilities held for sale in 2024.

<i>(in thousands)</i>	As of	
	December 31, 2025	December 31, 2024
Current assets	\$ 194,390	\$ 140,577
Current liabilities	75,007	42,771
Adjusted working capital	<u>\$ 119,383</u>	<u>\$ 97,806</u>

The increase in adjusted working capital is primarily a result of increased other current assets from inventory deposits relating to growth. For the years ended December 31, 2025 and 2024, we invested \$13.5 million and \$4.6 million, respectively, in capital expenditures. We had restricted assets of \$29.9 million and \$28.7 million as of December 31, 2025 and 2024, respectively. Restricted assets consist of escrow deposits under the MSA and insurance deposits. On the 25th anniversary of each annual deposit, we are entitled to receive reimbursement of the principal amount of escrow remaining for that year. See "Master Settlement Agreement" below for details.

Cash Flows from Continuing Operations

Our cash flows from continuing operations as reflected in the Consolidated Statements of Cash Flows are summarized as follows:

(in thousands)	For the years ended December 31,	
	2025	2024
Cash provided by (used in)		
Operating activities	\$ 57,374	\$ 60,958
Investing activities	\$ (31,671)	\$ (10,509)
Financing activities	\$ 148,274	\$ (128,284)

Cash Flows from Operating Activities

For the year ended December 31, 2025, net cash provided by operating activities was \$57.4 million, a decrease of \$3.6 million compared to the prior year period. The decrease is primarily due to unfavorable changes of \$27.9 million in working capital partially offset by an increase of \$27.6 million in net income, net of non-cash items of \$5.8 million. The primary drivers of non-cash items were \$8.4 million increase in deferred tax expenses, \$1.7 million increase in depreciation and amortization and \$1.2 million increase in losses from equity method investments, partially offset by \$1.2 million increase in noncash lease income and \$3.2 million decrease in loss on investments.

Cash Flows from Investing Activities

For the year ended December 31, 2025, net cash used in investing activities was \$31.7 million, an increase of \$21.2 million compared to 2024, primarily due to \$13.5 million in capital expenditures, including to build U.S. manufacturing for our modern oral brands, the net purchases of an additional \$7.4 million in investments by our captive insurance subsidiary, the purchases of non-marketable equity securities of \$2.8 million, and \$8.0 million paid by TPB Canada for the option to purchase the distribution business.

Cash Flows from Financing Activities

For the year ended December 31, 2025, net cash provided by financing activities was \$148.3 million, an increase of \$276.6 million compared to the prior year period, primarily due to a net increase in cash of \$42.8 million related to the February 2025 issuance of the 2032 Notes, an increase of \$11.0 million from Interchange subscription agreement proceeds, \$97.5 million increase related to ATM Program proceeds, and \$2.2 million related to stock compensation activity, as well as \$5.1 million of common stock repurchases in the prior year period that did not repeat in 2025.

Long-Term Debt

Notes payable and long-term debt consisted of the following at December 31, 2025 and 2024, in order of preference:

	December 31, 2025	December 31, 2024
2032 Notes	\$ 300,000	\$ -
2026 Notes	-	250,000
Gross notes payable and long-term debt	300,000	250,000
Less deferred financing costs	(6,375)	(1,396)
Notes payable and long-term debt	<u>\$ 293,625</u>	<u>\$ 248,604</u>

2032 Notes

On February 19, 2025, we entered into an indenture relating to the issuance and sale of \$300.0 million aggregate principal amount of its 7.625% Senior Secured Notes due 2032 (the “2032 Notes”), by and among the Company, the guarantors party thereto and GLAS Trust Company LLC, as trustee and notes collateral agent. The 2032 Notes incur interest at a rate of 7.625%, payable semi-annually in arrears on March 15 and September 15 of each year, commencing on September 15, 2025. Proceeds from the offering were approximately \$293.0 million and were used to redeem the 2026 Notes and for general corporate purposes.

The 2032 Notes are fully and unconditionally guaranteed on a senior secured basis, jointly and severally, by certain existing and future wholly-owned domestic restricted subsidiary of the Company (collectively, the “Guarantors” as defined in the indenture governing the 2032 Notes or the “2032 Notes Indenture”). The 2032 Notes and the related guarantees are secured by first-priority liens on substantially all of the existing and future assets of the Company and the Guarantors that do not secure the 2023 ABL Facility (as defined below), subject to certain exceptions. The 2032 Notes Indenture contains covenants that, among other things, restrict the ability of the Company and its restricted subsidiaries to: (i) grant or incur liens; (ii) incur, assume or guarantee additional indebtedness; (iii) sell or otherwise dispose of assets, including capital stock of subsidiaries; (iv) make certain investments; (v) pay dividends, make distributions or redeem or repurchase capital stock; (vi) engage in certain transactions with affiliates; and (vii) consolidate or merge with or into, or sell substantially all of our assets to another entity. These covenants are subject to several limitations and exceptions set forth in the 2032 Notes Indenture. For instance, the Company is generally permitted to make restricted payments, including the payment of dividends to shareholders, provided that, at the time of payment, or as a result of payment, the Company is not in default on its covenants; however, there are earnings and market capitalization requirements that if not met could limit the aggregate amount of quarterly dividends payable during a fiscal year. The 2032 Notes Indenture provides for customary events of default.

We incurred debt issuance costs attributable to the 2032 Notes of \$7.3 million which are amortized to interest expense using the straight-line method over the expected life of the 2032 Notes.

2026 Notes

On February 11, 2021, we closed a private offering of \$250.0 million aggregate principal amount of our 5.625% senior secured notes due 2026 (the “2026 Notes”). The 2026 Notes incurred interest at a rate of 5.625%. Interest on the 2026 Notes is payable semi-annually in arrears on February 15 and August 15 of each year, commencing on August 15, 2021. We used the proceeds from the offering (i) to repay all obligations under and terminate the 2018 First Lien Credit Facility, (ii) to pay related fees, costs and expenses and (iii) for general corporate purposes.

On February 20, 2025 (the “Redemption Date”), we used a portion of the proceeds from the issuance and sale of the 2032 Notes to redeem all \$250.0 million of its outstanding 2026 Notes at a redemption price equal to 100% of the aggregate principal amount of the 2026 Notes, plus accrued and unpaid interest thereon to, but excluding the Redemption Date. Upon redemption of the 2026 Notes, the indenture governing the 2026 Notes was satisfied and discharged in accordance with its terms.

We incurred debt issuance costs attributable to the issuance of the 2026 Notes of \$6.4 million, with the remaining \$1.2 million written off to loss on debt extinguishment upon termination.

2023 ABL Facility

On November 7, 2023, TPB Specialty Finance, LLC, a wholly-owned subsidiary of the Company (the “ABL Borrower”), entered into a new \$75.0 million asset-backed revolving credit facility (the “2023 ABL Facility”), with the several lenders thereunder, and Barclays Bank PLC, as administrative agent (the “Administrative Agent”) and as collateral agent (the “Collateral Agent”) and First-Citizens Bank & Trust Company as additional collateral agent (the “Additional Collateral Agent”). Under the 2023 ABL Facility, the ABL Borrower may draw up to \$75.0 million under Revolving Credit Loans and Last In Last Out (“LILO”) Loans. The 2023 ABL Facility includes a \$40.0 million accordion feature. In connection with the 2023 ABL Facility, certain existing inventory was contributed to the ABL Borrower. The 2023 ABL Facility is secured on a first priority basis (subject to customary exceptions) by all assets of the ABL Borrower.

The 2023 ABL Facility contains customary borrowing conditions including a borrowing base equal to the sum of (a) the lesser of (1) 85% of the lower of (A) the market value (on a first in first out basis) of the sum of eligible inventory, plus eligible in-transit inventory of the ABL Borrower and (B) 85% of the cost of the sum of eligible inventory, plus eligible in-transit inventory of the ABL Borrower and (2) 85% of the net orderly liquidation value (“NOLV”) percentage of the lower of (1)(A) or (1)(B); plus (b) 85% of the face value of all eligible accounts of the ABL Borrower minus (c) the amount of all eligible reserves. The 2023 ABL Facility also includes a LILO borrowing base equal to the sum of (a) the lesser of: (1) 10% of the lower of (A) the market value (on a first in first out basis) of the sum of eligible inventory, plus eligible in-transit inventory of the ABL Borrower and (B) the cost of the sum of eligible inventory, plus eligible in-transit inventory and (2) 10% of the NOLV percentage of the lower of (1)(A) or (1)(B); plus (b) 10% of the face amount of eligible account; minus (c) the amount of all eligible reserves.

Amounts borrowed under the 2023 ABL Facility are subject to an interest rate margin per annum equal to (a) from and after the closing date until the last day of the first full fiscal quarter ended after the closing date, (i) 1.25% per annum, in the case base rate loans, and (ii) 2.25% per annum, in the case of revolving credit loans that are SOFR Loans, (b)(i) 2.25% per annum, in the case of LILO loans that are base rate loans, and (ii) 3.25% per annum, in the case of LILO loans that are SOFR loans, (c) on the first day of each fiscal quarter, the applicable interest rate margins will be determined from the pricing grid below based upon the historical excess availability for the most recent fiscal quarter ended immediately prior to the relevant date, as calculated by the Administrative Agent.

Level	Historical Excess Availability	Applicable Margin for SOFR Loans	Applicable Margin or Base Rate Loans
I	Greater than or equal to 66.66%	1.75 %	0.75 %
II	Less than 66.66%, but greater than or equal to 33.33%	2.00 %	1.00 %
III	Less than 33.33%	2.25 %	1.25 %

The 2023 ABL Facility also requires the Company and its restricted subsidiaries to maintain a fixed charge coverage ratio of at least 1.00 to 1.00 as of the end of any four consecutive fiscal quarters if excess availability is less than the greater of (a) 12.5% of the line cap and (b) \$9.4 million, at any time and continuing until excess availability is equal to or exceeds the greater of (i) 12.5% of the line and (ii) \$9.4 million for thirty (30) consecutive calendar days with the \$9.4 million level automatically increased in proportion to the amount of any increase in the aggregate revolving credit commitments thereunder in connection with any accordion facility.

The 2023 ABL Facility will mature on the earlier of (x) November 7, 2027 and (y) the date that is 91 days prior to the maturity date of any material debt of the ABL Borrower or the Company or any of its restricted subsidiaries (subject to customary extensions agreed by the lenders thereunder); provided that clause (y) will not apply to the extent that on any applicable date of determination (on any date prior to the date set forth in clause (y)), (A) the sum of (x) cash that is held in escrow for the repayment of such material debt pursuant to arrangements satisfactory to the Administrative Agent, (y) cash that is held in accounts with the Administrative Agent and/or the Additional Collateral Agent, plus (z) excess availability, is sufficient to repay such material debt and (B) the ABL Borrower has excess availability of at least \$15.0 million after giving effect to such repayment of material debt, including any borrowings under the commitments in connection therewith.

We have not drawn any borrowings under the 2023 ABL Facility but has letters of credit of approximately \$2.3 million outstanding under the facility and has an available balance of \$65.8 million based on the borrowing base as of December 31, 2025.

We incurred debt issuance costs attributable to the 2023 ABL Facility of \$2.6 million which are amortized to interest expense using the straight-line method over the expected life of the 2023 ABL Facility.

Additional Information with Respect to our Unrestricted Subsidiaries

Under the terms of the 2032 Notes, the Company designated certain of its subsidiaries as “Unrestricted Subsidiaries”, including Interchange Partners LLC and Intrepid Brands, LLC. The Company is required under the terms of the indenture governing the 2032 Notes to present additional information that reflects the financial condition and results of operations of the Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Company’s Unrestricted Subsidiaries as of and for the periods presented. This additional information for 2025 is presented below.

Income Statement for the year ended December 31, 2025:

	Year Ended December 31, 2025		
	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated
Net sales	\$ 384,455	\$ 78,607	\$ 463,062
Cost of sales	167,411	31,337	198,748
Gross profit	217,044	47,270	264,314
Selling, general, and administrative expenses	140,562	28,425	168,987
Operating income	76,482	18,845	95,327
Other income, net	(6,249)	(367)	(6,616)
Interest expense, net	18,480	(1,014)	17,466
Investment (gain) loss	(382)	(678)	(1,060)
(Income) losses from equity method investment	1,268	(109)	1,159
Loss on extinguishment of debt	1,235	-	1,235
Income before income taxes	62,497	20,646	83,143
Income tax expense	14,991	-	14,991
Consolidated net income	47,506	20,646	68,152
Net income attributable to non-controlling interest	759	9,228	9,987
Net income attributable to Turning Point Brands, Inc.	<u>\$ 46,747</u>	<u>\$ 11,418</u>	<u>\$ 58,165</u>

Balance Sheet as of December 31, 2025:

	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash	\$ 179,344	\$ 43,416	\$ -	\$ 222,760
Accounts receivable, net	23,335	2,391	-	25,726
Inventories, net	103,408	4,581	-	107,989
Other current assets	55,515	5,160	-	60,675
Total current assets	361,602	55,548	-	417,150
Property, plant, and equipment, net	36,107	140	-	36,247
Right of use assets	14,480	-	-	14,480
Deferred financing costs, net	1,180	-	-	1,180
Goodwill	136,097	-	-	136,097
Other intangible assets, net	64,042	-	-	64,042
Master Settlement Agreement (MSA) escrow deposits	29,887	-	-	29,887
Other assets	48,810	15,857	-	64,667
Investment in unrestricted subsidiaries	-	11,069	(11,069)	-
Total assets	<u>\$ 692,205</u>	<u>\$ 82,614</u>	<u>\$ (11,069)</u>	<u>\$ 763,750</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable	\$ 11,857	\$ 8,563	\$ -	\$ 20,420
Accrued liabilities	10,651	43,936	-	54,587
Total current liabilities	22,508	52,499	-	75,007
Deferred income tax liabilities, net	8,289	-	-	8,289
Notes payable and long-term debt	293,625	-	-	293,625
Other long-term liabilities	4,138	-	-	4,138
Lease liabilities	10,708	-	-	10,708
Total liabilities	<u>\$ 339,268</u>	<u>\$ 52,499</u>	<u>\$ -</u>	<u>\$ 391,767</u>
Commitments and contingencies				
Stockholders' equity:				
Total Turning Point Brands Inc. Stockholders' Equity/Net parent investment in unrestricted subsidiaries	351,576	13,797	(11,069)	354,304
Non-controlling interest	1,361	16,318	-	17,679
Total stockholders' equity	352,937	30,115	(11,069)	371,983
Total liabilities and stockholders' equity	<u>\$ 692,205</u>	<u>\$ 82,614</u>	<u>\$ (11,069)</u>	<u>\$ 763,750</u>

Distribution Agreements

For a description of our material distribution agreements, see Item 1. "Business - Distribution and Supply Agreements."

Master Settlement Agreement

On November 23, 1998, the major U.S. cigarette manufacturers, Philip Morris USA, Inc., Brown & Williamson Tobacco Corporation, Lorillard Tobacco Company and R.J. Reynolds Tobacco Company, entered into the MSA with attorneys general representing states that agreed to settle certain recovery actions (the "Settling States"). In order to be in compliance with the MSA and subsequent states' statutes, we were required to fund an escrow account with each of the Settling States based on the number of cigarettes or cigarette equivalents (which is measured by pounds of MYO cigarette smoking tobacco) sold in such state. We discontinued our generic category of MYO in 2019 and our Zig-Zag branded MYO cigarette smoking tobacco in 2017. Pending a change in MSA legislation, we have no remaining product lines covered by the MSA and will not be required to make future escrow deposits and, therefore, do not expect to accrue any loss contingencies subject to the MSA in the future.

The following table summarizes our escrow deposit balances (in thousands) by sales year as of:

Sales Year	Deposits as of December 31,	
	2025	2024
1999	\$ 130	\$ 211
2000	1,017	1,017
2001	1,673	1,673
2002	2,271	2,271
2003	4,249	4,249
2004	3,714	3,714
2005	4,553	4,553
2006	3,847	3,847
2007	4,167	4,167
2008	3,364	3,364
2009	1,619	1,619
2010	406	406
2011	193	193
2012	199	199
2013	173	173
2014	143	143
2015	101	101
2016	91	91
2017	82	82
Total	<u>\$ 31,992</u>	<u>\$ 32,073</u>

Off-Balance Sheet Arrangements

At December 31, 2025, we had no foreign currency contracts outstanding. During 2024, we executed various foreign exchange contracts for the purchase and sale of €3.6 million. At December 31, 2024, we had foreign currency contracts outstanding for the purchase and sale of €2.1 million. The fair value of the foreign currency contracts were based on quoted market prices and resulted in an asset of \$0.0 million included in Other current assets and a liability of \$0.1 million included in Accrued liabilities at December 31, 2024.

Future Cash Requirements

The Company's primary future cash requirements will be to fund operations, lease payments, debt service and capital expenditures. The Company's contractual obligations primarily include long-term debt and lease obligations. For information regarding our long-term debt obligations and cash payment obligations thereunder, please see above and Note 14, "Notes Payable and Long-Term Debt" in Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K. For information regarding our lease obligations and cash payment obligations thereunder, please see Note 17, "Lease Commitments" in the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K.

In 2025, we made no repurchases of our common stock. In 2024, we repurchased 154,945 shares of our common stock for a total cost of \$5.1 million at an average price per share of \$32.60, and have \$200 million of authorization remaining under our Board approved repurchase program at December 31, 2025.

Regulation and Legislation

While we are subject to several regulatory regimes and requirements, the following may meaningfully impact operations or resources:

Federal Regulation

Certain tobacco and nicotine products, cigarette papers, and cigarette tubes are subject to federal excise taxes. Any future increases in federal excise taxes on the Company's products could have a material adverse effect on the results of operations or financial condition of the Company. The Company is unable to predict the likelihood of future increases in federal excise taxes. As of December 31, 2025, federal excise taxes are not assessed on certain novel nicotine products, including nicotine pouches, e-cigarettes and related products. Changes to these requirements could affect our results of operations.

State and Local Regulation

As of December 31, 2025, the states require excise tax payments on most of our products. These required taxes may increase over time or be expanded to cover additional product categories and may in some cases impact the consumer demand of the products. In addition, there are several local taxing jurisdictions requiring taxes and/or licensing. Several states have also implemented or are considering implementing additional regulations on our products, including sales restrictions. These requirements may impact which products we are allowed to offer for sale or may influence retailers' likelihood of carrying regulated products more generally.

FDA Regulation

On June 22, 2009, the Family Smoking Prevention and Tobacco Control Act ("FSPTCA") authorized the FDA to immediately regulate the manufacture, sale, and marketing of four categories of tobacco products – cigarettes, cigarette tobacco, roll-your-own tobacco, and smokeless tobacco. On August 8, 2016, the FDA deeming regulation became effective. The deeming regulation gave the FDA the authority to also regulate all products made or derived from tobacco intended for human consumption, but excluding accessories of tobacco products (such as lighters). Accordingly, the FDA has since regulated our cigar and cigar wrap products. Subsequently, on April 14, 2022, the FDA Center for Tobacco Products also obtained jurisdiction over non-tobacco nicotine products ("NTN Products"), including synthetic nicotine. That law subjects NTN Products to the same requirements as tobacco-derived products.

