

REFINITIV

DELTA REPORT

10-Q

EBF - ENNIS, INC.

10-Q - MAY 31, 2024 COMPARED TO 10-Q - NOVEMBER 30, 2023

The following comparison report has been automatically generated

| | |
|--------------|------|
| TOTAL DELTAS | 1049 |
| CHANGES | 254 |
| DELETIONS | 472 |
| ADDITIONS | 323 |

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended November 30, 2023 May 31, 2024

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 1-5807

ENNIS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Texas

(State or Other Jurisdiction of
Incorporation or Organization)

75-0256410

(I.R.S. Employer
Identification No.)

2441 Presidential Pkwy., Midlothian, Texas

(Address of Principal Executive Offices)

76065

(Zip code)

Registrant's Telephone Number, Including Area Code: (972) 775-9801

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, par value \$2.50 per share | EBF | New York Stock Exchange |

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, 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 | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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

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

As of **December 29, 2023** **June 24, 2024**, there were **25,874,699** **25,984,014** shares of the Registrant's common stock outstanding.

ENNIS, INC. AND SUBSIDIARIES
FORM 10-Q
FOR THE PERIOD ENDED **NOVEMBER 30, 2023** **MAY 31, 2024**

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

ENNIS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited, in thousands)

| | November 30, 2023 | February 28, 2023 | May 31, 2024 | February 29, 2024 |
|--|----------------------|----------------------|-----------------|----------------------|
| Assets | | | | |
| Current assets | | | | |
| Cash | \$ 83,902 | \$ 93,968 | \$ 91,363 | \$ 81,597 |
| Short-term investments | 18,495 | - | 32,326 | 29,325 |
| Accounts receivable, net | 48,140 | 53,507 | 43,909 | 47,209 |
| Inventories, net | 42,325 | 46,834 | 41,003 | 40,037 |
| Prepaid expenses | 2,818 | 2,317 | 2,537 | 2,168 |
| Prepaid income taxes | 3,640 | - | - | 1,046 |
| Total current assets | 199,320 | 196,626 | 211,138 | 201,382 |
| Property, plant and equipment | | | | |
| Plant, machinery and equipment | 159,092 | 153,074 | 162,200 | 160,305 |
| Land and buildings | 66,980 | 59,163 | 67,019 | 67,121 |
| Computer equipment and software | 10,691 | 18,832 | 10,644 | 10,680 |
| Other | 4,124 | 4,292 | 4,055 | 4,124 |
| Total property, plant and equipment | 240,887 | 235,361 | 243,918 | 242,230 |
| Less accumulated depreciation | 184,923 | 187,572 | 188,812 | 187,265 |
| Property, plant and equipment, net | 55,964 | 47,789 | 55,106 | 54,965 |
| Operating lease right-of-use assets, net | 11,188 | 13,133 | 8,836 | 9,827 |
| Goodwill | 92,391 | 91,819 | 94,349 | 94,349 |
| Intangible assets, net | 42,075 | 44,088 | 36,398 | 38,327 |
| Net pension asset | | | 80 | 80 |
| Other assets | 272 | 380 | 260 | 260 |
| Total assets | \$ 401,210 | \$ 393,835 | \$ 406,167 | \$ 399,190 |

See accompanying notes to condensed consolidated financial statements.

ENNIS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS-Continued
(unaudited, in thousands, except for par value and share amounts)

| | November 30, 2023 | February 28, 2023 | May 31, 2024 | February 29, 2024 |
|--|-------------------------|-------------------------|-----------------|----------------------|
| Liabilities and Shareholders' Equity | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 10,860 | \$ 18,333 | \$ 15,542 | \$ 11,846 |
| Accrued expenses | 18,617 | 18,067 | 17,176 | 17,541 |
| Current portion of operating lease liabilities | 4,811 | 4,847 | 4,075 | 4,414 |
| Total current liabilities | 34,288 | 41,247 | 36,793 | 33,801 |
| Liability for pension benefits | 646 | 646 | | |
| Deferred income taxes | 11,458 | 11,098 | 9,429 | 9,305 |
| Operating lease liabilities, net of current portion | 6,140 | 8,162 | 4,489 | 5,160 |
| Other liabilities | 1,051 | 1,250 | 1,083 | 1,083 |
| Total liabilities | 53,583 | 62,403 | 51,794 | 49,349 |
| Shareholders' equity | | | | |
| Common stock \$2.50 par value, authorized 40,000,000 shares; issued 30,053,443 shares at November 30, 2023 and February 28, 2023 | 75,134 | 75,134 | | |
| Common stock \$2.50 par value, authorized 40,000,000 shares; issued 30,053,443 shares at May 31, 2024 and February 29, 2024 | | | 75,134 | 75,134 |
| Additional paid-in capital | 127,135 | 125,887 | 123,948 | 126,253 |
| Retained earnings | 232,519 | 219,459 | 240,423 | 236,196 |
| Accumulated other comprehensive loss: | | | | |
| Minimum pension liability, net of taxes | (13,024) | (14,104) | (12,647) | (13,019) |
| Treasury stock | (74,137) | (74,944) | (72,485) | (74,723) |
| Total shareholders' equity | 347,627 | 331,432 | 354,373 | 349,841 |
| Total liabilities and shareholders' equity | \$ 401,210 | \$ 393,835 | \$ 406,167 | \$ 399,190 |

See accompanying notes to condensed consolidated financial statements.

ENNIS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except share and per share amounts)

| | Three months ended November 30, | | Nine months ended November 30, | | Three months ended May 31, | |
|-----------|------------------------------------|------------|-----------------------------------|------------|-------------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 | 2024 | 2023 |
| Net sales | \$ 104,621 | \$ 110,245 | \$ 322,675 | \$ 329,145 | \$ 103,108 | \$ 111,294 |

| | | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| Cost of goods sold | 74,090 | 76,768 | 225,004 | 226,445 | 72,204 | 77,253 |
| Gross profit | 30,531 | 33,477 | 97,671 | 102,700 | 30,904 | 34,041 |
| Selling, general and administrative | 17,410 | 17,292 | 54,094 | 52,916 | 17,170 | 18,343 |
| Loss from disposal of assets | 1 | 15 | 53 | 15 | 4 | — |
| Income from operations | 13,120 | 16,170 | 43,524 | 49,769 | 13,730 | 15,698 |
| Other income (expense) | | | | | | |
| Interest income | 1,020 | 232 | 2,714 | 317 | 1,359 | 816 |
| Other, net | (324) | (728) | (979) | (1,327) | (348) | (354) |
| Total Other income (expense) | 696 | (496) | 1,735 | (1,010) | | |
| Total other income (expense) | | | | | 1,011 | 462 |
| Earnings before income taxes | 13,816 | 15,674 | 45,259 | 48,759 | 14,741 | 16,160 |
| Income tax expense | 3,910 | 4,388 | 12,808 | 13,652 | 4,054 | 4,525 |
| Net earnings | \$ 9,906 | \$ 11,286 | \$ 32,451 | \$ 35,107 | \$ 10,687 | \$ 11,635 |
| Weighted average common shares outstanding | | | | | | |
| Basic | 25,894,578 | 25,809,581 | 25,826,691 | 25,812,216 | 26,156,928 | 25,839,651 |
| Diluted | 26,083,301 | 25,888,815 | 25,991,567 | 25,892,873 | 26,279,646 | 25,979,533 |
| Earnings per share | | | | | | |
| Basic | \$ 0.38 | \$ 0.44 | \$ 1.26 | \$ 1.36 | \$ 0.41 | \$ 0.45 |
| Diluted | \$ 0.38 | \$ 0.44 | \$ 1.25 | \$ 1.36 | \$ 0.41 | \$ 0.45 |

See accompanying notes to condensed consolidated financial statements.

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ENNIS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands)

| | Three months ended | | Nine months ended | | Three months ended | |
|-------------------------------------|--------------------|-----------|-------------------|-----------|--------------------|-----------|
| | November 30, | | November 30, | | May 31, | |
| | 2023 | 2022 | 2023 | 2022 | 2024 | 2023 |
| Net earnings | \$ 9,906 | \$ 11,286 | \$ 32,451 | \$ 35,107 | \$ 10,687 | \$ 11,635 |
| Adjustment to pension, net of taxes | 360 | 717 | 1,080 | 1,501 | 372 | 387 |
| Comprehensive income | \$ 10,266 | \$ 12,003 | \$ 33,531 | \$ 36,608 | \$ 11,059 | \$ 12,022 |

See accompanying notes to condensed consolidated financial statements.

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ENNIS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited, in thousands, except share and per share amounts)

| Accumulated | Accumulated |
|-------------|-------------|
|-------------|-------------|

| | 2023 | | | | | | | | 2024 | | | | | | | |
|---|--------------|-----------|-----------------|-------------------|-----------------------------|----------------|-------------|------------|--------------|-----------|------------|------------|---------------|----------------|-------------|-------|
| | Common Stock | | Additional | Other | | Treasury Stock | | Total | Common Stock | | Additional | Other | | Treasury Stock | | Total |
| | Shares | Amount | Paid-in Capital | Retained Earnings | Comprehensive Income (Loss) | Shares | Amount | | Shares | Amount | Capital | Earnings | Income (Loss) | Shares | Amount | |
| Balance August 31, 2023 | 30,053,443 | \$ 75,134 | \$ 126,440 | \$ 229,082 | \$ (13,384) | (4,220,210) | \$ (74,126) | \$ 343,146 | | | | | | | | |
| Balance February 29, 2024 | | | | | | | | | 30,053,443 | \$ 75,134 | \$ 126,253 | \$ 236,196 | \$ (13,019) | (4,250,226) | \$ (74,723) | |
| Net earnings | — | — | — | 9,906 | — | — | — | 9,906 | — | — | — | 10,687 | — | — | — | |
| Adjustment to pension, net of deferred tax of \$120 | — | — | — | — | 360 | — | — | 360 | | | | | | | | |
| Adjustment to pension, net of deferred tax of \$124 | | | | | | | | | — | — | — | — | 372 | — | — | |
| Dividends paid (\$0.25 per share) | — | — | — | (6,469) | — | — | — | (6,469) | — | — | — | (6,460) | — | — | — | |
| Stock based compensation | — | — | 1,041 | — | — | — | — | 1,041 | — | — | 1,760 | — | — | — | — | |
| Exercise of stock options and restricted stock | — | — | (346) | — | — | (666) | (11) | (357) | — | — | (4,065) | — | — | 231,216 | 4,065 | |
| Balance November 30, 2023 | 30,053,443 | \$ 75,134 | \$ 127,135 | \$ 232,519 | \$ (13,024) | (4,220,876) | \$ (74,137) | \$ 347,627 | | | | | | | | |
| Common stock repurchases | | | | | | | | | — | — | — | — | — | (91,883) | (1,827) | |
| Balance May 31, 2024 | | | | | | | | | 30,053,443 | \$ 75,134 | \$ 123,948 | \$ 240,423 | \$ (12,647) | (4,110,893) | \$ (72,485) | |
| Balance February 28, 2023 | 30,053,443 | \$ 75,134 | \$ 125,887 | \$ 219,459 | \$ (14,104) | (4,266,835) | \$ (74,944) | \$ 331,432 | 30,053,443 | \$ 75,134 | \$ 125,887 | \$ 219,459 | \$ (14,104) | (4,266,835) | \$ (74,944) | |
| Net earnings | — | — | — | 32,451 | — | — | — | 32,451 | — | — | — | 11,635 | — | — | — | |
| Adjustment to pension, net of deferred tax of \$359 | — | — | — | — | 1,080 | — | — | 1,080 | | | | | | | | |
| Dividends paid (\$0.75 per share) | — | — | — | (19,391) | — | — | — | (19,391) | | | | | | | | |
| Adjustment to pension, net of deferred tax of \$129 | | | | | | | | | — | — | — | — | 387 | — | — | |

| | | | | | | | | | | | | | | | |
|---|------------|-----------|------------|------------|-------------|-------------|-------------|------------|---|---|-------|---------|---|--------|-----|
| Dividends paid (\$0.25 per share) | | | | | | | | | — | — | — | (6,459) | — | — | — |
| Stock based compensation | — | — | 2,055 | — | — | — | — | 2,055 | — | — | 686 | — | — | — | — |
| Exercise of stock options and restricted stock | — | — | (807) | — | — | 45,959 | 807 | — | — | — | (472) | — | — | 26,906 | 472 |
| Balance November 30, 2023 | 30,053,443 | \$ 75,134 | \$ 127,135 | \$ 232,519 | \$ (13,024) | (4,220,876) | \$ (74,137) | \$ 347,627 | | | | | | | |
| Balance August 31, 2022 | 30,053,443 | \$ 75,134 | \$ 124,031 | \$ 208,898 | \$ (17,803) | (4,266,835) | \$ (74,944) | \$ 315,316 | | | | | | | |
| Net earnings | — | — | — | 11,286 | — | — | — | 11,286 | | | | | | | |
| Adjustment to pension, net of deferred tax of \$179 | — | — | — | — | 717 | — | — | 717 | | | | | | | |
| Dividends paid (\$0.25 per share) | — | — | — | (6,459) | — | — | — | (6,459) | | | | | | | |
| Stock based compensation | — | — | 562 | — | — | — | — | 562 | | | | | | | |
| Balance November 30, 2022 | 30,053,443 | \$ 75,134 | \$ 124,593 | \$ 213,725 | \$ (17,086) | (4,266,835) | \$ (74,944) | \$ 321,422 | | | | | | | |
| Balance February 28, 2022 | 30,053,443 | \$ 75,134 | \$ 123,990 | \$ 197,998 | \$ (18,587) | (4,253,824) | \$ (74,720) | \$ 303,815 | | | | | | | |
| Net earnings | — | — | — | 35,107 | — | — | — | 35,107 | | | | | | | |
| Adjustment to pension, net of deferred tax of \$375 | — | — | — | — | 1,501 | — | — | 1,501 | | | | | | | |
| Dividends paid (\$0.75 per share) | — | — | — | (19,380) | — | — | — | (19,380) | | | | | | | |
| Stock based compensation | — | — | 1,497 | — | — | — | — | 1,497 | | | | | | | |
| Exercise of stock options and restricted stock | — | — | (894) | — | — | 51,071 | 894 | — | | | | | | | |
| Common stock repurchases | — | — | — | — | — | (64,082) | (1,118) | (1,118) | | | | | | | |
| Balance November 30, 2022 | 30,053,443 | \$ 75,134 | \$ 124,593 | \$ 213,725 | \$ (17,086) | (4,266,835) | \$ (74,944) | \$ 321,422 | | | | | | | |

| | | | | | | | | |
|-------------|------------|-----------|------------|------------|-------------|-------------|-------------|--|
| Balance May | | | | | | | | |
| 31, 2023 | 30,053,443 | \$ 75,134 | \$ 126,101 | \$ 224,635 | \$ (13,717) | (4,239,929) | \$ (74,472) | |

See accompanying notes to condensed consolidated financial statements.

