



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 September 29, 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: 0-24020**

**SYPRIS SOLUTIONS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction  
of incorporation or organization)

**61-1321992**

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

**101 Bullitt Lane, Suite 450**

**Louisville, Kentucky 40222**

(Address of principal executive  
offices) (Zip code)

**(502) 329-2000**

(Registrant's telephone number,  
including area code)

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	SYPR	Nasdaq

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

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

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

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

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

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

As of November 5, 2024, the Registrant had 23,022,010 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SYPRIS SOLUTIONS, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(in thousands, except for per share data)

	Three Months Ended		Nine Months Ended	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
			(Unaudited)	(Unaudited)
Net revenue	\$ 35,657	\$ 33,581	\$ 106,731	\$ 101,488
Cost of sales	29,678	29,541	92,227	88,617
Gross profit	5,979	4,040	14,504	12,871
Selling, general and administrative	4,250	4,170	12,876	11,619
Operating income (expense)	1,729	( 130)	1,628	1,252
Interest expense, net	546	127	1,468	531
Other expense, net	246	199	781	783
Income (loss) before taxes	937	( 456)	( 621)	( 62)
Income tax expense	547	99	1,194	455
Net income (loss)	\$ 390	\$ ( 555)	\$ ( 1,815)	\$ ( 517)
Income (loss) per share:				
Basic	\$ 0.02	\$ ( 0.03)	\$ ( 0.08)	\$ ( 0.02)
Diluted	\$ 0.02	\$ ( 0.03)	\$ ( 0.08)	\$ ( 0.02)
Weighted average shares outstanding:				
Basic	22,088	21,880	22,011	21,848
Diluted	22,415	21,880	22,011	21,848
Dividends declared per common share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

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

**SYPRIS SOLUTIONS, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(in thousands)

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 29, 2024</b>	<b>October 1, 2023</b>	<b>September 29, 2024</b>	<b>October 1, 2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net income (loss)	\$ 390	\$ (555)	\$ (1,815)	\$ (517)
Other comprehensive (loss) income				
Foreign currency translation adjustments	(1,335)	(581)	(3,016)	1,841
Comprehensive (loss) income	<u>\$ (945)</u>	<u>\$ (1,136)</u>	<u>\$ (4,831)</u>	<u>\$ 1,324</u>

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

**SYPRIS SOLUTIONS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except for share data)

	<b>September 29, 2024</b>	<b>December 31, 2023</b>
	(Unaudited)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 8,215	\$ 7,881
Accounts receivable, net	12,373	8,929
Inventory, net	67,333	77,314
Other current assets	11,457	9,743
Total current assets	99,378	103,867
Property, plant and equipment, net	13,914	17,133
Operating lease right-of-use assets	4,012	3,309
Other assets	4,309	5,033
Total assets	<u>\$ 121,613</u>	<u>\$ 129,342</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 22,630	\$ 26,737
Accrued liabilities	50,813	56,232
Operating lease liabilities, current portion	882	1,068
Finance lease obligations, current portion	1,467	1,327
Equipment financing obligations, current portion	522	618
Working capital line of credit	500	500
Note payable – related party, current portion	2,000	0
Total current liabilities	78,814	86,482
Operating lease liabilities, net of current portion	3,552	2,642
Finance lease obligations, net of current portion	1,133	1,852
Equipment financing obligations, net of current portion	959	1,333
Note payable – related party, net of current portion	6,984	6,484
Other liabilities	11,999	8,082
Total liabilities	<u>103,441</u>	<u>106,875</u>
Stockholders' equity:		
Preferred stock, par value \$ 0.01 per share, 975,150 shares authorized; no shares issued	0	0
Series A preferred stock, par value \$ 0.01 per share, 24,850 shares authorized; no shares issued	0	0
Common stock, non-voting, par value \$ 0.01 per share, 10,000,000 shares authorized; no shares issued	0	0
Common stock, par value \$ 0.01 per share, 30,000,000 shares authorized; 23,041,523 shares issued and 23,022,010 outstanding in 2024 and 22,465,485 shares issued and 22,459,649 outstanding in 2023	230	224
Additional paid-in capital	156,772	156,242
Accumulated deficit	( 118,747)	( 116,932)
Accumulated other comprehensive loss	( 20,083)	( 17,067)
Treasury stock, 19,513 in 2024 and 5,835 shares in 2023	0	0
Total stockholders' equity	<u>18,172</u>	<u>22,467</u>
Total liabilities and stockholders' equity	<u>\$ 121,613</u>	<u>\$ 129,342</u>

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

**SYPRIS SOLUTIONS, INC.**  
**CONSOLIDATED CASH FLOW STATEMENTS**  
(in thousands)

	<b>Nine Months Ended</b>	
	<b>September 29, 2024</b>	<b>October 1, 2023</b>
	<b>(Unaudited)</b>	
<b>Cash flows from operating activities:</b>		
Net loss	\$ (1,815)	\$ (517)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,449	2,392
Deferred income taxes	39	(56)
Stock-based compensation expense	660	615
Deferred loan costs recognized	6	3
Provision for excess and obsolete inventory	591	(22)
Non-cash lease expense	898	667
Other noncash items	413	178
Contributions to pension plans	(580)	(10)
Changes in operating assets and liabilities:		
Accounts receivable	(3,606)	(2,845)
Inventory	8,642	(34,146)
Other current assets	(2,116)	(464)
Accounts payable	(3,986)	7,841
Accrued and other liabilities	<u>(1,903)</u>	<u>18,195</u>
Net cash used in operating activities	(308)	(8,169)
<b>Cash flows from investing activities:</b>		
Capital expenditures	(666)	(1,890)
Net cash used in investing activities	(666)	(1,890)
<b>Cash flows from financing activities:</b>		
Proceeds from equipment financing obligations	430	210
Proceeds from working capital line of credit	0	500
Proceeds from Note payable – related party	2,500	0
Principal payments on finance lease obligations	(1,006)	(845)
Principal payments on equipment financing obligations	(471)	(387)
Principal payments on Note payable – related party	0	(2,500)
Indirect repurchase of shares for minimum statutory tax withholdings	(127)	(104)
Net cash provided by (used in) financing activities	1,326	(3,126)
Effect of exchange rate changes on cash balances	(18)	(54)
Net increase (decrease) in cash and cash equivalents	334	(13,239)
Cash and cash equivalents at beginning of period	<u>7,881</u>	<u>21,648</u>
Cash and cash equivalents at end of period	<u>\$ 8,215</u>	<u>\$ 8,409</u>
<b>Supplemental disclosure of cash flow information:</b>		
<b>Non-cash investing and financing activities:</b>		
Capital expenditures purchased through equipment financing obligations	\$ 0	\$ 1,050

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

**SYPRIS SOLUTIONS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(in thousands)

**Three Months Ended September 29, 2024**

	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Treasury Stock</b>
	<b>Shares</b>	<b>Amount</b>				
June 30, 2024 balance	23,024,128	\$ 230	\$ 156,675	\$ (119,137)	\$ (18,748)	\$ 0
Net income	0	0	0	390	0	0
Foreign currency translation adjustment	0	0	0	0	(1,335)	0
Exercise of stock options	48,147	0	(33)	0	0	0
Noncash compensation	0	0	222	0	0	0
Treasury stock	(50,265)	0	(92)	0	0	0
September 29, 2024 balance	<u>23,022,010</u>	<u>\$ 230</u>	<u>\$ 156,772</u>	<u>\$ (118,747)</u>	<u>\$ (20,083)</u>	<u>\$ 0</u>

**Three Months Ended October 1, 2023**

	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Treasury Stock</b>
	<b>Shares</b>	<b>Amount</b>				
July 2, 2023 balance	22,414,610	\$ 224	\$ 155,860	\$ (115,298)	\$ (18,423)	\$ 0
Net loss	0	0	0	(555)	0	0
Foreign currency translation adjustment	0	0	0	0	(581)	0
Exercise of stock options	25,039	0	(22)	0	0	0
Noncash compensation	15,000	0	206	0	0	0
October 1, 2023 balance	<u>22,454,649</u>	<u>\$ 224</u>	<u>\$ 156,044</u>	<u>\$ (115,853)</u>	<u>\$ (19,004)</u>	<u>\$ 0</u>

**Nine Months Ended September 29, 2024**

	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Treasury Stock</b>
	<b>Shares</b>	<b>Amount</b>				
January 1, 2024 balance	22,459,649	\$ 224	\$ 156,242	\$ (116,932)	\$ (17,067)	\$ 0
Net loss	0	0	0	(1,815)	0	0
Foreign currency translation adjustment	0	0	0	0	(3,016)	0
Issuance of restricted common stock	602,500	5	(5)	0	0	0
Exercise of stock options	75,126	1	(34)	0	0	0
Noncash compensation	15,000	0	660	0	0	0
Treasury stock	(130,265)	0	(91)	0	0	0
September 29, 2024 balance	<u>23,022,010</u>	<u>\$ 230</u>	<u>\$ 156,772</u>	<u>\$ (118,747)</u>	<u>\$ (20,083)</u>	<u>\$ 0</u>

**Nine Months Ended October 1, 2023**

	<b>Common Stock</b>		<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Treasury Stock</b>
	<b>Shares</b>	<b>Amount</b>				
January 1, 2023 balance	22,175,645	\$ 221	\$ 155,535	\$ (115,336)	\$ (20,845)	\$ 0
Net loss	0	0	0	(517)	0	0
Foreign currency translation adjustment	0	0	0	0	1,841	0
Issuance of restricted common stock	160,000	2	(2)	0	0	0
Exercise of stock options	106,504	1	(105)	0	0	0
Noncash compensation	45,000	0	615	0	0	0
Treasury stock	(32,500)	0	1	0	0	0
October 1, 2023 balance	<u>22,454,649</u>	<u>\$ 224</u>	<u>\$ 156,044</u>	<u>\$ (115,853)</u>	<u>\$ (19,004)</u>	<u>\$ 0</u>

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

**(1) Nature of Business**

All references to "Sypris," the "Company," "we" or "our" include Sypris Solutions, Inc. and its wholly-owned subsidiaries. Sypris is a diversified provider of truck components, oil and gas pipeline components and aerospace and defense electronics. The Company produces a wide range of manufactured products, often under multi-year, sole-source contracts. The Company offers such products through its two business segments, Sypris Technologies, Inc. ("Sypris Technologies") and Sypris Electronics, LLC ("Sypris Electronics") (See Note 11).