The FDA currently assesses tobacco product user fees on six classes of regulated tobacco products and computes user fees using a methodology similar to the methodology used by the U.S. Department of Agriculture to compute the Tobacco Transition Payment Program ("TTPP," also known as the "Tobacco Buyout") assessment. First, the total, annual, congressionally established user fee assessment is allocated among the various classes of tobacco products using the federal excise tax weighted market share of tobacco products subject to regulation. Then, the assessment for each class of tobacco products is divided among individual manufacturers and importers.

Tobacco products regulated by FDA are subject to premarket filing requirements, most significantly Premarket Tobacco Product Applications ("PMTAs") or Substantial Equivalence Reports ("SEs").

A successful PMTA must demonstrate that the subject product is "appropriate for the protection of public health," taking into account the effect of the marketing of the product on all sub-populations while a Substantial Equivalence Report must demonstrate that a new product either has the same characteristics as its predicate product or different characteristics but does not raise different questions of public health. We submitted premarket filings for certain of our regulated products in order to continue selling these products while they remain under review. We have continued to supplement these applications with additional information and have responded to information requests from the FDA; however, there can be no guarantee that the FDA will accept such amendments and responses or that the applications will meet the standard of "appropriate for the protection of public health" or "substantially equivalent," as appropriate. FDA's interpretation and implementation of these standards likewise may change over time, which may negatively impact our existing or future premarket filings. Currently, the FDA has indicated its enforcement priority is those applicants who have received negative action on their application, such as a Marketing Denial Order or Refuse to File notification and who continue to illegally sell those unauthorized products, as well as products for which manufacturers failed to submit a premarket filing. Despite these stated enforcement priorities, given the FDA's limited resources we expect that for a period of time there may be a lack of enforcement, which may adversely impact our ability to compete in the marketplace against those who continue to sell unauthorized products. This issue could grow worse should the federal government decrease the size of certain agencies or resources, including the U.S. Department of Justice or U.S. Customs and Border Protection.

On May 4, 2022, the FDA proposed two tobacco product standards related to combusted tobacco products: (1) a ban on menthol as a characterizing flavor in cigarettes; and (2) a ban on all characterizing flavors (including menthol) in cigars. On June 21, 2022, the FDA also issued a proposed product standard related to restricting the level of nicotine in traditional cigarettes. On March 8, 2023, the FDA proposed requirements for tobacco product manufacturing practice ("TPMPs"). Once finalized, TPMPs would establish requirements for tobacco product manufacturers regarding the manufacture, design, packing and storage of finished and bulk tobacco products. These regulations are required to go through the formal rulemaking process where we have had the opportunity to provide comments with regard to the impact such standards would have on our products. As of February 2025, these proposed rules were withdrawn or otherwise delayed. The FDA's policy on these and other regulated products may change or expand over time in ways not yet known and may significantly impact our products or our premarket filings.

Inflation

Inflation in general and the continued increases in costs of goods and services, such as food and gas prices, have had a substantial negative effect on the purchasing power of consumers. While historically, we have been able to pass on most cost increases to our consumers, no assurance can be given that we will continue to be able to do so. In addition, we have been able to maintain a relatively stable variable cost structure for our products due, in part, to our successful procurement with regard to our tobacco products and, in part, to our existing contractual agreement for the purchase of our premium cigarette papers.

Recent Accounting Pronouncements

See Item 8 of Part II, “Financial Statements and Supplementary Data - Note 2 - Summary of Significant Accounting Policies - Recent Accounting Pronouncements”.

Critical Accounting Estimates

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the U.S. When more than one accounting principle, or the method of its application, is generally accepted, we select the principle or method that is appropriate in the specific circumstances. Application of these accounting principles requires us to make estimates about the future resolution of existing uncertainties. Actual results could differ from these estimates. We evaluate our estimates, including those related to intangibles, investments in debt security and the fair value of the Creative Distribution Solutions segment on an ongoing basis. We base these estimates on our historical experience and other assumptions we believe are appropriate under the circumstances. In preparing these consolidated financial statements, we have made our best estimates and judgments of the amounts and disclosures included in the consolidated financial statements. Our significant accounting policies are discussed in Note 2 of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K.

Indefinite-lived Intangible Assets

We follow the provisions of ASC 350, Intangibles – Goodwill and Other in accounting for indefinite-lived intangible assets. Indefinite-lived intangible assets are tested for impairment annually on December 31, or more frequently if certain indicators are present, in accordance with ASC 350-20-35 and ASC 350-30-35, respectively. Examples of such indicators could include but are not limited to a significant loss of market share, significant decline in operating results, change in management strategy or operations, economic decline, and other significant disruptions to the business.

We estimate the fair value of our indefinite-lived assets using the relief from royalty valuation methodology. This methodology is based on what the Company would be willing to pay as a royalty in order to exploit the related benefits of the asset. The value of the asset is determined by discounting the inherent after-tax royalty savings associated with ownership or possession of the asset over the expected useful life. In 2024, based on quantitative assessments, the fair values of our Zig-Zag and Stokers’ indefinite-lived intangible assets exceeded their carrying values by a significant amount. We identified the estimate of the fair value of the Company’s indefinite lived assets as a critical estimate because of the significant assumptions used in these analyses including, but are not limited to, projected revenue, the weighted average cost of capital and royalty rate. We used modest growth rates in projecting the revenue related to these indefinite-lived intangible assets. As we do for each impairment assessment, for our future impairment assessments we will evaluate the reasonableness and relevance of our previous performance assumptions, considering both internal and external factors existing at the impairment test date, to determine if changes to those performance assumptions are warranted.

If actual results are not consistent with the Company’s estimates and/or other assumptions change, the Company may be exposed to future impairment charges that could materially and adversely impact its financial position and results of operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Sensitivity

Our inventory purchases from RTI are denominated in euros. Accordingly, we have exposure to potentially adverse movements in the euro exchange rate. In addition, RTI provides a contractual hedge against catastrophic currency fluctuation in our agreement. We do not use derivative financial instruments for speculative trading purposes, nor do we hedge our foreign currency exposure in a manner that offsets the effects of changes in foreign exchange rates.

We regularly review our foreign currency risk and hedging programs and may as part of that review determine at any time to change our hedging policy. During 2025, we did not execute any foreign exchange contracts. During 2024, we executed various foreign exchange contracts for the purchase of €3.6 million and sale of €3.6 million with maturity dates ranging from October 2024 to June 2025. At December 31, 2025, we had no foreign currency contracts outstanding. A 10% change in the euro to U.S. dollars exchange rate would change our pre-tax income by approximately \$1.7 million per year.

Credit Risk

At December 31, 2025 and 2024, we had bank deposits, including MSA escrows, in excess of federally insured limits of approximately \$221.8 million and \$47.4 million, respectively. The Company has chosen to invest a portion of the MSA escrows, from time to time, in U.S. Government securities including Treasury notes and Treasury bonds. We sell our products to distributors, retail establishments, and individual consumers throughout the U.S. and also have sales of *Zig-Zag*[®] premium cigarette papers in Canada. In 2025, we had no customers that accounted for more than 10% of our net sales. In 2024 we had one customer that accounted for more than 10% of our net sales and in 2023 we had no customers that accounted for more than 10% of our net sales. We perform periodic credit evaluations of our customers and generally do not require collateral on trade receivables. Historically, we have not experienced significant losses due to customer credit issues.

Interest Rate Sensitivity

In February 2025, we issued the 2032 Notes in an aggregate principal amount of \$300 million. We carry the 2032 Notes at face value. Since the 2032 Notes bear interest at a fixed rate, we have no financial statement risk associated with increases in interest rates. However, the fair value of the 2032 Notes changes when the market price of our stock fluctuates, or interest rates change. Our remaining debt instrument is the 2023 ABL Facility, which has no borrowing outstanding. The 2023 ABL Facility is subject to a floating rate. Accordingly, if we make borrowings under the 2023 ABL Facility, we will be exposed to fluctuations in interest rates.

Item 8. Financial Statements and Supplementary Data

TURNING POINT BRANDS, INC.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors
Turning Point Brands, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheet of Turning Point Brands, Inc. and subsidiaries (the Company) as of December 31, 2025, the related consolidated statements of income, comprehensive income, cash flows and changes in stockholders' equity for the year ended December 31, 2025, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and the results of its operations and its cash flows for the year ended December 31, 2025, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Report of Independent Registered Public Accounting Firm (continued)

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of whether General Wireless Operations, Inc. and its distribution business were variable interest entities of the Company

As discussed in Notes 2 and 12 to the consolidated financial statements, during the year ended December 31, 2025, the Company contributed 100% of its interest in South Beach Brands LLC (SBB) to General Wireless Operations, Inc. (GWO) in exchange for 49% of the issued and outstanding GWO common stock. The Company has the right to redeem the contribution of SBB from GWO at fair market value under certain circumstances and also received a purchase option with a 15-year term to acquire the remaining 51% equity interest in GWO. Subsequent to this first transaction, on August 8, 2025, SBB acquired a distribution business. In connection with this acquisition, 10233625 Canada Corp. (Turning Point Brands Canada), an indirect consolidated subsidiary of the Company, purchased an option from SBB to acquire this distribution business for fair market value less the option price. The Company evaluates whether it holds a controlling financial interest in unconsolidated entities, whether the entities are variable interest entities (VIEs) and if the Company is the primary beneficiary of any identified VIE to determine whether the Company is required to consolidate the entities. The Company performs this analysis on an ongoing basis. The Company concluded that the distribution business acquired by GWO is a VIE that the Company is not required to consolidate and, upon reconsideration, concluded GWO meets the definition of a VIE and is accounted for as an equity method investment.

We identified the evaluation of whether the distribution business acquired by GWO and, upon reconsideration, GWO were VIEs of the Company as a critical audit matter. Complex auditor judgment and increased extent of audit effort was required to evaluate the Company's determination of (1) whether GWO and the distribution business acquired by GWO were VIEs and (2) the primary beneficiary of the VIEs, which required management to apply complex consolidation accounting standards and make significant judgments.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's application of the variable interest model and assessment of reconsideration events. We evaluated the reasonableness of the Company's conclusions related to whether the distribution business acquired by GWO was a VIE of the Company. Specifically, we (1) evaluated the terms of the agreements by reading the purchase agreements and other related documents that govern the formation and activities of the entities (the Contractual Arrangements), (2) tested whether the Company appropriately determined the primary beneficiary by evaluating the Contractual Arrangements of the entities to determine if the Company has the power to direct activities that most significantly impact the economic performance of the VIE, and if the Company has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could be significant to the VIE, (3) read the terms of the option purchased by the Company, through the Canadian subsidiary, and evaluated whether the terms met the power criterion, and (4) evaluated the terms and tested whether any party has the unilateral and substantive right to terminate related agreements, including through inquiry of internal counsel. Additionally, we evaluated the Company's assessment that the reconsideration event resulted in GWO becoming a VIE of the Company accounted for under the equity method of accounting by assessing the underlying terms and nature of agreements between the Company, GWO and its acquired distribution business.

/s/ KPMG LLP

We have served as the Company's auditor since 2025.

Louisville, Kentucky
March 2, 2026

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Turning Point Brands, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Turning Point Brands, Inc. and its subsidiaries (the Company) as of December 31, 2024, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2024, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

We served as the Company's auditor from 2006 to 2025.

Charlotte, North Carolina

March 6, 2025

Turning Point Brands, Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2025 and 2024
(dollars in thousands except share data)

	December 31, 2025	December 31, 2024
ASSETS		
Current assets:		
Cash	\$ 222,760	\$ 46,158
Accounts receivable, net of allowances of \$206 in 2025 and \$66 in 2024	25,726	9,624
Inventories, net	107,989	96,253
Current assets held for sale	-	11,470
Other current assets	60,675	34,700
Total current assets	417,150	198,205
Property, plant, and equipment, net	36,247	26,337
Deferred income tax assets, net	-	995
Right of use assets	14,480	11,610
Deferred financing costs, net	1,180	1,823
Goodwill	136,097	135,932
Other intangible assets, net	64,042	65,254
Master Settlement Agreement (MSA) escrow deposits	29,887	28,676
Noncurrent assets held for sale	-	3,859
Other assets	64,667	20,662
Total assets	<u>\$ 763,750</u>	<u>\$ 493,353</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 20,420	\$ 11,675
Accrued liabilities	54,587	31,096
Current liabilities held for sale	-	2,049
Total current liabilities	75,007	44,820
Deferred income tax liabilities, net	8,289	-
Notes payable and long-term debt	293,625	248,604
Other long-term liabilities	4,138	-
Lease liabilities	10,708	9,549
Total liabilities	<u>391,767</u>	<u>302,973</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; \$0.01 par value; authorized shares 40,000,000; issued and outstanding shares -0-	-	-
Common stock, voting, \$0.01 par value; authorized shares, 190,000,000; 20,589,527 issued shares, 19,132,384 outstanding shares at December 31, 2025, and 20,200,886 issued shares, 17,729,481 outstanding shares at December 31, 2024	216	202
Common stock, nonvoting, \$0.01 par value; authorized shares, 10,000,000; issued and outstanding shares -0-	-	-
Additional paid-in capital	203,627	126,662
Cost of repurchased common stock (1,457,143 and 2,471,405 shares at December 31, 2025 and 2024)	(47,637)	(83,144)
Accumulated other comprehensive loss	(1,563)	(2,903)
Accumulated earnings	199,661	147,164
Non-controlling interest	17,679	2,399
Total stockholders' equity	<u>371,983</u>	<u>190,380</u>
Total liabilities and stockholders' equity	<u>\$ 763,750</u>	<u>\$ 493,353</u>

The accompanying notes are an integral part of the consolidated financial statements.

Turning Point Brands, Inc. and Subsidiaries
Consolidated Statements of Income
for the years ended December 31, 2025, 2024, and 2023
(dollars in thousands except share data)

	For the years ended December 31,		
	2025	2024	2023
Net sales	\$ 463,062	\$ 360,660	\$ 325,064
Cost of sales	198,748	159,095	142,122
Gross profit	264,314	201,565	182,942
Selling, general, and administrative expenses	168,987	122,407	104,327
Other operating income	-	(1,674)	(4,345)
Operating income	95,327	80,832	82,960
Other income, net	(6,616)	-	(4,000)
Interest expense, net	17,466	13,983	14,645
Investment (gain) loss	(1,060)	1,968	9,601
(Income) losses from equity method investment	1,159	(75)	2,313
Loss (gain) on extinguishment of debt	1,235	-	(1,664)
Income from continuing operations before income taxes	83,143	64,956	62,065
Income tax expense	14,991	16,929	23,999
Income from continuing operations	68,152	48,027	38,066
Loss from discontinued operations, net of tax	-	(7,517)	(285)
Consolidated net income	68,152	40,510	37,781
Net income (loss) attributable to non-controlling interest	9,987	701	(681)
Net income attributable to Turning Point Brands, Inc.	\$ 58,165	\$ 39,809	\$ 38,462
Basic income (loss) per common share:			
Continuing operations	\$ 3.18	\$ 2.67	\$ 2.20
Discontinued operations	-	(0.43)	(0.01)
Basic earnings per share	\$ 3.18	\$ 2.24	\$ 2.19
Diluted income (loss) per common share:			
Continuing operations	\$ 3.11	\$ 2.53	\$ 2.02
Discontinued operations	-	(0.39)	(0.01)
Diluted earnings per share	\$ 3.11	\$ 2.14	\$ 2.01
Weighted average common shares outstanding:			
Basic	18,314,047	17,734,239	17,578,270
Diluted	18,730,635	19,362,806	20,467,406

The accompanying notes are an integral part of the consolidated financial statements.

Turning Point Brands, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
for the years ended December 31, 2025, 2024, and 2023
(dollars in thousands)

	For the years ended December 31,		
	2025	2024	2023
Consolidated net income	\$ 68,152	\$ 40,510	\$ 37,781
Other comprehensive income (loss), net of tax			
Unrealized (loss) gain on MSA investments, net of tax of \$287 in 2025 and \$9 in 2024 and \$161 in 2023	1,004	(17)	542
Foreign currency translation, net of tax of \$0 in 2025, 2024, and 2023	219	(197)	(74)
Unrealized (loss) gain on derivative instruments, net of tax of \$18 in 2025, \$54 in 2024 and \$237 in 2023	63	(173)	(747)
Unrealized gain on investments, net of tax of \$48 in 2025 and \$0 in 2024	99	50	-
	<u>1,385</u>	<u>(337)</u>	<u>(279)</u>
Consolidated comprehensive income	69,537	40,173	37,502
Comprehensive income (loss) attributable to non-controlling interest	10,032	619	(705)
Comprehensive income attributable to Turning Point Brands, Inc.	<u>\$ 59,505</u>	<u>\$ 39,554</u>	<u>\$ 38,207</u>

The accompanying notes are an integral part of the consolidated financial statements.