ENNIS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

| | Nine months ended November 30, | | Three months ended May 31, | |
|--|-----------------------------------|-----------|---|----------|
| | 2023 | 2022 | 2024 | 2023 |
| Cash flows from operating activities: | | | | |
| Net earnings | \$ 32,451 | \$ 35,107 | \$10,687 | \$11,635 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | | |
| Depreciation | 7,465 | 7,766 | 2,314 | 2,450 |
| Amortization of intangible assets | 5,830 | 5,280 | 1,929 | 1,894 |
| Loss from disposal of assets | 53 | 15 | 4 | — |
| Accrued interest on short-term investments | (102) | — | (408) | — |
| Bad debt expense, net of recoveries | 373 | 585 | 110 | 135 |
| Stock based compensation | 2,055 | 1,497 | 1,760 | 686 |
| Deferred income taxes | | | 56 | — |
| Net pension expense | 1,439 | 1 | 496 | 462 |
| Changes in operating assets and liabilities, net of current assets and liabilities of acquired businesses: | | | | |
| Changes in operating assets and liabilities, net of the effects of acquisitions | | | Changes in operating assets and liabilities, net of the effects of acquisitions | |
| Accounts receivable | 8,228 | (5,898) | 3,190 | 7,299 |
| Prepaid expenses and income taxes | (4,126) | (487) | 677 | 384 |
| Inventories | 6,828 | (10,921) | (966) | (365) |
| Other assets | 81 | (570) | — | 71 |
| Accounts payable and accrued expenses | (7,763) | 1,471 | 3,275 | (2,698) |
| Other liabilities | (312) | 151 | (19) | (227) |
| Net cash provided by operating activities | 52,500 | 33,997 | 23,105 | 21,726 |
| Cash flows from investing activities: | | | | |
| Capital expenditures | (4,884) | (3,338) | (2,510) | (2,101) |
| Purchase of businesses, net of cash acquired | (19,907) | (8,767) | — | (5,028) |
| Purchase of short-term investments | (18,393) | — | (10,093) | — |
| Maturity of short-term investments | | | 7,500 | — |
| Proceeds from disposal of plant and property | 9 | — | 51 | — |
| Net cash used in investing activities | (43,175) | (12,105) | (5,052) | (7,129) |
| Cash flows from financing activities: | | | | |
| Dividends paid | (19,391) | (19,380) | (6,460) | (6,459) |
| Common stock repurchases | — | (1,118) | (1,827) | — |
| Net cash used in financing activities | (19,391) | (20,498) | (8,287) | (6,459) |
| Net change in cash | (10,066) | 1,394 | 9,766 | 8,138 |
| Cash at beginning of period | 93,968 | 85,606 | 81,597 | 93,968 |

| | | | | |
|-----------------------|-----------|-----------|----------|-----------|
| Cash at end of period | \$ 83,902 | \$ 87,000 | \$91,363 | \$102,106 |
|-----------------------|-----------|-----------|----------|-----------|

See accompanying notes to condensed consolidated financial statements.

ENNIS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2023 MAY 31, 2024
(unaudited)

1. Significant Accounting Policies and General Matters

Basis of Presentation

These unaudited condensed consolidated financial statements of Ennis, Inc. and its subsidiaries (collectively referred to as the "Company," "Registrant," "Ennis," or "we," "us," or "our") for the period ended November 30, 2023 May 31, 2024 have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission pertaining to interim financial statements. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended February 28, 2023 February 29, 2024, from which the accompanying consolidated balance sheet at February 28, 2023 February 29, 2024 was derived. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments considered necessary for a fair presentation of the interim financial information have been included and are of a normal recurring nature. The preparation of the condensed consolidated financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the disclosure and reported amounts of assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company evaluates these estimates and judgments on an ongoing basis, including those related to bad debts, inventory valuations, property, plant and equipment, intangible assets, pension plan, accrued liabilities, and income taxes. The Company bases estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. The results of operations for any interim period are not necessarily indicative of the results of operations for a full year.

Recent Accounting Pronouncements

Recently Issued Accounting Updates accounting standards not yet adopted

In November 2023, the FASB issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which expands aims to improve disclosures about a public entity's reportable segments and requires segments. This update addresses requests from investors for more enhanced detailed information about a reportable segment's expenses interim segment profit or loss, and how in order to improve understanding of a public entity's business activities, overall performance, and potential future cash flows. The amendments in this ASU include a requirement for public business entities to disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker uses ("CODM") and are included within each reported measure of segment profit or loss information in assessing segment performance and allocating resources. The loss. This update will be is effective for annual periods fiscal years beginning after December 15, 2023 (fiscal 2025 for the Company), and interim periods within those fiscal years starting after December 15, 2024. We are assessing the effect of this update on our consolidated financial statements and believe This ASU must be applied retrospectively to all prior periods presented. Management expects the adoption of this standard is likely to add material the pronouncement will result in additional segment disclosures. disclosures in its Consolidated Financial Statements for fiscal year 2025.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which expands disclosures in a public entity's income tax rate reconciliation table and other disclosures regarding cash taxes paid both in the U.S. and foreign jurisdictions. The update will be This ASU is effective for annual periods beginning after December 15, 2024 (fiscal 2026 for the company). We are Company, but early adoption is permitted. This ASU should be applied on a prospective basis, although retrospective application is permitted. The Company is assessing the effect of this update on our consolidated financial statements its Consolidated Financial Statements and related disclosures.

Proposed accounting standards

In July 2023, the FASB issued Proposed ASU No. 2023-ED500, Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses, which aims to provide investors with more useful information about an entity's expenses by improving disclosures on income statement expenses. The amendments in this Proposed ASU would require public business entities to disclose disaggregated information about specific categories underlying certain income statement expense line items. The Company is evaluating this proposed accounting standard.

2. Revenue

Nature of Revenues

Substantially all of the Company's revenue is derived from contracts with customers consists of the sale of commercial printing products in the continental United States of America and is primarily recognized at a point in time in an amount that reflects the consideration the Company expects to be entitled to provided in exchange for those goods. Revenue from the sale of commercial printing products, including shipping and handling fees

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ENNIS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MAY 31, 2024
(unaudited)

billed to customers, is recognized upon the transfer of control to the customer, which is generally upon shipment to the customer when the terms of the sale are freight on board ("FOB") shipping point, or, to a lesser extent, upon delivery to the customer if the terms of the sale are FOB destination. Net sales represent gross sales invoiced to customer, customers, less certain related charges, including sale sales tax, discounts, returns and other allowances. Returns, discounts and other allowances have historically been insignificant.

In a small number of cases and upon customer request, the Company prints and stores commercial printing product for customer specified future delivery, generally within the same year as the product is manufactured. In this case, revenue is recognized upon the transfer of control when manufacturing is complete and title and risk of ownership is passed to the customer. Storage revenue for certain customers may be recognized over time rather than at a point in time. As of the date of this report, the amount of storage revenue is not significant to the Company's condensed consolidated financial statements. The output method for measure of progress is determined to be appropriate. The Company recognizes storage revenue in the amount for which it has the right to invoice for

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ENNIS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED NOVEMBER 30, 2023
(unaudited)

revenue that is recognized over time and for which it demonstrates that the invoiced amount corresponds directly with the value to the customer for the performance completed to date.

The Company does not disaggregate revenue and operates in one sales category consisting of commercial printed product revenue, which is reported as net sales on the condensed consolidated statements of operations. The Company does not have material contract assets and contract liabilities as of November 30, 2023 May 31, 2024.

Significant Judgments

Generally, the Company's contracts with customers are comprised of a written quote and customer purchase order or statement of work, and governed by the Company's trade terms and conditions. In certain instances, it may be further supplemented by separate pricing agreements and customer incentive arrangements, which typically only affect the contract's transaction price. Contracts do not contain a significant financing component as payment terms on invoiced amounts are typically between 30 to 60 90 days, based on the Company's credit assessment of individual customers, as well as industry expectations. Product returns are not significant. significant as the bulk of our sales are custom in nature.

From time to time, the Company may offer incentives to its customers considered to be variable consideration including volume-based rebates or early payment discounts. Customer incentives considered to be variable consideration are recorded as a reduction to revenue as part of the transaction price at contract inception when there is a basis to reasonably estimate the amount of the incentive and only to the extent that it is probable that a significant reversal of any incremental revenue will not occur. Customer incentives are allocated entirely to the single performance obligation of transferring printed product to the customer. customer and are not considered material.

For customers with terms of FOB shipping point, the Company accounts for shipping and handling activities performed after the control of the printed product has been transferred to the customer as a fulfillment cost. The Company accrues for the costs of shipping and handling activities if revenue is recognized before contractually agreed shipping and handling activities occur.

The Company's contracts with customers are generally short-term in nature. Accordingly, the Company does not disclose the value of unsatisfied performance obligations nor the timing of revenue recognition.

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3. Short-term Investments and Fair Value Measurements

Short-term investments are securities with original maturities of greater than three months but less than twelve months and are comprised of U.S. Treasury Bills. The Company determines the classification of these securities as trading, available for sale or held to maturity at the time of purchase and re-evaluates these determinations at each balance sheet date. The Company's short-term investments are classified as held-to-maturity for the period presented as it has the positive intent and ability to hold these investments to maturity. The Company's held-to-maturity investments are stated at amortized cost which approximated fair value, with a zero credit loss allowance because the probability of default is virtually zero due to the high credit rating, long history of no credit losses and are periodically assessed for other-than-temporary impairment.. the widely recognized risk free nature of these investments.

Amortized cost and estimated fair value of investment securities classified as held-to-maturity were as follows at November 30, 2023 May 31, 2024 and February 29, 2024 (in thousands):

| | November 30, 2023 | | | |
|---|-------------------|---------|------------|-----------|
| | Gross | | Gross | |
| | Unrealize | | Unrealized | |
| | Cost or | d | Holding | Estimated |
| | Amortized | Holding | Holding | Fair |
| | Cost | Gains | Losses | Value |
| November 30, 2023 | | | | |
| Investment securities due in less than one year | \$18,495 | \$- | \$4 | \$18,491 |
| February 28, 2023 | | | | |
| Investment securities due in less than one year | \$- | \$- | \$- | \$- |
| | Gross | | Gross | |
| | Unrealize | | Unrealized | |
| | Cost or | d | Holding | Estimated |
| | Amortized | Holding | Holding | Fair |
| | Cost | Gains | Losses | Value |
| May 31, 2024 | | | | |
| Investment securities due in less than one year | \$32,326 | \$- | \$59 | \$32,267 |
| February 29, 2024 | | | | |
| Investment securities due in less than one year | \$29,325 | \$- | \$45 | \$29,280 |

The Company's short-term investments in investment securities are Level 1 fair value measure. The Company did not hold any Level 2 or 3 financial assets or liabilities measured at fair value on a recurring basis. There were no transfers between levels during the three and nine months ended November 30, 2023 May 31, 2024.

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4. Accounts Receivable and Allowance for Doubtful Receivables Credit Losses

Accounts receivable are reduced by an allowance for an estimate of amounts that are uncollectible. Substantially all of the Company's receivables are due from customers in the United States, North America. The Company extends credit to its customers based upon its evaluation of the following factors: (i) the customer's financial condition, (ii) the amount of credit the customer requests, and (iii) the customer's actual payment history (which includes disputed invoice resolution). The Company does not typically require its customers to post a deposit or supply collateral. The Company's allowance for doubtful receivables credit losses is based on an analysis that estimates the amount of its total customer receivable balance that is not collectible. This analysis includes the pooling of receivables based on risk assessment and then assessing a default probability to these pooled customers' receivable balances, which can be influenced by several factors including (i) current market conditions, (ii) historical experience, periodic review of customer credit worthiness, and (iii) reasonable forecast, and (iv) review of customer receivable aging and payment trends.

The following table summarizes the components of accounts receivables as of the dates indicated (in thousands):

| | November 30, 2023 | February 28, 2023 |
|--|----------------------|----------------------|
| Trade Receivables, net of allowance for doubtful receivables | \$40,452 | \$44,645 |
| Vendor Rebates | 3,239 | 4,354 |
| Notes Receivable | 4,449 | 4,508 |
| | <u>\$48,140</u> | <u>\$53,507</u> |

Accounts receivable at November 30, 2023 and February 28, 2023 includes a \$4.4 million receivable related to the sale of an unused manufacturing facility. The note has a one-year maturity but the payments are calculated based on a 30-year amortization schedule with monthly payments until maturity, at which point the remaining balance will be due and owing. The note has a fixed interest rate of 5.9% per annum.