**(2) Basis of Presentation**

The accompanying unaudited consolidated financial statements include the accounts of Sypris Solutions, Inc. and its wholly-owned subsidiaries and have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the SEC. Accordingly, pursuant to such rules and regulations, certain notes and other financial information included in audited financial statements have been condensed or omitted. The December 31, 2023 consolidated balance sheet data was derived from audited statements, but does not include all disclosures required by U.S. GAAP. The Company's operations are domiciled in the United States (U.S.) and Mexico, and we serve a wide variety of domestic and international customers. All intercompany transactions and accounts have been eliminated.

These unaudited consolidated financial statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to fairly state the results of operations, financial position and cash flows for the periods presented, and the disclosures herein are adequate to make the information presented not misleading. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. Changes in facts and circumstances could have a significant impact on the resulting estimated amounts included in our consolidated financial statements. Actual results could differ from these estimates. Actual results for the three and nine months ended September 29, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements, and notes thereto, for the year ended December 31, 2023 as presented in the Company's Annual Report on Form 10-K.

**(3) Recent Accounting Pronouncements**

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2023-07, "Segment Reporting: Improvements to Reportable Segment Disclosures." This guidance requires disclosure of incremental segment information on an annual and interim basis. This amendment is effective for our fiscal year ending December 31, 2024 and subsequent interim periods. We are currently assessing the impact of this guidance on our disclosures.

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes: Improvements to Income Tax Disclosures." This guidance requires consistent categories and greater disaggregation of information in the rate reconciliation and disclosures of income taxes paid by jurisdiction. This amendment is effective for our fiscal year ending December 31, 2025. We are currently assessing the impact of this guidance on our disclosures.

No other new accounting pronouncement issued or effective during the fiscal year had, or is expected to have, a material impact on our Consolidated Financial Statements.

**(4) Leases**

The Company determines if an arrangement is a lease at its inception. The Company has entered into operating leases for real estate. These leases have initial terms which range from 10 years to 11 years, and often include one or more options to renew. These renewal terms can extend the lease term by 5 years and will be included in the lease term when it is reasonably certain that the Company will exercise the option. The Company's existing leases do not contain significant restrictive provisions; however, certain leases contain provisions for payment of real estate taxes, insurance and maintenance costs by the Company. The lease agreements do not contain any residual value guarantees. Some of the real estate lease agreements include periods of rent holidays and payments that escalate over the lease term by specified amounts. All operating lease expenses are recognized on a straight-line basis over the lease term. For finance leases, interest expense is recognized on the lease liability and the right-of-use asset is amortized over the lease term.

Some leases may require variable lease payments based on factors specific to the individual agreements. Variable lease payments for which we are typically responsible include real estate taxes, insurance and common area maintenance expenses based on the Company's pro-rata share, which are excluded from the measurement of the lease liability. Additionally, one of the Company's real estate leases has lease payments that adjust based on annual changes in the Consumer Price Index ("CPI"). The leases that are dependent upon CPI are initially measured using the index or rate at the commencement date and are included in the measurement of the lease liability. Incremental payments due to changes in the index are treated as variable lease costs and expensed as incurred.

These operating leases are included in "Operating lease right-of-use assets" on the Company's consolidated balance sheets and represent the Company's right to use the underlying asset for the lease term. The Company's obligations to make lease payments are included in "Operating lease liabilities, current portion" and "Operating lease liabilities, net of current portion" on the Company's consolidated balance sheets. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As of September 29, 2024, total right-of-use assets and operating lease liabilities were approximately \$ 4,012,000 and \$ 4,434,000 , respectively. As of December 31, 2023, total right-of-use assets and operating lease liabilities were approximately \$ 3,309,000 and \$ 3,710,000 , respectively.

We primarily use our incremental borrowing rate, which is updated quarterly, based on the information available at commencement date, in determining the present value of lease payments. If readily available, we would use the implicit rate in a new lease to determine the present value of lease payments. The Company has certain contracts for real estate which may contain lease and non-lease components which it has elected to treat as a single lease component.

The Company has entered into various short-term operating leases, primarily for office equipment with an initial term of twelve months or less. Lease payments associated with short-term leases are expensed as incurred and are not recorded on the Company's balance sheet. The related lease expense for short-term leases was not material for the three and nine months ended September 29, 2024 and October 1, 2023.

The following table presents information related to lease expense for the three and nine months ended September 29, 2024 and October 1, 2023 (in thousands):

	Three Months Ended		Nine Months Ended	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
	(Unaudited)		(Unaudited)	
Finance lease expense:				
Amortization expense	\$ 185	\$ 191	\$ 586	\$ 557
Interest expense	61	69	190	218
Operating lease expense	314	351	980	1,052
Variable lease expense	88	105	260	276
Total lease expense	<u>\$ 648</u>	<u>\$ 716</u>	<u>\$ 2,016</u>	<u>\$ 2,103</u>

The following table presents supplemental cash flow information related to leases (in thousands):

	Nine Months Ended	
	September 29, 2024	October 1, 2023
	(Unaudited)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 1,258	\$ 1,328
Operating cash flows from finance leases	190	218
Financing cash flows from finance leases	1,006	845

The annual future minimum lease payments as of September 29, 2024 are as follows (in thousands):

	Operating Leases	Finance Leases
Next 12 months	\$ 1,206	\$ 1,638
12 to 24 months	1,224	957
24 to 36 months	1,107	174
36 to 48 months	486	91
48 to 60 months	282	0
Thereafter	1,193	0
<b>Total lease payments</b>	<b>5,498</b>	<b>2,860</b>
Less imputed interest	( 1,064)	( 260)
<b>Total</b>	<b>\$ 4,434</b>	<b>\$ 2,600</b>

The following table presents certain information related to lease terms and discount rates for leases as of September 29, 2024 and December 31, 2023:

	September 29, 2024 (Unaudited)	December 31, 2023
Weighted-average remaining lease term (years):		
Operating leases	5.3	3.6
Finance leases	1.8	2.2
Weighted-average discount rate (percentage):		
Operating leases	8.4	8.0
Finance leases	8.8	8.8

## (5) Revenue from Contracts with Customers

The Company recognizes revenue when it satisfies a performance obligation by transferring control of a promised product or rendering a service to a customer. The amount of revenue recognized reflects the consideration the Company expects to be entitled to in exchange for the product or service (the "transaction price"). The Company's transaction price in its contracts with customers is generally fixed; no payment discounts, rebates or refunds are included within its contracts. The Company also does not provide service-type warranties, nor does it allow customer returns. In connection with the sale of various parts to customers, the Company is subject to typical assurance warranty obligations covering the compliance of the electronics parts produced to agreed-upon specifications. Customer returns, when they occur, relate to quality rework issues and are not connected to any repurchase obligation of the Company.

A performance obligation is a promise in a contract to transfer a distinct product or render a service to a customer and is the unit of account to which the transaction price is allocated under ASC 606. When a contract contains multiple performance obligations, we allocate the transaction price to the individual performance obligations using the price at which the promised goods or services would be sold to customers on a standalone basis. For most sales within our Sypris Technologies segment and a portion of sales within Sypris Electronics, control transfers to the customer at a point in time. Indicators that control has transferred to the customer include the Company having a present right to payment, the customer obtaining legal title and the customer having the significant risks and rewards of ownership. The Company's principal terms of sale are FOB Shipping Point, or equivalent, and, as such, the Company primarily transfers control and records revenue for product sales upon shipment.

For contracts where Sypris Electronics serves as a contractor for aerospace and defense companies under federally funded programs, we generally recognize revenue over time as we perform because of continuous transfer of control to the customer. This continuous transfer of control to the customer is supported by clauses in the contracts that allow the customer to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. Because control is transferred over time, revenue and gross profit is recognized based on the extent of progress towards completion of the performance obligation. We use labor hours incurred as a measure of progress for these contracts because it best depicts the Company's performance of the obligation to the customer, which occurs as we incur labor on our contracts. Under this measure of progress, the extent of progress towards completion is measured based on the ratio of labor hours incurred to date to the total estimated labor hours at completion of the performance obligation.