Turning Point Brands, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
for the years ended December 31, 2025, 2024, and 2023
(dollars in thousands)

	For the years ended December 31,		
	2025	2024	2023
Cash flows from operating activities:			
Consolidated net income	\$ 68,152	\$ 40,510	\$ 37,781
Loss from discontinued operations, net of tax	-	7,517	285
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss (gain) on extinguishment of debt	1,235	-	(1,664)
Loss on sale of property, plant, and equipment	106	75	62
Gain on insurance recovery of inventory loss	-	-	(15,181)
Loss (gain) from equity method investments	1,159	(75)	2,313
(Gain) Loss on investments	(484)	2,797	9,864
Depreciation and other amortization expense	6,177	4,439	2,921
Amortization of other intangible assets	1,239	1,223	1,197
Amortization of deferred financing costs	1,714	2,430	2,445
Deferred income tax expense	8,931	519	7,024
Stock compensation expense	6,974	7,243	6,561
Noncash lease income	(1,797)	(622)	(72)
Gain on MSA investments	-	(14)	-
Changes in operating assets and liabilities:			
Accounts receivable	(16,114)	185	(2,625)
Inventories	(11,584)	(4,770)	13,287
Other current assets	(25,413)	(1,421)	(3,794)
Other assets	(4,835)	(1,767)	(4,865)
Accounts payable	8,603	3,689	100
Accrued liabilities and other	13,311	(1,000)	601
Operating cash flows from continuing operations	57,374	60,958	56,240
Operating cash flows from discontinued operations	-	6,104	10,641
Net cash provided by operating activities	\$ 57,374	\$ 67,062	\$ 66,881
Cash flows from investing activities:			
Capital expenditures	\$ (13,529)	\$ (4,623)	\$ (5,707)
Purchases of investments	(13,755)	(10,857)	(202)
Proceeds from sale of investments	6,363	5,420	-
Purchase of options agreement	(8,000)	-	-
Purchases of non-marketable equity investments	(2,783)	(500)	-
Proceeds on sale of property, plant and equipment	-	5	3
MSA escrow deposits, net	33	46	-
Investing cash flows from continuing operations	(31,671)	(10,509)	(5,906)
Investing cash flows from discontinued operations	-	-	-
Net cash used in investing activities	\$ (31,671)	\$ (10,509)	\$ (5,906)

Turning Point Brands, Inc. and Subsidiaries
Consolidated Statements of Cash Flows (cont.)
for the years ended December 31, 2025, 2024, and 2023
(dollars in thousands)

	For the years ended December 31,		
	2025	2024	2023
Cash flows from financing activities:			
Convertible Senior Notes repurchased	\$ -	\$ (118,541)	\$ (41,794)
Payment of 2026 Senior Notes	(250,000)	-	-
Proceeds from 2032 Notes	300,000	-	-
At the market offering proceeds	97,499	-	-
Interchange subscription agreement	11,000	-	-
Proceeds from call options	-	-	114
Payment of dividends	(5,519)	(4,905)	(4,497)
Payments of financing costs	(7,285)	(133)	(2,437)
Exercise of options	7,561	2,807	450
Redemption of options	(33)	(335)	(346)
Redemption of restricted stock units	(2,324)	(914)	(995)
Issuance of restricted stock units	1	-	-
Redemption of performance based restricted stock units	(2,626)	(1,212)	-
Issuance of performance based restricted stock units	-	-	-
Common stock repurchased	-	(5,051)	-
Financing cash flows from continuing operations	148,274	(128,284)	(49,505)
Financing cash flows from discontinued operations	-	-	-
Net cash provided by (used in) financing activities	\$ 148,274	\$ (128,284)	\$ (49,505)
Net increase (decrease) in cash	\$ 173,977	\$ (71,731)	\$ 11,470
Effect of foreign currency translation on cash	\$ (205)	\$ (182)	\$ 13
Cash, beginning of period:			
Unrestricted	\$ 48,941	\$ 117,886	\$ 106,403
Restricted	1,961	4,929	4,929
Total cash at beginning of period	\$ 50,902	\$ 122,815	\$ 111,332
Cash, end of period:			
Unrestricted	\$ 222,760	\$ 48,941	\$ 117,886
Restricted	1,914	1,961	4,929
Total cash at end of period	\$ 224,674	\$ 50,902	\$ 122,815
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ 20,451	\$ 17,488	\$ 18,047
Cash paid during the period for income taxes, net	\$ 10,384	\$ 20,997	\$ 12,447
Supplemental schedule of noncash investing activities:			
Accrued capital expenditures	\$ -	\$ 18	\$ 8
Accrued consideration for acquisition of investments	\$ -	\$ -	\$ 248
Supplemental schedule of noncash financing activities:			
Dividends declared not paid	\$ 1,443	\$ 1,588	\$ 1,489

The accompanying notes are an integral part of the consolidated financial statements.

Turning Point Brands, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholders' Equity
for the years ended December 31, 2025, 2024, and 2023
(dollars in thousands)

	Voting Shares	Common Stock, Voting	Additional Paid-In Capital	Cost of Repurchased Common Stock	Accumulated Other Comprehensive Income (Loss)	Accumulated Earnings (Deficit)	Non- Controlling Interest	Total
Beginning balance January 1, 2023	<u>17,485,163</u>	<u>\$ 198</u>	<u>\$ 113,242</u>	<u>\$ (78,093)</u>	<u>\$ (2,393)</u>	<u>\$ 78,691</u>	<u>\$ 1,735</u>	<u>\$ 113,380</u>
Unrealized loss on MSA investments, net of tax of \$161	-	\$ -	\$ -	\$ -	\$ 542	\$ -	\$ -	\$ 542
Unrealized gain on derivative instruments, net of tax of \$237	-	-	-	-	(747)	-	-	(747)
Foreign currency translation, net of tax of \$0	-	-	-	-	(50)	-	(24)	(74)
Stock compensation expense	-	-	6,561	-	-	-	-	6,561
Exercise of options	33,851	-	450	-	-	-	-	450
Redemption of options	(15,985)	-	(346)	-	-	-	-	(346)
Issuance of performance based restricted stock units	105,032	1	75	-	-	-	-	76
Redemption of performance based restricted stock units	(34,704)	-	(800)	-	-	-	-	(800)
Issuance of restricted stock units	40,910	-	2	-	-	-	-	2
Redemption of restricted stock units	(8,590)	-	(195)	-	-	-	-	(195)
Settlement of call options, net of tax of \$28	-	-	86	-	-	-	-	86
Dividends	-	-	-	-	-	(4,710)	-	(4,710)
Net income	-	-	-	-	-	38,462	(681)	37,781
Ending balance December 31, 2023	<u>17,605,677</u>	<u>\$ 199</u>	<u>\$ 119,075</u>	<u>\$ (78,093)</u>	<u>\$ (2,648)</u>	<u>\$ 112,443</u>	<u>\$ 1,030</u>	<u>\$ 152,006</u>
Unrealized gain on MSA investments, net of tax of \$9	-	\$ -	\$ -	\$ -	\$ (17)	\$ -	\$ -	\$ (17)
Unrealized loss on derivative instruments, net of tax of \$54	-	-	-	-	(173)	-	-	(173)
Foreign currency translation, net of tax of \$0	-	-	-	-	(115)	-	(82)	(197)
Unrealized gain on investments, net of tax of \$0	-	-	-	-	50	-	-	50
Acquisition of non-controlling interest	-	-	-	-	-	-	750	750
Stock compensation expense	-	-	7,243	-	-	-	-	7,243
Exercise of options	132,572	1	2,806	-	-	-	-	2,807
Redemption of options	(9,735)	-	(335)	-	-	-	-	(335)
Issuance of performance based restricted stock units	129,316	1	-	-	-	-	-	1
Redemption of performance based restricted stock units	(48,170)	-	(1,212)	-	-	-	-	(1,212)
Issuance of restricted stock units	106,249	1	78	-	-	-	-	79
Redemption of restricted stock units	(31,483)	-	(993)	-	-	-	-	(993)
Cost of repurchased common stock	(154,945)	-	-	(5,051)	-	-	-	(5,051)
Dividends	-	-	-	-	-	(5,088)	-	(5,088)
Net income	-	-	-	-	-	39,809	701	40,510
Ending balance December 31, 2024	<u>17,729,481</u>	<u>\$ 202</u>	<u>\$ 126,662</u>	<u>\$ (83,144)</u>	<u>\$ (2,903)</u>	<u>\$ 147,164</u>	<u>\$ 2,399</u>	<u>\$ 190,380</u>
Unrealized loss on MSA investments, net of tax of \$287	-	\$ -	\$ -	\$ -	\$ 1,004	\$ -	\$ -	\$ 1,004
Unrealized loss on derivative instruments, net of tax of \$18	-	-	-	-	63	-	-	63
Foreign currency translation, net of tax of \$0	-	-	-	-	174	-	45	219
Unrealized gain on investments, net of tax of \$48	-	-	-	-	99	-	-	99
Stock compensation expense	-	-	6,974	-	-	-	-	6,974
Exercise of options	245,855	2	7,559	-	-	-	-	7,561
Redemption of options	(572)	-	(33)	-	-	-	-	(33)
Issuance of performance based restricted stock units	104,532	-	-	-	-	-	-	-
Redemption of performance based restricted stock units	(34,196)	1	(2,627)	-	-	-	-	(2,626)
Issuance of restricted stock units	103,612	1	-	-	-	-	-	1
Redemption of restricted stock units	(30,590)	-	(2,324)	-	-	-	-	(2,324)
Interchange subscription agreement contribution	-	-	5,752	-	-	-	5,248	11,000
Issuance of common stock in connection with the At-the-Market Offering Program, net of fees	1,014,262	10	61,664	35,507	-	-	-	97,181
Dividends	-	-	-	-	-	(5,668)	-	(5,668)
Net income	-	-	-	-	-	58,165	9,987	68,152
Ending balance December 31, 2025	<u>19,132,384</u>	<u>\$ 216</u>	<u>\$ 203,627</u>	<u>\$ (47,637)</u>	<u>\$ (1,563)</u>	<u>\$ 199,661</u>	<u>\$ 17,679</u>	<u>\$ 371,983</u>

The accompanying notes are an integral part of the consolidated financial statements.

Turning Point Brands, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(dollars in thousands, except where designated and per share data)

Note 1. Organizations and Basis of Presentation

Description of Business

Turning Point Brands, Inc., including its subsidiaries (collectively referred to herein as the “Company,” “we,” “our,” or “us”), is a leading manufacturer, marketer and distributor of branded consumer products. The Company sells a wide range of products to adult consumers consisting of staple products with its iconic brands *Zig-Zag*® and *Stoker's*® and its next generation products to fulfill evolving consumer preferences. The Company's segments are led by its core proprietary and iconic brands: *Zig-Zag*® and *Stoker's*® along with *FRE*®, *Beech-Nut*® and *Trophy*®. The Company's products are available in more than 220,000 retail outlets in North America. The Company operates two segments, *Zig-Zag* products and *Stoker's* products.

Discontinued Operations

On January 2, 2025, the Company contributed 100% of its interest in South Beach Brands LLC (“SBB”), the subsidiary that owned and operated the Company's former Creative Distribution Solutions (“CDS”) reportable segment, to General Wireless Operations, Inc. (“GWO”) in exchange for 49% of the issued and outstanding GWO common stock. GWO is majority owned by Standard General, LP. The Company established RSH Holding Trust (“RSH Trust”) to hold its interest in GWO which is managed by an independent trustee that votes our interest in GWO in accordance with GWO's board's recommendation, and GWO is controlled by Standard General, L.P.

As of December 31, 2024, the assets and liabilities associated with the CDS segment were classified as held for sale. Accordingly, the financial results of the CDS segment were classified as discontinued operations and reported separately for all periods presented herein until its disposition on January 2, 2025. Following the discontinued operations classification, the Company has two reportable segments, which are reflected herein. Unless otherwise noted, disclosures in the notes to these consolidated financial statements relate solely to the Company's continuing operations, comprised of the *Zig-Zag* and *Stoker's* segments. See Note 3, “Assets and Liabilities Held for Sale and Discontinued Operations” for additional information regarding the CDS divestiture, including the assets and liabilities held for sale and the income or losses from discontinued operations.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the U.S. (“U.S. GAAP”) and Securities and Exchange Commission (“SEC”) regulations. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The Company's estimates include those affecting the valuation of goodwill and other intangible assets, the fair value of assets held for sale, deferred income tax valuation allowances, the valuation of investments, share-based payments, and the valuation of inventory, including reserves.

Certain prior year amounts have been reclassified to conform to the current year's presentation. The changes did not have an impact on the Company's consolidated financial position, results of operations, or cash flows in any of the periods presented.

Note 2. Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries, all of which are wholly-owned, and variable interest entities (“VIEs”) for which the Company is considered to have a controlling interest based on the voting interest entity model or the variable interest entity model. All significant intercompany transactions have been eliminated.

U.S. GAAP requires the Company to identify entities for which control is achieved through means other than voting rights and to determine whether the Company is the primary beneficiary of VIEs. A VIE is broadly defined as an entity with one or more of the following characteristics: (a) the total equity investment at risk is insufficient to finance the entity's activities without additional subordinated financial support; (b) as a group, the holders of the equity investment at risk lack (i) the ability to make decisions about the entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the

entity, or (iii) the right to receive the expected residual returns of the entity; and (c) the equity investors have voting rights that are not proportional to their economic interests, and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. The Company consolidates its investment in a VIE when it determines that it is the VIE's primary beneficiary. The Company may change its original assessment of a VIE upon subsequent events such as the modification of contractual arrangements that affects the characteristics or adequacy of the entity's equity investments at risk and the disposition of all or a portion of an interest held by the primary beneficiary.

The primary beneficiary of a VIE is the entity that has both: (i) the power to direct the activities of the VIE that most significantly impact the entity's economic performance; and (ii) the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the entity. The Company performs this analysis on an ongoing basis.

The Company determines whether an entity is a VIE at the inception of its variable interest in the entity and upon the occurrence of certain reconsideration events.

Management of the Company has determined that Turning Point Brands Canada and ALP Supply Co, LLC ("ALP") are VIEs for which the Company is required to consolidate and determined that the distribution business acquired by General Wireless Operations, Inc. (refer to Note 12, "Other Assets") is a VIE for which the Company is not required to consolidate. The Company has a 65% financial interest in the equity of Turning Point Brands Canada, provides additional subordinated financing and has a distribution agreement for the sale of the Company's products that makes up a significant portion of Turning Point Brands Canada's business activities. The Company has a 50% equity interest in ALP, provides additional financing, has a supply agreement to be the exclusive provider of product and is the primary beneficiary due to the power the Company has over the activities that most significantly impact the economic performance, and the right to receive benefits and the obligation to absorb losses. RSH Trust, which was established by the Company and is managed by an independent trustee that votes our interest in GWO in accordance with GWO's board's recommendations, holds 49% indirect interest in the distribution business through its interests in General Wireless Operations, Inc. ("GWO") and, through Turning Point Brands Canada, the Company has a variable interest through a purchase option to acquire the equity interests of GWO's distribution business. However, the Company does not have the ability to direct the activities that impact the performance of the business. GWO is controlled by Standard General, L.P. Based on the foregoing, management believes in its judgement that the distribution business is a VIE for which the Company is not required to consolidate. See Note 12 "Other Assets" for further discussion of the acquisition of the distribution business by General Wireless Operations, Inc. and the terms of the option on its equity interests. Turning Point Brands Canada charged a fee to the distribution business in 2025. The agreement was terminated in the fourth quarter.

Subsequent to the acquisition of the distribution business by General Wireless Operations, the Company determined that the General Wireless Operations Equity Method Investment is a VIE of which we are not the primary beneficiary. We considered the Company's interest at risk due to a lack of power, through voting rights, to direct the activities that most significantly impact General Wireless Operations' economic performance. Standard General, L.P.'s voting rights are conveyed through an equity interest that is not considered at risk. Based on the foregoing, management believes in its judgement that General Wireless Operations is a VIE for which the Company is not required to consolidate.

Revenue Recognition

The Company recognizes revenues in accordance with Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers (Topic 606), which includes excise taxes and shipping and handling charges billed to customers, net of cash discounts for prompt payment, sales returns and incentives, upon delivery of goods to the customer – at which time the Company's performance obligation is satisfied - at an amount that the Company expects to be entitled to in exchange for those goods in accordance with the five-step analysis outlined in Topic 606: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations, and (v) recognize revenue when (or as) performance obligations are satisfied. The Company includes in its transaction price excise taxes on smokeless tobacco, cigars or other nicotine products billed to customers, and excludes sales taxes and value-added taxes imposed at the time of sale.

The Company records an allowance for sales returns, based principally on historical volume and return rates, which is included in accrued liabilities on the consolidated balance sheets. The Company records sales incentives, which consist of consumer incentives and trade promotion activities, as a reduction in revenues (a portion of which is based on amounts estimated to be due to wholesalers, retailers and consumers at the end of the period) based principally on historical volume and utilization rates. Expected payments for sales incentives are included in accrued liabilities on the consolidated balance sheets.

A further requirement of ASC 606 is for entities to disaggregate revenue recognized from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Company's management views business performance through segments that closely resemble the performance of major product lines. Thus, the primary and most useful disaggregation of the Company's contract revenue for decision making purposes is the disaggregation by segment which can be found in Note 21, "Segment Information".

Held for Sale and Discontinued Operations

The Company classifies assets and liabilities to be sold (disposal group) as held for sale in the period when all of the applicable criteria are met, including: (i) management commits to a plan to sell, (ii) the disposal group is available to sell in its present condition, (iii) there is an active program to locate a buyer, (iv) the disposal group is being actively marketed at a reasonable price in relation to its fair value, (v) significant changes to the plan to sell are unlikely, and (vi) the sale of the disposal group is generally probable of being completed within one year.

Assets and liabilities held for sale are presented separately within the Consolidated Balance Sheets with any adjustments necessary to measure the disposal group at the lower of its carrying value or fair value less costs to sell. Depreciation of property, plant and equipment and amortization of intangible and right-of-use assets are not recorded while these assets are classified as held for sale. For each period the disposal group remains classified as held for sale, its recoverability is reassessed, and any necessary adjustments are made to its carrying value.

The Company reports the results of operations of a business as discontinued operations if a disposal represents a strategic shift that will have a major effect on its operations and financial results. The results of discontinued operations are reported as Loss from discontinued operations, net of tax in the Consolidated Statements of Income for the current and prior periods commencing in the period in which the held for sale criteria are met. Loss from discontinued operations includes direct costs attributable to the divested business and excludes any cost allocations associated with any shared or corporate functions. Loss from discontinued operations will include any gain or loss recognized upon disposition or from any adjustment of the carrying amount of the assets and liabilities of the discontinued operations to fair value less costs to sell while classified as held for sale.

Derivative Instruments

The Company enters into foreign currency forward contracts to hedge a portion of its exposure to changes in foreign currency exchange rates on inventory purchase commitments. The Company accounts for its forward contracts under the provisions of ASC 815, Derivatives and Hedging. Under the Company's policy, the Company may hedge up to 100% of its anticipated purchases of inventory in the denominated invoice currency over a forward period not to exceed twelve months. The Company may also, from time to time, hedge up to 100% of its non-inventory purchases (e.g., production equipment) in the denominated invoice currency. Forward contracts that qualify as hedges are adjusted to their fair value through other comprehensive income as determined by market prices on the measurement date, except any hedge ineffectiveness which is recognized currently in income. Gains and losses on these forward contracts are reclassified from other comprehensive income into inventory as the related inventories are received and are transferred to net income as inventory is sold. Changes in fair value of any contracts that do not qualify for hedge accounting or are not designated as hedges are recognized currently in income.

Shipping Costs

The Company records shipping costs incurred as a component of selling, general and administrative expenses. Shipping costs incurred were approximately \$29.7 million, \$17.9 million, and \$16.0 million in 2025, 2024, and 2023, respectively.

Research and Development and Quality Assurance Costs

Research and development and quality assurance costs are expensed as incurred. These expenses, classified as selling, general and administrative expenses, were approximately \$0.9 million, \$1.3 million, and \$0.6 million in 2025, 2024, and 2023, respectively.

Cash and Cash Equivalents

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

Inventories

Inventories are stated at the lower of cost or net realizable value using the first-in, first-out (“FIFO”) method. Leaf tobacco is presented in current assets in accordance with standard industry practice, notwithstanding the fact that such tobaccos are carried longer than one year for the purpose of curing.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Depreciation is provided using the straight-line method over the lesser of the estimated useful lives of the assets or the life of the leases for leasehold improvements (4 to 7 years for machinery, equipment and furniture, 10 to 15 years for leasehold improvements, and up to 15 years for buildings and building improvements). Expenditures for repairs and maintenance are charged to expense as incurred. The costs of major repairs and improvements are capitalized and depreciated over their estimated useful lives. Upon disposition of fixed assets, the costs and related accumulated depreciation amounts are relieved. Any resulting gain or loss is reflected in operations during the period of disposition. Long-lived assets are reviewed for impairment when changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Goodwill and Other Intangible Assets

The Company follows the provisions of ASC 350, Intangibles – Goodwill and Other in accounting for goodwill and other intangible assets. Goodwill is tested for impairment annually on December 31, or more frequently if certain indicators are present.