The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance in the period the payment is received. Credit losses from continuing operations have consistently been within management's expectations.

The following table presents the activity in the Company's allowance for doubtful receivables credit losses (in thousands):

| | Three months ended November 30, | | Nine months ended November 30, | | Three months ended May 31, | |
|-------------------------------------|------------------------------------|-----------------|-----------------------------------|-----------------|-------------------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 | 2024 | 2023 |
| Balance at beginning of period | \$ 1,866 | \$ 1,523 | \$ 1,710 | \$ 1,200 | \$1,707 | \$1,709 |
| Bad debt expense, net of recoveries | 138 | 192 | 373 | 585 | 110 | 135 |
| Accounts written off | (46) | (23) | (125) | (93) | (97) | (25) |
| Balance at end of period | <u>\$ 1,958</u> | <u>\$ 1,692</u> | <u>\$ 1,958</u> | <u>\$ 1,692</u> | <u>\$1,720</u> | <u>\$1,819</u> |

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The following table summarizes the components of accounts receivables as of the dates indicated (in thousands):

| | May 31, 2024 | February 29, 2024 |
|---|-----------------|----------------------|
| Trade Receivables, net of allowance for credit losses | \$37,635 | \$39,665 |
| Vendor Rebates | 1,850 | 3,109 |
| Notes Receivable | 4,424 | 4,435 |
| | <u>\$43,909</u> | <u>\$47,209</u> |

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The note receivable related to the sale of an unused manufacturing facility and was structured to be paid in 12 consecutive monthly installments, with a fixed interest rate of 5.95% per annum and a balloon payment due upon completion of the final payment. By mutual agreement, the note has been extended beyond the one-year maturity date due to regulatory delays in clearing the facility for third-party financing. The note is classified as current as the Company believes the regulatory delays will be resolved in the next twelve months.

5. Inventories

With the exception of approximately 8.4 7.9% and 6.1 7.0% of its inventories valued at the lower of last-in first-out ("LIFO") for the periods ended November 30, 2023 May 31, 2024 and February 28, 2023 February 29, 2024, respectively, the Company values its inventories at the lower of first-in, first-out ("FIFO") cost or net realizable value. The Company regularly reviews inventories on hand, using specific aging categories, and writes down the carrying value of its inventories for excess and potentially obsolete inventories based on historical usage and estimated future usage. In assessing the ultimate realization of its inventories, the Company is required to make judgments as to future demand requirements. As actual future demand or market conditions may vary from those projected by the Company, adjustments to inventories may be required. Reserves for excess and obsolete inventory at November 30, 2023 May 31, 2024 and fiscal year ended February 28, 2023 February 29, 2024 were \$1.9 1.3 million and \$1.6 1.8 million, respectively.

The following table summarizes the components of inventories at the different stages of production as of the dates indicated (in thousands):

| | November 30, 2023 | February 28, 2023 | May 31, 2024 | February 29, 2024 |
|-----------------|----------------------|----------------------|------------------|----------------------|
| Raw material | \$ 24,176 | \$ 30,308 | \$ 22,000 | \$ 21,764 |
| Work-in-process | 5,601 | 6,174 | 5,244 | 5,621 |
| Finished goods | 12,548 | 10,352 | 13,759 | 12,652 |
| | <u>\$ 42,325</u> | <u>\$ 46,834</u> | <u>\$ 41,003</u> | <u>\$ 40,037</u> |

6. Acquisitions

The Company applies the acquisition method of accounting for business combinations. Under the acquisition method, the acquiring entity in a business combination recognizes 100% of the assets acquired and liabilities assumed at their acquisition date fair values with certain limited exceptions permitted under US GAAP. Management utilizes valuation techniques appropriate for the asset or liability being measured in determining these fair values. Any excess of the purchase price over amounts allocated to assets acquired, including identifiable intangible assets and liabilities assumed, is recorded as goodwill. Where amounts allocated to assets acquired and liabilities assumed is greater than the purchase price, a bargain purchase gain is recognized. Acquisition-related costs are expensed in the period incurred.

Acquisition of Eagle Graphics and Diamond Graphics

On October 11, 2023, the Company acquired the assets and business of Eagle Graphics, Inc. ("Eagle"), which is based in Annville, Pennsylvania, and Diamond Graphics, Inc. ("Eagle" Diamond"), which is based in Bensalem, Pennsylvania, for approximately \$8.0 7.9 million in cash. The Company performed a preliminary an allocation of the total estimated consideration and recorded the underlying assets acquired (including certain identified intangible assets) and liabilities assumed based on the estimated fair values prepared by management using the information available as of the acquisition date. This allocation is preliminary and subject to change, which may be material. All goodwill of \$0.2 million recognized as a part of this acquisition is deductible for tax purposes. The Company also recorded intangible assets with definite lives of approximately \$0.8 million in connection with the transaction, which are also deductible for tax purposes. The acquisition of Eagle and Diamond strengthens our production capabilities to serve our customers in the Northeast United States.

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The following table summarizes the Company's preliminary purchase price allocation for Eagle and Diamond as of the acquisition date (in thousands):

| | |
|-------------------------------|-----------|
| Accounts receivable | \$841 838 |
| Inventories | 917 |
| Other assets | 15 |
| Property, plant and equipment | 5,304 |

| | |
|--|----------------------|
| Goodwill and intangibles | 942,971 |
| Accounts payable and accrued liabilities | (41)(159) |
| Acquisition price | <u>\$7,978 7,871</u> |

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Acquisition of UMC Print

On June 2, 2023, the Company acquired the assets and business of UMC Print ("UMC"), which is based in Overland Park, Kansas, for approximately \$7.7 million in cash plus the assumption of trade payables of approximately \$0.8 million. The Company performed a preliminary allocation of the total estimated consideration and recorded the underlying assets acquired (including certain identified intangible assets) and liabilities assumed based on the estimated fair values prepared by management using the information available as of the acquisition date. This allocation is preliminary and subject to change, which may be material. In January 2024, the Company received an indemnity claim from escrow related to a piece of equipment in the amount of \$0.2 million. All goodwill of \$0.2 million recognized as a part of this acquisition is deductible for tax purposes. The Company also recorded intangible assets with definite lives of approximately \$2.7 million in connection with the transaction, which are also deductible for tax purposes. The acquisition of UMC brings the Company expanded commercial print capabilities serving customers throughout the Midwest United States.

The following table summarizes the Company's preliminary purchase price allocation for UMC as of the acquisition date (in thousands):

| | |
|--|----------------------|
| Cash | \$758 |
| Accounts receivable | 1,839 |
| Inventories | 553 |
| Property, plant and equipment | 2,356 2,137 |
| Goodwill and intangibles | 2,970 2,971 |
| Accounts payable and accrued liabilities | (789) |
| Acquisition price | <u>\$7,687 7,469</u> |

Acquisition of Stylecraft Printing

On May 23, 2023, the Company acquired the real estate and operations of Stylecraft Printing Company ("Stylecraft"), which is based in Canton, Michigan, for \$5.0 million plus the assumption of trade payables. The Company performed a preliminary allocation of the total estimated consideration and recorded the underlying assets acquired (including certain identified intangible assets) and liabilities assumed based on their estimated fair values using the information available as of the acquisition date. This allocation is preliminary and subject to change, which may be material. All goodwill of \$0.2 million recognized as a part of this acquisition is deductible for tax purposes. The Company also recorded intangible assets with definite lives of approximately \$0.3 million in connection with the transaction, which are also deductible for tax purposes. The acquisition of

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Stylecraft expands the Company's product lines and footprint specializing in business forms, integrated products and commercial printing.

The following table summarizes the Company's purchase price allocation for Stylecraft as of the acquisition date (in thousands):

| | |
|---------------------|-------|
| Accounts receivable | \$554 |
|---------------------|-------|

| | |
|--|----------------------|
| Inventories | 849 |
| Right-of-use asset | 28 |
| Property, plant and equipment | 3,161 3,160 |
| Goodwill and intangibles | 476 |
| Operating lease liability | (12) (28) |
| Accounts payable and accrued liabilities | (28) (12) |
| Acquisition price | <u>\$5,028 5,027</u> |

Acquisition of School Photo Marketing

On November 30, 2022, the Company acquired the assets and business from School Photo Marketing ("SPM"), which is based in Morganville, New Jersey, for \$8.8 million (with additional potential earn-out consideration of up to \$1,000,000 over a four-year period upon the attainment of specified financial benchmarks) plus the assumption of trade payables, subject to certain adjustments. At November 30, 2023 and February 28, 2023, the contingent earn-out liability amounted to \$0.8 million and zero, respectively. The seller shall receive fifty percent (50%) of Purchaser's annual earnings from the business, before interest and taxes in excess of \$1.4 million. Goodwill of \$3.1 million recognized as a part of this acquisition is deductible for tax purposes. The Company also recorded

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intangible assets with definite lives of approximately \$5.1 million in connection with the transaction, which are also deductible for tax purposes. The acquisition of SPM brings printing, yearbook publishing and marketing related services to over 1,400 school and sports photographers servicing schools around the country.

The following table summarizes the Company's purchase price allocation for SPM as of the acquisition date (in thousands):

| | |
|--|----------------|
| Accounts receivable | \$1,403 |
| Inventories | 516 |
| Other assets | 84 |
| Right-of-use asset | 487 |
| Property, plant and equipment | 250 |
| Goodwill and intangibles | 8,262 |
| Operating lease liability | (487) |
| Accounts payable and accrued liabilities | (1,748) |
| Acquisition price | <u>\$8,767</u> |

The results of operations for SPM, Stylecraft, UMC and Eagle are included in the Company's consolidated financial statements from the respective dates of acquisition. The following table sets forth certain operating information on a pro forma basis as though each acquisition had occurred as of the beginning of the comparable prior period (that is, March 1, 2022 March 1, 2023). The following pro forma information includes the estimated impact of adjustments such as amortization of intangible assets, depreciation expense and interest expense and related tax effects (in thousands, except per share amounts).

| | Three months ended | | Nine months ended | | Three months ended | |
|--|--------------------|--------------|-------------------|--------------|--------------------|--------------|
| | November 30, | November 30, | November 30, | November 30, | May 31, 2024 | May 31, 2023 |
| | 2023 | 2022 | 2023 | 2022 | | |
| Pro forma net sales | \$ 105,233 | \$ 120,446 | \$ 333,036 | \$ 360,101 | \$ 103,108 | \$ 118,975 |
| Pro forma net earnings | 9,975 | 12,275 | 33,847 | 38,974 | 10,687 | 12,756 |
| Pro forma earnings per share - diluted | \$ 0.38 | \$ 0.47 | \$ 1.30 | \$ 1.51 | \$ 0.41 | \$ 0.49 |

The pro forma results are not necessarily indicative of what would have occurred if the acquisitions had been in effect for the full duration of the comparative periods presented.

7. Leases

The Company leases certain of its facilities and equipment under operating leases, which are recorded as right-of-use assets and lease liabilities. The Company's leases generally have terms of 1 – 5 years, with certain leases including renewal options to extend the leases for additional periods at the Company's discretion. At lease inception, all renewal options reasonably certain to be exercised are considered when determining the lease term. The Company currently does not have **financing** leases that include options to purchase or provisions that would automatically transfer ownership of the leased property to the Company.

Operating lease expense is recognized on a straight-line basis over the lease term, and variable lease payments are expensed as incurred. The Company had no variable lease costs for the **nine three** months ended **November 30, 2023** **May 31, 2024** and **November 30, 2022** **May 31, 2023**.

The Company determines whether a contract is or contains a lease at the inception of the contract. A contract will be deemed to be or contain a lease if the contract conveys the right to control and directs the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Company generally must also have the right to obtain substantially all of the economic benefits from the use of the property, plant, and equipment.

Operating lease assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. To determine the present value of lease payments not yet paid, the Company estimates incremental borrowing rates based on the **BBB Corporate Bond Rate** **information available** at lease commencement date, as rates are not implicitly stated in most leases.