Some of Sypris Electronics' contractual arrangements with customers are for one year or less. For the remaining population of non-cancellable contracts greater than one year we had \$ 93,583,000 of remaining performance obligations as of September 29, 2024, all of which were long-term Sypris Electronics' contracts. We expect to recognize approximately 26 % of our remaining performance obligations as revenue in 2024, 71 % in 2025 and the balance in 2026.

#### *Disaggregation of Revenue*

The following table summarizes revenue from contracts with customers for the three and nine months ended September 29, 2024 and October 1, 2023:

	Three Months Ended		Nine Months Ended	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
	(Unaudited)		(Unaudited)	
Sypris Technologies – transferred point in time	\$ 19,469	\$ 19,337	\$ 55,660	\$ 58,895
Sypris Electronics – transferred point in time	2,791	4,727	10,151	14,061
Sypris Electronics – transferred over time	13,397	9,517	40,920	28,532
	<u>\$ 35,657</u>	<u>\$ 33,581</u>	<u>\$ 106,731</u>	<u>\$ 101,488</u>

#### *Contract Balances*

Differences in the timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets) and deferred revenue, customer deposits and billings in excess of revenue recognized (contract liabilities) on the consolidated balance sheets.

*Contract assets* – Contract assets include unbilled amounts typically resulting from sales under contracts where revenue is recognized over time and revenue recognized exceeds the amount billed to the customer, and the right to payment is subject to conditions other than the passage of time. Contract assets are generally classified as current assets in the consolidated balance sheet. The balance of contract assets as of September 29, 2024 and December 31, 2023 were \$ 4,975,000 and \$ 4,638,000, respectively, and are included within other current assets in the accompanying consolidated balance sheets.

*Contract liabilities* – Some of the Company's contracts within Sypris Electronics are billed as work progresses in accordance with the contract terms and conditions, either at periodic intervals or upon achievement of certain milestones. Often this results in billing occurring prior to revenue recognition resulting in contract liabilities. Additionally, the Company occasionally receives cash payments from customers in advance of the Company's performance resulting in contract liabilities. These contract liabilities are classified as either current or long-term in the consolidated balance sheet based on the timing of when the Company expects to recognize revenue. As of September 29, 2024, the contract liabilities balance was \$ 51,426,000, of which \$ 43,483,000, was included within accrued liabilities and \$ 7,943,000 was included within other liabilities in the accompanying consolidated balance sheets. As of December 31, 2023, the contract liabilities balance was \$ 53,537,000, of which \$ 49,738,000 was included within accrued liabilities and \$ 3,799,000 was included within other liabilities in the accompanying consolidated balance sheets. Payments received from customers in advance of revenue recognition are not considered to be significant financing components because they are used to meet working capital demands that can be higher in the early stages of a contract.

The Company recognized revenue from contract liabilities of \$ 8,889,000 and \$ 22,925,000 during the three and nine months ended September 29, 2024, respectively. The Company recognized revenue from contract liabilities of \$ 6,604,000 and \$ 16,248,000 during the three and nine months ended October 1, 2023, respectively.

#### *Practical expeditors and exemptions*

Sales commissions are expensed when incurred because the amortization period would have been one year or less. These costs are recorded in selling, general and administrative expense in the consolidated statements of operations.

We do not disclose the value of unsatisfied performance obligations for contracts with original expected lengths of one year or less.

**(6) Earnings (Loss) Per Common Share**

The Company computes earnings per share using the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and participating securities. Restricted stock granted by the Company is considered a participating security since it contains a non-forfeitable right to dividends.

Our potentially dilutive securities include potential common shares related to our stock options and restricted stock. Diluted earnings per share considers the impact of potentially dilutive securities except in periods in which there is a loss because the inclusion of the potential common shares would have an anti-dilutive effect. Diluted earnings per share excludes the impact of common shares related to our stock options in periods in which the option exercise price is greater than the average market price of our common stock for the period. There were 1,054,000 potential common shares excluded from diluted earnings per share for the three months ended September 29, 2024. For the nine months ended September 29, 2024 and the three and nine months ended October 1, 2023, diluted weighted average common shares do not include the impact of any outstanding stock options and unvested compensation-related shares because the effect of these items on diluted net loss would be anti-dilutive.

A reconciliation of the weighted average shares outstanding used in the calculation of basic and diluted income (loss) per common share is as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
			(Unaudited)	(Unaudited)
<b>Income (loss) attributable to stockholders:</b>				
Net income (loss) income as reported	\$ 390	\$ (555)	\$ (1,815)	\$ (517)
Less distributed and undistributed earnings allocable to restricted award holders	(15)	0	0	0
Less dividends declared attributable to restricted award holders	0	0	0	0
Net income (loss) allocable to common stockholders	<u>\$ 375</u>	<u>\$ (555)</u>	<u>\$ (1,815)</u>	<u>\$ (517)</u>
<b>Income (loss) per common share attributable to stockholders:</b>				
Basic	\$ 0.02	\$ (0.03)	\$ (0.08)	\$ (0.02)
Diluted	\$ 0.02	\$ (0.03)	\$ (0.08)	\$ (0.02)
Weighted average shares outstanding – basic	22,088	21,880	22,011	21,848
Weighted average additional shares assuming conversion of potential common shares	327	0	0	0
Weighted average shares outstanding – diluted	<u>22,415</u>	<u>21,880</u>	<u>22,011</u>	<u>21,848</u>

**(7) Inventory**

Inventory consists of the following (in thousands):

	September 29, 2024		December 31, 2023	
	(Unaudited)			
Raw materials	\$ 60,825		\$ 67,962	
Work in process	7,800		9,027	
Finished goods	1,113		1,974	
Reserve for excess and obsolete inventory	(2,405)		(1,649)	
<b>Total</b>	<b>\$ 67,333</b>		<b>\$ 77,314</b>	

**(8) Property, Plant and Equipment**

Property, plant and equipment consists of the following (in thousands):

	September 29, 2024 (Unaudited)	December 31, 2023
Land and land improvements	\$ 43	\$ 43
Buildings and building improvements	7,864	8,507
Machinery, equipment, furniture and fixtures	68,544	74,588
Construction in progress	720	863
	<u>77,171</u>	<u>84,001</u>
Accumulated depreciation	( 63,257)	( 66,868)
	<u>\$ 13,914</u>	<u>\$ 17,133</u>

**(9) Debt**

Debt outstanding consists of the following (in thousands):

	September 29, 2024 (Unaudited)	December 31, 2023
<b>Current:</b>		
Finance lease obligation, current portion	\$ 1,467	\$ 1,327
Equipment financing obligations, current portion	522	618
Working capital line of credit	500	500
Note payable – related party, current portion	2,000	0
Current portion of long-term debt and finance lease obligations	<u>\$ 4,489</u>	<u>\$ 2,445</u>
<b>Long Term:</b>		
Finance lease obligation	\$ 1,133	\$ 1,852
Equipment financing obligations	959	1,333
Note payable – related party	7,000	6,500
Less unamortized debt issuance and modification costs	( 16)	( 16)
Long-term debt and finance lease obligations net of unamortized debt costs	<u>\$ 9,076</u>	<u>\$ 9,669</u>

*Note Payable – Related Party*

The Company has received the benefit of cash infusions from Gill Family Capital Management, Inc. ("GFCM") in the form of secured promissory note obligations totaling \$ 9,000,000 in principal as of September 29, 2024 and \$ 6,500,000 as of December 31, 2023 (the "Note"). GFCM is an entity controlled by the Company's Chairman, President and Chief Executive Officer, Jeffrey T. Gill, and one of our directors, R. Scott Gill. GFCM, Jeffrey T. Gill and R. Scott Gill are significant beneficial stockholders of the Company. As of September 29, 2024, our principal commitment under the Note was \$ 2,000,000 due on April 1, 2025, \$ 2,000,000 on April 1, 2026 and the balance of \$ 5,000,000 due on April 1, 2027. Interest on the Note is reset on April 1 of each year, at the greater of 8.0 % or 500 basis points above the five-year Treasury note average during the preceding 90-day period, in each case, payable quarterly, which was 9.12 % as of September 29, 2024. The Note allows for a deferral of payment for up to 60 % of the interest due on the Note to April 1, 2025.

During the first quarter of 2024, the Company amended the Note to increase the principal amount due on April 1, 2027 by \$ 2,500,000 . The amendment increased the aggregate amount previously loaned by GFCM to the Company from \$ 6,500,000 to \$ 9,000,000 . This additional amount loaned to the Company in the first quarter of 2024 was approved by the Audit Committee and provided the Company necessary liquidity.

Obligations under the Note are guaranteed by all of the subsidiaries and are secured by a first priority lien on substantially all assets of the Company, including those in Mexico.

#### *Finance Lease Obligations*

As of September 29, 2024, the Company had \$ 2,600,000 outstanding under finance lease obligations for both property and machinery and equipment with maturities through 2028 and a weighted average interest rate of 8.8 %.