When testing goodwill for impairment, the Company has the option to first perform qualitative testing to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If the Company chooses not to complete a qualitative assessment for a given reporting unit or if the initial assessment indicates that it is more likely than not that the carrying value of a reporting unit exceeds its estimated fair value, additional quantitative testing is required. If the carrying value of a reporting unit exceeds its fair value, an impairment loss is recognized in the amount by which the carrying value of the reporting unit exceeds its fair value, limited to the amount of goodwill at the reporting unit. The Company determines fair values for each of the reporting units using a combination of the income approach and/or market approach. Under the income approach, fair value is determined based on the present value of estimated future cash flows, discounted at an appropriate risk-adjusted rate. Under the market approach, the Company selects peer sets based on close competitors and reviews the revenue and EBITDA multiples to determine the fair value. See Note 11, “Goodwill and Other Intangible Assets” for further information on goodwill.

Indefinite-lived intangible assets are tested for impairment at least annually; however, these tests are performed more frequently when events or changes in circumstances indicate that the asset may be impaired. Impairment exists when carrying value exceeds fair value. The Company’s fair value methodology is primarily based on the relief from royalty approach.

Definite-lived intangible assets are amortized over their estimated useful lives, generally on a straight-line basis for periods ranging primarily from 3.5 to 15 years. The Company continually evaluates the reasonableness of the useful lives of these assets.

Fair Value

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under U.S. GAAP are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Equity Investments

The Company's investments include equity securities, which are accounted for at cost and under the equity method of accounting.

For equity investments that do not qualify to be accounted for under the equity method of accounting and that do not have a readily determinable fair value, the Company has elected a practical expedient to record the investment at the original cost, as adjusted for impairment and observable price changes. Under the practical expedient, if a qualitative analysis indicates impairment exists, the fair value of the investment is required to be estimated and any excess of the carrying value over the estimated fair value is recognized as an impairment loss.

Equity investments accounted for under the equity method of accounting are assessed for impairment when events or circumstances suggest that any loss in value of the investment may be other than temporary. A loss in value of an investment is other than temporary when evidence of a loss in value indicates the absence of an ability to recover the carrying amount of the investment or inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment.

In the absence of observable data, the Company estimates the fair values of these investments using a market approach derived from applying market multiples of comparable public companies to the financial results of each investment. The valuation methodology and the significant assumptions used by management in estimating the fair values of each investment involve a high degree of judgment and may involve the use of third-party valuation specialists.

Deferred Financing Costs

Deferred financing costs are amortized over the terms of the related debt obligations using the straight-line method. Unamortized amounts are expensed upon extinguishment of the related borrowings. Deferred financing costs are presented as a direct deduction from the carrying amount of that debt liability except for deferred financing costs relating to our revolving credit facility, which are presented as an asset.

Income Taxes

The Company records the effects of income taxes under the liability method in which deferred income tax assets and liabilities are recognized based on the difference between the financial and tax basis of assets and liabilities using the enacted tax rates in effect for the years in which the differences are expected to reverse. The Company assesses its ability to realize future benefits of deferred tax assets by determining if they meet the "more likely than not" criteria in ASC 740, Income Taxes. If the Company determines that future benefits do not meet the "more likely than not" criteria, a valuation allowance is recorded.

Advertising and Promotion

Advertising and promotion costs, including point of sale materials, are expensed as incurred and amounted to \$29.8 million, \$12.0 million, and \$7.6 million for the years ended December 31, 2025, 2024, and 2023, respectively.

Stock-Based Compensation

The Company measures stock-based compensation costs related to its stock options on the fair value-based method under the provisions of ASC 718, Compensation – Stock Compensation. The fair value-based method requires compensation cost for stock options to be recognized over the requisite service period based on the fair value of stock options granted. The Company determined the fair value of these awards using the Black-Scholes option pricing model.

The Company grants performance-based restricted stock units ("PRSU") subject to both performance-based and service-based vesting conditions. The fair value of each PRSU is the Company's stock price on the date of grant. For purposes of recognizing compensation expense as services are rendered in accordance with ASC 718, the Company assumes all employees involved in the PRSU grant will provide service through the end of the performance period. Stock compensation expense is recorded based on the probability of achievement of the performance conditions specified in the PRSU grant.

The Company grants restricted stock units ("RSU") subject to service-based vesting conditions. The fair value of each RSU is the Company's stock price on the date of grant. The Company recognizes compensation expense as services are rendered in accordance with ASC 718. Stock compensation expense is recorded over the service period in the RSU grant.

Risks and Uncertainties

Manufacturers and sellers of tobacco products are subject to regulation at the federal, state, and local levels. Such regulations include, among others, labeling requirements, limitations on advertising, and prohibition of sales to minors. The tobacco industry is likely to continue to be heavily regulated. There can be no assurance as to the ultimate content, timing, or effect of any regulation of tobacco products by any federal, state, or local legislative or regulatory body, nor can there be any assurance that any such legislation or regulation would not have a material adverse effect on the Company's financial position, results of operations, or cash flows. In a number of states targeted flavor bans have been proposed or enacted legislatively or by the administrative process. Depending on the number and location of such bans, that legislation or regulation could have a material adverse effect on the Company's financial position, results of operations or cash flows. The U.S. Food and Drug Administration ("FDA") continues to consider various restrictive regulations around our products, including targeted flavor bans; however, the details, timing, and ultimate implementation of such measures remain unclear.

The tobacco industry has experienced, and is experiencing, significant product liability litigation. Most tobacco liability lawsuits have been brought against manufacturers and sellers of cigarettes for injuries allegedly caused by smoking or exposure to smoke. However, several lawsuits have been brought against manufacturers and sellers of smokeless products for injuries to health allegedly caused by use of smokeless products. Typically, such claims assert that use of smokeless products is addictive and causes oral cancer. There can be no assurance the Company will not sustain losses in connection with such lawsuits and that such losses will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Master Settlement Agreement (MSA)

Forty-six states, certain U.S. territories, and the District of Columbia are parties to the Master Settlement Agreement ("MSA") and the Smokeless Tobacco Master Settlement Agreement ("STMSA"). To the Company's knowledge, signatories to the MSA include 49 cigarette manufacturers and/or distributors. The only signatory to the STMSA is US Smokeless Tobacco Company. In the Company's opinion, the fundamental basis for each agreement is the states' consents to withdraw all claims for monetary, equitable, and injunctive relief against certain tobacco products manufacturers and others and, in return, the signatories have agreed to certain marketing restrictions and regulations as well as certain payment obligations.

Pursuant to the MSA and subsequent states' statutes, a "cigarette manufacturer" (which is defined to also include make-your-own ("MYO") cigarette tobacco) has the option of either becoming a signatory to the MSA or opening, funding, and maintaining an escrow account, with sub-accounts on behalf of each settling state. The STMSA has no similar provisions. The MSA escrow accounts are governed by states' statutes that expressly give the manufacturers the option of opening, funding, and maintaining an escrow account in lieu of becoming a signatory to the MSA. The statutes require companies who are not signatories to the MSA to deposit, on an annual basis, into qualified banks, escrow funds based on the number of cigarettes or cigarette equivalents, i.e., the pounds of MYO tobacco, sold. The purpose of these statutes is expressly stated to be to eliminate the cost disadvantage the settling manufacturers have as a result of entering into the MSA. Such companies are entitled to direct the investment of the escrowed funds and withdraw any appreciation, but cannot withdraw the principal for 25 years from the year of each annual deposit, except to withdraw funds deposited pursuant to an individual state's escrow statute to pay a final judgment to that state's plaintiffs in the event of such a final judgment against the company. Either option – becoming an MSA signatory or establishing an escrow account – is permissible.

The Company chose to open and fund an MSA escrow account as its means of compliance. It is management's opinion, due to the possibility of future federal or state regulations, though none have to date been enacted, that entering into one or both of the settlement agreements or establishing and maintaining an escrow account would not necessarily prevent future regulations from having a material adverse effect on the results of operations, financial position, and cash flows of the Company.

Various states have enacted or proposed complementary legislation intended to curb the activity of certain manufacturers and importers of cigarettes that are selling into MSA states without signing the MSA or who have failed to properly establish and fund a qualifying escrow account. To the best of the Company's knowledge, no such statute has been enacted which could inadvertently and negatively impact the Company, which has been, and is currently, fully compliant with all applicable laws, regulations, and statutes. However, there can be no assurance that the enactment of any such complementary legislation in the future will not have a material adverse effect on the results of operations, financial position, or cash flows of the Company.

Pursuant to the MSA escrow account statutes, in order to be compliant with the MSA escrow requirements, companies selling products covered by the MSA are required to deposit such funds for each calendar year into a qualifying escrow account by April 15 of the following year. At December 31, 2025, the Company had on deposit approximately \$32.0 million, the fair value of which was approximately \$29.9 million. At December 31, 2024, the Company had on deposit approximately \$32.1 million, the fair value of which was approximately \$28.7 million. During 2025, no monies were deposited into this qualifying escrow account. The investment vehicles available to the Company are specified in the state escrow agreements and are limited to low-risk government securities.

The Company discontinued its generic category of MYO in 2019 and its Zig-Zag branded MYO cigarette smoking tobacco in 2017. Thus, pending a change in MSA legislation, the Company has no remaining product lines covered by the MSA and will not be required to make future escrow deposits.

The Company has chosen to invest a portion of the MSA escrow, from time to time, in U.S. Government securities including Treasury inflation-protected securities, Treasury notes and Treasury bonds. These investments are classified as available-for-sale and carried at fair value. Realized losses are prohibited under the MSA; thus, any investment with an unrealized loss position will be held until the value is recovered, or until maturity.

Fair values for the U.S. Governmental agency obligations are Level 2 in the fair value hierarchy. The following tables show cost and estimated fair value of the assets held in the MSA account, respectively, as well as the maturities of the U.S. Governmental agency obligations held in such account for the periods indicated.

	As of December 31, 2025				As of December 31, 2024			
	Gross	Gross	Estimated		Gross	Gross	Estimated	
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Cash and cash equivalents	\$ 1,914	\$ -	\$ -	\$ 1,914	\$ 1,961	\$ -	\$ -	\$ 1,961
U.S. Governmental agency obligations (unrealized position < 12 months)	298	6	-	304	4,168	11	(48)	4,131
U.S. Governmental agency obligations (unrealized position > 12 months)	29,780	84	(2,195)	27,669	25,944	95	(3,455)	22,584
Total	<u>\$31,992</u>	<u>\$ 90</u>	<u>\$ (2,195)</u>	<u>\$ 29,887</u>	<u>\$32,073</u>	<u>\$ 106</u>	<u>\$ (3,503)</u>	<u>\$ 28,676</u>

	As of December 31, 2025
Less than one year	\$ -
One to five years	14,723
Five to ten years	13,400
Greater than ten years	1,955
Total	<u>\$ 30,078</u>

The following shows the amount of deposits by sales year for the MSA escrow account:

Sales Year	Deposits as of December 31,	
	2025	2024
1999	\$ 130	\$ 211
2000	1,017	1,017
2001	1,673	1,673
2002	2,271	2,271
2003	4,249	4,249
2004	3,714	3,714
2005	4,553	4,553
2006	3,847	3,847
2007	4,167	4,167
2008	3,364	3,364
2009	1,619	1,619
2010	406	406
2011	193	193
2012	199	199
2013	173	173
2014	143	143
2015	101	101
2016	91	91
2017	82	82
Total	<u>\$ 31,992</u>	<u>\$ 32,073</u>

Concentration of Credit Risk: At December 31, 2025 and 2024, the Company had bank deposits, including MSA escrow accounts, in excess of federally insured limits of approximately \$221.8 million and \$47.4 million, respectively. During 2025 and 2024, the Company invested a portion of the MSA escrow accounts in U.S. Government securities including TIPS, Treasury notes, and Treasury bonds.

The Company sells its products to distributors, retail establishments, and consumers throughout the U.S. and also sells *Zig-Zag*® premium cigarette papers in Canada and some smaller quantities in other countries. For 2025, the Company did not have any customers that accounted for more than 10% of net sales. There was one customer that accounted for more than 10% of net sales for 2024 and there were no customers that accounted for more than 10% of net sales for 2023. The Company performs periodic credit evaluations of its customers and generally does not require collateral on trade receivables. Historically, the Company has not experienced significant credit losses.

Accounts Receivable

Accounts receivable are recognized at their net realizable value. All accounts receivable are trade related, recorded at the invoiced amount, and do not bear interest. The Company maintains allowances for credit losses for estimated uncollectible invoices resulting from a customer's inability to pay (bankruptcy, out of business, etc., i.e. "bad debt" which results in write-offs). The activity of allowance for credit losses for the years ended December 31, 2025, 2024, and 2023 is as follows:

	2025	2024	2023
Balance at beginning of period	\$ 66	\$ 78	\$ 40
Additions to allowance account during period	140	23	38
Deductions of allowance account during period	-	(35)	-
Balance at end of period	<u>\$ 206</u>	<u>\$ 66</u>	<u>\$ 78</u>

Recent Accounting Pronouncements

Recently adopted

In December 2023, the FASB issued guidance which enhances income tax disclosures to require reporting entities to disclose annual income taxes paid, net of refunds, disaggregated by federal, state, and foreign taxes and to provide additional disaggregated information for individual jurisdictions under certain conditions. The guidance also requires disclosure of amounts and percentages in the annual rate reconciliation table, rather than amounts or percentages, and will eliminate certain existing disclosure requirements related to uncertain tax positions and unrecognized deferred tax liabilities. The Company adopted ASU 2023-09 prospectively in the 2025. See Note 15 "Income Taxes" for new disclosures relating to 2025 only.

Issued but not yet adopted

In November 2024, the FASB issued guidance requiring reporting entities to disclose in the notes to the financial statements, specified information about certain categories of expenses including purchases of inventory, employee compensation, depreciation and amortization for each caption on the income statement where such expenses are included. This guidance will be effective for the Company beginning with its fiscal 2027 annual financial statements and interim periods thereafter. Early adoption is permitted, in addition to either prospective or retrospective application. The Company is currently assessing the impact and extent to which this guidance will affect its disclosures.

Note 3. Assets and Liabilities Held for Sale and Discontinued Operations

On January 2, 2025, the Company entered into an agreement to contribute 100% of its interest in SBB, the subsidiary that owns and operates the Company's CDS segment, to GWO in exchange for 49% of the issued and outstanding GWO common stock on a fully-diluted basis. GWO is majority owned by Standard General, LP. Under certain circumstances the Company has the right to redeem the contribution of SBB from GWO at fair market value. In addition, the Company received an option with a 15-year term to purchase the remaining 51% of GWO at an exercise price initially set at \$22.0 million, which decreases over time based on certain tax sharing payments to GWO.

The assets and liabilities associated with the CDS business have been classified as held for sale as of December 31, 2024, and its financial results are classified as discontinued operations and reported separately for all periods presented herein. With the strategic shift of the Company's operations, as a result of this transaction, the CDS segment has been classified as discontinued operations. As a result, the Company now has two reportable segments as disclosed in Note 21, "Segment Information".

Upon meeting the criteria for held for sale classification, the Company recorded a non-cash charge of \$8.8 million with an equivalent valuation allowance against net assets held for sale to reduce the carrying value of the disposal group to fair value. Fair value of the disposal group utilized inputs within Level 3 of the fair value hierarchy, and was determined using both a market and an income approach.

The Company incurred no income or loss from discontinued operations for the year ended December 31, 2025. The following table summarizes income from discontinued operations, net of tax, included in the Consolidated Statements of Income:

	For the years ended December 31,	
	2024	2023
Net sales	\$ 59,051	\$ 80,329
Cost of sales	46,041	60,030
Gross profit	13,010	20,299
Selling, general, and administrative expenses	12,246	18,442
Loss on assets held for sale fair value adjustment	8,801	-
Depreciation	236	341
Amortization of other intangible assets	1,843	1,899
Goodwill and intangible impairment loss	-	-
Operating loss from discontinued operations	(10,116)	(383)
Interest income	(146)	-
Loss from discontinued operations before income taxes	(9,970)	(383)
Income tax benefit	(2,453)	(98)
Loss from discontinued operations	\$ (7,517)	\$ (285)

The following table summarizes the carrying amounts of assets and liabilities classified as held for sale and included in the Consolidated Balance Sheets:

	December 31,
	2024
Current assets	
Cash	\$ 2,783
Inventories, net	5,813
Other current assets	2,874
Current assets held for sale	11,470
Noncurrent assets	
Right of use assets	51
Other intangible assets, net	12,609
Allowance to adjust held for sale assets to fair value	(8,801)
Noncurrent assets held for sale	3,859
Total assets held for sale	\$ 15,329
Current liabilities	
Accounts payable	\$ 532
Accrued liabilities	1,517
Current liabilities held for sale	2,049
Noncurrent liabilities	
Lease liabilities	-
Noncurrent liabilities held for sale	-
Total liabilities held for sale	\$ 2,049

Note 4. Joint Venture Agreement

In September 2024, a wholly-owned subsidiary of the Company invested \$0.8 million to acquire a 50% ownership interest in ALP Supply Co., LLC ("ALP"). Additionally, the Company has provided ALP with a \$10.0 million line of credit. ALP is a joint venture established between the subsidiary and Last Country Ventures, LLC for the purpose of selling and distributing tobacco-free moist nicotine pouches in various strengths. Per the joint venture agreement, the Company's subsidiary will be responsible for selling products to ALP and providing warehousing and shipping services on its behalf. The Company has determined that ALP is a VIE and that it has a controlling financial interest requiring consolidation. As a result, the assets, liabilities and result of operations of ALP have been included in the Company's consolidated financial statements.

The assets and liabilities of ALP included in the consolidated balance sheet at December 31, 2025, primarily include \$28.1 million in cash, \$2.3 million in accounts receivable, \$4.6 million of inventory, \$5.1 million of other assets, \$0.1 million of property, plant and equipment, and accounts payable and accrued liabilities of \$18.1 million inclusive amounts payable to the Company of \$8.1 million. The assets and liabilities of ALP included in the consolidated balance sheet at December 31, 2024 primarily included \$5.3 million in cash, \$0.9 million of inventory, \$1.1 million of other assets, and accounts payable and accrued liabilities of \$3.6 million inclusive of amounts payable to the Company of \$3.2 million.

Note 5. Derivative Instruments

Foreign Currency

The Company's policy is to manage the risks associated with foreign exchange rate movements. The policy allows hedging up to 100% of its anticipated purchases of inventory over a forward period that will not exceed 12 rolling and consecutive months. The Company may, from time to time, hedge currency for non-inventory purchases, e.g., production equipment, not to exceed 100% of the purchase price. During 2025, the Company did not execute any foreign currency contracts. During 2024, the Company executed various foreign exchange contracts which met hedge accounting requirements for the purchase of €3.6 million and sale of €3.6 million.