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Components of lease expense for the three **and nine** months ended **November 30, 2023** **May 31, 2024** and **November 30, 2022** **May 31, 2023** were as follows (in thousands):

| | Three months ended | | Nine months ended | | Three months ended | |
|--|--------------------|----------|-------------------|----------|--------------------|--------------|
| | November | November | November | November | | |
| | 30, 2023 | 30, 2022 | 30, 2023 | 30, 2022 | May 31, 2024 | May 31, 2023 |
| Operating lease cost | \$ 1,390 | \$ 1,517 | \$ 4,241 | \$ 4,545 | \$ 1,347 | \$ 1,433 |
| Supplemental cash flow information related to leases was as follows: | | | | | | |
| Cash paid for amounts included in the measurement of lease liabilities | | | | | | |
| Operating cash flows from operating leases | \$ 1,394 | \$ 1,522 | \$ 4,256 | \$ 4,550 | \$ 1,369 | \$ 1,441 |
| Right-of-use assets obtained in exchange for lease obligations | | | | | | |
| Operating leases | \$ 214 | \$ 2,042 | \$ 993 | \$ 2,848 | \$ 648 | \$ — |

| | |
|---|----------------|
| Weighted Average Remaining Lease Terms | |
| Operating leases | 3 Years |
| Weighted Average Discount Rate | |
| Operating leases | 4.03% |

| | | |
|---|-----------|-----------|
| Weighted Average Remaining Lease Terms | | |
| Operating leases | 2.4 Years | 2.8 Years |
| Weighted Average Discount Rate | | |

| | | |
|------------------|--------|--------|
| Operating leases | 4.16 % | 3.85 % |
|------------------|--------|--------|

Future minimum lease commitments under non-cancelable operating leases for each of the fiscal years ending are as follows (in thousands):

| | Operating Lease Commitments | Operating Lease Commitments |
|-------------------------------------|-----------------------------------|-----------------------------------|
| 2024 (remaining 3 months) | \$ 901 | |
| 2025 | 5,177 | |
| 2025 (remaining 9 months) | | \$ 3,246 |
| 2026 | 3,355 | 3,391 |
| 2027 | 1,487 | 1,709 |
| 2028 | 496 | 516 |
| 2029 | 167 | 167 |
| Total future minimum lease payments | \$ 11,583 | \$ 9,029 |
| Less imputed interest | 632 | 465 |
| Present value of lease liabilities | \$ 10,951 | \$ 8,564 |

8. Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses and is not amortized. Goodwill and other intangible assets are tested for impairment at a reporting unit level. The annual impairment test of goodwill and intangible assets is performed as of December 1 of each fiscal year.

The Company uses qualitative factors to determine whether it is more likely than not (likelihood of more than 50%) that the fair value of a reporting unit exceeds its carrying amount, including goodwill. Some of the qualitative factors used considered in applying this test include consideration of macroeconomic conditions, industry and market conditions, cost factors affecting the business, overall financial performance of the business, and performance of the share price of the Company.

If qualitative factors are not deemed sufficient to conclude that the fair value of the reporting unit more likely than not exceeds its carrying value, then a one-step approach is applied in making an evaluation. The evaluation utilizes multiple valuation methodologies, including a market approach (market price multiples of comparable companies) and an income approach (discounted cash flow analysis). The computations require management to make significant estimates and assumptions, including, among other things,

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selection of comparable publicly traded companies, the discount rate applied to future earnings reflecting a weighted average cost of capital, and earnings growth assumptions. A discounted cash flow analysis requires management to make various assumptions about future sales, operating margins, capital expenditures, working capital, and growth rates. If the evaluation results in the fair value of the goodwill for the reporting unit being lower than the carrying value, an impairment charge is recorded.

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Definite-lived intangible assets are amortized over their estimated useful lives and tested for impairment if events or changes in circumstances indicate that the asset may be impaired.

The carrying amount and accumulated amortization of the Company's intangible assets at each balance sheet date are as follows (in thousands):

| | Weighted Average | | | | Weighted Average | | | |
|----------------------------------|------------------|------------|--------------|-------------|------------------|------------|--------------|-------------|
| | Remaining Life | Gross | | Accumulated | Remaining Life | Gross | | Accumulated |
| | | Carrying | Amortization | | | Carrying | Amortization | |
| As of November 30, 2023 | (in years) | Amount | Amortization | Net | (in years) | Amount | Amortization | Net |
| As of May 31, 2024 | | | | | | | | |
| Definite-lived intangible assets | | | | | | | | |
| Trademarks and trade names | 7.6 | \$ 30,654 | \$ 13,883 | \$ 16,771 | 7.4 | \$ 29,817 | \$ 14,892 | \$ 14,925 |
| Customer lists | 5.4 | 82,844 | 58,168 | 24,676 | 4.9 | 81,753 | 60,844 | 20,909 |
| Non-compete | 1.9 | 238 | 167 | 71 | 1.4 | 238 | 185 | 53 |
| Technology | 6.0 | 650 | 93 | 557 | 5.5 | 650 | 139 | 511 |
| Total | 6.3 | \$ 114,386 | \$ 72,311 | \$ 42,075 | 5.9 | \$ 112,458 | \$ 76,060 | \$ 36,398 |
| As of February 28, 2023 | | | | | | | | |
| As of February 29, 2024 | | | | | | | | |
| Definite-lived intangible assets | | | | | | | | |
| Trademarks and trade names | 10.1 | \$ 28,977 | \$ 12,294 | \$ 16,683 | 7.6 | \$ 29,817 | \$ 14,366 | \$ 15,451 |
| Customer lists | 5.4 | 80,733 | 54,020 | 26,713 | 5.1 | 81,753 | 59,473 | 22,280 |
| Non-compete | 2.7 | 210 | 145 | 65 | 1.6 | 238 | 176 | 62 |
| Technology | 6.7 | 650 | 23 | 627 | 5.8 | 650 | 116 | 534 |
| Total | 7.2 | \$ 110,570 | \$ 66,482 | \$ 44,088 | 6.1 | \$ 112,458 | \$ 74,131 | \$ 38,327 |

Aggregate amortization expense was \$1.9 million and \$5.8 million for the three and nine months ended November 30, 2023, respectively May 31, 2023 and \$1.8 million and \$5.3 million for the three and nine months ended November 30, 2022, respectively. May 31, 2024.

The Company's estimated amortization expense for the current and next four five fiscal years is as follows (in thousands):

| | | |
|------------------|----------|----------|
| 2024 | \$ 7,810 | |
| 2025 | 7,772 | |
| 2025 (remaining) | | \$ 5,640 |
| 2026 | 7,148 | \$ 6,945 |
| 2027 | 6,059 | \$ 5,856 |
| 2028 | 4,562 | \$ 4,360 |
| 2029 | | \$ 3,725 |
| 2030 | | \$ 2,510 |

Changes in the net carrying amount of goodwill as of the dates indicated are as follows (in thousands):

| | |
|---------------------------------|-----------|
| Balance as of March 1, 2022 | 88,677 |
| Goodwill acquired | 3,142 |
| Balance as of February 28, 2023 | 91,819 |
| Goodwill acquired | 572 |
| Balance as of November 30, 2023 | \$ 92,391 |
| Balance as of March 1, 2023 | 91,819 |
| Goodwill acquired | 2,530 |
| Balance as of February 29, 2024 | 94,349 |
| Goodwill acquired | — |

| | | |
|----------------------------|----|--------|
| Balance as of May 31, 2024 | \$ | 94,349 |
|----------------------------|----|--------|

During fiscal year 2024, \$0.2 million was added to goodwill related to the acquisition of Stylecraft, \$0.2 million was added to goodwill related to the acquisition of UMC and \$0.2 million was added to goodwill related to the acquisition of Eagle and Diamond. During fiscal year 2023, \$3.1 million was added to goodwill related to the acquisition of SPM.

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9. Accrued Expenses

The following table summarizes the components of accrued expenses as of the dates indicated (in thousands):

| | November 30, 2023 | February 28, 2023 | May 31, 2024 | February 29, 2024 |
|---|-------------------|-------------------|------------------|-------------------|
| Employee compensation and benefits | \$ 14,240 | \$ 14,823 | \$ 9,855 | \$ 13,714 |
| Taxes other than income | 1,555 | 1,154 | 1,731 | 1,341 |
| Accrued legal and professional fees | 527 | 376 | 331 | 510 |
| Accrued utilities | 108 | 129 | 108 | 108 |
| Contingent earn-out liability related to acquisition of SPM | 200 | - | | |
| Accrued acquisition related obligations | | | 200 | 200 |
| Income taxes payable | 757 | 552 | 3,364 | 626 |
| Other accrued expenses | 1,230 | 1,033 | 1,587 | 1,042 |
| | <u>\$ 18,617</u> | <u>\$ 18,067</u> | <u>\$ 17,176</u> | <u>\$ 17,541</u> |

10. Long-Term Debt Credit Facility

As of November 30, 2023 May 31, 2024, the Company had \$0.3 million outstanding under a standby letters of credit arrangement secured by a cash collateral bank account.

11. Shareholders' Equity

The Company's board of directors (the "Board") has authorized the repurchase of the Company's outstanding common stock through a stock repurchase program, which authorized amount is currently up to \$60.0 million in the aggregate. Under the repurchase program, purchases may be made from time to time in the open market or through privately negotiated transactions depending on market conditions, share price, trading volume and other factors. Such purchases, if any, will be made in accordance with applicable insider trading and other securities laws and regulations. These repurchases may be commenced or suspended at any time or from time to time without prior notice.

There were During the three-month period ended May 31, 2024, the Company repurchased 91,883 shares of common stock under the program at an average price of \$19.79. The Company did not repurchases of common stock during t repurchase any shares for the nine-month period three months ended November 30, 2023 May 31, 2023. Since the program's inception in October 2008, there have been 2,213,111 2,334,344 common shares repurchased at an average price of \$16.29 16.47 per share. As of November 30, 2023 May 31, 2024, \$23.9 21.5 million remained available to repurchase shares of the Company's common stock under the program.

12. Stock Based Compensation

The Company grants stock options, restricted stock and restricted stock units ("RSUs") to key executives and managerial employees and non-employee directors. Prior to June 30, 2021, the Company had one stock incentive plan, the 2004 Long-Term Incentive Plan of Ennis, Inc., as amended and restated as of May 18, 2008 and was further amended on June 30, 2011 (the "Old Plan"). The Old Plan expired June 30, 2021 and all remaining unused shares expired. Subject to the affirmative vote of the shareholders, the Board adopted the 2021 Long-Term Incentive Plan of Ennis, Inc. (the "New Plan") on April 16, 2021 authorizing 1,033,648 shares of common stock for awards. The New Plan was approved by the

shareholders at the Annual Meeting on July 15, 2021 by a majority vote. The New Plan expires June 30, 2031 and all unissued stock will expire on that date. At November 30, 2023 May 31, 2024, the Company has 815,872 265,887 shares of unissued common stock reserved under the New Plan for issuance and uses treasury stock to satisfy option exercises and restricted stock awards.

The Company recognizes compensation expense for stock options and restricted stock grants based on the grant date fair value of the award for stock options, restricted stock grants and RSUs on a straight-line basis over the requisite service period. The estimated number of shares to be achieved for performance based RSUs is updated each reporting period. For the three months ended November 30, 2023 May 31,

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2024 and November 30, 2022 May 31, 2023, the Company included in selling, general and administrative expenses, compensation expense related to stock-based compensation of \$0.7 1.8 million and \$0.6 million, respectively. For the nine months ended November 30, 2023

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and November 30, 2022, the Company included in selling, general and administrative expenses, compensation expense related to stock-based compensation of \$2.0 million and \$1.5 0.7 million, respectively.

Stock Options

The Company had the following stock option activity for the nine three months ended November 30, 2023. No stock options were outstanding during the nine months ended November 30, 2022 May 31, 2024.

| | Number of Shares (exact quantity) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in years) | Aggregate Intrinsic Value(a) (in thousands) |
|----------------------------------|---|--|--|--|
| Outstanding at March 1, 2023 | — | \$ — | — | — |
| Granted | 52,500 | 19.88 | | |
| Terminated | — | — | | |
| Exercised | — | — | | |
| Outstanding at November 30, 2023 | 52,500 | \$ 19.88 | 9 | 71 |
| Exercisable at November 30, 2023 | — | — | — | — |

The following is a summary of the assumptions used and the weighted average grant-date fair value of the stock options granted during the nine months ended November 30, 2023.

| | November 30, 2023 |
|--|----------------------|
| Expected volatility | 19.55% |
| Expected term (years) | 3 |
| Risk free interest rate | 3.87% |
| Dividend Yield | 4.94% |
| Weighted average grant-date fair value | \$2.47 |
| | Weighted |

| | Number of Shares (exact quantity) | Weighted Average Exercise Price | Average Remaining Contractual Life (in years) | Aggregate Intrinsic Value(a) (in thousands) |
|------------------------------|---|--|--|--|
| Outstanding at March 1, 2024 | 52,500 | \$ 19.88 | 10.0 | — |
| Granted | — | — | | |
| Terminated | — | — | | |
| Exercised | — | — | | |
| Outstanding at May 31, 2024 | 52,500 | \$ 19.88 | 8.9 | \$ 60.4 |
| Exercisable at May 31, 2024 | 17,497 | \$ 19.88 | 8.9 | \$ 20.1 |

A summary of the status of the Company's unvested stock options at **November 30, 2023** **May 31, 2024** and the changes during the **nine** **three** months ended **November 30, 2023** **May 31, 2024** are presented below:

| | Number of Options | Weighted Average Grant Date Fair Value |
|-------------------------------|----------------------|--|
| Unvested at March 1, 2023 | — | — |
| New grants | 52,500 | 2.47 |
| Vested | — | — |
| Forfeited | — | — |
| Unvested at November 30, 2023 | 52,500 | 2.47 |

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| | Number of Options | Weighted Average Grant Date Fair Value |
|---------------------------|----------------------|--|
| Unvested at March 1, 2024 | 52,500 | 2.47 |
| New grants | — | — |
| Vested | (17,497) | 2.47 |
| Forfeited | — | — |
| Unvested at May 31, 2024 | 35,003 | 2.47 |

As of **November 30, 2023** **May 31, 2024**, there was \$0.1 million of unrecognized compensation cost related to unvested stock options granted under the Plan. The weighted average remaining requisite service period of the unvested stock options was **2.4** **1.9** years.