#### *Equipment Financing Obligations*

As of September 29, 2024, the Company had \$ 1,481,000 outstanding under equipment financing facilities, with a weighted average interest rate of 6.7 % and payments due through 2028. Payments on the Company's equipment financing obligations are due as follows (in thousands):

Next 12 months	\$ 607
12 to 24 months	478
24 to 36 months	376
36 to 48 months	189
48 to 60 months	0
Thereafter	0
Total payments	1,650
Less imputed interest	( 169)
<b>Total equipment financing obligations</b>	<b>\$ 1,481</b>

#### **(10) Derivative Financial Instruments**

During the quarter ended September 29, 2024, the Company's Sypris Technologies segment entered into Mexican Peso ("MXP") put option contracts to manage a portion of the foreign currency exchange risk on forecasted expenses denominated in MXP. The contracts meet the definition of a derivative subject to the guidance of ASC 815, do not qualify for hedge accounting, and accordingly are recognized at fair value, with changes in fair value recognized in earnings in other income (expense). The contracts have a notional amount of \$ 15,800,000 as of September 29, 2024 and expire at various dates through June 2025. The Company does not use hedging arrangements for speculative purposes. There can be no assurance the hedges will fully offset the financial impact resulting from movements in foreign currency exchange rates.

The fair value of these derivative financial instruments are determined using level 2 inputs (inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability) in the fair value hierarchy as the fair value is based on publicly available foreign exchange and interest rates at each financial reporting date. The fair value of the non-designated foreign exchange contracts as of September 29, 2024 was \$ 203,000 and is included in other current assets in the Consolidated Balance Sheet. There were no foreign exchange contracts as of December 31, 2023.

#### **(11) Segment Data**

The Company is organized into two business segments, Sypris Technologies and Sypris Electronics. The segments are each managed separately because of the distinctions between the products, markets, customers, technologies, and workforce skills of the segments. Sypris Technologies generates revenue primarily from the sale of forged, machined, welded and heat-treated steel components primarily for the heavy commercial vehicle and high-pressure energy pipeline applications. Sypris Electronics provides circuit card and box build manufacturing, high reliability manufacturing, systems assembly and integration, design for manufacturability and design to specification work to customers in the market for aerospace and defense electronics. There was no intersegment net revenue recognized for any period presented.

The Company includes the unallocated costs of its corporate office, including the employment costs of its senior management team and other corporate personnel, administrative costs and net corporate interest expense incurred at the corporate level under the caption "General, corporate and other" in the table below. Such unallocated costs include those for centralized information technology, finance, legal and human resources support teams, certain professional fees, director fees, corporate office rent, certain self-insurance costs and recoveries, software license fees and various other administrative expenses that are not allocated to our reportable segments. The unallocated assets include cash and cash equivalents maintained in its domestic treasury accounts and the net book value of corporate facilities and related information systems. The unallocated liabilities consist primarily of the related party notes payable. Domestic income taxes are calculated at an entity level and are not allocated to our reportable segments. Corporate capital expenditures and depreciation and amortization include items attributable to the unallocated fixed assets of the corporate office and related information systems.

The following table presents financial information for the reportable segments of the Company (in thousands):

	Three Months Ended		Nine Months Ended	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
			(Unaudited)	(Unaudited)
<b>Net revenue from unaffiliated customers:</b>				
Sypris Technologies	\$ 19,469	\$ 19,337	\$ 55,660	\$ 58,895
Sypris Electronics	<u>16,188</u>	<u>14,244</u>	<u>51,071</u>	<u>42,593</u>
	<u><u>\$ 35,657</u></u>	<u><u>\$ 33,581</u></u>	<u><u>\$ 106,731</u></u>	<u><u>\$ 101,488</u></u>
<b>Gross profit:</b>				
Sypris Technologies	\$ 3,661	\$ 1,459	\$ 8,431	\$ 6,105
Sypris Electronics	<u>2,318</u>	<u>2,581</u>	<u>6,073</u>	<u>6,766</u>
	<u><u>\$ 5,979</u></u>	<u><u>\$ 4,040</u></u>	<u><u>\$ 14,504</u></u>	<u><u>\$ 12,871</u></u>
<b>Operating income (loss):</b>				
Sypris Technologies	\$ 2,236	\$ 21	\$ 4,131	\$ 1,720
Sypris Electronics	<u>1,137</u>	<u>1,271</u>	<u>2,239</u>	<u>3,417</u>
General, corporate and other	<u>( 1,644)</u>	<u>( 1,422)</u>	<u>( 4,742)</u>	<u>( 3,885)</u>
	<u><u>\$ 1,729</u></u>	<u><u>\$ ( 130)</u></u>	<u><u>\$ 1,628</u></u>	<u><u>\$ 1,252</u></u>
<b>Income (loss) before taxes:</b>				
Sypris Technologies	\$ 1,984	\$ ( 235)	\$ 3,322	\$ 740
Sypris Electronics	<u>822</u>	<u>1,228</u>	<u>1,533</u>	<u>3,303</u>
General, corporate and other	<u>( 1,869)</u>	<u>( 1,449)</u>	<u>( 5,476)</u>	<u>( 4,105)</u>
	<u><u>\$ 937</u></u>	<u><u>\$ ( 456)</u></u>	<u><u>\$ ( 621)</u></u>	<u><u>\$ ( 62)</u></u>
		September 29, 2024	December 31, 2023	
		(Unaudited)		
<b>Total assets:</b>				
Sypris Technologies	\$ 39,318	\$ 41,143		
Sypris Electronics	<u>75,124</u>	<u>84,576</u>		
General, corporate and other	<u>7,171</u>	<u>3,623</u>		
	<u><u>\$ 121,613</u></u>	<u><u>\$ 129,342</u></u>		
<b>Total liabilities:</b>				
Sypris Technologies	\$ 23,685	\$ 21,309		
Sypris Electronics	<u>67,002</u>	<u>77,272</u>		
General, corporate and other	<u>12,754</u>	<u>8,294</u>		
	<u><u>\$ 103,441</u></u>	<u><u>\$ 106,875</u></u>		

## (12) Commitments and Contingencies

The provision for estimated warranty costs is recorded at the time of sale and periodically adjusted to reflect actual experience. The Company's warranty liability, which is included in accrued liabilities in the accompanying consolidated balance sheets as of September 29, 2024 and December 31, 2023 was \$ 866,000 and \$ 805,000 , respectively. The Company's warranty expense for the three and nine months ended September 29, 2024 was \$ 97,000 and \$ 306,000 , respectively. The Company's warranty expense for the three and nine months ended October 1, 2023 was \$ 85,000 and \$ 256,000 , respectively.

The Company bears insurance risk as a member of a group captive insurance entity for certain general liability, automobile and workers' compensation insurance programs, a self-insured worker's compensation program and a self-insured employee health program. The Company records estimated liabilities for its insurance programs based on information provided by the third-party plan administrators, historical claims experience, expected costs of claims incurred but not paid, and expected costs to settle unpaid claims. The Company monitors its estimated insurance-related liabilities on a quarterly basis. As facts change, it may become necessary to make adjustments that could be material to the Company's consolidated results of operations and financial condition.

The Company is involved in certain litigation and contract issues arising in the normal course of business. While the outcome of these matters cannot, at this time, be predicted in light of the uncertainties inherent therein, management does not expect that these matters will have a material adverse effect on the consolidated financial position or results of operations of the Company. Additionally, the Company believes its product liability insurance is adequate to cover all potential liability claims.

The Company accounts for loss contingencies in accordance with U.S. GAAP. Estimated loss contingencies are accrued only if the loss is probable and the amount of the loss can be reasonably estimated. With respect to a particular loss contingency, it may be probable that a loss has occurred but the estimate of the loss is within a wide range or undeterminable. If the Company deems an amount within the range to be a better estimate than any other amount within the range, that amount will be accrued. However, if no amount within the range is a better estimate than any other amount, the minimum amount of the range is accrued.

The Company has various current and previously-owned facilities subject to a variety of environmental regulations. The Company has received certain indemnifications from either companies previously owning these facilities or from purchasers of those facilities. Additionally, certain property previously sold by the Company has been designated as a Brownfield Site and has been approved for development by the purchaser. As of September 29, 2024 and December 31, 2023, no amounts were accrued for any environmental matters.

On December 27, 2017, the U.S. Department of Labor (the "DOL") filed a lawsuit alleging that the Company had misinterpreted the language of the Company's 401(k) Plans (collectively, the "Plan"). The DOL does not dispute that the Company reached such interpretation in good faith and after the Company consulted with independent ERISA counsel. Although the Company maintains that it had affirmative defenses against the DOL's claims, in an effort to avoid further litigation the Company engaged in settlement discussions in the second half of 2022 with the DOL. On March 14, 2023, the parties jointly delivered to the court a proposed consent order and judgment containing the terms of a settlement agreement, which was entered into the court record on September 28, 2023. The settlement, among other terms, required the Company to pay a restoration payment of \$ 575,000 to the Plan, which was deposited into the Plan's unallocated asset account during the fourth quarter of 2023 and distributed among affected participants of the Plan in February 2024. The settlement agreement also assessed a 10 % penalty under section 502(l) of ERISA, for which the Company requested a good faith waiver in March 2024, which was approved by the DOL in June 2024.