At December 31, 2025, the Company had no foreign currency contracts outstanding. At December 31, 2024, the Company had foreign currency contracts outstanding for the purchase of €2.1 million and sale of €2.1 million. The fair value of the foreign currency contracts at December 31, 2024, resulted in an asset of \$0.0 million included in Other current assets and a liability of \$0.1 million included in Accrued liabilities. A \$0.1 million gain, \$0.2 million gain and \$0.9 million loss were reclassified from Accumulated other comprehensive loss to Cost of sales for the years ended December 31, 2025, 2024 and 2023, respectively.

Note 6. Fair Value of Financial Instruments

The estimated fair value amounts have been determined by the Company using the methods and assumptions described below. However, considerable judgment is required to interpret market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Cash and Cash Equivalents

Cash and cash equivalents are, by definition, short-term. Thus, the carrying amount is a reasonable estimate of fair value.

Accounts Receivable

The fair value of accounts receivable approximates their carrying value due to their short-term nature.

Long-Term Debt

The Company's 2032 Notes bear interest at a rate of 7.625% per year. As of December 31, 2025, the fair value approximated \$313.8 million, with a carrying value of \$300.0 million.

The Company's 2026 Notes were retired at par on February 20, 2025. As of December 31, 2024, the fair value of the 2026 Notes approximated \$251.2 million, with a carrying value of \$250.0 million.

See Note 14, "Notes Payable and Long-Term Debt" for further information regarding the Company's long-term debt.

Foreign Currency

The fair value of the Company's foreign currency contracts are based upon quoted market prices for similar instruments, thus leading to a Level 2 classification within the fair value hierarchy. See Note 5, "Derivative Instruments", for further information regarding the Company's foreign currency contracts.

Note 7. Inventories

The components of inventories, net are as follows:

	December 31, 2025	December 31, 2024
Raw materials and work in process	\$ 9,715	\$ 7,699
Leaf tobacco	43,747	35,622
Finished goods - Zig-Zag products	33,276	38,042
Finished goods - Stoker's products	18,361	12,966
Other	2,890	1,924
Inventories	<u>\$ 107,989</u>	<u>\$ 96,253</u>

The following represents the activity in the inventory valuation allowance for the years ended December 31:

	2025	2024	2023
Balance at beginning of period	\$ (17,575)	\$ (16,927)	\$ (772)
Charged to cost and expense	(1,229)	(648)	(17,370)
Deductions for inventory disposed	2,139	-	1,215
Balance at end of period	<u>\$ (16,665)</u>	<u>\$ (17,575)</u>	<u>\$ (16,927)</u>

In December 2023, a third-party warehouse in Tennessee used by the Company incurred significant tornado damage resulting in damage to the leaf tobacco. As a result, the Company recorded a \$15.2 million inventory reserve related to its leaf tobacco inventory, which is included in Other operating income, net in the Consolidated Statement of Income for the year ended December 31, 2023. The leaf tobacco inventory is covered by the Company's stock throughput insurance policy and the Company believes the inventory loss is probable of being fully recovered under the policy. As a result, the Company recorded a \$15.2 million insurance recovery receivable which is included in Other current assets in the Consolidated Balance Sheets.

In 2022, the Company determined that the incorrect weight had been used in calculating the amount of federal excise tax assessed and paid on its imported MYO cigar wraps during the years 2019 - 2021. As a result, the Company filed a refund claim for \$1.7 million with the Alcohol and Tobacco Tax and Trade Bureau for the overpayment of federal excise taxes, which was approved and paid in 2024. This refund is presented in Other operating income, net on the Company's Consolidated Statements of Income for the year ended December 31, 2023.

Note 8. Other Current Assets

Other current assets consists of:

	December 31, 2025	December 31, 2024
Inventory deposits	\$ 28,721	\$ 5,981
Prepaid taxes	7,381	3,586
Insurance recovery receivable	15,181	15,181
Other	9,392	9,952
Total	<u>\$ 60,675</u>	<u>\$ 34,700</u>

Note 9. Property, Plant and Equipment, Net

Property, plant and equipment consists of:

	December 31, 2025	December 31, 2024
Land	\$ 22	\$ 22
Buildings and improvements	3,839	4,216
Leasehold improvements	8,667	7,983
Machinery and equipment	41,475	31,207
Furniture and fixtures	5,460	4,723
Gross property, plant and equipment	59,463	48,151
Accumulated depreciation	(23,216)	(21,814)
Property, plant and equipment, net	<u>\$ 36,247</u>	<u>\$ 26,337</u>

Note 10. Deferred Financing Costs, Net

Deferred financing costs consist of:

	December 31, 2025	December 31, 2024
Deferred financing costs, net of accumulated amortization of \$1.4 million and \$0.7 million, respectively	<u>\$ 1,180</u>	<u>\$ 1,823</u>

Note 11. Goodwill and Other Intangible Assets

The following table summarizes goodwill by segment:

	Zig-Zag	Stoker's	Total
Balance as of December 31, 2023	\$ 103,660	\$ 32,590	\$ 136,250
Cumulative translation adjustment	(318)	-	(318)
Balance as of December 31, 2024	\$ 103,342	\$ 32,590	\$ 135,932
Cumulative translation adjustment	165	-	165
Balance as of December 31, 2025	<u>\$ 103,507</u>	<u>\$ 32,590</u>	<u>\$ 136,097</u>

The Company tests goodwill for impairment annually as of December 31, or more frequently when events or changes in circumstances indicate that the fair value is below its carrying value. The Company performed a qualitative assessment in evaluating its Zig-Zag and Stoker's reporting units for impairment as of December 31, 2025.

For the qualitative assessment, the Company considered macro and micro-economic indicators, changes in costs, overall financial performance and other relevant entity-specific events and noted no indications of impairment. The Company also considered the significant excess of fair values over carrying values as determined in the 2024 quantitative assessment. The underlying assumptions utilized during the 2024 quantitative assessment remained sufficiently similar in 2025 and in line with Company projections. Accordingly, such underlying assumptions on which the previous fair values were based had not sufficiently changed from 2024 to suggest a material difference in the 2025 fair value assessments and thus indicated that the fair values of the reporting units as of December 31, 2025 remained above their carrying amounts.

In 2024, the Company performed a quantitative assessment in evaluating its Zig-Zag and Stoker's reporting units. As part of that assessment, the Company used a discounted cash flow model (income approach) utilizing Level 3 unobservable inputs. The Company's significant assumptions for the discount cash flow model include, but are not limited to, future cash flow projections, the weighted average cost of capital, the terminal growth rate, and the tax rate. The Company believes the current assumptions and estimates utilized in the discounted cash flow model are both reasonable and appropriate. The Company's estimates of future cash flows are based on current regulatory and economic climates, recent operating results, and planned business strategies. These estimates could be negatively affected by changes in federal, state, or local regulations or economic downturns. Future

cash flow estimates are, by their nature, subjective and actual results may differ materially from the Company's estimates. If the Company's ongoing estimates of future cash flows are not met or if discount rates change, the Company may have to record impairment charges in future periods. Based on the analysis performed, the Company concluded that no impairment exists for its Zig-Zag or Stoker's reporting units as of December 31, 2024.

The following tables summarize information about the Company's other intangible assets. Gross carrying amounts of indefinite-lived intangible assets are shown below:

	December 31, 2025			December 31, 2024		
	Zig-Zag	Stoker's	Total	Zig-Zag	Stoker's	Total
Indefinite-lived intangible assets:						
Trade names	\$ -	\$ 8,500	\$ 8,500	\$ -	\$ 8,500	\$ 8,500
Formulas	42,245	53	42,298	42,245	53	42,298
Total	<u>\$ 42,245</u>	<u>\$ 8,553</u>	<u>\$ 50,798</u>	<u>\$ 42,245</u>	<u>\$ 8,553</u>	<u>\$ 50,798</u>

In 2025, the Company performed a qualitative assessment of its indefinite-lived intangible assets. As part of this assessment, the Company evaluated whether indicators of impairment were present by considering macro and micro-economic factors, along with market and other relevant company-specific events and determined that there were no indications of impairment as of December 31, 2025.

In 2024, the Company performed a quantitative assessment of its indefinite-lived intangible assets and noted no indicators of impairment as of December 31, 2024. The Company's fair value methodology for the quantitative assessment is primarily based on the relief from royalty approach. Significant assumptions in this approach include, but are not limited to, projected revenue, the weighted average cost of capital and royalty rate.

Amortized intangible assets consists of:

	Zig-Zag				Stoker's			
	December 31, 2025		December 31, 2024		December 31, 2025		December 31, 2024	
	Gross Carrying	Accumulated Amortization	Gross Carrying	Accumulated Amortization	Gross Carrying	Accumulated Amortization	Gross Carrying	Accumulated Amortization
Amortized intangible assets:								
Trade names (useful life of 15 years)	\$ 446	\$ 80	\$ 437	\$ 45	\$ 2,372	\$ 949	\$ 2,372	\$ 791
Formulas (useful life of 15 years)	9,972	1,994	9,972	1,330	-	-	-	-
Master distribution agreement (useful life of 15 years)	5,489	2,011	5,489	1,648	-	-	-	-
Total	<u>\$ 15,907</u>	<u>\$ 4,085</u>	<u>\$ 15,898</u>	<u>\$ 3,023</u>	<u>\$ 2,372</u>	<u>\$ 949</u>	<u>\$ 2,372</u>	<u>\$ 791</u>

Annual amortization expense for the next five years is estimated to be approximately \$1.2 million for 2026 and \$4.8 million for 2027 through 2030, assuming no additional transactions occur that require the amortization of intangible assets.

Note 12. Other Assets

Other assets consists of:

	December 31, 2025	December 31, 2024
Non-marketable equity investments	\$ 7,833	\$ 1,231
Debt security investment	5,633	6,276
Capitalized software	10,133	7,409
Captive investments - available-for-sale marketable securities	14,938	5,487
Option agreements	25,963	-
Other	167	259
Total	<u>\$ 64,667</u>	<u>\$ 20,662</u>

Non-Marketable Equity Investments and Option Agreements

The Company records its non-marketable equity investments without a readily determinable fair value, that are not accounted for under the equity method, at cost, with adjustments for impairment and observable price changes. Should assumptions underlying the determination of the fair values of the Company's non-marketable equity and debt security investments change, it could result in material future impairment charges.

In December 2018, the Company acquired a minority interest in General Wireless Operations, Inc. ("GWO") from SG Gaming LLC for \$0.4 million. GWO is majority owned by Standard General, LP. On January 2, 2025, the Company contributed 100% of its interest in SBB, the subsidiary that owned and operated the Company's former CDS reportable segment, to GWO in exchange for a 49% equity interest. The Company established RSH Trust, which is managed by an independent trustee that votes our interests in GWO in accordance with GWO's board's recommendation, to hold its interest in GWO, and GWO is controlled by Standard General, L.P. The trust also has a purchase option with a 15-year term to acquire the remaining 51% equity interest in GWO. The purchase option includes an initial exercise price of \$22.0 million, which may decrease over time based on certain tax sharing payments to Standard General, LP. As a result of this transaction, the Company determined that it no longer has a controlling financial interest in SBB and, as a result, deconsolidated SBB on January 2, 2025, and accounts for its interest in GWO under the equity method of accounting. On January 2, 2025, the Company contributed net assets valued at \$13.3 million to GWO as part of the transaction, inclusive of common shares for an amount of \$7.7 million and freestanding instruments for an amount of \$5.5 million recognized through the caption "Option agreements". Fair value of the Company's interest in GWO was determined utilizing the market approach and the income approach in the form of the discount cash flow method. The results of GWO are recognized through the caption "(income) losses from equity method investments" in the consolidated statements of income. On August 8, 2025, SBB acquired a distribution business. In connection with this acquisition, Turning Point Brands Canada purchased an option from SBB to acquire the distribution business for fair market value less the option price. The option becomes exercisable in March 2027. The option price is approximately \$20.0 million with approximately \$8.0 million paid at execution of the option and the remaining paid quarterly over 18 months beginning in February 2026. There is approximately \$20.4 million in other assets, \$8.0 million paid at closing, \$8.3 million in accrued liabilities, and \$4.1 million in other long-term liabilities as of December 31, 2025. Turning Point Brands Canada charged a fee to the distribution business in 2025. The agreement was terminated in the fourth quarter.

In August 2025, the Company and Standard General, LP amended the GWO purchase option held by the Company, delaying the Company's ability to exercise the purchase option until August 2027.

In January 2024, the Company invested \$0.8 million to acquire an 18.7% stake in Teaza Energy, LLC ("Teaza"). Teaza is an innovative brand of flavorful oral pouch products that can be dipped or sipped, designed as a health-conscious alternative to high energy drinks and other conventional oral stimulants. The investment was comprised of \$0.5 million in cash and a \$0.3 million payable to be offset against the Company's allocated portion of future profit distributions. The Company also has the option to purchase, at fair value, up to 100% of the equity interest from February 1, 2025 through June 30, 2026. The Company accounts for its investment in Teaza using the equity method of accounting.

Debt Security Investments

In July 2021, the Company invested \$8.0 million in Old Pal Holding Company, LLC (“Old Pal”), with an additional \$1.0 million invested in July 2022. The Company invested in the form of a convertible note which includes additional follow-on investment rights. Interest on the convertible note is payable annually in arrears in July of each year. Accrued interest of \$1.1 million was rolled into the convertible note between 2022 and 2025, resulting in a total investment of \$10.1 million. Old Pal is a leading brand in the cannabis lifestyle space that operates a non-plant touching licensing model. The convertible note bears an interest rate of 3.0% per year and matures July 31, 2027. Interest and principal not paid to date are receivable at maturity. Old Pal has the option to extend the maturity date of the convertible note in one-year increments. The interest rate is subject to change based on Old Pal reaching certain sales thresholds. The weighted average interest rate on the convertible note was 3.0% as of December 31, 2025 and 2024. Old Pal has the option to convert the note into shares once sales reach a certain threshold. The conditions required to allow Old Pal to convert the note were not met as of December 31, 2025. Additionally, the Company has the right to convert the note into shares at any time. The Company has classified the debt security with Old Pal as available for sale. The Company reports interest income on available for sale debt securities in interest income in our Consolidated Statements of Income. The Company performs a qualitative assessment on a quarterly basis to determine if the fair value of the investment could be less than the amortized cost basis. In addition, the Company utilizes a third-party to perform a quantitative assessment to determine fair value using a Monte Carlo simulation (Level 3) when indicated, and at least bi-annually. Based upon a quantitative fair value assessment, the Company determined the fair value to be \$6.5 million, \$6.4 million and \$6.9 million as of December 31, 2025, 2024 and 2023, respectively. The Company recorded an allowance for credit losses of \$0.9 million, \$0.8 million and \$1.3 million included in investment loss for the years ended December 31, 2025, 2024 and 2023, respectively. The Company has recorded an accrued interest receivable of \$0.1 million and \$0.1 million at December 31, 2025 and 2024, respectively, in Other current assets on our Consolidated Balance Sheets.

In April 2021, the Company invested in Docklight Brands, Inc. (“Docklight”). In 2023, based on Docklight’s financial results, a decline in the revenue multiples for comparable public companies, and a significant change in Docklight’s business model, the Company deemed the investment in Docklight fully impaired resulting in a loss of \$8.7 million which was recorded in investment (gain) loss for the year ended December 31, 2023. Fair value was determined using a valuation derived from relevant revenue multiples (Level 3). There were no purchases of inventory from, or amounts payable to Docklight Brands, Inc. at December 31, 2025 and 2024.

In October 2020, the Company acquired a 20% stake in Wild Hempettes, LLC (“Wild Hempettes”). In 2023, based on Wild Hempettes’ financial results, the Company deemed its investment in Wild Hempettes to be impaired resulting in a \$2.2 million impairment charge included in investment loss for the year ended December 31, 2023. Fair value for the Company’s share of investment in Wild Hempettes was determined using a valuation derived from relevant revenue multiples (Level 3). In 2024, the Company reached an agreement to return its 20% equity stake to Wild Hempettes for no consideration resulting in an impairment charge of \$0.3 million recorded in investment (gain) loss for the year ended December 31, 2024. The Company accounted for its 20% share of Wild Hempettes using the equity method of accounting. There were no purchases of inventory from, or amounts payable to Wild Hempettes at December 31, 2025 and 2024.

In October 2020, the Company invested in BOMANI Cold Buzz, LLC (“Bomani”). In 2024, due to market conditions in the cold brew, alcohol-infused caffeinated beverages industry, the Company has determined that the fair value of Bomani is zero, and thus recorded a \$1.8 million impairment which is included in investment (gain) loss for the year ended December 31, 2024. There were no purchases of inventory from, or amounts payable to Bomani at December 31, 2025 and 2024.

Captive Investments - Available-for-Sale Marketable Securities

In December 2023, the Company formed a captive insurance company, Interchange, IC, incorporated in the District of Columbia, to write a portion of its insurance coverage, including with respect to general product, and officer and director liability coverages under deductible reinsurance policies. Interchange, IC is a fully licensed captive insurance company holding a certificate of authority from the District of Columbia Department of Insurance, Securities and Banking. Interchange, IC is consolidated in the Company’s financial statements. During 2025, Interchange IC received approval from the District of Columbia Department of Insurance, Securities and Banking to operate as a group captive. On July 14, 2025, a third-party investor subscribed \$11.0 million for an interest in Interchange IC’s parent company, which contributed the investment to Interchange IC. Insurance reserves were \$0.4 million and \$0.0 for December 31, 2025 and 2024, respectively. As of December 31, 2025, no policy has been underwritten for the benefit of the third-party investor. The group captive will write policies for both companies. The Company will continue to control and consolidate the entity.

The investments held within the captive are not available for operating activities and are carried at fair value on the consolidated balance sheet. They consist of money market, stocks, corporate bonds, government securities and real estate investment trusts. The Company believes any investments held with gross unrealized losses to be temporary and not the result of credit risk.