Restricted Stock

The following activity occurred with respect to the Company's restricted stock awards for the **nine** **three** months ended **November 30, 2023** **May 31, 2024**:

| | Number of Shares | Weighted Average Grant Date Fair Value | Number of Shares | Weighted Average Grant Date Fair Value |
|------------------------------|---------------------|---|---------------------|---|
| Outstanding at March 1, 2023 | 49,783 | \$ 18.99 | | |

| | | | | | |
|----------------------------------|----------|----------|--------|----|-------|
| Outstanding at March 1, 2024 | | | 42,131 | \$ | 20.11 |
| Granted | 21,672 | 20.31 | — | | — |
| Terminated | — | — | — | | — |
| Vested | (29,324) | 18.36 | (667) | | 17.58 |
| Outstanding at November 30, 2023 | 42,131 | \$ 20.11 | | | |
| Outstanding at May 31, 2024 | | | 41,464 | \$ | 20.15 |

The total fair value of shares vested during the nine months ended November 30, 2023 and November 30, 2022 was \$0.6 million and \$0.7 million, respectively.

As of November 30, 2023 May 31, 2024, the total remaining unrecognized compensation cost related to unvested restricted stock was approximately \$0.7 0.5 million. The weighted average remaining requisite service period of the unvested restricted stock awards was 2.0 1.5 years.

Restricted Stock Units

During the nine three months ended November 30, 2023 May 31, 2024, no 238,494 performance-based RSUs and 122,303 time-based RSUs were granted under the New Plan. The fair value of the time-based RSUs was estimated based on the fair market value of the Company's stock on the date of grant. grant of \$19.43 per unit. The fair value of the performance-based RSUs, using a Monte Carlo valuation model, was \$23.17 20.37 per unit. The performance measures include a threshold, target and maximum performance level providing the grantees an opportunity to

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receive more or less shares than targeted depending on actual financial performance. performance of the Company. The award will be based on the Company's return on equity, EBITDA and adjusted for the Company's Relative Shareholder Return as measured against a defined peer group.

The performance-based RSUs will vest no later than March 15, 2024, which is on the deadline for third anniversary from the Compensation Committee to determine date of grant and the extent of the Company's attainment of the Performance Goals during the Performance Period that ends on February 29, 2024. The time-based RSUs vest ratably over two to three years from the date of grant.

The following activity occurred with respect to the Company's restricted stock units for the nine three months ended November 30, 2023 May 31, 2024:

| | Time-based | | Performance-based | |
|----------------------------------|------------|------------|-------------------|------------|
| | Number of | Weighted | Number of | Weighted |
| | Shares | Average | Shares | Average |
| | | Grant Date | | Grant Date |
| | | Fair Value | | Fair Value |
| Outstanding at March 1, 2023 | 33,274 | \$ 20.11 | 233,819 | \$ 23.17 |
| Granted | — | — | — | — |
| Terminated | — | — | — | — |
| Vested | (16,635) | 20.11 | — | — |
| Outstanding at November 30, 2023 | 16,639 | \$ 20.11 | 233,819 | \$ 23.17 |
| | Time-based | | Performance-based | |
| | Number of | Weighted | Number of | Weighted |
| | Shares | Average | Shares | Average |
| | | Grant Date | | Grant Date |
| | | Fair Value | | Fair Value |
| Outstanding at March 1, 2024 | 16,639 | \$ 20.11 | 152,572 | \$ 23.17 |
| Granted (1) | 122,303 | 19.43 | 238,494 | 20.37 |

| | | | | | |
|---------------------------------------|----------------|-----------------|----------------|-----------------|---|
| Change due to performance achievement | | | 61,337 | | |
| Terminated | — | — | — | — | — |
| Vested | (16,639) | 20.11 | (213,909) | 22.72 | |
| Outstanding at May 31, 2024 | <u>122,303</u> | <u>\$ 19.43</u> | <u>238,494</u> | <u>\$ 20.37</u> | |

(1) The total fair value number of shares vested during of time-based grants may, upon vesting, convert 50% into common stock and the nine months ended November 30, 2023 and November 30, 2022 was \$ remaining 0.3 50 million and \$ % into two incentive stock options for each RSU with an exercise price equal to the closing price of the Company's stock on that date for employees who have not met their stock ownership requirements. The number of shares of performance-based grants represents awards granted by the Company at the maximum achievement level of 0.2 130 million, respectively. % of target payout. Actual shares that may be issued can range from 0% to 130% of target.

As of November 30, 2023 May 31, 2024, the total remaining unrecognized compensation cost of time-based RSUs was approximately \$0.1 2.3 million over a weighted average remaining requisite service period of 0.8 2.9 years. As of November 30, 2023 May 31, 2024, the total remaining unrecognized compensation of performance-based RSUs was approximately \$0.7 4.7 million over a weighted average remaining requisite service period of 1.0 2.9 years.

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13. Pension Plan

The Company and certain subsidiaries have a noncontributory defined benefit retirement plan (the "Pension Plan"), covering approximately 12% of the Company's aggregate employees. Benefits are based on years of service and the employee's average compensation for the highest five compensation years preceding retirement or termination.

Pension expense is composed of the following components included in cost of goods sold and selling, general, and administrative expenses in the Company's consolidated statements of earnings (in thousands):

| | Three months ended November 30, | | Nine months ended November 30, | | Three months ended May 31, | |
|---|------------------------------------|-----------------|-----------------------------------|-----------------|-------------------------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2024 | 2023 |
| Components of net periodic benefit cost | | | | | | |
| Service cost | \$ 168 | \$ 236 | \$ 504 | \$ 708 | \$ 166 | \$ 182 |
| Interest cost | 614 | 492 | 1,841 | 1,475 | 649 | 605 |
| Expected return on plan assets | (776) | (924) | (2,328) | (2,774) | (755) | (792) |
| Amortization of: | | | | | | |
| Unrecognized net loss | 474 | 601 | 1,422 | 1,806 | 436 | 467 |
| Settlement charges | - | 786 | - | 786 | | |
| Net periodic benefit cost | <u>\$ 480</u> | <u>\$ 1,191</u> | <u>\$ 1,439</u> | <u>\$ 2,001</u> | <u>\$ 496</u> | <u>\$ 462</u> |

The Company is required to make contributions to the Pension Plan. These contributions are required under the minimum funding requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). The assumption assumptions used to calculate the pension funding deficit are different from the assumption assumptions used to determine the net pension obligation for purposes of our condensed consolidated financial statements. Due to the enactment of the American Rescue Plan ("ARP") Act of 2021, plan sponsors can calculate the discount rate used to measure the Pension Plan liability using a 25-year average of interest rates plus or minus a corridor.

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ENNIS, INC. AND SUBSIDIARIES
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Assuming a stable funding status, the Company would expect to make a cash contribution to the Pension Plan of between \$1.5 to \$3.0 million per year. However, changes in actual investment returns or in discount rates could change this amount significantly. There was The Company made a \$2.0 to \$2.2 million contribution made in September 2022 to avoid a the Pension Benefit Guaranty Corporation variable premium. Plan during the fiscal year 2024. As our Pension Plan assets are invested in marketable securities, fluctuations in market values could potentially impact our funding status, associated liabilities recorded and future required minimum contributions. At November 30, 2023 May 31, 2024, we had an unfunded pension liability asset recorded on our balance sheet of approximately \$0.6 to \$0.1 million.

14. Earnings Per Share

Basic earnings per share have been computed by dividing net earnings by the weighted average number of common shares outstanding during the applicable period. Diluted earnings per share reflect the potential dilution that could occur if stock options, performance-based RSUs or other contracts to issue common shares were exercised or converted into common stock. This is calculated using the treasury stock method.

The following table sets forth the computation for basic and diluted earnings per share for the periods indicated:

| | Three months ended | | Nine months ended | | Three months ended | |
|--|--------------------|------------|-------------------|------------|--------------------|------------|
| | November 30, | | November 30, | | May 31, | |
| | 2023 | 2022 | 2023 | 2022 | 2024 | 2023 |
| Basic weighted average common shares outstanding | 25,894,578 | 25,809,581 | 25,826,691 | 25,812,216 | 26,156,928 | 25,839,651 |
| Effect of dilutive stock options, restricted stock and RSUs | 188,723 | 79,234 | 164,876 | 80,657 | | |
| Effect of dilutive stock options, restricted stock, time-based RSUs and performance-based RSUs | | | | | 122,718 | 139,882 |
| Diluted weighted average common shares outstanding | 26,083,301 | 25,888,815 | 25,991,567 | 25,892,873 | 26,279,646 | 25,979,533 |
| Earnings per share | | | | | | |
| Net earnings - basic | \$ 0.38 | \$ 0.44 | \$ 1.26 | \$ 1.36 | \$ 0.41 | \$ 0.45 |
| Net earnings - diluted | \$ 0.38 | \$ 0.44 | \$ 1.25 | \$ 1.36 | \$ 0.41 | \$ 0.45 |
| Cash dividends per share | \$ 0.25 | \$ 0.25 | \$ 0.75 | \$ 0.75 | \$ 0.25 | \$ 0.25 |

The Company treats unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) as participating securities, which are included in the computation of earnings per share. Our unvested restricted shares participate on an equal basis with common shares; therefore, there is no difference in undistributed earnings allocated

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to each participating security. Accordingly, the presentation above is prepared on a combined basis. At November 30, 2023 May 31, 2024, 52,500 shares related to outstanding stock options were not included in the computation of earnings per diluted share as they were considered anti-dilutive. No options were outstanding for the nine three months ended November 30, 2022 May 31, 2023.

15. Concentrations of Risk

Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and trade receivables. Cash is placed with high-credit quality financial institutions. For the purposes of the condensed consolidated statements of cash flows, the Company considers cash to include cash on hand and in bank accounts. The Federal Deposit Insurance Corporation insures accounts up to \$250,000. At November 30, 2023 May 31, 2024, cash balances included \$82.8 to \$90.6 million that was not federally insured because it represented amounts in individual accounts above the federally insured limit for each such account. This at-risk amount is subject to fluctuation on a daily basis. While management does not believe there is significant risk with respect to such deposits, no assurance can be made that the Company will not experience losses on the Company's deposits.

The Company believes its credit risk with respect to trade receivables is limited due to industry and geographic diversification. As disclosed on the condensed consolidated balance sheets, the Company maintains an allowance for doubtful receivables credit losses to cover the Company's estimate of credit losses associated with accounts receivable.

The Company, for quality and pricing reasons, purchases its paper products from a limited number of suppliers. While other sources may be available to the Company to purchase these products, they may not be available at the cost or at the quality the Company has come to expect.

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ENNIS, INC. AND SUBSIDIARIES
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16. Related Party Transactions

The Company leases a facility and sells product to an entity controlled by a member of the Board. The total right-of-use asset and related lease liability as of November 30, 2023 May 31, 2024 was \$0.5 0.3 million and \$0.5 0.3 million, respectively. The total right-of-use asset and related lease liability as of November 30, 2022 May 31, 2023 was \$0.8 0.7 million and \$0.9 0.7 million, respectively. During the three and nine months ended November 30, 2023 May 31, 2024, total lease payments and sales made to the related party were approximately \$0.2 0.1 million and \$2.4 0.7 million, respectively. During the three and nine months ended November 30, 2022 May 31, 2023, total lease payments and sales made to the related party were approximately \$0.2 0.1 million and \$1.9 0.8 million, respectively.

17. Income Taxes

The Company is subject to U.S. federal income tax as well as income taxes of multiple state jurisdictions. The quarterly income tax provision was computed based on our estimated annualized effective tax rate and the full-year forecasted income or loss plus the tax impact of unusual, infrequent, or nonrecurring significant items during the period.

Our effective tax rate for the nine three months ended November 30, 2023 May 31, 2024 and 2022 2023 was 28.3 27.5% and 28.0%, respectively. The Company made cash payments for income taxes of \$16.2 0.3 million and \$13.1 1.1 million, respectively, for the nine three months ended November 30, 2023 May 31, 2024 and 2022 2023.

18. Other Contingencies

We are subject to a variety of claims and suits that arise from time to time in the ordinary course of our business. Although management currently believes that resolving claims against us, individually or in the aggregate, will not have a material adverse impact in our consolidated financial statements, these matters are subject to inherent uncertainties and management's view of these matters may change in the future.

19. Subsequent Events

On December 13, 2023 June 14, 2024, the Board declared a quarterly dividend on the Company's common stock of 25.0 cents per share, which will be paid on February 1, August 5, 2024 to shareholders of record as of January 4, July 5, 2024. The expected payout for this dividend is approximately \$6.5 million.

On June 25, 2024, the Company acquired the assets of Printing Technologies, Inc. and Paper Solutions, Inc. in Indianapolis, Indiana for approximately \$4.9 million plus the assumption of trade payables.

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ENNIS, INC. AND SUBSIDIARIES
FORM 10-Q
FOR THE PERIOD ENDED NOVEMBER 30, 2023 MAY 31, 2024

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-Looking Statements

The following "Management's Discussion and Analysis of Financial Condition and Results of Operations" should be read together with the unaudited consolidated financial statements and related notes of Ennis, Inc. (collectively with its subsidiaries, the "Company," "Registrant," "Ennis," or "we," "us," or "our"), included in Part 1, Item 1 of this report, and with the audited consolidated financial statements and the related notes of the Company included in our Annual Report on Form 10-K for the fiscal year ended February 28, 2023 February 29, 2024.

All of the statements in this report, other than historical facts, are forward-looking statements, including, without limitation, the statements made in this "Management's Discussion and Analysis of Financial Condition and Results of Operations." As a general matter, forward-looking statements are those focused upon anticipated events or trends,

expectations, and beliefs relating to matters that are not historical in nature. The words “could,” “should,” “feel,” “anticipate,” “aim,” “preliminary,” “expect,” “believe,” “estimate,” “intend,” “intent,” “plan,” “will,” “foresee,” “project,” “forecast,” or the negative thereof or variations thereon, and similar expressions identify forward-looking statements.