On February 17, 2017, several employees ("Lucas Plaintiffs") of KapStone Charleston Kraft, LLC filed a lawsuit in South Carolina alleging that they had been seriously burned when they opened a hinged closure and a hot tar-like material spilled out. Among other claims, the Lucas Plaintiffs allege that Sypris Technologies designed and manufactured the closure, that the closure was defective and that those defects had caused or contributed to their injuries. Sypris Technologies' motion to dismiss for lack of jurisdiction was denied on February 28, 2020. On November 21, 2022, the Company received a demand for settlement presented by the Lucas Plaintiffs, which was rejected. On January 12, 2024, a hearing took place for oral arguments in support of Sypris Technologies' motion for summary judgement previously filed in September 2023. The trial had been set for May 20, 2024, and a mediation of the parties was required to take place prior to the trial under South Carolina law. The Company entered into a settlement agreement on April 18, 2024 with the Lucas Plaintiffs at the pre-trial mediation. The settlement payment was funded entirely by insurance, and the Company did not make any payments under the terms of the settlement agreement. Additionally, the Company's general liability insurer accepted the defense costs.

In order to reduce manufacturing lead times, the Company enters into agreements with certain suppliers to produce inventory based on the Company's requirements. A significant portion of the Company's purchase commitments arising from these agreements consists of firm and non-cancellable commitments. These purchase commitments totaled \$ 39,848,000 as of September 29, 2024, of which \$ 22,115,000 is due in 2024, \$ 16,679,000 is due in 2025 and the balance in 2026.

### **(13) Income Taxes**

The provision for income taxes includes federal, state, local and foreign taxes. The Company's effective tax rate varies from period to period due to the proportion of foreign and domestic pre-tax income expected to be generated by the Company. The Company provides for income taxes for its domestic operations at a statutory rate of 21 % in 2024 and 2023 and for its foreign operations at a statutory rate of 30 % in 2024 and 2023. Reconciling items between the federal statutory rate and the effective tax rate also include state income taxes, valuation allowances and certain other permanent differences. Additionally, a deferred tax adjustment was recorded in 2024 related to the fixed asset valuation utilized by the Company's foreign operation which increased the effective tax rate. Furthermore, as noted below, the Company's income tax expense for the three and nine months ended September 29, 2024 includes an expense of \$ 124,000 to settle with Mexico's Federal Tax Administration Service, Servicio de Administracion Tributaria's (the "SAT") for the 2016 tax audit.

The Company recognizes liabilities or assets for the deferred tax consequences of temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements in accordance with ASC 740, Income Taxes (ASC 740). These temporary differences will result in taxable or deductible amounts in future years when the reported amounts of assets or liabilities are recovered or settled. ASC 740 requires that a valuation allowance be established when it is more likely than not that all or a portion of a deferred tax asset will not be realized. The Company evaluates its deferred tax position on a quarterly basis and valuation allowances are provided as necessary. During this evaluation, the Company reviews its forecast of income in conjunction with other positive and negative evidence surrounding the realizability of its deferred tax assets to determine if a valuation allowance is needed.

Based on the Company's consideration of all positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations, the Company has established a valuation allowance against all U.S. deferred tax assets. Until an appropriate level and characterization of profitability is attained, the Company expects to continue to maintain a valuation allowance on its net deferred tax assets related to future U.S. tax benefits.

The Company files income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. During July 2024, the Company was notified by the Internal Revenue Service ("IRS") that it is examining the Company's 2021 federal income tax return.

During the first quarter of 2023, the Company's wholly-owned subsidiary in Mexico received a formal tax assessment notice from Mexico's Federal Tax Administration Service, Servicio de Administracion Tributaria's (the "SAT") pertaining to revenue variances and disallowed deductions related to an audit by the SAT of the 2016 tax year. The initial proposed tax liability for the variances approximated \$ 1,150,000 , which included annual adjustments for inflation, interest and penalties. The Company made a payment in June 2024 of \$ 191,000 to settle the matter, of which \$ 124,000 was recorded in income tax expense, net, and the remainder was recorded in other (income) expense, net in the consolidated statements of operations for the nine months ended September 29, 2024. In addition, open tax years related to state and foreign jurisdictions remain subject to examination.

**(14) Employee Benefit Plans**

Pension expense (benefit) consisted of the following (in thousands):

	Three Months Ended		Nine Months Ended	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
	(Unaudited)		(Unaudited)	
Service cost	\$ 0	\$ 0	\$ 0	\$ 1
Interest cost on projected benefit obligation	274	309	822	927
Net amortizations, deferrals and other costs	110	131	330	394
Expected return on plan assets	(180)	(176)	(541)	(529)
<b>Net periodic benefit cost</b>	<b>\$ 204</b>	<b>\$ 264</b>	<b>\$ 611</b>	<b>\$ 793</b>

The net periodic benefit cost of the defined benefit pension plans incurred during the three and nine-month periods ended September 29, 2024 and October 1, 2023 is included in other (income) expense, net in the accompanying consolidated statements of operations.

**(15) Accumulated Other Comprehensive Loss**

The Company's accumulated other comprehensive loss consists of employee benefit-related adjustments and foreign currency translation adjustments.

Accumulated other comprehensive loss consisted of the following (in thousands):

	September 29, 2024	December 31, 2023
	(Unaudited)	(Unaudited)
Foreign currency translation adjustments	\$ (10,885)	\$ (7,869)
Employee benefit related adjustments – U.S., net of tax	(9,281)	(9,281)
Employee benefit related adjustments – Mexico, net of tax	83	83
<b>Accumulated other comprehensive loss</b>	<b>\$ (20,083)</b>	<b>\$ (17,067)</b>

**(16) Fair Value of Financial Instruments**

Cash, accounts receivable, accounts payable and accrued liabilities are reflected in the consolidated financial statements at their carrying amount which approximates fair value because of the short-term maturity of those instruments. The carrying amount of debt outstanding at September 29, 2024 approximates fair value, and is based upon quoted prices for similar assets and liabilities in active markets, or other inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instruments (Level 2).

**(17) Subsequent Events**

Hurricane Milton made landfall close to Sarasota, Florida on October 9, 2024. The Sypris Electronics' manufacturing facility located in Tampa, Florida sustained only minor damage from the hurricane, but power to the facility was temporarily impacted. The Company is assessing the impact on the business from this hurricane but does not believe that the damage and disruption caused by Hurricane Milton will have a significant adverse impact on our results of operations or our financial condition.

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

### Overview

We are a diversified provider of truck components, oil and gas pipeline components and aerospace and defense electronics. We offer a wide range of manufactured products, often under multi-year sole-source contracts.

We are organized into two business segments, Sypris Technologies and Sypris Electronics. Sypris Technologies, which is comprised of Sypris Technologies, Inc. and its subsidiaries, generates revenue primarily from the sale of forged, machined, and heat-treated steel components primarily for the heavy commercial vehicle and high-pressure energy pipeline application products welded and assembled from similar components. Sypris Electronics, which is comprised of Sypris Electronics, LLC, generates revenue primarily through circuit card and full "box build" manufacturing, high reliability manufacturing, systems assembly and integration, design for manufacturability and design to specification work.

We focus on those markets where we believe we have the expertise, qualifications and leadership position to sustain a competitive advantage. We target our resources to support the needs of industry participants that embrace technological innovation and flexibility, coupled with multi-year contractual relationships, as a strategic component of their supply chain management. These contracts, many of which are sole-source by part number, have historically created opportunities to invest in leading-edge processes or technologies to help our customers remain competitive. The productivity and innovation that can result from such investments helps to differentiate us from our competition when it comes to cost, quality, reliability and customer service.

### *Economic Conditions*

Our operations are impacted by global economic conditions, including inflationary increases of certain raw materials, as well as logistics, transportation, utilities and labor costs, supply chain constraints and increased interest rates. While we have taken pricing actions and implemented transformation initiatives that we expect to improve productivity and offset these cost increases, we expect supply chain pressures and inflationary cost increases to continue throughout 2024, which may continue thereafter and could negatively impact our results of operations.

### *Sypris Technologies Outlook*

Conditions have remained relatively stable for the North American Class 4-8 commercial vehicle market in addition to the automotive, sport utility vehicle and off-highway markets also served by Sypris Technologies. According to industry publications, the outlook for the remainder of 2024 is for continued weakened demand with production down moderately from 2023 levels driven by lower year-over-year freight volumes and rates, with a further reduction of 11% expected in 2025, before rebounding 23% in 2026. We believe that the market diversification Sypris Technologies has accomplished over recent years by adding new programs in the automotive, sport-utility and off-highway markets has benefited and will continue to benefit the Company as the demand cycles for our products in these markets differs from the Class 8 commercial vehicle market, thereby reducing volatility in our revenue profile.

The oil and gas markets served by our Tube Turns® brand of engineered products continues to be shaped largely by geopolitical factors, macroeconomic variables such as high interest rates and rising material costs, evolving policies and regulations and the emergence of new technologies. Sales in this market are dependent on, among other things, the level of worldwide oil and natural gas demand, the price of crude oil and natural gas and capital spending by exploration and production companies and drilling contractors. The conflicts in the Middle East, the war between Russia and Ukraine and inflationary pressures have also led to disruption, instability and volatility in global markets and industries that could negatively impact our operations.

We will continue to pursue new business in a wide variety of markets from light automotive to new pressure vessel and pipeline applications to achieve a more balanced portfolio across our customers, markets and products.