The Company's captive investments are summarized in the following table (excludes money market funds):

	As of December 31, 2025			As of December 31, 2024		
	Amortized Cost	Gross Unrealized Gains (Losses)	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains (Losses)	Estimated Fair Value
Stocks	\$ 1,118	\$ 447	\$ 1,565	\$ 1,517	\$ 9	\$ 1,526
Exchange traded funds	5,338	(16)	5,322	1,189	(5)	1,184
Corporate Bonds	2,837	33	2,870	2,383	50	2,433
Real estate investment trusts	377	(5)	372	343	1	344
Mutual funds	4,809	-	4,809	-	-	-
Total	<u>\$ 14,479</u>	<u>\$ 459</u>	<u>\$ 14,938</u>	<u>\$ 5,432</u>	<u>\$ 55</u>	<u>\$ 5,487</u>

The following table summarizes the fair value of the Company's captive investments by contractual maturity:

	As of December 31, 2025
Due within one year	\$ 1,973
Due in one to five years	897
Stocks, real estate investment trusts, mutual funds and exchange traded funds	12,068
Total investments at fair value	<u>\$ 14,938</u>

Note 13. Accrued Liabilities

Accrued liabilities consists of:

	December 31, 2025	December 31, 2024
Accrued payroll and related items	\$ 13,788	\$ 9,564
Customer returns and allowances	5,942	5,160
Taxes payable	3,257	358
Lease liabilities	4,641	3,121
Accrued interest	6,734	5,473
Option agreement	7,448	-
Other	12,777	7,420
Total	<u>\$ 54,587</u>	<u>\$ 31,096</u>

Note 14. Notes Payable and Long-Term Debt

Notes payable and long-term debt consists of the following in order of preference:

	December 31, 2025	December 31, 2024
2032 Notes	\$ 300,000	\$ -
2026 Notes	-	250,000
Gross notes payable and long-term debt	300,000	250,000
Less deferred financing costs	(6,375)	(1,396)
Notes payable and long-term debt	<u>\$ 293,625</u>	<u>\$ 248,604</u>

The components of interest expense, net consists of the following:

	For the years ended December 31,		
	2025	2024	2023
Interest expense	\$ 25,386	\$ 18,526	\$ 21,028
Interest income	(7,920)	(4,543)	(6,383)
Interest expense, net	<u>\$ 17,466</u>	<u>\$ 13,983</u>	<u>\$ 14,645</u>

2032 Notes

On February 19, 2025, the Company entered into an indenture relating to the issuance and sale of \$300.0 million aggregate principal amount of its 7.625% Senior Secured Notes due 2032 (the “2032 Notes”), by and among the Company, the guarantors party thereto and GLAS Trust Company LLC, as trustee and notes collateral agent. The 2032 Notes incur interest at a rate of 7.625%, payable semi-annually in arrears on March 15 and September 15 of each year, commencing on September 15, 2025. Proceeds from the offering were approximately \$293.0 million and were used to redeem the 2026 Notes (as defined below) and for general corporate purposes.

The 2032 Notes are fully and unconditionally guaranteed on a senior secured basis, jointly and severally, by certain existing and future wholly-owned domestic subsidiaries of the Company (collectively, the “Guarantors” as defined in the indenture governing the 2032 Notes or the “2032 Notes Indenture”). The 2032 Notes and the related guarantees are secured by first-priority liens on substantially all of the existing and future assets of the Company and the Guarantors that do not secure the 2023 ABL Facility (as defined below), subject to certain exceptions. The 2032 Notes Indenture contains covenants that, among other things, restrict the ability of the Company and its restricted subsidiaries to: (i) grant or incur liens; (ii) incur, assume or guarantee additional indebtedness; (iii) sell or otherwise dispose of assets, including capital stock of subsidiaries; (iv) make certain investments; (v) pay dividends, make distributions or redeem or repurchase capital stock; (vi) engage in certain transactions with affiliates; and (vii) consolidate or merge with or into, or sell substantially all of our assets to another entity. These covenants are subject to several limitations and exceptions set forth in the 2032 Notes Indenture. For instance, the Company is generally permitted to make restricted payments, including the payment of dividends to shareholders, provided that, at the time of payment, or as a result of payment, the Company is not in default on its covenants; however, there are earnings and market capitalization requirements that if not met could limit the aggregate amount of quarterly dividends payable during a fiscal year. The 2032 Notes Indenture provides for customary events of default. The Company was compliance with all covenants under the 2032 Notes as of December 31, 2025.

The Company incurred debt issuance costs attributable to the 2032 Notes of \$7.3 million which are amortized to interest expense using the straight-line method over the expected life of the 2032 Notes.

2026 Notes

On February 11, 2021, the Company closed a private offering (“the Offering”) of \$250.0 million aggregate principal amount of its 5.625% senior secured notes due 2026 (the “2026 Notes”). The 2026 Notes incurred interest at a rate of 5.625%, payable semi-annually in arrears on February 15 and August 15 of each year, commencing on August 15, 2021. The Company used the proceeds from the offering (i) to repay all obligations under and terminate the 2018 First Lien Credit Facility, (ii) to pay related fees, costs and expenses and (iii) for general corporate purposes.

Obligations under the 2026 Notes were guaranteed by the Company’s existing and future wholly-owned domestic subsidiaries that guaranteed any credit facility (as defined in the indenture governing the 2026 Notes) or capital markets debt securities of the Company or Guarantors in excess of \$15.0 million. The 2026 Notes and the related guarantees were secured by first-priority liens on substantially all of the assets of the Company and the Guarantors, subject to certain exceptions.

On February 20, 2025 (the “Redemption Date”), the Company used a portion of the proceeds from the issuance and sale of the 2032 Notes to redeem all \$250.0 million of its outstanding 2026 Notes at a redemption price equal to 100% of the aggregate principal amount of the 2026 Notes, plus accrued and unpaid interest thereon to, but excluding the Redemption Date. Upon redemption of the 2026 Notes, the indenture governing the 2026 Notes was satisfied and discharged in accordance with its terms.

The Company incurred debt issuance costs attributable to the issuance of the 2026 Notes of \$6.4 million, with the remaining \$1.2 million written off to loss on debt extinguishment upon redemption of the 2026 Notes.

2021 Revolving Credit Facility

In connection with the Offering, the Company also entered into a \$25.0 million senior secured revolving credit facility (the “2021 Revolving Credit Facility”) with the lenders party thereto and Barclays Bank PLC, as administrative agent and collateral agent. On May 10, 2023, the Company and certain of its subsidiaries, as guarantors, entered into an amendment (the “Amendment”) to the 2021 Revolving Credit Facility (as amended, the “Amended Revolving Credit Facility”). The Amendment included certain modifications to the 2021 Revolving Credit Facility relating to the replacement of the London Inter-Bank Offered Rate with a Secured Overnight Financing Rate (“SOFR”) as the interest rate benchmark under the 2021 Revolving Credit Facility and adjusted certain other provisions to reflect current documentation standards and other agreed modifications.

On November 7, 2023, in connection with the entry by a subsidiary of the Company into a new asset-backed revolving credit facility, the Company terminated the Amended Revolving Credit Facility. See “2023 ABL Facility” below.

The Company incurred debt issuance costs attributable to the issuance of the Amended Revolving Credit Facility of \$0.5 million, with a remaining \$0.2 million written off to gain on debt extinguishment upon termination of the facility in 2023.

2023 ABL Facility

On November 7, 2023, TPB Specialty Finance, LLC, a wholly-owned subsidiary of the Company (the “ABL Borrower”), entered into a new \$75.0 million asset-backed revolving credit facility (the “2023 ABL Facility”), with the several lenders thereunder, and Barclays Bank PLC, as administrative agent (the “Administrative Agent”) and as collateral agent and First-Citizens Bank & Trust Company as additional collateral agent (the “Additional Collateral Agent”). Under the 2023 ABL Facility, the ABL Borrower may draw up to \$75.0 million under revolving credit loans and last-in, last-out (“LILO”) loans. The 2023 ABL Facility includes a \$40.0 million accordion feature. In connection with the 2023 ABL Facility, the Company contributed certain existing inventory to the ABL Borrower. The 2023 ABL Facility is secured on a first-priority basis (subject to customary exceptions) by all assets of the ABL Borrower.

The 2023 ABL Facility contains customary borrowing conditions including a borrowing base equal to the sum of (a) the lesser of (1) 85% of the lower of (A) the market value (on a first in first out basis) of the sum of eligible inventory, plus eligible in-transit inventory of the ABL Borrower and (B) 85% of the cost of the sum of eligible inventory, plus eligible in-transit inventory of the ABL Borrower and (2) 85% of the net orderly liquidation value (“NOLV”) percentage of the lower of (1)(A) or (1)(B); plus (b) 85% of the face value of all eligible accounts of the ABL Borrower minus (c) the amount of all eligible reserves. The 2023 ABL Facility also includes a LILO borrowing base equal to the sum of (a) the lesser of: (1) 10% of the lower of (A) the market value (on a first in first out basis) of the sum of eligible inventory, plus eligible in-transit inventory of the ABL Borrower and (B) the cost of the sum of eligible inventory, plus eligible in-transit inventory and (2) 10% of the NOLV percentage of the lower of (1)(A) or (1)(B); plus (b) 10% of the face amount of eligible account; minus (c) the amount of all eligible reserves.

Amounts borrowed under the 2023 ABL Facility are subject to an interest rate margin per annum equal to (a) from and after the closing date until the last day of the first full fiscal quarter ended after the closing date, (i) 1.25% per annum, in the case base rate loans, and (ii) 2.25% per annum, in the case of revolving credit loans that are SOFR Loans, (b)(i) 2.25% per annum, in the case of LILO loans that are base rate loans, and (ii) 3.25% per annum, in the case of LILO loans that are SOFR loans, (c) on the first day of each fiscal quarter, the applicable interest rate margins will be determined from the pricing grid below based upon the historical excess availability for the most recent fiscal quarter ended immediately prior to the relevant date, as calculated by the Administrative Agent.

Level	Historical Excess Availability	Applicable Margin for SOFR Loans	Applicable Margin or Base Rate Loans
I	Greater than or equal to 66.66%	1.75 %	0.75 %
II	Less than 66.66%, but greater than or equal to 33.33%	2.00 %	1.00 %
III	Less than 33.33%	2.25 %	1.25 %

The 2023 ABL Facility also requires the Company and its restricted subsidiaries to maintain a fixed charge coverage ratio of at least 1.00 to 1.00 as of the end of any four consecutive fiscal quarters if excess availability shall be less than the greater of (a) 12.5% of the line cap and (b) \$9.4 million, at any time and continuing until excess availability is equal to or exceeds the greater of (i) 12.5% of the line and (ii) \$9.4 million for thirty (30) consecutive calendar days; provided that such \$9.4 million level shall automatically increase in proportion to the amount of any increase in the aggregate revolving credit commitments thereunder in connection with any incremental facility.

The 2023 ABL Facility shall mature on the earlier of (x) November 7, 2027 and (y) the date that is 91 days prior to the maturity date of any material debt of the ABL Borrower or the Company or any of its restricted subsidiaries (subject to customary extensions agreed by the lenders thereunder); provided that clause (y) shall not apply to the extent that on any applicable date of determination (on any date prior to the date set forth in clause (y)), (A) the sum of (x) cash that is held in escrow for the repayment of such material debt pursuant to arrangements satisfactory to the Administrative Agent, (y) cash that is held in accounts with the Administrative Agent and/or the Additional Collateral Agent, plus (z) excess availability, is sufficient to repay such material debt and (B) the ABL Borrower has excess availability of at least \$15.0 million after giving effect to such repayment of material debt, including any borrowings under the commitments in connection therewith.

The Company has not drawn any borrowings under the 2023 ABL Facility but has letters of credit of approximately \$2.3 million outstanding under the facility and has an available balance of \$65.8 million based on the borrowing base as of December 31, 2025.

The Company incurred debt issuance costs attributable to the 2023 ABL Facility of \$2.6 million which are amortized to interest expense using the straight-line method over the expected life of the 2023 ABL Facility.

Convertible Senior Notes

In July 2019, the Company closed an offering of \$172.5 million in aggregate principal amount of its 2.50% convertible senior notes due July 15, 2024 (the “Convertible Senior Notes”). The Convertible Senior Notes were senior unsecured obligations of the Company and the remaining outstanding balance of \$118.5 million was retired with cash on July 15, 2024.

Note 15. Income Taxes

The components of income before provisions for income taxes for year ended December 31, 2025, as required by ASU 2023-09 is as follows:

	2025
Domestic	80,974
Foreign	2,169
Total	83,143

Income tax expense (benefit) for the years ended December 31 consists of the following components:

	2025			2024			2023		
	Current	Deferred	Total	Current	Deferred	Total	Current	Deferred	Total
Federal	\$ 5,048	\$ 7,822	\$ 12,870	\$ 14,005	\$ 240	\$ 14,245	\$ 13,404	\$ 4,091	\$17,495
State and Local	922	1,109	2,031	2,405	279	2,684	3,587	2,166	5,753
Foreign	90	-	90	-	-	-	(16)	767	751
Total	\$ 6,060	\$ 8,931	\$ 14,991	\$ 16,410	\$ 519	\$ 16,929	\$ 16,975	\$ 7,024	\$23,999

Deferred tax assets and liabilities consists of:

	December 31, 2025		December 31, 2024	
	Assets	Liabilities	Assets	Liabilities
Inventory	\$ 4,363	\$ -	\$ 4,802	\$ -
Property, plant, and equipment	-	3,188	-	3,433
Goodwill and other intangible assets	-	11,204	-	3,549
Foreign NOL carryforward	1,218	-	1,505	-
State NOL carryforward	2,211	-	2,339	-
Unrealized loss on investments	3,868	91	3,846	-
Leases	3,928	3,706	3,278	3,004
Stock compensation	4,116	-	4,306	-
Insurance receivable	-	3,689	-	3,728
Capital loss carryforward	4,071	-	4,108	-
Other	4,241	3,056	5,117	2,006
Gross deferred income taxes	28,016	24,934	29,301	15,720
Valuation allowance	(11,371)	-	(12,586)	-
Net deferred income taxes	<u>\$ 16,645</u>	<u>\$ 24,934</u>	<u>\$ 16,715</u>	<u>\$ 15,720</u>

At December 31, 2025, the Company had state net operating loss (“NOL”) carryforwards for income tax purposes of approximately \$22.2 million, which expire between 2034 and 2045, \$27.6 million of which has an indefinite carryforward period. The Company has determined that, at December 31, 2025 and 2024 its ability to realize future benefits of its state NOL carryforwards does not meet the “more likely than not” criteria in ASC 740, Income Taxes. Therefore, a valuation allowance for state NOL carryforwards of \$2.4 million and \$3.1 million has been recorded at December 2025 and 2024, respectively. The Company has determined that at December 31, 2025 and 2024, its ability to realize future benefits of its capital loss carryforward, unrealized loss on investments and foreign NOL carryforwards do not meet the “more likely than not” criteria in ASC 740, Income Taxes. Therefore, a valuation allowance for capital loss carryforward of \$4.1 million, unrealized loss on investments of \$3.1 million and foreign NOL carryforwards of \$1.4 million has been recorded at December 31, 2025 and a valuation allowance for capital loss carryforward of \$4.1 million, unrealized loss on investments of \$3.1 million and foreign NOL carryforwards of \$1.8 million has been recorded as of December 31, 2024.

ASC 740-10-25 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The Company has determined that they did not have any uncertain tax positions requiring recognition as a result of the provisions of ASC 740-10-25. The Company’s policy is to recognize interest and penalties accrued on uncertain tax positions as part of interest expense. For the years ended December 31, 2025, 2024, and 2023, no estimated interest or penalties were recognized for the uncertainty of tax positions taken. The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. In general, the Company is no longer subject to U.S. federal and state tax examinations for years prior to 2022.

In 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Security Act (the “CARES Act”) to provide certain relief as a result of the COVID-19 Pandemic. The CARES Act provides tax relief, along with other stimulus measures, including a provision for an Employee Retention Credit (“ERC”). ERC is a refundable tax credit for employers who kept employees on their payroll during the COVID-19 Pandemic. The Company applied for the ERC in 2024.

The Company considered the ERC to be a contingent gain. During the year ended December 31, 2025, the Company received and recorded an employee retention credit totaling \$5.5 million, within the “Other income, net” in our Consolidated Statements of Income.

Reconciliation of the federal statutory rate and the effective income tax rate for the year ended December 31, 2025 as required by ASU 2023-09 (see New Accounting Pronouncements caption in Note 2 for more information):

	2025	
	Amount	Percent
Federal statutory rate	\$ 17,460	21.0%
Foreign tax effects	(320)	(0.4)%
State and local income taxes, net of federal benefit (1)	2,159	2.6%
Effect of cross-boarder tax laws		
Global Intangible Low-Taxed Income (GILTI)	210	0.3%
Non-taxable or non-deductible items		
Stock Compensation	(4,229)	(5.1)%
Non-deductible compensation	2,552	3.1%
Other	68	0.1%
Tax credits		
Research and development (R&D) credits	(142)	(0.2)%
Foreign tax credits	(72)	(0.1)%
Noncontrolling interest in joint venture earnings	(1,938)	(2.3)%
Other	(411)	(0.5)%
Change in valuation allowance	(346)	(0.5)%
Effective income tax rate	<u>\$ 14,991</u>	<u>18.0%</u>

(1) State taxes in Tennessee, California, and Michigan made up the majority (greater than 50%) of the tax effect in this category.

Reconciliation of the federal statutory rate and effective income tax rate for the years ended December 31, 2024 and 2023, prior to the adoption of ASU 2023-09 is as follows:

	2024	2023
Federal statutory rate	21.0%	21.0%
Foreign rate differential	(0.1)%	(0.1)%
State taxes	3.4%	4.3%
Permanent differences	(0.6)%	(0.1)%
Other	0.6%	0.0%
Valuation allowance	1.8%	13.6%
Effective income tax rate	<u>26.1%</u>	<u>38.7%</u>

The permanent differences for the years ended December 31, 2025, 2024 and 2023 are not significant in the aggregate.

The amount of cash taxes paid by the Company for the year ended December 31, 2025, as required by ASU 2023-09 is as follows:

	2025
Federal	8,601
State and Local	1,783
Foreign	-
Income taxes, net of amounts refunded	<u>10,384</u>

Note 16. 401(k) Retirement Savings Plan

The Company sponsors a voluntary 401(k) retirement savings plan. Eligible employees may elect to contribute up to 15% of their annual earnings subject to certain limitations. For the 2025, 2024 and 2023 plan years, the Company contributed 4% to employees who contributed 4% or more of their annual earnings. Employees contributing less than 4% received a 100% match on their contributions. Additionally, for all years presented, the Company made discretionary contributions of 1% to all employees, regardless of an employee's contribution level. Company contributions to this plan were approximately \$1.2 million for 2025, \$1.5 million for 2024 and \$1.4 million for 2023.

Note 17. Lease Commitments

The Company's leases consist primarily of leased property for manufacturing, warehouse, corporate offices and retail space as well as vehicle leases. At lease inception, the Company recognizes a lease right of use asset and lease liability calculated as the present value of future minimum lease payments. Some leases may require payment of other components such as taxes, insurance, maintenance and operating expenses. When payments related to these other components are considered fixed, they are included in the determination of the lease liability due to the Company's election to combine lease and non-lease components and account for them as a single lease component. Otherwise, they are recognized as variable payments, along with variable payments not based on a rate or index, in the period in which the obligation for those payments is incurred.

In general, the Company does not recognize renewal periods within the lease terms as there are no significant barriers to ending the lease at the initial term. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense for these leases is recognized on a straight-line basis over the lease term.