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for these forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that forward-looking statements are subject to known and unknown risks, uncertainties and other factors relating to its operations and business environment, all of which are difficult to predict and many of which are beyond the control of the Company. These known and unknown risks, uncertainties and other factors could cause actual results to differ materially from those matters expressed in, anticipated by or implied by such forward-looking statements.

These statements reflect the current views and assumptions of management with respect to future events. The Company does not undertake, and hereby disclaims, any duty to update these forward-looking statements, even though its situation and circumstances may change in the future. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this report. The inclusion of any statement in this report does not constitute an admission by the Company or any other person that the events or circumstances described in such statement are material.

We believe these forward-looking statements are based upon reasonable assumptions. All such statements involve risks and uncertainties, and as a result, actual results could differ materially from those projected, anticipated or implied by these statements. Such forward-looking statements involve known and unknown risks, including but not limited to: general economic, business and labor conditions and the potential adverse effects of potential recessionary concerns, inflationary issues and supply chain disruptions and the potential impact on our operations; our ability to implement our strategic initiatives and control our operational costs; dependence on a limited number of key suppliers; our ability to recover the rising cost of raw materials and other costs (including energy, freight, labor and benefit costs) in markets that are highly price competitive and volatile; uninsured losses, including those from natural disasters, catastrophes, pandemics, theft, sabotage; the impact of the novel coronavirus COVID-19 pandemic or future pandemics on the U.S. and local economies, our business operations, our workforce, our supply chain and our customer base; our ability to timely or adequately respond to technological changes in the industry; cybersecurity risks, the impact of the internet and other electronic media on the demand for forms and printed materials; the impact of foreign competition, tariffs, trade regulations and import restrictions; customer credit risk; competitors’ pricing strategies; a decline in business volume and profitability could result in an impairment in our reported goodwill negatively impacting our operational results; our ability to retain key management personnel; our ability to identify, manage or integrate acquisitions.; In addition to the factors indicated above, you should carefully consider the risks described in and incorporated by reference herein and in the risk factors in our Annual Report on Form 10-K for the fiscal year ended February 28, 2023 February 29, 2024 before making an investment in our common stock.

Overview

Ennis, Inc. (formerly Ennis Business Forms, Inc.) (collectively with its subsidiaries, “the “Company,” “Registrant,” Ennis,” or “we,” “us,” or “our”) was organized under the laws of Texas in 1909. We and our subsidiaries print and manufacture a broad line of business forms and other business products. We distribute business products and forms throughout the United States primarily through independent distributors. This distributor channel encompasses independent print distributors, commercial printers, direct mail, fulfillment companies, payroll and accounts payable software companies, and advertising agencies, among others. We also sell products to many of our competitors to satisfy their customers’ needs.

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ENNIS, INC. AND SUBSIDIARIES FORM 10-Q FOR THE PERIOD ENDED NOVEMBER 30, 2023 MAY 31, 2024

Business Overview

Our management believes we are the largest provider of business forms, pressure-seal forms, labels, tags, envelopes, and presentation folders to independent distributors in the United States.

We are in the business of manufacturing, designing, and selling business forms and other printed business products primarily to distributors located in the United States. We As of May 31, 2024, we operate 59 57 manufacturing plants throughout the United States in 20 19 strategically located states as one reportable segment. Approximately 96% of the business products we manufacture are custom and semi-custom products, constructed in a wide variety of sizes, colors, number of parts, and quantities on an individual job basis, depending upon the customers’ specifications.

The products we sell include snap sets, continuous forms, laser cut sheets, tags, labels, envelopes, integrated products, jumbo rolls and pressure sensitive products in short, medium and long runs under the following labels: Ennis®, Royal Business Forms®, Block Graphics®, 360° Custom LabelsSM, LabelsSM, ColorWorx®, Enfusion®, Uncompromised Check Solutions®, VersaSeal®, Ad ConceptsSM, ConceptsSM, FormSource LimitedSM, LimitedSM, Star Award Ribbon Company®, Witt Printing®, B&D Litho®, Genforms®, PrintGraphics®, Calibrated Forms®, PrintXcel®, Printegra®, Forms ManufacturersSM, ManufacturersSM, Mutual Graphics®, TRI-C Business FormsSM, FormsSM, Major

Business SystemsSM, SystemsSM, Independent PrintingSM, PrintingSM, Hoosier Data Forms®, Hayes Graphics®, Wright Business GraphicsSM, GraphicsSM, Wright 360SM, 360SM, Integrated Print & GraphicsSM, GraphicsSM, the Flesh CompanySM, CompanySM, Impressions DirectSM, AmeriPrintSM, StylecraftSM, DirectSM, AmeriPrintSM, StylecraftSM, UMC PrintSM, PrintSM, Eagle GraphicsSM, GraphicsSM and Diamond GraphicsSM, GraphicsSM. We also sell the Adams McClure® brand (which provides Point of Purchase advertising); the Admore®, Folder Express®, and Independent Folders® brands (which provide presentation folders and document folders); Ennis Tag & LabelSM, LabelSM (which provides custom printed, high performance labels and custom and stock tags); Allen-Bailey Tag & LabelSM, LabelSM, Atlas Tag & Label®, Kay Toledo Tag®, and Special Service Partners® (SSP) (which provides custom and stock tags and labels); Trade Envelopes®, Block Graphics®, Wisco®, and National Imprint Corporation® (which provide custom and imprinted envelopes) and Northstar® and General Financial Supply® (which provide financial and security documents); InfosealSM, InfosealSM and PrintXcel® (which provide custom and stock pressure seal documents). School Photo Marketing is a one-stop shop for over 1,400 school portrait photographers and professional photo labs nationwide, providing them with a complete array of products and services that reach over 15 million families and 30,000 schools, primarily in the K-8 market. We sell predominantly through independent distributors, as well as to many of our competitors. Northstar Computer Forms, Inc., one of our wholly-owned subsidiaries, also sells direct to a small number of customers, generally large banking organizations (where a distributor is not acceptable or available to the end-user). Adams McClure, LP, a wholly-owned subsidiary, also sells direct to a small number of customers, where sales are generally through advertising agencies.

The printing industry generally sells its products either predominantly to end users, a market dominated by a few large manufacturers, such as R.R. Donnelley and Sons, Staples, Inc., Standard Register Co. (a subsidiary of Taylor Corporation), and Cenveo, Inc., Corporation, or, like the Company, through a variety of independent distributors and distributor groups. While it is not possible, because of the lack of adequate public statistical information, to determine the Company's share of the total business products market, management believes the Company is the largest producer of business forms, pressure-seal forms, labels, tags, envelopes, and presentation folders in the United States distributing primarily through independent distributors.

There are a number of competitors that operate in this segment, ranging in size from single employee-owned operations to multi-plant organizations. segment. We believe our strategic locations and buying power permit us to compete on a favorable basis within the distributor market on competitive factors such as service, quality and price.

Distribution of business forms and other business Our products are sold throughout the United States is primarily done through by independent distributors, including business forms distributors, resellers, direct mail, commercial printers, payroll and accounts payable software companies, and advertising agencies.

Raw materials principally consist of a wide variety of weights, widths, colors, sizes, and qualities of paper for business products purchased primarily from one major supplier at favorable prices based on the volume of business.

Business products usage in the printing industry is generally not seasonal. General economic conditions and contraction of the traditional business forms industry are the predominant factors in quarterly volume fluctuations.

Recent Acquisitions

On October 11, 2023, we acquired the assets and business of Eagle Graphics, Inc. in Annville, Pennsylvania, and Diamond Graphics, Inc. in Bensalem, Pennsylvania. The acquisition of Eagle Graphics and Diamond Graphics, which prior to the acquisition

ENNIS, INC. AND SUBSIDIARIES FORM 10-Q FOR THE PERIOD ENDED NOVEMBER 30, 2023

generated approximately \$8.7 million in sales for its fiscal year ended December 31, 2022, strengthens our production capabilities to serve our large and growing customer base in the Northeast part of the country.

On June 2, 2023, we acquired the assets and business of UMC Print in Overland Park, Kansas. The acquisition of UMC Print, which prior to the acquisition generated approximately \$16 million in sales for its fiscal year ended December 31, 2022, adds strategic locations and capabilities to drive growth with our distributor partners.

On May 23, 2023 we acquired the real estate and operations of Stylecraft Printing Company in Canton, Michigan which prior to the acquisition generated approximately \$7.0 million in sales for its fiscal year ended December 31, 2022. Stylecraft is a trade only printer since 1967 specializing in business forms, integrated products and commercial printing.

On November 30, 2022, we acquired the net assets and business from School Photo Marketing ("SPM") in Morganville, New Jersey, which prior to the acquisition generated approximately \$5.9 million in sales for its fiscal year ended December 31, 2021. SPM provides printing, yearbook publishing and marketing related services to over 1,400 school and sports photographers servicing schools around the country.

Our Business Challenges

Our industry is currently experiencing consolidation of traditional supply channels, product obsolescence, paper supplier capacity adjustments, and increased pricing and potential supply allocations due to demand/supply curve imbalance. Technology advances have made electronic distribution of documents, internet hosting, digital printing and print-on-demand valid, cost-effective alternatives to traditional custom-printed documents and customer communications. Improved equipment has become more accessible to our

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competitors. We face highly competitive conditions throughout our supply chain in **an already over-supplied**, price-competitive print industry. The challenges of our business include the following:

Inflation and COVID-19 Pandemic – Our sales were significantly impacted by economic conditions driven by the COVID-19 pandemic and resulted in a decrease in sales volume and earnings in fiscal year 2021. We expect that its acute impact is mostly behind us as the demand for our products strengthened in fiscal year 2022 and fiscal year 2023. Changes in macroeconomic factors, particularly high inflation and the resulting rise in interest rates could dampen business activity which could reduce demand for our products. While the markets appear to have recovered from the more direct negative impacts of the pandemic, we remain watchful as the longer term effects of the pandemic, including supply chain disruptions and inflationary pressures, are unknown. We will continue to monitor incoming order volume as well as rising raw material and other input costs so that we can proactively adjust our pricing and costs accordingly.

Transformation of our portfolio of products – While traditional business documents are essential in order to conduct business, many are being replaced through the use of cheaper paper grades or imported paper, or devalued with advances in digital technologies, causing steady declines in demand for a portion of our current product line. Transforming our product offerings in order to continue to provide innovative, valuable solutions through lower labor and fixed charges to our customers on a proactive basis will require us to make investments in new and existing technology and to develop key strategic business relationships, such as print-on-demand services and product offerings that assist customers in their transition to digital business environments. In addition, we will continue to look for new market opportunities and niches through acquisitions, such as the addition of our envelope offerings, tag offerings, folder offerings, healthcare wristbands, specialty packaging, direct mail, pressure seal products, secure document solutions, innovative in-mold label offerings and long-run integrated products with high color web printing, which provide us with an opportunity for growth and differentiate us from our competition. The ability to make investments in new and existing technology and/or to acquire new market opportunities through acquisitions is dependent on the Company's liquidity and operational results.

Production capacity and price competition within our industry – In 2022 there was a build-up industry supply of paper mill's customer inventory and 2023 data showed an inventory correction products is subject to fluctuation as changing industry conditions influence producers to idle or permanently close individual machines or mills, and/or convert them to different product lines, such as packaging to offset a decline in reduced spending, demand. Paper mill shipments were down across the board through the first half of 2023 as buyers worked through elevated inventories of their products. Uncoated Free Sheet and Coated Free Sheet shipments through the first half of 2023 sustained levels near 2020 COVID lows when the government implemented mandatory lockdowns. Producers responded to the sluggish demand conditions with heavy downtime rather than permanent closures keeping prices mostly stable. Foreign imports have fallen from previous years as demand levels are low. The current While our supply of paper in the first quarter reflected demand for North America Printing and Writing Paper of 2024 has stabilized indicating the severe destocking cycle is dissipating. While remained stable, margins remain under pressure due to the resulting weak volumes and competitive pricing, we intend to continue to focus on effectively managing and controlling our product costs through the use of forecasting, production and costing models, as well as working closely with our domestic suppliers to reduce our procurement costs, in order to minimize effects on our operational results. In addition, we will continue to look for ways to reduce and leverage our fixed costs and focus on maintaining our margins.

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Continued consolidation of our customers – Our customers are distributors, many of which are consolidating or are being acquired by competitors. We continue to maintain a majority of the business we have had with our customers historically, but it is possible that these consolidations and acquisitions, which we expect to continue in the future, ultimately will impact our margins and sales.

For further information, please see "Cautionary Statement Regarding Forward-Looking Statements," above and "Risk Factors" contained within our Annual Report on Form 10-K for the fiscal year ended **February 28, 2023** **February 29, 2024**.

Critical Accounting Estimates

Our Annual Report on Form 10-K for the year ended **February 28, 2023** **February 29, 2024**, includes a description of certain critical accounting estimates, including those with respect to the pension plan, **impairment assessments on** goodwill and other intangible assets, **revenue recognition** allowance for credit losses and **accounts receivable**, and

allowance for excess and obsolete inventories, which we believe are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates. During the quarter ended November 30, 2023 May 31, 2024, there have been no material changes to the critical accounting estimates described in our Annual Report on Form 10-K for the year ended February 28, 2023 February 29, 2024.

Recent Accounting Pronouncements

See Note 1 of the accompanying unaudited condensed consolidated financial statements for a discussion of recent accounting guidance.

Results of Operations

The following discussion provides information which we believe is relevant to understanding our results of operations and financial condition. The discussion and analysis should be read in conjunction with the accompanying interim unaudited consolidated financial statements and notes included in this filing. The operating results of the Company for the three and nine months ended November 30, 2023 May 31, 2024 and the comparative period for 2022 2023 are set forth in the tables below.