### *Sypris Electronics Outlook*

Ongoing demand in the electronic circuit card assembly industry across multiple manufacturing sectors continues to create shortages and extended lead times. In some instances, waiting times for certain components approach a year or more. We factor supplier-provided lead times into internal planning schedules and new customer quotations. From time to time, we encounter part obsolescence which requires us to identify an alternate part suitable for use. We continue to work with our customers on strategies to mitigate any adverse impact upon our ability to service their requirements. Factors which arise after the placement of the customer's order may cause us to miss projected delivery dates. Inflationary costs are expected to continue but are not expected to have a significant impact on operating income in 2025.

During 2023 and 2024, we announced new program awards and releases for Sypris Electronics, with certain programs continuing into 2026. In addition to contract awards from Department of Defense ("DoD") prime contractors related to weapons systems, electronic warfare and infrared countermeasures in our traditional aerospace and defense markets, we have also been awarded subcontracts for manufacturing services to the communication and navigation markets, which require our advanced capabilities for delivering products for complex, high cost of failure platforms.

On March 22, 2024, President Biden signed the second Fiscal Year ("FY") 2024 Consolidated Appropriations package into law, which includes the DoD. This legislation reflects the Fiscal Responsibility Act ("FRA") spending limit of \$886 billion for national defense, of which \$842 billion was for the DoD base budget.

The President's FY 2025 budget request was submitted to Congress on March 11, 2024, initiating the FY 2025 defense authorization and appropriations legislative process. The request included \$895 billion for national defense, of which \$850 billion is for the DoD base budget, in keeping with the limit established by the FRA. While compression on overall requirements driven by the FRA limit is evident, the Office of the Secretary of Defense has stated the FY 2025 budget proposal meets their objectives of keeping National Defense Strategy priorities on track.

The House and Senate continue the legislative process on the FY 2025 budget. On May 22, 2024, the House Armed Services Committee (HASC) approved its version of the FY25 National Defense Authorization Act. The bill authorizes \$849.8 billion in funding for the DoD, which is consistent with the President's FY25 budget request. On June 28, 2024, the FY 2025 DoD Appropriations bill H.R. 8774 passed the House. This House bill supports additional funding above the President's FY25 budget request. On July 8, 2024, the Senate Armed Service Committee (SASC) filed their version of the FY25 National Defense Authorization Act at a level \$25 billion above the cap set by the FRA.

In the coming weeks, Congress will need to approve or revise the President's FY 2025 budget proposal through enactment of appropriations bills and other policy legislation, which would then require final approval from the President in order for the FY 2025 budget to become law and complete the budget process. A Continuing Resolution (CR) passed the House and Senate on September 25, 2024 and was signed by the President on September 26, 2024. The bill funds U.S. Government operations through December 20, 2024. After the November 2024 election, Congress is expected to return to the task of funding the U.S. Government for the balance of the FY 2025. Significant differences that must be resolved include the different allocations as noted above and policy matters that arose during consideration of the CR and the underlying bills.

Overall congressional sentiment remains strong for supporting the DoD's National Defense Strategy and defense spending. However, we anticipate that the federal budget will continue to be subject to debate and compromise shaped by, among other things, heightened political tensions including the 2024 elections, the global security environment, inflationary pressures and macroeconomic conditions. The result may be shifting funding priorities, which could have material impacts on defense spending broadly, and the effect on individual programs or our results cannot be predicted at this time.

We expect to compete for follow-on business opportunities as a subcontractor on future builds of several existing government programs. However, the federal budget and debt ceiling are expected to continue to be the subject of considerable uncertainty and the impact on demand for our products and services and our business are difficult to predict.

See also the discussion of Congressional budgetary constraints or reallocations risks within "Item 1A, Risk Factors" included in our 2023 Form 10-K.

## Results of Operations

The tables below compare our segment and consolidated results for the three and nine-month periods of operations of 2024 to the three and nine-month periods of operations of 2023. The tables present the results for each period, the change in those results from 2023 to 2024 in both dollars and percentages and the results for each period as a percentage of net revenue.

- The first two columns in each table show the absolute results for each period presented.
- The columns entitled "Year Over Year Change" and "Year Over Year Percentage Change" show the change in results, both in dollars and percentages. These two columns show favorable changes as positive and unfavorable changes as negative. For example, when our net revenue increases from one period to the next, that change is shown as a positive number in both columns. Conversely, when expenses increase from one period to the next, that change is shown as a negative number in both columns.
- The last two columns in each table show the results for each period as a percentage of net revenue. In these two columns, the cost of sales and gross profit for each are given as a percentage of that segment's net revenue. These amounts are shown in italics.

In addition, as used in the table, "NM" means "not meaningful."

### Three Months Ended September 29, 2024 Compared to Three Months Ended October 1, 2023

	Three Months Ended,		Year Over Year Change		Year Over Year Percentage Change		Results as Percentage of Net Revenue for the Three Months Ended	
			September 29, 2024	October 1, 2023	Favorable (Unfavorable)	Favorable (Unfavorable)	September 29, 2024	October 1, 2023
			(in thousands, except percentage data)					
Net revenue:								
Sypris Technologies	\$ 19,469	\$ 19,337	\$ 132	0.7%	54.6%	57.6%		
Sypris Electronics	16,188	14,244	1,944	13.6	45.4	42.4		
Total	35,657	33,581	2,076	6.2	100.0	100.0		
Cost of sales:								
Sypris Technologies	15,808	17,878	2,070	11.6	81.2	92.5		
Sypris Electronics	13,870	11,663	(2,207)	(18.9)	85.7	81.9		
Total	29,678	29,541	(137)	(0.5)	83.2	88.0		
Gross profit:								
Sypris Technologies	3,661	1,459	2,202	150.9	18.8	7.5		
Sypris Electronics	2,318	2,581	(263)	(10.2)	14.3	18.1		
Total	5,979	4,040	1,939	48.0	16.8	12.0		
Selling, general and administrative	4,250	4,170	(80)	(1.9)	11.9	12.4		
Operating income (loss)	1,729	(130)	1,859	NM	4.8	(0.4)		
Interest expense, net	546	127	(419)	(329.9)	1.5	0.4		
Other expense, net	246	199	(47)	(23.6)	0.7	0.6		
Income (loss) before taxes	937	(456)	1,393	NM	2.6	(1.4)		
Income tax expense, net	547	99	(448)	(452.5)	1.5	0.3		
Net income (loss)	\$ 390	\$ (555)	\$ 945	NM	1.1%	(1.7)%		

Nine Months Ended September 29, 2024 Compared to Nine Months Ended October 1, 2023.

	Nine Months Ended,		Year Over Year Change	Year Over Year Percentage Change	Results as Percentage of Net Revenue for the Nine Months Ended		
					September 29, 2024	October 1, 2023	
	(in thousands, except percentage data)						
<b>Net revenue:</b>							
Sypris Technologies	\$ 55,660	\$ 58,895	\$ (3,235)	(5.5)%	52.1%	58.0%	
Sypris Electronics	51,071	42,593	8,478	19.9	47.9	42.0	
Total	106,731	101,488	5,243	5.2	100.0	100.0	
<b>Cost of sales:</b>							
Sypris Technologies	47,229	52,790	5,561	10.5	84.9	89.6	
Sypris Electronics	44,998	35,827	(9,171)	(25.6)	88.1	84.1	
Total	92,227	88,617	(3,610)	(4.1)	86.4	87.3	
<b>Gross profit:</b>							
Sypris Technologies	8,431	6,105	2,326	38.1	15.1	10.4	
Sypris Electronics	6,073	6,766	(693)	(10.2)	11.9	15.9	
Total	14,504	12,871	1,633	12.7	13.6	12.7	
Selling, general and administrative	12,876	11,619	(1,257)	(10.8)	12.1	11.4	
Operating income	1,628	1,252	376	30.0	1.5	1.2	
Interest expense, net	1,468	531	(937)	(176.5)	1.4	0.5	
Other expense, net	781	783	2	0.3	0.7	0.8	
Loss before taxes	(621)	(62)	(559)	(901.6)	(0.6)	(0.1)	
Income tax expense, net	1,194	455	(739)	(162.4)	1.1	0.4	
<b>Net loss</b>	<b>\$ (1,815)</b>	<b>\$ (517)</b>	<b>\$ (1,298)</b>	<b>(251.1)</b>	<b>(1.7)%</b>	<b>(0.5)%</b>	

**Net Revenue.** Sypris Technologies derives its revenue from the sale of forged and finished steel components and subassemblies and high-pressure closures and other fabricated products. Net revenue for Sypris Technologies for the three- and nine-month periods ended September 29, 2024 increased \$0.1 million and decreased \$3.2 million, respectively, from the prior year comparable periods. The net revenue increase for the quarter was attributable to increased sales volumes of \$0.7 million in energy product sales partially offset by a decrease in sales of \$0.6 million attributable to the commercial vehicle market. The net revenue decrease for the nine months ended September 30, 2024 was primarily attributable to decreased sales volumes of \$0.4 million in energy product sales and \$2.8 million attributable to the commercial vehicle market. Net revenue for the fourth quarter of 2024 is expected to be relatively flat with the third quarter.