The components of lease expense consist of the following:

	For the year ended December 31,		
	2025	2024	2023
Operating lease cost			
Cost of sales	\$ 473	\$ 502	\$ 507
Selling, general and administrative	2,173	1,760	1,756
Variable lease cost	944	1,091	1,161
Short-term lease cost	-	-	24
Total	<u>\$ 3,590</u>	<u>\$ 3,353</u>	<u>\$ 3,448</u>
	For the year ended December 31,		
	2025	2024	2023
Financing lease cost			
Selling, general and administrative	\$ 1,554	\$ 860	\$ 1,164
Interest expense, net	296	173	-
Variable lease cost	-	\$ 72	-
Total	<u>\$ 1,850</u>	<u>\$ 1,105</u>	<u>\$ 1,164</u>

The Company's lease balances consist of the following:

	December 31, 2025	December 31, 2024
Assets:		
Right of use assets - Operating	\$ 6,851	\$ 8,338
Right of use assets - Financing	7,629	3,272
Total lease assets	<u>\$ 14,480</u>	<u>\$ 11,610</u>
Liabilities:		
Current lease liabilities - Operating ⁽¹⁾	\$ 2,111	\$ 2,011
Current lease liabilities - Financing ⁽¹⁾	2,530	1,110
Long-term lease liabilities - Operating	5,652	7,400
Long-term lease liabilities - Financing	5,056	2,149
Total lease liabilities	<u>\$ 15,349</u>	<u>\$ 12,670</u>

⁽¹⁾ Reported within accrued liabilities on the balance sheet

Other information related to the Company's leases consists of the following:

	December 31, 2025	December 31, 2024
Right of use assets obtained in exchange for lease obligations:		
Operating leases	\$ 956	\$ 1,209
Finance leases	\$ 5,907	\$ 1,842
	As of December 31, 2025	2024
Weighted-average remaining lease term - operating leases (years)	4.2	4.8
Weighted-average discount rate - operating leases	5.86%	5.65%
Weighted-average remaining lease term - financing leases (years)	3.3	3.1
Weighted-average discount rate - financing leases	6.53%	6.64%

Nearly all the lease contracts for the Company do not provide a readily determinable implicit rate. For these contracts, the Company uses a discount rate that approximates its incremental borrowing rate at the time of the lease commencement.

The following table illustrates the Company's future minimum rental payments for non-cancelable leases as of December 31, 2025:

Year	Operating	Finance
2026	\$ 2,511	\$ 2,948
2027	2,467	2,500
2028	1,158	1,887
2029	1,159	1,080
2030	1,185	-
Years thereafter	427	-
Total lease payments	8,907	8,415
Less: Imputed interest	1,144	829
Present value of lease liabilities	<u>\$ 7,763</u>	<u>\$ 7,586</u>

Note 18. Share Incentive Plans

On March 22, 2021, the Company's Board of Directors adopted the Turning Point Brands, Inc. 2021 Equity Incentive Plan (the "2021 Plan"), pursuant to which awards may be granted to employees, non-employee directors, and consultants. In addition, the 2021 Plan provides for the granting of nonqualified stock options to employees of the Company or any subsidiary of the Company. Pursuant to the 2021 Plan, 1,290,000 shares, plus 100,052 shares remaining available for issuance under the 2015 Equity Incentive Plan (the "2015 Plan"), of TPB Common Stock are reserved for issuance as awards to employees, non-employee directors, and consultants as compensation for past or future services or the attainment of certain performance goals. The 2021 Plan is scheduled to terminate on March 21, 2031. The 2021 Plan is administered by the compensation committee (the "Committee") of the Company's Board of Directors. The Committee determines the vesting criteria for the awards, with such criteria to be specified in the award agreement. As of December 31, 2025, net of forfeitures, there were 437,024 Restricted Stock Units ("RSUs"), 122,570 options and 94,421 Performance Based Restricted Stock Units ("PRSUs") granted under the 2021 Plan. There are 736,037 shares available for future grant under the 2021 Plan.

On April 28, 2016, the Board of Directors of the Company adopted the 2015 Plan, pursuant to which awards could have been granted to employees, non-employee directors, and consultants. In addition, the 2015 Plan provided for the granting of nonqualified stock options to employees of the Company or any subsidiary of the Company. Upon adoption of the 2021 Plan, the 2015 Plan was terminated, and the Company determined no additional grants would be made under the 2015 Plan. However, all awards issued under the 2015 Plan that have not been previously terminated or forfeited remain outstanding and continue unaffected. There are no shares available for grant under the 2015 Plan.

Stock option activity for the 2015 and 2021 Plans is summarized below:

	Stock Option Shares	Weighted Average Exercise Price	Weighted Average Grant Date Fair Value
Outstanding, December 31, 2023	656,951	\$ 29.79	\$ 9.18
Granted	54,289	27.19	9.21
Exercised	(132,572)	21.36	6.97
Forfeited	(42,878)	38.11	11.94
Outstanding, December 31, 2024	535,790	\$ 30.69	\$ 9.51
Exercised	(245,855)	30.76	9.54
Forfeited	(2,643)	36.11	10.88
Outstanding, December 31, 2025	287,292	\$ 30.58	\$ 9.47

Under the 2015 and 2021 Plans, the total intrinsic value of options exercised during the years ended December 31, 2025, 2024, and 2023, was \$12.9 million, \$2.6 million, and \$0.3 million, respectively.

At December 31, 2025, under the 2015 and 2021 Plans, the risk-free interest rate is based on the U.S. Treasury rate for the expected life at the time of grant. The expected volatility is based on the average long-term historical volatilities of peer companies. We intend to continue to consistently use the same group of publicly traded peer companies to determine expected volatility until sufficient information regarding volatility of our share price becomes available or until the selected companies are no longer suitable for this purpose. Due to our limited trading history, we are using the simplified method presented by SEC Staff Accounting Bulletin No. 107 to calculate expected holding periods, which represent the periods of time for which options granted are expected to be outstanding. We will continue to use this method until we have sufficient historical exercise experience to give us confidence in the reliability of our calculations. The fair values of these options were determined using the Black-Scholes option pricing model.

The following table outlines the assumptions for options granted under the 2015 Plan.

	May 17, 2017	March 7, 2018	March 20, 2019	March 18, 2020	February 18, 2021
Number of options granted	93,819	98,100	155,780	155,000	100,000
Options outstanding at December 31, 2025	19,569	31,370	48,880	27,513	39,600
Number exercisable at December 31, 2025	19,569	31,370	48,880	27,513	39,600
Exercise price	\$ 15.41	\$ 21.21	\$ 47.58	\$ 14.85	\$ 51.75
Remaining lives	1.38	2.19	3.22	4.22	5.14
Risk free interest rate	1.76%	2.65%	2.34%	0.79%	0.56%
Expected volatility	26.92%	28.76%	30.95%	35.72%	28.69%
Expected life	6.000	6.000	6.000	6.000	6.000
Dividend yield	-	0.83%	0.42%	1.49%	0.55%
Fair value at grant date	\$ 4.60	\$ 6.37	\$ 15.63	\$ 4.41	\$ 13.77

The following table outlines the assumptions for options granted under the 2021 Plan.

	May 17, 2021	March 14, 2022	April 29, 2022	May 12, 2023	March 11, 2024
Number of options granted	7,500	100,000	14,827	77,519	54,289
Options outstanding at December 31, 2025	350	14,929	3,273	47,519	54,289
Number exercisable at December 31, 2025	350	14,929	3,273	47,519	54,289
Exercise price	\$ 45.05	\$ 30.46	\$ 31.39	\$ 20.71	\$ 27.19
Remaining lives	5.38	6.21	6.33	7.37	8.20
Risk free interest rate	0.84%	2.10%	2.92%	3.41%	4.06%
Expected volatility	31.50%	35.33%	35.33%	34.51%	35.09%
Expected life	6.000	6.000	6.000	5.186	5.186
Dividend yield	0.63%	1.01%	0.98%	1.61%	1.26%
Fair value at grant date	\$ 13.23	\$ 10.23	\$ 11.07	\$ 6.45	\$ 9.21

The Company has recorded compensation expense related to the options based on the provisions of ASC 718 under which the fixed portion of such expense is determined as the fair value of the options on the date of grant and amortized over the vesting period. The Company recorded compensation expense related to the options of approximately \$0.0 million, \$0.5 million and \$0.7 million for the years ended December 31, 2025, 2024 and 2023, respectively. At December 31, 2025, the options have been fully expensed with zero remaining.

PRsUs are restricted stock units subject to both performance-based and service-based vesting conditions. The number of shares of TPB Common Stock a recipient will receive upon vesting of a PRsU is calculated by reference to certain performance metrics related to the Company's performance over a five-year period. PRsUs will vest on the measurement date, which is no more than 65 days after the performance period provided the applicable service and performance conditions are satisfied. At December 31, 2025, there were 273,098 PRsUs outstanding.

The following table outlines the PRsUs granted and outstanding as of December 31, 2025.

	February 18, 2021	March 14, 2022	May 4, 2023	March 1, 2024	April 1, 2024	March 1, 2025
Number of PRsUs granted	100,000	49,996	133,578	111,321	8,242	41,137
PRsUs outstanding at December 31, 2025	63,340	19,617	67,511	74,899	6,594	41,137
Fair value as of grant date	\$ 51.75	\$ 30.46	\$ 22.25	\$ 26.52	\$ 29.12	\$ 70.34
Remaining lives	-	1.00	-	1.00	1.00	2.00

The Company recorded compensation expense related to the PRsUs of approximately \$3.0 million, \$3.4 million and \$3.0 million in the consolidated statements of income for the years ended December 31, 2025, 2024 and 2023, respectively, based on the probability of achieving the performance condition. Total unrecognized compensation expense related to these awards at December 31, 2025, is \$2.2 million, which will be expensed over the service period based on the probability of achieving the performance condition.

RSUs are stock units subject to service-based vesting conditions over one to five years. At December 31, 2025, there are 158,919 RSUs outstanding.

The following table outlines the RSUs granted and outstanding as of December 31, 2025.

	March 14, 2022	April 29, 2022	May 5, 2023	March 1, 2024	April 1, 2024	March 3, 2025	March 3, 2025	May 8, 2025	July 14, 2025
Number of RSUs granted	50,004	4,522	130,873	105,257	5,495	36,843	14,921	8,464	1,341
RSUs outstanding at December 31, 2025	16,905	1,263	29,007	47,418	3,627	35,973	14,921	8,464	1,341
Fair value as of grant date	\$ 30.46	\$ 31.39	\$ 22.25	\$ 26.52	\$ 29.12	\$ 70.34	\$ 67.02	\$ 75.66	\$ 74.61
Remaining lives	1.00	1.00	0.25	1.25	1.25	2.25	0.25	0.50	2.69

The Company has recorded compensation expense related to the RSUs based on the provisions of ASC 718 under which the fixed portion of such expense is determined as the fair value of the RSUs on the date of grant and amortized over the vesting period. The Company recorded compensation expense related to the RSUs of approximately \$3.9 million, \$3.3 million and \$2.9 million for the years ended December 31, 2025, 2024 and 2023, respectively. Total unrecognized compensation expense related to RSUs at December 31, 2025, is \$2.2 million, which will be expensed over 1.6 years.

Note 19. Contingencies

On October 9, 2020, a purported stockholder of Turning Point Brands, Inc., Paul-Emile Berteau, filed a complaint in the Delaware Court of Chancery relating to the merger of Standard Diversified, Inc. ("SDI") with a TPB subsidiary ("Merger Sub") pursuant to the Agreement and Plan of Merger and Reorganization, dated as of April 7, 2020, by and among TPB, SDI and Merger Sub. The parties attended a mediation in late November 2022 where a settlement was reached. On December 12, 2023, the Court approved the settlement and dismissed the action with prejudice. As of December 31, 2023, the Company recorded a \$4.0 million receivable in other current assets, and a corresponding gain on settlement in other income on its Consolidated Statement of Income for the year ended December 31, 2023. These funds were received in January 2024.

Other major tobacco companies are defendants in product liability claims. In a number of these cases, the amounts of punitive and compensatory damages sought are significant and, if such a claim were brought against the Company, could have a material adverse effect on our business and results of operations.

The probable losses, if any, associated with any such lawsuits are not currently reasonably estimable and therefore are not accrued.

Note 20. Earnings Per Share

The Company calculates earnings per share using the treasury stock method for its options and non-vested restricted stock units, and the if-converted method for its Convertible Senior Notes.

The following is a reconciliation of the numerators and denominators of the basic and diluted EPS computations:

	December 31, 2025			December 31, 2024			December 31, 2023		
	Income (Loss)	Shares	Per Share	Income (Loss)	Shares	Per Share	Income (Loss)	Shares	Per Share
Basic EPS:									
Numerator									
Income from continuing operations less non-controlling interest	\$ 58,165		\$ 3.18	\$ 47,326		\$ 2.67	\$ 38,747		\$ 2.20
Loss from discontinued operations, net of tax	-		-	(7,517)		(0.43)	(285)		(0.01)
Net income attributable to Turning Point Brands, Inc.	\$ 58,165		\$ 3.18	\$ 39,809		\$ 2.24	\$ 38,462		\$ 2.19
Denominator									
Weighted average		18,314,047			17,734,239			17,578,270	
Diluted EPS:									
Numerator									
Income from continuing operations less non-controlling interest	\$ 58,165			\$ 47,326			\$ 38,747		
Interest expense related to Convertible Senior Notes, net of tax	-			1,597			2,667		
Diluted income from continuing operations	\$ 58,165		\$ 3.11	\$ 48,923		\$ 2.53	\$ 41,414		\$ 2.02
Loss from discontinued operations, net of tax	-		-	(7,517)		(0.39)	(285)		(0.01)
Diluted net income	\$ 58,165		\$ 3.11	\$ 41,406		\$ 2.14	\$ 41,129		\$ 2.01
Denominator									
Basic weighted average		18,314,047			17,734,239			17,578,270	
Convertible Senior Notes (1)		-			1,192,597			2,533,201	
Stock options and restricted stock units (2)		416,588			435,970			355,935	
		18,730,635			19,362,806			20,467,406	

(1) There were 0.0 million, 0.2 million and 0.2 million outstanding stock options not included in the computation of diluted earnings per share for the years ended December 31, 2025, 2024 and 2023, respectively, because the effect would have been antidilutive.

Note 21. Segment Information

In accordance with ASC 280, Segment Reporting, the Company has two reportable segments, Zig-Zag products and Stoker's products. The Zig-Zag products segment markets and distributes (a) rolling papers, tubes, and related products; (b) finished cigars and MYO cigar wraps; and (c) lighters and other accessories. The Stoker's products segment (a) manufactures and markets moist snuff, (b) contracts for and markets loose-leaf chewing tobacco products, and (c) FRE, its modern oral product. The Company's products are distributed primarily through wholesale distributors in the U.S. and Canada. Corporate unallocated includes the costs and assets of the Company not assigned to one of the two reportable segments and includes corporate overhead expense, including executive management, finance, legal and information technology salaries, and professional services such as audit, external legal costs and information technology services, as well as costs related to the FDA premarket tobacco product application. The Company did not have any customers that accounted for more than 10% of net sales in 2025. The Company had one customer that accounted for 10.2% of net sales in 2024, of which 54% was in the Stoker's product segment and 46% was in the Zig-Zag products segment in 2024. There were no customers that accounted for more than 10% of net sales in 2023.

The Company's CODM is its President and Chief Executive Officer and uses segment operating income as the measure of earnings to evaluate the performance of each segment and to make decisions about allocating resources, including employees, property, plant and equipment, as well as financial and capital resources. On a quarterly basis, the CODM reviews segment operating income budget-to-actual variances to assess segment performance and make resource allocation decisions. For both reportable segments, cost of sales is the significant segment expense that is regularly provided to the CODM.

The accounting policies of these segments are the same as those of the Company. Corporate costs are not directly charged to the two reportable segments in the ordinary course of operations.

The tables below present financial information about reportable segments:

	For the years ended December 31,		
	2025	2024	2023
Net sales			
Zig-Zag products	\$ 178,478	\$ 192,394	\$ 180,455
Stoker's products	284,584	168,266	144,609
Total	\$ 463,062	\$ 360,660	\$ 325,064
Cost of sales			
Zig-Zag products	\$ 82,577	\$ 85,809	\$ 79,400
Stoker's products	116,171	73,286	62,722
Total	\$ 198,748	\$ 159,095	\$ 142,122
Gross profit			
Zig-Zag products	\$ 95,901	\$ 106,585	\$ 101,055
Stoker's products	168,413	94,980	81,887
Total	\$ 264,314	\$ 201,565	\$ 182,942
Other segment items ⁽¹⁾			
Zig-Zag products	\$ 36,960	\$ 39,888	\$ 32,775
Stoker's products	59,308	26,708	19,679
Total	\$ 96,268	\$ 66,596	\$ 52,454
Operating income (loss)			
Zig-Zag products	\$ 58,941	\$ 66,697	\$ 68,280
Stoker's products	109,105	68,272	62,208
Total segment operating income	168,046	134,969	130,488
Corporate unallocated ⁽²⁾⁽³⁾	(72,719)	(54,137)	(47,528)
Total	\$ 95,327	\$ 80,832	\$ 82,960
Other income	(6,616)	-	(4,000)
Interest expense, net	17,466	13,983	14,645
Investment (gain) loss	(1,060)	1,968	9,601
(Income) losses from equity investments	1,159	(75)	2,313
Loss (gain) on extinguishment of debt	1,235	-	(1,664)
Income from continuing operations before income taxes	<u>\$ 83,143</u>	<u>\$ 64,956</u>	<u>\$ 62,065</u>
Capital expenditures			
Zig-Zag products	\$ 348	\$ 2,342	\$ 1,112
Stoker's products	13,181	2,271	4,595
Total	<u>\$ 13,529</u>	<u>\$ 4,613</u>	<u>\$ 5,707</u>
Depreciation and amortization			
Zig-Zag products	\$ 1,011	\$ 1,469	\$ 1,077
Stoker's products	6,405	4,193	3,041
Total	<u>\$ 7,416</u>	<u>\$ 5,662</u>	<u>\$ 4,118</u>

⁽¹⁾ Includes primarily selling and marketing costs

⁽²⁾ Includes corporate costs that are not allocated to any of the two reportable segments

⁽³⁾ Includes costs related to PMTA of \$4.8 million, \$3.6 million and \$2.1 million in 2025, 2024, and 2023, respectively.

	December 31, 2025	December 31, 2024
Assets		
Zig-Zag products	\$ 256,762	\$ 224,052
Stoker's products	268,305	197,038
Assets held for sale	-	15,329
Corporate unallocated ⁽¹⁾	238,683	56,934
Total	<u>\$ 763,750</u>	<u>\$ 493,353</u>

⁽¹⁾ Includes assets not assigned to the two reportable segments. All goodwill has been allocated to the reportable segments.

Net Sales: Domestic and Foreign

The following table shows a breakdown of consolidated net sales between domestic and foreign.

	For the years ended December 31,		
	2025	2024	2023
Domestic	\$ 427,385	\$ 330,690	\$ 294,296
Foreign	35,677	29,970	30,768
Total	<u>\$ 463,062</u>	<u>\$ 360,660</u>	<u>\$ 325,064</u>

Note 22. Dividends, Share Issuances and Share Repurchases

The Company currently pays a quarterly cash dividend. Dividends are considered restricted payments under the Senior Secured Notes Indenture. The Company is generally permitted to make restricted payments provided that, at the time of payment, or as a result of payment, the Company is not in default on its covenants; however, there are earnings and market capitalization requirements that if not met could limit the aggregate amount of restricted, quarterly dividends during a fiscal year. During the years ended December 31, 2025, 2024 and 2023, the Company paid cash dividends of \$0.30 per common share for \$5.5 million, \$0.28 per common share for \$4.9 million and \$0.26 per common share for \$4.5 million, respectively.