Consolidated Summary 24

| Unaudited Consolidated Statements of Operations - Data (in thousands) | Three Months Ended November 30, | | | | Nine Months Ended November 30, | | | |
|--|---------------------------------|---------|------------|---------|--------------------------------|---------|------------|---------|
| | 2023 | | 2022 | | 2023 | | 2022 | |
| | | | | | | | | |
| Net sales | \$ 104,621 | 100.0 % | \$ 110,245 | 100.0 % | \$ 322,675 | 100.0 % | \$ 329,145 | 100.0 % |
| Cost of goods sold | 74,090 | 70.8 | 76,768 | 69.6 | 225,004 | 69.7 | 226,445 | 68.8 |
| Gross profit margin | 30,531 | 29.2 | 33,477 | 30.4 | 97,671 | 30.3 | 102,700 | 31.2 |
| Selling, general and administrative | 17,410 | 16.6 | 17,292 | 15.7 | 54,094 | 16.8 | 52,916 | 16.1 |
| Loss from disposal of assets | 1 | — | 15 | — | 53 | — | 15 | — |
| Income from operations | 13,120 | 12.5 | 16,170 | 14.7 | 43,524 | 13.5 | 49,769 | 15.1 |
| Other income (expense) | 696 | 0.7 | (496) | (0.4) | 1,735 | 0.5 | (1,010) | (0.3) |
| Earnings before income taxes | 13,816 | 13.2 | 15,674 | 14.2 | 45,259 | 14.0 | 48,759 | 14.8 |
| Provision for income taxes | 3,910 | 3.7 | 4,388 | 4.0 | 12,808 | 4.0 | 13,652 | 4.1 |
| Net earnings | \$ 9,906 | 9.5 % | \$ 11,286 | 10.2 % | \$ 32,451 | 10.0 % | \$ 35,107 | 10.7 % |

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Consolidated Summary

| Unaudited Consolidated Statements of Operations - Data (in thousands) | Three Months Ended May 31, | | | |
|--|----------------------------|---------|------------|---------|
| | 2024 | | 2023 | |
| | | | | |
| Net sales | \$ 103,108 | 100.0 % | \$ 111,294 | 100.0 % |
| Cost of goods sold | 72,204 | 70.0 | 77,253 | 69.4 |
| Gross profit margin | 30,904 | 30.0 | 34,041 | 30.6 |
| Selling, general and administrative | 17,170 | 16.7 | 18,343 | 16.5 |
| Loss from disposal of assets | 4 | — | — | — |
| Income from operations | 13,730 | 13.3 | 15,698 | 14.1 |
| Other income | 1,011 | 1.0 | 462 | 0.4 |
| Earnings before income taxes | 14,741 | 14.3 | 16,160 | 14.5 |
| Provision for income taxes | 4,054 | 3.9 | 4,525 | 4.1 |
| Net earnings | \$ 10,687 | 10.4 % | \$ 11,635 | 10.5 % |

Three months ended November 30, 2023 May 31, 2024 compared to three months ended November 30, 2022 May 31, 2023

Net Sales. Our net sales were \$104.6 million \$103.1 million for the quarter ended November 30, 2023 May 31, 2024, compared to \$110.2 million \$111.3 million for the same quarter in the prior year, a decrease of \$5.6 million \$8.2 million, or -5.1% -7.4%. During the latter part of fiscal 2024, we experienced a weakened demand environment with increased competition on price, resulting in lower sales volume and revenues. Sales decreased \$11.6 million \$10.6 million due to weaker volume demand and stock rebalancing by legacy customers, as well as some of our print partners experiencing slowness in their sales and reducing their outsourced work to us. These decreases were partially offset by an approximately \$6.0 million \$2.4 million increase in revenues generated from our recent acquisitions for acquisitions. While revenues were down versus the prior year, first quarter ended November 30, 2023 compared to sales increased \$5.7 million, or 5.8% from the sequential quarter ended November 30, 2022 ending February 29, 2024.

Cost of Goods Sold and Gross Profit Margin. As a result of decreased sales volume, our cost of goods sold decreased \$2.7 million \$5.1 million, or 3.5% 6.6%, from \$76.8 million \$77.3 million for the three months ended November 30, 2022 May 31, 2023 to \$74.1 million \$72.2 million for the three months ended November 30, 2023 May 31, 2024. Our gross profit was \$30.5 million \$30.9 million or 29.2% 30.0% of revenue for the quarter ended November 30, 2023 May 31, 2024 compared to \$33.5 million \$34.0 million or 30.4% 30.6% of revenue for the same quarter in the prior year. Our gross profit margin for the quarter of 29.2% 30.0% showed a 180 60 basis point decline/increase from 31.0% 29.4% in the immediately preceding quarter ending August 31, 2023 and declined 120 basis points to 29.2% compared to 30.4% in February 29, 2024. In the same prior year quarter. Our gross profit margin as a percentage first quarter we completed the integration of sales was impacted by our ERP system at two of our recent acquisitions which had a dilutive impact of approximately 40 basis points and are beginning to see improved efficiencies and performance. This along with our disciplined cost management and pricing strategies contributed to our improved margins over the sequential quarter, despite continued pressure from soft market conditions and increased competition on our margin for the third quarter. We believe once we have fully analyzed the acquired business' cost structures and implemented our ERP system, the margins of the acquired businesses will improve to expected levels. price.

Selling, general, and administrative expense. For the three months ended November 30, 2023 May 31, 2024, our selling, general, and administrative ("SG&A") expenses were \$17.4 million \$17.2 million compared to \$17.3 million \$18.3 million for the three months ended November 30, 2022 May 31, 2023, a slight increase/decrease of \$0.1 million \$1.1 million, or 0.6% 6.0%. As a percentage of net sales, SG&A expenses for the current quarter remained relatively flat and were 16.6% 16.7% and 15.7% 16.5% for the three months ended November 30, 2023 May 31, 2024 and November 30, 2022 May 31, 2023, respectively. Our recent acquisitions added \$0.9 million in SG&A expenses during the quarter which was offset by lower expenses related to lower product volume.

Gain/Loss from disposal of assets. The \$1,000 \$4,000 net loss from disposal of assets during the three-month period ended November 30, 2023 and the \$15,000 net loss from disposal of assets during the three-month period ended November 30, 2022 May 31, 2024 was primarily attributed to the sale of equipment.

Income from operations. Primarily due to factors described above, our income from operations for the three months ended November 30, 2023 May 31, 2024 was \$13.1 million \$13.7 million, or 12.5% 13.3% of net sales, as compared to \$16.2 million \$15.7 million, or 14.7 % 14.1% of net sales, for the three months ended November 30, 2022 May 31, 2023. Income from operations declined/increased on a sequential quarter basis by \$1.6 million and was \$14.7 million \$0.8 million over the \$12.9 million for the quarter ended August 31, 2023, preceding quarter.

Other income (expense). Other income was \$0.7 million \$1.0 million for the three months ended November 30, 2023 May 31, 2024 compared to other expense of \$0.5 million for the three months ended November 30, 2022 May 31, 2023. Our increase in income was primarily from an increase in interest income from higher interest rates in the current quarter, \$1.0 million \$1.4 million for the three months ended November 30, 2023 May 31, 2024 compared to \$0.2 million \$0.8 million for the three months ended November 30, 2022 May 31, 2023.

Provision for income taxes. Our effective tax rate was 28.3% 27.5% and 28.0% for the three months ended November 30, 2023 May 31, 2024 and November 30, 2022 May 31, 2023, respectively. The slight decrease in our overall tax rate this period as compared to last period is due to a decrease in our overall expected state tax rate due to changes in state apportionment.

Net earnings. Net earnings, due to the factors above, were \$9.9 million \$10.7 million for the three months ended November 30, 2023 May 31, 2024 as compared to \$11.3 million \$11.6 million for the comparable quarter in the prior year. Net earnings per diluted share were impacted by decreased revenues for the three months ended November 30, 2023 were \$0.38, compared to \$0.44 for the same quarter in the prior year. Diluted earnings per share were negatively impacted approximately \$0.02 per diluted earnings per share. Additional expense related to the recent acquisitions negatively impacted the quarter earnings.

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Nine months ended November 30, 2023 compared to nine months ended November 30, 2022

Net Sales. Our net sales were \$322.7 million for the nine-month period ended November 30, 2023, compared to \$329.1 million for the same period last year, a decrease of \$6.5 million, or 2.0%. Sales decreased approximately \$23.2 million due to weaker volume demand and customers stock rebalancing by legacy customers, as well as some of our print partners experiencing slowness in their sales and reducing their outsourced work to us. This decrease was offset by approximately \$16.7 million in revenues from our recent acquisitions for the nine-month period ended November 30, 2023 May 31, 2024 compared to the nine-month period ended November 30, 2022.

Cost of Goods Sold and Gross Profit Margin. Our cost of goods sold decreased \$1.4 million, or -0.6%, from \$226.4 million for the nine three months ended November 30, 2022 to \$225.0 million for the nine months ended November 30, 2023 May 31, 2023. Our gross profit was \$97.7 million for the nine-month period ended November 30, 2023 compared to \$102.7 million for the same period in the prior year. Our gross profit margin of 30.3% for the current nine-month period, decreasing from the prior year nine-month period of 31.2%, is within our target range. Our gross profit margin as a percentage of sales was higher in the prior year nine-month period ending November 30, 2022 due to a higher absorption of fixed costs driven from greater volumes shipped.

Selling, general, and administrative expense. For the nine months ended November 30, 2023, our SG&A expenses were \$54.1 million compared to \$52.9 million for the nine months ended November 30, 2022, an increase of \$1.2 million, or 2.2%. As a percentage of net sales, SG&A expenses for the period were 16.8% and 16.1% for the nine months ended November 30, 2023 and November 30, 2022, respectively. Our recent acquisitions added \$2.4 million in SG&A expenses during the current nine-month period. We continue to look for ways to more fully leverage our SG&A expenses, and to reduce SG&A expenses following acquisitions through the implementation of our systems and processes, which allows us to integrate many of the acquired companies' back-office processes.

Gain from disposal of assets. The \$53,000 net loss from disposal of assets during the nine-month period ended November 30, 2023 and the \$15,000 net loss from disposal of assets during the nine-month period ended November 30, 2022 was primarily attributed to the sale of equipment.

Income from operations. Primarily due to factors described above, our income from operations for the nine months ended November 30, 2023 was \$43.5 million, or 13.5% of net sales, as compared to \$49.8 million, or 15.1% of net sales, for the nine months ended November 30, 2022.

Other income (expense). Other income was \$1.7 million for the nine months ended November 30, 2023 compared to expense of \$1.0 million for the nine months ended November 30, 2022. Our increase in income was primarily from an increase in interest income from higher interest rates in the current period, \$2.7 million for the nine months ended November 30, 2023 compared to \$0.3 million for the nine months ended November 30, 2022.

Provision for income taxes. Our effective tax rate was 28.3% and 28.0% for the nine months ended November 30, 2023 and November 30, 2022, respectively.

Net earnings. Net earnings, due to the factors above, were \$32.5 million for the nine months ended November 30, 2023 as compared to \$35.1 million for the comparable period in the prior year, a decrease of \$2.7 million. Net After-tax earnings per diluted share for the nine three months ended November 30, 2023 was \$1.25, May 31, 2024 were \$0.41, compared to \$1.36 \$0.45 for the same period in the prior quarter last year. Our recent acquisitions added approximately \$0.04 in diluted earnings per share for the nine-month period offset by sales volume decline.

Liquidity and Capital Resources

We rely on our cash flows generated from operations to meet all cash requirements of our business. The primary cash requirements of our business are payments to vendors in the normal course of business, capital expenditures, compensation to and benefits for employees and the payment of dividends to our shareholders. We have no debt and anticipate timely access to credit should larger acquisition opportunities materialize. We believe that our current cash balance of \$83.9 million \$91.4 million at May 31, 2024, short-term investments of \$32.3 million and anticipated cash flows from operations are expected to be similar to prior periods which should be adequate to cover the

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next twelve months and beyond of our operating and capital requirements. Our capital requirements are expected to be within our historical levels of between \$3.0 million and \$6.0 million.

| (Dollars in thousands) | November 30, | | February 28, | | May 31, | | February 29, | |
|------------------------|--------------|---------|--------------|---------|---------|---------|--------------|---------|
| | 2023 | | 2023 | | 2024 | | 2024 | |
| Working capital | \$ | 165,032 | \$ | 155,379 | \$ | 174,345 | \$ | 167,581 |
| Cash | \$ | 83,902 | \$ | 93,968 | \$ | 91,363 | \$ | 81,597 |
| Short-term investments | \$ | 18,495 | \$ | - | \$ | 32,326 | \$ | 29,325 |

Working Capital. On November 30, 2023, we had \$83.9 million in cash and \$18.5 million in short-term investments. During the period, our cash position decreased by \$10.1 million and our working capital increased \$9.7 million \$6.8 million or 6.2% 4.0%, from \$155.4 million \$167.6 million at February 28, 2023 February 29, 2024 to \$165.0 million \$174.3 million at November 30, 2023 May 31, 2024. Our current ratio, calculated by dividing our current assets by our current liabilities, increased decreased from 4.8 6.0 to 1.0 at February 28, 2023 February 29, 2024 to 5.8 5.7 to 1.0 at November 30, 2023 May 31, 2024. Our increase in working capital and current ratio were positively impacted primarily by an reflects the increase in our cash and inventories short-term investments, \$12.8 million, offset by a the decrease in accounts receivable, \$3.3 million and the increase in our accounts payable and accrued expenses. expense, \$3.7 million.