Sypris Electronics derives its revenue primarily from circuit card and full "box build" manufacturing, high reliability manufacturing and systems assembly and integration. Net revenue for Sypris Electronics increased \$1.9 million and \$8.5 million, respectively, for the three and nine months ended September 29, 2024, from the prior year comparable periods. The increase in revenue for the three and nine months ended September 29, 2024 was primarily attributable to the ramping of production during the periods for two follow-on programs. The order backlog for Sypris Electronics is expected to support a stable revenue rate during the balance of 2024 and into 2025.

**Gross Profit.** Sypris Technologies' gross profit increased \$2.1 million and \$2.3 million for the three and nine months ended September 29, 2024, respectively, from the prior year comparable periods due to improved mix and higher absorption.

Sypris Electronics' gross profit decreased \$0.3 million and \$0.7 million for the three and nine months ended September 29, 2024, respectively, from the prior year comparable periods. The decrease in gross profit for the three and nine months ended September 29, 2024 was primarily a result of an unfavorable mix of programs and a high amount of scrap incurred on two programs that ramped during the period.

*Selling, General and Administrative.* Selling, general and administrative increased \$0.1 million and \$1.3 million for the three and nine months ended September 29, 2024, respectively, as compared to the prior year comparable periods. Selling, general and administrative expense decreased as a percentage of revenue to 11.9% for the three months ended September 29, 2024 from 12.4% in the prior year comparable period and increased to 12.1% of revenue for the nine months ended September 29, 2024 from 11.4% for the prior year comparable period. The increase for the three and nine-month periods was primarily as a result of unfavorable medical claims and additional headcount.

*Income Taxes.* The Company's income tax expense for the three and nine months ended September 29, 2024 and October 1, 2023 consists primarily of foreign income taxes on its Mexican subsidiaries. Additionally, a deferred tax adjustment was recorded in 2024 related to the fixed asset valuation utilized by the Company's foreign operation which increased the effective tax rate. Furthermore, the Company's income tax expense for the nine months ended September 29, 2024 includes an expense of \$0.1 million to settle with Mexico's Federal Tax Administration Service, Servicio de Administracion Tributaria's for the 2016 tax audit (See Note 13 to the consolidated financial statements in this Quarterly Report on Form 10-Q).

Deferred tax assets and liabilities are determined separately for each tax jurisdiction in which we conduct our operations or otherwise incur taxable income or losses. The Company evaluates its deferred tax position on a quarterly basis and valuation allowances are provided as necessary. During this evaluation, the Company reviews its forecast of income in conjunction with other positive and negative evidence surrounding the realizability of its deferred tax assets to determine if a valuation allowance is needed. Based on its current forecast, the Company has established a valuation allowance against all U.S. deferred tax assets. Until an appropriate level and characterization of profitability is attained, the Company expects to continue to maintain a valuation allowance on its net deferred tax assets related to future U.S. tax benefits. If we determine that we would be able to realize our deferred tax assets in the future in excess of the net recorded amount, an adjustment to reduce the valuation allowance would increase net income in the period that such determination is made.

#### **Liquidity, Capital Resources**

As reflected in the consolidated financial statements, the Company has an accumulated deficit as of September 29, 2024, as well as a net loss for the nine months ended September 29, 2024 and October 1, 2023. Additionally, the Company experienced negative cash flow from operating activities for the nine months ended September 29, 2024 and October 1, 2023. A portion of the negative cash flow for the prior year period was driven by a significant investment in inventory by our Sypris Electronics segment and a delay in timing of certain programs within this segment. Shipments to customers on certain of these contracts were delayed beyond the initial delivery dates, which negatively impacted the cycle time to convert inventory to cash. As a result, the Company experienced a liquidity shortfall in the fourth quarter of 2023 and the first quarter of 2024. The Company received the benefit of additional loans totaling \$5.0 million from Gill Family Capital Management, Inc. ("GFCM") to help the Company manage its liquidity during the fourth quarter of 2023 and the first quarter of 2024. This \$5.0 million loaned to the Company by GFCM was approved by the Audit Committee and provided the Company necessary liquidity.

Our ability to service our current liabilities will require a significant amount of cash. Management has evaluated our ability to generate this cash to meet our obligations for the next twelve months. Our primary sources of funds to meet our liquidity and capital requirements include cash on hand, funds generated through continued revenue growth from the Company's consolidated operations and reductions in the Company's investment in working capital. Based upon our current forecast, we believe that we will have sufficient liquidity to fund our operating activities and cash commitments for investing and financing activities, such as capital expenditures, for at least the next twelve months.

Although we believe the assumptions underlying our current forecast are reasonable, management is also prepared to implement contingency plans that include other cost reduction initiatives to improve profitability and cash flow, or management can take additional steps such as adjusting the timing and amount of certain operating expenses as well as capital expenditures or the issuance of new debt. Significant changes from our current forecasts, including, but not limited to: (i) meaningful shortfalls in our projected revenues, (ii) unexpected costs or expenses, and/or (iii) operating difficulties which cause unexpected delays in scheduled shipments, could require us to seek additional funding or force us to make further reductions in spending, extend payment terms with suppliers, liquidate assets where possible and/or suspend or curtail planned programs. Any of these actions could materially harm our business, results of operations and future prospects. Additional financing may not be available to us.

*Cash Balance.* As of September 29, 2024, we had approximately \$8.2 million of cash and cash equivalents, of which \$3.3 million was held in jurisdictions outside of the U.S. that, if repatriated, could result in withholding taxes.

#### **Material Cash Requirements**

##### *Gill Family Capital Management Note.*

The Company has received the benefit of cash infusions from GFCM in the form of secured promissory note obligations totaling \$9.0 million in principal as of September 29, 2024 and \$6.5 million as of December 31, 2023 (the "Note"). GFCM is an entity controlled by the Company's Chairman, President and Chief Executive Officer, Jeffrey T. Gill and one of our directors, R. Scott Gill. GFCM, Jeffrey T. Gill and R. Scott Gill are significant beneficial stockholders of the Company.

As of September 29, 2024, our principal commitment under the Note was \$2.0 million due on April 1, 2025, \$2.0 million on April 1, 2026 and the balance of \$5.0 million due on April 1, 2027. Interest on the Note is reset on April 1 of each year, at the greater of 8.0% or 500 basis points above the five-year Treasury note average during the preceding 90-day period, in each case, payable quarterly. The Note allows for a deferral of payment for up to 60% of the interest due on the Note to April 1, 2025.

During the first quarter of 2024, the Company amended the Note to increase the principal amount due on April 1, 2027 by \$2.5 million. The amendment increased the aggregate amount previously loaned by GFCM to the Company from \$6.5 million to \$9.0 million. This additional amount loaned to the Company in the first quarter of 2024 was approved by the Audit Committee and provided the Company necessary liquidity.

*Finance Lease Obligations.* As of September 29, 2024, the Company had \$2.6 million outstanding under finance lease obligations for both property and machinery and equipment at its Sypris Technologies locations with maturities through 2028 and a weighted average interest rate of 8.8%.

*Equipment Financing Obligations.* As of September 29, 2024, the Company had \$1.5 million outstanding under equipment financing facilities, with payments due through 2028, and a weighted average interest rate of 6.7%.

*Purchase Commitments.* We had purchase commitments totaling approximately \$39.8 million at September 29, 2024, primarily for inventory and manufacturing equipment, which are due through 2026.

#### **Cash Flows**

*Operating Activities.* Net cash used in operating activities was \$0.3 million in the first nine months of 2024 as compared to \$8.2 million in the same period of 2023. The aggregate increase in accounts receivable in 2024 resulted in a usage of cash of \$3.6 million primarily as a result of an increase in revenue for Sypris Electronics over the prior year comparable period and the timing of receipts for Sypris Technologies. The decrease in inventory in 2024 resulted in a source of cash of \$8.6 million. The decrease in inventory was primarily as a result of the ramp up of shipments within Sypris Electronics. A significant portion of the inventory had been purchased in previous periods and was funded through prepayments from customers, which were recorded as contract liabilities. As shipments have increased with Sypris Electronics during the period, these contract liabilities have also decreased, which is the primary component of the \$1.9 million change in accrued and other liabilities during the first nine months of 2024. Accounts payable decreased during the first nine months of 2024, resulting in a use of cash of \$4.0 million. Prepaid expenses and other current assets increased during the first nine months of 2024, resulting in a cash use of \$2.1 million primarily as a result of increased VAT taxes refundable in Mexico and advanced payments to vendors for Sypris Electronics.

*Investing Activities.* Net cash used in investing activities was comprised of capital expenditures of \$0.7 million for the first nine months of 2024 as compared to \$1.5 million for the first nine months of 2023.

***Financing Activities.*** Net cash provided by financing activities was \$1.3 million for the first nine months of 2024 and was comprised of proceeds from the Note of \$2.5 million and proceeds from an equipment financing obligation of \$0.4 million, partially offset by payments on finance leases and equipment financing obligation of \$1.5 million and payments of \$0.1 million for minimum statutory tax withholdings on stock-based compensation. Net cash used in financing activities was \$3.1 million for the first nine months of 2023 and included principal payments of \$2.5 million on the Note, principal payments on finance leases and equipment financing obligation of \$1.2 million and payments of \$0.1 million for minimum statutory tax withholdings on stock-based compensation. This was partially offset by proceeds from a working capital line of credit in Mexico of \$0.5 million and \$0.2 million received from an equipment financing obligation.