On February 25, 2020, the Company's Board of Directors approved a \$50.0 million share repurchase program which is intended for opportunistic execution based upon a variety of factors including market dynamics. The program is subject to the ongoing discretion of the Board of Directors. On October 25, 2021, the Board of Directors increased the approved share repurchase program by \$30.7 million, and by an additional \$24.6 million on February 24, 2022. On November 6, 2024, the Board of Directors of the Company increased the Company's share repurchase authorization by \$77.9 million to an aggregate amount of \$100.0 million. On November 4, 2025, the Company's Board of Directors increased the share repurchase authorization by \$100.0 million to an aggregate amount of \$200.0 million. For the year ended December 31, 2025, there were no repurchases under the share repurchase program. As of December 31, 2025, \$200.0 million remains available for share repurchases under the program. The total number of shares repurchased for the year ended December 31, 2024 was 154,945 shares for a total cost of \$5.1 million and an average price per share of \$32.60. There were no shares repurchased for the year ended December 31, 2023.

The Company entered into an at-the-market offering program (the "ATM Program") on December 13, 2024, with B. Riley Securities Inc. and Barclays Capital Inc. Between August 15, 2025, and September 11, 2025, the Company sold 1,014,262 shares of our Common Stock under the ATM Program at an average selling price of \$98.59 per share for gross proceeds of \$100.0 million, less underwriter's commission and expenses of approximately \$2.5 million, for net proceeds of \$97.5 million. The shares were issued from repurchased common stock on a first in first out basis. The Company recorded the gain, corresponding to the difference in between the reacquisition cost of treasury stock and the value of treasury stock reissued, into APIC within the Consolidated Statements of Changes in Stockholders' Equity. As of December 31, 2025, there was \$200 million of capacity remaining under the ATM Program.

Note 23. Subsequent Events

As a result of the U.S. trade policies beginning in 2025, we incurred tariff charges on certain products we import from overseas manufacturers. Certain of these tariffs were imposed by the administration utilizing the International Emergency Economic Powers Act(IEEPA). In February 2026, the United States Supreme Court held that the International Emergency Economic Powers Act does not authorize the president to impose tariffs and the government immediately ceased collecting such tariffs. While this ruling prohibits the imposition of tariffs under IEEPA it does not provide for a refund mechanism, and we cannot assure as to when or how much of the tariffs the Company previously paid under IEEPA will be refunded.

In addition, the ruling does not prohibit the imposition of tariffs pursuant to other statutes. For instance, in response to the ruling the administration imposed a blanket 10% on all products importers pursuant to section 122 of the Trade Act of 1974.

Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has performed an assessment of the effectiveness of our disclosure controls and procedures, as that term is defined in Rules 13a-15(e) of the Exchange Act, as of the end of the period covered by this Annual Report. Based on that assessment, our management has concluded that our disclosure controls and procedures were effective as of December 31, 2025 to provide reasonable assurance that information required to be disclosed by us in reports filed or submitted under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with GAAP. Our internal control over financial reporting includes policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP; (3) provide reasonable assurance that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (4) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an assessment of the effectiveness of internal control over financial reporting as of December 31, 2025 based on the 2013 Internal Control — Integrated Framework (the “COSO Framework”) issued by the Committee of Sponsoring Organizations (COSO). Based on this assessment under the COSO Framework, our management has concluded that our internal control over financial reporting was effective as of December 31, 2025.

Attestation report of the registered public accounting firm

Our independent registered public accounting firm has audited the consolidated financial statements included in this Annual Report, and as part of their audit, has issued their report, included herein, on the effectiveness of our internal control over financial reporting as of December 31, 2025. Their report is included beginning on page F-[] of this Annual Report.

Remediation of Previous Material Weakness

We previously identified a material weakness in our internal control over financial reporting, which was remediated during 2025.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

As previously disclosed, management identified a material weakness in internal control over financial reporting related to ineffective information technology general controls (“ITGCs”) in the areas of user access and program change management over certain information technology systems that support the Company’s financial reporting processes.

During 2025, management implemented and tested remediation measures designed to address the control deficiencies. These measures included enhancing user access review controls, adding new personnel, implementing additional monitoring activities, and providing supplemental training to relevant personnel. Management completed its testing of the design and operating effectiveness of these controls during 2025.

Based on the successful implementation and testing of these remediation efforts, management concluded that the previously identified material weakness was remediated as of December 31, 2025.

Changes in Internal Controls over Financial Reporting

Other than as noted above in connection with the remediation of the previously identified material weakness, management has determined that there were no changes in the Company's internal controls over financial reporting during the fiscal quarter ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required for this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2025 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2025.

We have adopted a Securities Trading Policy that governs the purchase, sale, and/or other dispositions of our securities by our directors, officers, and employees designed to promote compliance with insider trading laws, rules, and regulations, and any listing standards applicable to us. A copy of our Securities Trading Policy, as currently in effect, is filed as Exhibit 19.1 to this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information required for this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2025 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2025.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required for this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2025 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2025.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required for this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2025 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2025.

Item 14. Principal Accountant Fees and Services

The information required for this Item is incorporated by reference from our Proxy Statement to be filed in connection with our 2025 Annual Meeting of Stockholders within 120 days after the end of the fiscal year ended December 31, 2025.

PART IV

Item 15. Exhibits and Financial Statement Schedules

a) Financial Information

- (1) Financial Statements: See “Index to Consolidated Financial Statements” in Part II, Item 8 of this Annual Report on Form 10-K.
- (2) Financial Statement Schedule: Information required by this item is included within the consolidated financial statements or notes in Item 8 of this Annual Report on Form 10-K.
- (3) Exhibits – See (b) below

b) Exhibits Index to Exhibits

Index to Exhibits

Exhibit No. Description

- | | |
|------|---|
| 1 | At Market Issuance Sales Agreement, dated December 13, 2024, by and among Turning Point Brands, Inc., B. Riley Securities, Inc. and Barclays Capital Inc. (incorporated by reference to Exhibit 1.1 to the Registrant’s Current Report on Form 8-K filed on December 13, 2024). |
| 2 | International Vapor Group Stock Purchase Agreement dated as of September 5, 2018, between Turning Point Brands, Inc. and International Vapor Group, LLC (incorporated by reference to Exhibit 2.1 to the Registrant’s Quarterly Report on Form 10-Q filed on November 7, 2018). |
| 3.1 | Second Amended and Restated Certificate of Incorporation of Turning Point Brands, Inc. (incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed on May 16, 2016). |
| 3.2 | Second Amended and Restated By-laws (incorporated by reference to Exhibit 3.1 to the Registrant’s Quarterly Report on Form 10-Q filed on October 27, 2020). |
| 4.1 | Registration Rights Agreement of Turning Point Brands, Inc. dated May 10, 2016, between Turning Point Brands, Inc. and the Stockholders named therein (incorporated by reference to Exhibit 4.1 to the Registrant’s Current Report on Form 8-K filed on May 16, 2016). |
| 4.2 | Description of Securities. (incorporated by reference to Exhibit 4.2 to the Registrant’s Annual Report on Form 10-K filed on March 12, 2020). |
| 4.3 | Indenture dated as of February 19, 2025, between Turning Point Brands, Inc. and GLAS Trust Company LLC (incorporated by reference to Exhibit 4.3 to the Registrant’s Annual Report on Form 10-K filed on March 6, 2025). |
| 10.1 | Turning Point Brands, Inc. 2021 Equity Incentive Plan, dated as of March 22, 2021 (incorporated by reference to Appendix A of the Company’s definitive proxy statement on Schedule 14A, filed with the Commission on March 25, 2021). † |
| 10.2 | Turning Point Brands, Inc. 2015 Equity Incentive Plan (the “2015 Plan”) (incorporated by reference to Exhibit 10.1 to the Registrant’s Registration Statement on Form S-1/A (File No. 333-207816) filed on November 5, 2015). † |
| 10.3 | Form of Stock Option Award Agreement under the 2015 Plan (incorporated by reference to Exhibit 10.2 to the Registrant’s Annual Report on Form 10-K filed on March 13, 2017). † |
| 10.4 | Form of Performance-Based Restricted Stock Unit Award Agreement under the Turning Point Brands, Inc. 2015 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registrant’s Quarterly Report on Form 10-Q filed on May 11, 2017). † |

- 10.5 2006 Equity Incentive Plan of Turning Point Brands, Inc. (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1/A (File No. 333-207816) filed on November 5, 2015). †
- 10.6 Amendment No. 1 to the 2006 Equity Incentive Plan of North Atlantic Holding Company, Inc. (incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K filed on March 13, 2017). †
- 10.7 Amendment No. 2 to the 2006 Equity Incentive Plan of North Atlantic Holding Company, Inc. (incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K filed on March 13, 2017). †
- 10.8 Amendment No. 3 to the 2006 Equity Incentive Plan of North Atlantic Holding Company, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on February 7, 2017). †
- 10.9 Amendment No. 4 to the 2006 Equity Incentive Plan of North Atlantic Holding Company, Inc. (incorporated by reference to Exhibit 10.54 to the Registrant's Annual Report on Form 10-K filed on March 13, 2017). †
- 10.10 Form of Award Agreement under the 2006 Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1/A (File No. 333-207816) filed on November 5, 2015). †
- 10.11 Form of Cash-Out Agreement under the 2006 Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on February 7, 2017). †
- 10.12 Form of Indemnification Agreement between Turning Point Brands, Inc. and certain directors and officers (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1/A (File No. 333-207816) filed on November 24, 2015).
- 10.13 Contract Manufacturing, Packaging and Distribution Agreement dated as of September 4, 2008, between National Tobacco Company, L.P. and Swedish Match North America, Inc. (incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1/A (File No. 333-207816) filed on November 24, 2015).
- 10.14 Amended and Restated Distribution and License Agreement dated as of November 30, 1992, between Bollore Technologies, S.A. and North Atlantic Trading Company, Inc., as predecessor to North Atlantic Operating Company, Inc. (U.S.) (incorporated by reference to Exhibit 10.2 to Amendment No. 2 to the Registrant's Registration Statement (Reg. No. 333-31931) on Form S-4/A filed with the Commission on September 17, 1997).
- 10.15 Amended and Restated Distribution and License Agreement dated as of November 30, 1992, between Bollore Technologies, S.A. and North Atlantic Trading Company, Inc., as predecessor to North Atlantic Operating Company, Inc. (Canada) (incorporated by reference to Exhibit 10.4 to Amendment No. 2 to the Registrant's Registration Statement (Reg. No. 333-31931) on Form S-4/A filed with the Commission on September 17, 1997).
- 10.16 Amendment to the Amended and Restated Distribution and License Agreement dated March 31, 1993 between Bollore Technologies, S.A. and North Atlantic Trading Company, Inc. (U.S. & Canada) (incorporated by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-1 (File No. 333-207816) filed on November 5, 2015).
- 10.17 Amendment to the Amended and Restated Distribution and License Agreements dated June 10, 1996, between Bollore Technologies, S.A. and North Atlantic Trading Company, Inc. (U.S. & Canada) (incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1 (File No. 333-207816) filed on November 5, 2015).
- 10.18 Amendment to the Amended and Restated Distribution and License Agreement dated September 1996, between Bollore Technologies, S.A. and North Atlantic Trading Company, Inc. (U.S. & Canada) (incorporated by reference to Exhibit 10.24 to the Registrant's Registration Statement on Form S-1 (File No. 333-207816) filed on November 5, 2015).
- 10.19 Restated Amendment to the Amended and Restated Distribution and License Agreement between Bollore Technologies, S.A. and North Atlantic Operating Company, Inc. dated June 25, 1997 (U.S. & Canada) (incorporated by reference to Exhibit 10.5 to Amendment No. 2 to the Registrant's Registration Statement (Reg. No. 333-31931) on Form S-4/A filed with the Commission on September 17, 1997).

- 10.20 Amendment to the Amended and Restated Distribution and License Agreement dated October 22, 1997, between Bollore Technologies, S.A. and North Atlantic Operating Company, Inc. (U.S. & Canada) (incorporated by reference to Exhibit 10.31 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997).
- 10.21 Amendment to the Amended and Restated Distribution and License Agreement dated June 19, 2002, between Bollore S.A. and North Atlantic Operating Company, Inc. (U.S. & Canada) (incorporated by reference to Exhibit 10.31 to the Registrant's Registration Statement on Form S-1 (File No. 333-207816) filed on November 5, 2015).
- 10.22 Trademark Consent Agreement, dated March 26, 1997, between Bollore Technologies, S.A. and North Atlantic Trading Company, Inc. (incorporated by reference to Exhibit 10.25 to the Registrant's Registration Statement on Form S-1 (File No. 333-207816) filed on November 5, 2015).
- 10.23 Amendment to the Amended and Restated Distribution and License Agreement dated February 28, 2005, between Bollore S.A. and North Atlantic Operating Company, Inc. (U.S. & Canada) (incorporated by reference to Exhibit 10.33 to the Registrant's Registration Statement on Form S-1 (File No. 333-207816) filed on November 5, 2015).
- 10.24 Amendment to the Amended and Restated Distribution and License Agreement dated April 20, 2006, between Bollore S.A. and North Atlantic Operating Company, Inc. (U.S. & Canada) (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2006).
- 10.25 Amendment to the Amended and Restated Distribution and License Agreement dated March 10, 2010, between Bollore S.A. and North Atlantic Operating Company, Inc. (U.S. & Canada) (incorporated by reference to Exhibit 10.35 to the Registrant's Registration Statement on Form S-1 (File No. 333-207816) filed on November 5, 2015).
- 10.26 Consent Agreement dated as of April 4, 1997, between Bollore Technologies, S.A. and North Atlantic Trading Company, Inc. (incorporated by reference to Exhibit 10.26 to the Registrant's Registration Statement on Form S-1 (File No. 333-207816) filed on November 5, 2015).
- 10.27 Amendment No. 1 to Consent Agreement dated as of April 9, 1997, between Bollore Technologies, S.A. and North Atlantic Operating Company, Inc. (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1 (File No. 333-207816) filed on November 5, 2015).
- 10.28 Amendment No. 2 to Consent Agreement dated as of June 25, 1997, between Bollore Technologies, S.A. and North Atlantic Operating Company, Inc. (incorporated by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1 (File No. 333-207816) filed on November 5, 2015).
- 10.29 Trademark Consent Agreement dated July 31, 2003, among Bollore Technologies, S.A., North Atlantic Trading Company, Inc. and North Atlantic Operating Company, Inc. (incorporated by reference to Exhibit 10.32 to the Registrant's Registration Statement on Form S-1 (File No. 333-207816) filed on November 5, 2015).
- 10.30 Amendment No. 2 to Trademark Consent Agreement dated December 17, 2012, between Bollore S.A. and North Atlantic Operating Company, Inc. (incorporated by reference to Exhibit 10.36 to the Registrant's Registration Statement on Form S-1 (File No. 333-207816) filed on November 5, 2015).
- 10.31 License and Distribution Agreement dated March 19, 2013 between Bollore S.A. and North Atlantic Operating Company, Inc. (incorporated by reference to Exhibit 10.37 to the Registrant's Registration Statement on Form S-1 (File No. 333-207816) filed on November 5, 2015).
- 10.32 Distributors Supply Agreement dated as of April 1, 2013, between National Tobacco Company, L.P. and JJA Distributors, LLC (incorporated by reference to Exhibit 10.38 to the Registrant's Registration Statement on Form S-1/A (File No. 333-207816) filed on November 24, 2015).
- 10.33 Employment Agreement by and between the Company and Andrew Flynn, dated as of March 6, 2024 (incorporated by reference to Exhibit 10.33 to the Registrant's Annual Report on Form 10-K filed on March 6, 2025).†
- 10.34 Pledge and Security Agreement, dated as of February 19, 2025, by and among the Company, the other grantors party thereto and GLAS Trust Company LLC, as collateral agent (incorporated by reference to Exhibit 10.34 to the Registrant's Annual Report on Form 10-K filed on March 6, 2025).

- 10.35 Patent Security Agreement, dated as of February 19, 2025, by and among the grantors party thereto and GLAS Trust Company LLC (incorporated by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K filed on March 6, 2025).
- 19.1 Securities Trading Policy (incorporated by reference to Exhibit 19.1 to the Registrant's Annual Report on Form 10-K filed on March 6, 2025).
- 21 Subsidiaries of Turning Point Brands, Inc.*
- 23 Consent of RSM US LLP*
- 23.1 Consent of KPMG LLP*
- 31.1 Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
- 31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
- 31.3 Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
- 32.1 Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (incorporated by reference to Exhibit 32.1 to the Registrant's Annual Report Form 10-K filed on March 6, 2025).
- 97.1 Clawback policy of Turning Point Brands, Inc. (incorporated by reference to Exhibit 97 to the Registrant's Annual Report on Form 10-K filed on February 24, 2024).
- 101 XBRL (eXtensible Business Reporting Language). The following materials from Turning Point Brands, Inc.'s Annual Report on Form 10-K for the years ended December 31, 2025, 2024, and 2023, formatted in Inline XBRL: (i) consolidated balance sheets, (ii) consolidated statements of income, (iii) consolidated statements of comprehensive income, (iv) consolidated statements of changes in stockholder's equity (deficit), (v) consolidated statements of cash flows, and (vi) notes to the consolidated financial statements.*
- 104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).*

* Filed herewith

† Compensatory plan or arrangement

Item 16. Form 10-K Summary

Not applicable.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, on March 2, 2026.

TURNING POINT BRANDS, INC.

By: /s/ Graham Purdy

Name: Graham Purdy

Title: Chief Executive Officer

By: /s/ Andrew Flynn

Name: Andrew Flynn

Title: Chief Financial Officer

By: /s/ Brian Wigginton

Name: Brian Wigginton

Title: Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

	<u>Signature</u>	<u>Title</u>	<u>Date</u>
By:	<u>/s/ Graham Purdy</u> Graham Purdy	Director, Chief Executive Officer	March 2, 2026
By:	<u>/s/ Andrew Flynn</u> Andrew Flynn	Chief Financial Officer	March 2, 2026
By:	<u>/s/ Brian Wigginton</u> Brian Wigginton	Chief Accounting Officer	March 2, 2026
By:	<u>/s/ David Glazek</u> David Glazek	Executive Chair of the Board	March 2, 2026
By:	<u>/s/ Gregory H. A. Baxter</u> Gregory H. A. Baxter	Director	March 2, 2026
By:	<u>/s/ John Catsimatidis</u> John Catsimatidis	Director	March 2, 2026
By:	<u>/s/ H. C. Charles Diao</u> H. C. Charles Diao	Director	March 2, 2026
By:	<u>/s/ Ashley Davis Frushone</u> Ashley Davis Frushone	Director	March 2, 2026
By:	<u>/s/ Rohith Reddy</u> Rohith Reddy	Director	March 2, 2026
By:	<u>/s/ Kathleen Shanahan</u> Kathleen Shanahan	Director	March 2, 2026
By:	<u>/s/ Stephen Usher</u> Stephen Usher	Director	March 2, 2026
By:	<u>/s/ Lawrence S. Wexler</u> Lawrence S. Wexler	Director	March 2, 2026