(Dollars in thousands)

Net cash provided by operating activities

Net cash used in investing activities

Net cash used in financing activities

| Nine months ended November 30, | | Three months ended May 31, | |
|--------------------------------|-------------|----------------------------|------------|
| 2023 | 2022 | 2024 | 2023 |
| \$ 52,500 | \$ 33,997 | \$ 23,105 | \$ 21,726 |
| \$ (43,175) | \$ (12,105) | \$ (5,052) | \$ (7,129) |
| \$ (19,391) | \$ (20,498) | \$ (8,287) | \$ (6,459) |

Cash flows from operating activities. Cash provided by operating activities was \$52.5 million \$23.1 million in the nine three months ended November 30, 2023 May 31, 2024 compared to \$34.0 million \$21.7 million in the comparative period ended November 30, 2022 May 31, 2023. A decrease in accounts receivable, net of accounts receivable from acquired business since the prior fiscal year end provided cash of \$8.2 million \$3.2 million in the current year nine-month three-month period, while an increase in accounts receivable used cash of \$5.9 million and \$7.3 million in the comparable nine-month three-month period of the prior year. A decrease An increase in inventories provided cash of \$6.8 million in the nine-month period ended November 30, 2023 and used cash of \$10.9 million \$1.0 million in the three-month period ended May 31, 2024 and \$0.4 million in the same period of 2022. A 2023. An increase in accounts payable and accrued expenses provided cash of \$3.3 million in the current year three-month period and a decrease in accounts payable and accrued expenses used cash of \$7.8 million in the current year nine-month period and an increase in accounts payable and accrued expenses provided cash of \$1.5 million \$2.8 million in the prior year comparable nine-month three-month period. The decrease in accounts receivable in the current period was primarily due to decreased sales. The decrease increase in inventory, accounts payable and accrued expenses during the current period was primarily due to a decrease an increase in purchasing activities and improved predictability in the supply chain conditions. inflationary pressures. We continue to monitor incoming orders and adjust raw material purchases accordingly.

Cash flows from investing activities. Cash used in investing activities was \$43.2 million \$5.0 million in the nine three months ended November 30, 2023 May 31, 2024 compared to \$12.1 million \$7.1 million in the nine three months ended November 30, 2022 May 31, 2023. Capital expenditures primarily of equipment was \$4.9 million \$2.5 million and \$3.3 million \$2.1 million for the nine three months ended November 30, 2023 May 31, 2024 and November 30, 2022 May 31, 2023, respectively. In the nine three months ended November 30, 2023 May 31, 2023, \$19.9 million \$5.0 million was used to acquire businesses, compared to \$8.8 million used to acquire businesses for the first nine months of the prior year. businesses. During the current period, we purchased approximately \$18.4 million \$10.1 million of U.S. government treasury bills, with staggered maturities of between three months and twelve months.

which was partially offset by \$7.5 million in matured treasury bills.

Cash flows from financing activities. We used \$1.1 million less \$1.8 million more cash in financing activities during the nine three months ended November 30, 2023 May 31, 2024 compared to the same period in the prior year. The decrease increase in cash used during the nine three months ended November 30, 2023 May 31, 2024 resulted from \$1.1 million \$1.8 million common stock repurchased under our stock repurchase program in the nine three months ended November 30, 2022 May 31, 2024.

Credit Facility – We did not renew our Credit Agreement, which expired November 11, 2021. We have had no outstanding long-term debt under the revolving credit line since paid in full in August 2019. As of November 30, 2023 May 31, 2024, we had \$0.3 million outstanding under a standby letters letter of credit arrangement secured by a cash collateral bank account. It is anticipated that our cash, short-term investments and funds from operating cash flows will be sufficient to fund anticipated future expenses. expenditures, including acquisitions.

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Pension Plan – The funded status of our Pension Plan and funding requirements is dependent on many factors, including returns on invested assets, the level of market interest rates and the level of funding. Assuming a stable funding status, we would expect that our future required contributions to would be between \$1.0 million and \$3.0 million per year. However, As our pension assets are invested in marketable securities, changes in actual investment returns or in discount rates could change this amount funding status and requirements significantly. There was We made a \$2.0 million contribution made of \$1.2 million to our Pension Plan in September 2022 to avoid a Pension Benefit Guaranty Corporation variable premium fiscal year 2024 and we anticipate making a required contribution of approximately \$1.2 million prior to the end of the current fiscal year. As our

Pension Plan assets are invested in marketable securities, fluctuations in market values could potentially impact our funding status, associated liabilities recorded and future required minimum contributions. At November 30, 2023 May 31, 2024, we had an unfunded a funded pension liability recorded on our balance sheet asset of \$0.6 million \$0.1 million.

Inventories – We believe our inventory levels are sufficient to satisfy our customer demands and we anticipate having adequate sources of raw materials to meet future business requirements. We have long-term contracts in effect with paper suppliers that govern prices, but do not require minimum purchase commitments. Certain of our rebate programs do, however, require minimum purchase volumes. Management anticipates meeting the required volumes.

Capital Expenditures – We continue to make capital expenditures for operational maintenance purposes, as may be required. Additionally, we will carefully review and make new capital expenditures for additional equipment to the extent such expenditures additions make economic sense by improving our operations and not jeopardizing our strong liquidity position. We expect our capital requirements for our current fiscal year, exclusive of capital required for possible acquisitions, will be within our historical levels of between \$3.0 million and \$6.0 million. For the nine three months ended November 30, 2023 May 31, 2024, we have spent approximately \$4.9 million \$2.5 million on capital expenditures, expenditures that was funded out of our cash balance. We expect to fund these expenditures through existing generate sufficient cash on flows from our operating activities to cover our operating and other normal capital requirements for the November 30, 2023 balance sheet, foreseeable future.

Contractual Obligations – There have been no significant changes in our contractual obligations since February 28, 2023 February 29, 2024 that have, or are reasonably likely to have, a material impact on our results of operations or financial condition. We do not have off-balance sheet arrangements or special-purpose entities.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Interest Rates

From time to time, we are exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. We may from time to time utilize interest rate swaps to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates. We do not use derivative instruments for trading purposes. While we had no outstanding debt at November 30, 2023 May 31, 2024, we will be exposed to interest rate risk if we borrow in the future.

This market risk discussion contains forward-looking statements. Actual results may differ materially from this discussion based upon general market conditions and changes in domestic and global financial markets.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures. We maintain “disclosure controls and procedures” as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended (the “Exchange Act”) that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosures. Our controls and procedures are tested and evaluated at regular intervals to confirm that they are adequate and followed by our personnel to prevent misstatement of the Company’s financial statements. Due to the inherent limitations of control systems, not all misstatements may be detected. Those inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls could be circumvented by the individual acts of some persons or by collusion of two or more people. Our controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met. Our management, with the participation of our Chairman of the Board, President and Chief Executive Officer (“CEO”) and Chief Financial Officer and Treasurer (“CFO”), has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our CEO and CFO have concluded that, as of November 30, 2023 May 31, 2024, our disclosure controls and procedures are effective to provide reasonable assurance that information relating to us (including our consolidated subsidiaries), which is required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and is accumulated and communicated to our management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting (as defined in Rule 13a–15(f) or Rule 15d–15(f) of the Exchange Act) that occurred during the **nine three** months ended **November 30, 2023** **May 31, 2024** that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in various litigation matters arising in the ordinary course of our business. We do not believe the disposition of any current matter will have a material adverse effect on our consolidated financial position or results of operations.

In **April, October** 2023, Crabar/GBF, Inc., a subsidiary of Ennis, was awarded **\$5.0 million** **\$5.8 million** in actual damages, exemplary damages and punitive damages attorney's fees in a case against Wright Printing Company, its owner Mark Wright, and CEO Mardra Sikora. **On September 19, 2023, Given the Court vacated defendants' pending appeal, we have not yet recognized the jury's \$1.0 million breach of contract award against Mark Wright because Crabar had not asserted a contract claim against him. The Court also awarded Crabar \$1.85 million in attorney's fees for a total amended judgment of \$5.85 million. The impact of proceeds from the judgment has not been reflected in the accompanying condensed consolidated financial statements as of November 30, 2023 and will May 31, 2024. In addition, the defendants have posted cash bonds that total approximately \$5.1 million, which should be reflected when recoverable by the judgment Company if defendants' appeal is collected, unsuccessful.**

Item 1A. Risk Factors

There have been no material changes in our Risk Factors as previously discussed in our Annual Report on Form 10-K for the year ended **February 28, 2023** **February 29, 2024**.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

At its July 14, 2022 meeting, the Ennis, Inc. Board of Directors authorized an additional \$20 million in funding for the Company's share repurchase program that was first implemented in 2008. With this latest funding authorization, the cumulative funds authorized for share repurchases totals \$60 million. Under the repurchase program, purchases may be made from time to time in the open market or through privately negotiated transactions depending on market conditions, share price, trading volume and other factors. Such purchases, if any, will be made in accordance with applicable insider trading rules and other securities laws and regulations. These repurchases may be commenced or suspended at any time or from time to time without prior notice.

During the **nine three** months ended **November 30, 2023** **May 31, 2024**, the Company **did not purchase any** repurchased 91,883 shares of common stock under the **program. program** at an average price of \$19.79. Since the program's inception in October 2008, there have been 2,334,344 common shares repurchased at an average price of \$16.47 per share. As of **November 30, 2023** **May 31, 2024**, **\$23.9 million** **\$21.5 million** remained available to repurchase shares of the Company's common stock under the program.

Items 3, 4 and 5 are not applicable and have been omitted

Item 6. Exhibits

The following exhibits are filed as part of this report.

| Exhibit Number | Description |
|----------------|---|
| Exhibit 3.1(a) | Restated Articles of Incorporation, as amended through June 23, 1983 with attached amendments dated June 20, 1985, July 31, 1985, June 16, 1988 and November 4, 1998, incorporated herein by reference to Exhibit 3.1(a) to the Registrant's Form 10-Q filed on October 6, 2017 (File No. 001-05807). |

| | |
|----------------|--|
| Exhibit 3.1(b) | Amendment to Articles of Incorporation, dated June 17, 2004, incorporated herein by reference to Exhibit 3.1(b) to the Registrant's Annual Report on Form 10-K for the fiscal year ended February 28, 2007 filed on May 9, 2007 (File No. 001-05807). |
| Exhibit 3.2 | Fourth Amended and Restated Bylaws of Ennis, Inc., dated July 10, 2017, incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on July 10, 2017 (File No. 001-05807). |
| Exhibit 31.1 | Certification Pursuant to Rule 13a-14(a) of Chief Executive Officer.* |
| Exhibit 31.2 | Certification Pursuant to Rule 13a-14(a) of Chief Financial Officer.* |
| Exhibit 32.1 | Section 1350 Certification of Chief Executive Officer.** |
| Exhibit 32.2 | Section 1350 Certification of Chief Financial Officer.** |
| Exhibit 101 | The following information from Ennis, Inc.'s Quarterly Report on Form 10-Q for the quarter ended November 30, 2023 May 31, 2024 , filed on January 5, 2023 June 26, 2024 , formatted in Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements, tagged as blocks of text and in detail.* |
| Exhibit 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

* Filed herewith
** Furnished herewith

ENNIS, INC. AND SUBSIDIARIES
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SIGNATURES

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

| | |
|---|---|
| Date: January 5, 2023 June 26, 2024 | ENNIS, INC. /s/ Keith S. Walters _____ Keith S. Walters Chairman, Chief Executive Officer and President |
| Date: January 5, 2023 June 26, 2024 | /s/ Vera Burnett _____ Vera Burnett Chief Financial Officer, Treasurer and Principal Financial and Accounting Officer |

RULE 13a-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Keith S. Walters, Chief Executive Officer of Ennis, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ennis, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors or audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

/s/ Keith S. Walters

Keith S. Walters

Chief Executive Officer

January 5, 2023 June 26, 2024

RULE 13a-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Vera Burnett, Chief Financial Officer of Ennis, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ennis, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors or audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

/s/ Vera Burnett

Vera Burnett

Chief Financial Officer

January 5, 2023 June 26, 2024

EXHIBIT 32.1

SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Keith S. Walters, Chairman of the Board and Chief Executive Officer of Ennis, Inc. (the "Company"), certify, that pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code:

- (1) The Quarterly Report on Form 10-Q of the Company for the period ended November 30, 2023 May 31, 2024, as filed with the Securities Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ Keith S. Walters

Keith S. Walters

Chairman of the Board and

Chief Executive Officer

Date: January 5, 2023 June 26, 2024

The foregoing Certification is being furnished solely pursuant to 18 U.S.C. Section 1350; it is not being filed for purposes of Section 18 of the Securities Exchange Act, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation languages in such filing.

EXHIBIT 32.2

SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Vera Burnett, Chief Financial Officer of Ennis, Inc. (the "Company"), certify, that pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code:

- (1) The Quarterly Report on Form 10-Q of the Company for the period ended **November 30, 2023** **May 31, 2024**, as filed with the Securities Exchange Commission on the date hereof (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition, and results of operations of the Company as of the dates and for the pe expressed in the Report.

/s/ Vera Burnett

Vera Burnett

Chief Financial Officer

Date: **January 5, 2023** **June 26, 2024**

The foregoing Certification is being furnished solely pursuant to 18 U.S.C. Section 1350; it is not being filed for purposes of Section 18 of the Securities Exchange Act, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation languages in such filing.

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