#### **Critical Accounting Policies**

See the information concerning our critical accounting policies included under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation - Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. There have been no significant changes in our critical accounting policies during the nine months ended September 29, 2024.

#### **Forward-looking Statements**

This Quarterly Report on Form 10-Q, and our other oral or written communications, may contain "forward-looking" statements. These statements may include our expectations or projections about the future of our business, industries, business strategies, prospects, potential acquisitions, liquidity, financial condition or financial results and our views about developments beyond our control, including domestic or global economic conditions, such as inflation, supply chain conditions, government spending, industry trends and market developments. These statements are based on management's views and assumptions at the time originally made, and, except as required by law, we undertake no obligation to update these statements, even if, for example, they remain available on our website after those views and assumptions have changed. There can be no assurance that our expectations, projections or views will come to pass, and undue reliance should not be placed on these forward-looking statements.

A number of significant factors could materially affect our specific business operations and cause our performance to differ materially from any future results projected or implied by our prior statements. Many of these factors are identified in connection with the more specific descriptions contained throughout this report. Other factors which could also materially affect such future results currently include: the fees, costs and supply of, or access to, debt, equity capital, or other sources of liquidity; our failure to achieve and maintain profitability on a timely basis by steadily increasing our revenues from profitable contracts with a diversified group of customers, which would cause us to continue to use existing cash resources or require us to sell assets to fund operating losses; volatility of our customers' forecasts and our contractual obligations to meet current scheduling demands and production levels, which may negatively impact our operational capacity and our effectiveness to integrate new customers or suppliers, and in turn cause increases in our inventory and working capital levels; the termination or non-renewal of existing contracts by customers; dependence on, retention or recruitment of key employees and highly skilled personnel and distribution of our human capital; risks of foreign operations, including foreign currency exchange rate risk exposure, which could impact our operating results; cost, quality and availability or lead times of raw materials such as steel, component parts (especially electronic components), natural gas or utilities including increased cost relating to inflation; the cost, quality, timeliness, efficiency and yield of our operations and capital investments, including the impact of inflation, tariffs, product recalls or related liabilities, employee training, working capital, production schedules, cycle times, scrap rates, injuries, wages, overtime costs, freight or expediting costs; unanticipated or uninsured product liability claims, disasters, public health crises, losses or business risks; our failure to successfully complete final contract negotiations with regard to our announced contract "orders", "wins" or "awards"; our reliance on a few key customers, third party vendors and sub-suppliers; significant delays or reductions due to a prolonged continuing resolution or U.S. government shutdown reducing the spending on products and services that Sypris Electronics provides; adverse impacts of new technologies or other competitive pressures which increase our costs or erode our margins; the costs and supply of insurance on acceptable terms and with adequate coverage; breakdowns, relocations or major repairs of machinery and equipment, especially in our Toluca Plant; the costs of compliance with our auditing, regulatory or contractual obligations; pension valuation, health care or other benefit costs; our reliance on revenues from customers in the oil and gas and automotive markets, with increasing consumer pressure for reductions in environmental impacts attributed to greenhouse gas emissions and increased vehicle fuel economy; our failure to successfully win new business or develop new or improved products or new markets for our products; war, geopolitical conflict, terrorism, or political uncertainty, or disruptions resulting from the Russia-Ukraine war or the Israel and Gaza conflict, including arising out of international sanctions, foreign currency fluctuations and other economic impacts; inventory valuation risks including excessive or obsolescent valuations or price erosions of raw materials or component parts on hand or other potential impairments, non-recoverability or write-offs of assets or deferred costs; labor relations; strikes; union negotiations; disputes or litigation involving governmental, supplier, customer, employee, creditor, stockholder, product liability, warranty or environmental claims; failure to adequately insure or to identify product liability, environmental or other insurable risks; costs associated with environmental claims relating to properties previously owned; our inability to patent or otherwise protect our inventions or other intellectual property rights from potential competitors or fully exploit such rights which could materially affect our ability to compete in our chosen markets; changes in licenses, security clearances, or other legal rights to operate, manage our work force or import and export as needed; cyber security threats and disruptions, including ransomware attacks on our systems and the systems of third-party vendors and other parties with which we conduct business, all of which may become more pronounced in the event of geopolitical conflicts and other uncertainties, such as the conflict in Ukraine; the cost and availability of full-time accounting personnel with technical accounting knowledge to execute, review and approve all aspects of the financial statement close and reporting process; our ability to maintain compliance with the Nasdaq listing standards minimum closing bid price; risks related to owning our common stock, including increased volatility; possible public policy response to a public health emergency, including U. S or foreign government legislation or restrictions that may impact our operations or supply chain; or unknown risks and uncertainties and the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are a smaller reporting company as defined in Item 10(f)(1) of Regulation S-K and thus are not required to provide the quantitative and qualitative disclosures about market risk specified in Item 305 of Regulation S-K.

**ITEM 4. CONTROLS AND PROCEDURES**

(a) *Evaluation of disclosure controls and procedures.* Based on the evaluation of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934 Rules 13a-15(e) or 15d-15(e)) required by Securities Exchange Act Rules 13a-15(b) or 15d-15(b), our Chief Executive Officer and our Principal Financial Officer have concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective.

(b) *Changes in internal controls.* There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter 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**

Groundwater and other contamination has occurred at certain of our current and former facilities during the operation of those facilities by their former owners, and this contamination may occur at future facilities we operate or acquire. There is no assurance that environmental indemnification agreements we have secured from the former owners of certain of these properties will be adequate to protect us from liability. No administrative or judicial proceedings with respect to these or any other environmental regulations or conditions are pending against the Company or known by the Company to be contemplated by government authorities.

The Company is subject to other legal proceedings and claims that have not been fully resolved and that have arisen in the ordinary course of business. In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies for these other asserted legal and other claims. However, the outcome of legal proceedings and claims brought against the Company is subject to significant uncertainty. In addition, there may be other potential claims, liabilities, materials or design defects, or other customer complaints that have not been asserted, but which could adversely impact us in the future. Therefore, although management considers the likelihood of such an outcome to be remote, if one or more of these other legal matters or potential matters were resolved against the Company in a reporting period for amounts in excess of management's expectations, the Company's consolidated financial statements for that reporting period could be materially adversely affected.

The information set forth in Note 12 to the consolidated financial statements in this Quarterly Report on Form 10-Q is incorporated by reference into this Item 1.

**ITEM 1A. RISK FACTORS**

Information regarding risk factors appears in Part I — Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations — Forward-Looking Statements," in this Quarterly Report on Form 10-Q, and in Part I — Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. There have been no material changes during the fiscal quarter from the risk factors disclosed in our Annual Report on Form 10-K.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table summarizes the shares of common stock that were repurchased by the Company – all from its current employees for withholding tax purposes – during the third quarter ended September 29, 2024 (dollars in thousands except per share data):

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as a Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
7/1/2024 – 7/28/2024	50,265	\$ 1.85	—	\$ —
7/29/2024 – 8/25/2024	—	\$ —	—	\$ —
8/26/2024 – 9/29/2024	—	\$ —	—	\$ —

(a) The total number of shares purchased includes shares of stock withheld for the payment of withholding taxes upon the vesting of restricted stock. Common shares withheld to satisfy tax withholding obligations were immediately cancelled.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

During the quarter ended September 29, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Description</b>
31(i).1	<a href="#"><u>CEO certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.</u></a>
31(i).2	<a href="#"><u>Principal Financial Officer certification pursuant to Section 302 of Sarbanes - Oxley Act of 2002.</u></a>
32	<a href="#"><u>CEO and Principal Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002.</u></a>
101.INS	Inline XBRL Instance Document (the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

#### 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.

SYPRIS SOLUTIONS, INC.  
(Registrant)

Date: November 12, 2024

By: /s/ Jeffrey T. Gill  
(Jeffrey T. Gill)  
Chairman, President & Chief Executive Officer

Date: November 12, 2024

By: /s/ Rebecca R. Eckert  
(Rebecca R. Eckert)  
Vice President & Chief Accounting Officer

## CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Jeffrey T. Gill, certify that:

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

Date: November 12, 2024

By: /s/ Jeffrey T. Gill  
Jeffrey T. Gill  
President & Chief Executive Officer

## CERTIFICATION PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Rebecca R. Eckert, certify that:

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

Date: November 12, 2024

By: /s/ Rebecca R. Eckert  
Rebecca R. Eckert  
Vice President & Chief Accounting Officer

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

In connection with the Quarterly Report of Sypris Solutions, Inc. (the Company) on Form 10-Q for the period ending September 29, 2024 as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, in his capacity as an officer of Sypris Solutions, Inc., that to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 12, 2024

By: /s/ Jeffrey T. Gill  
Jeffrey T. Gill  
President & Chief Executive Officer

Date: November 12, 2024

By: /s/ Rebecca R. Eckert  
Rebecca R. Eckert  
Vice President & Chief Accounting Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Sypris Solutions, Inc. and will be retained by Sypris Solutions, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be considered filed as part of the Form 10-Q.