

REFINITIV

DELTA REPORT

10-Q

NPK - NATIONAL PRESTO INDUSTRIE

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - OCTOBER 01, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 482

 CHANGES 110

 DELETIONS 243

 ADDITIONS 129

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED **October 1, 2023** **March 31, 2024**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission file number 1-2451

NATIONAL PRESTO INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Wisconsin
(State or other jurisdiction of incorporation or organization)

39-0494170
(I.R.S. Employer Identification No.)

3925 North Hastings Way
Eau Claire, Wisconsin
(Address of principal executive offices)

54703-3703
(Zip Code)

(Registrant's telephone number, including area code) **715-839-2121**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$1 par value	NPK	NYSE

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 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

There were **7,082,407** **7,097,632** shares of the Issuer's Common Stock outstanding as of **November 13, 2023** **May 10, 2024**.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

October 1, 2023 **March 31, 2024** and **December 31, 2022** **December 31, 2023**

(Dollars in thousands)

	October 1, 2023 (Unaudited)	December 31, 2022	March 31, 2024 (Unaudited)	December 31, 2023
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 70,411	\$ 70,711	\$ 63,546	\$ 87,657
Marketable securities	24,966	24,863	24,372	26,454
Accounts receivable, net	49,142	71,024	38,099	48,727
Inventories:				

Finished goods	\$ 46,742	\$ 36,249	\$ 26,426	\$ 31,815
Work in process	122,580	105,564	162,345	144,684
Raw materials	13,609	182,931	10,324	152,137
Notes receivable, current		1,608	2,226	1,470
Other current assets		4,742	5,671	6,821
Total current assets	333,800		326,632	338,294
PROPERTY, PLANT AND EQUIPMENT	\$ 106,966	\$ 105,425	\$ 107,390	\$ 107,010
Less allowance for depreciation	66,368	40,598	63,634	41,791
GOODWILL		19,433		18,573
INTANGIBLE ASSETS, net		5,670		6,926
RIGHT-OF-USE LEASE ASSETS		10,547		10,731
DEFERRED INCOME TAXES		4,638		5,506
OTHER ASSETS	1,283		1,688	
	\$ 415,969		\$ 411,847	
			\$ 417,455	\$ 440,536

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

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

October 1, 2023 March 31, 2024 and December 31, 2022 December 31, 2023

(Dollars in thousands)

	October 1, 2023 (Unaudited)	December 31, 2022	March 31, 2024 (Unaudited)	December 31, 2023
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	\$ 44,361	\$ 34,604	\$ 32,624	\$ 38,232
Federal and state income taxes	2,105	2,552	4,323	2,539
Lease liabilities	676	577	675	678
Accrued liabilities	16,274	15,908	36,105	30,570
Total current liabilities	63,416	53,641	73,727	72,019
LEASE LIABILITIES - NON-CURRENT	9,871	10,154	9,815	9,986
FEDERAL AND STATE INCOME TAXES - NON-CURRENT			2,275	2,275
Total liabilities	73,287	63,795	85,817	84,280
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS' EQUITY				
Common stock, \$1 par value:				
Authorized: 12,000,000 shares				
Issued: 7,440,518 shares	\$ 7,441	\$ 7,441	\$ 7,441	\$ 7,441
Paid-in capital	15,788	14,799	16,496	16,031
Retained earnings	331,087	338,071	318,766	344,245
Accumulated other comprehensive loss	(75)	(103)	21	22
Accumulated other comprehensive income				
Treasury stock, at cost	354,241	360,208	342,724	367,739
	11,559	12,156	11,086	11,483
Total stockholders' equity	342,682	348,052	331,638	356,256
	\$ 415,969	\$ 411,847	\$ 417,455	\$ 440,536

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

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Three **and Nine** Months Ended **October 1, 2023** **March 31, 2024** and **October 2, 2022** **April 2, 2023**

(Unaudited)

(In thousands except per share data)

	Three Months Ended		Nine Months Ended		Three Months Ended	
	2023	2022	2023	2022	2024	2023
	\$		\$		\$	
Net sales	\$ 83,141	\$ 69,683	\$ 242,496	\$ 207,575	\$ 76,653	\$ 80,409
Cost of sales	67,742	52,621	195,697	165,764	62,800	62,389
Gross profit	15,399	17,062	46,799	41,811	13,853	18,020
Selling and general expenses	7,904	6,486	23,804	20,181	7,197	8,221
Intangibles amortization	427	78	1,257	186	379	379
Operating profit	7,068	10,498	21,738	21,444	6,277	9,420
Other income	1,775	1,085	5,502	2,529	2,075	1,853
Earnings before provision for income taxes	8,843	11,583	27,240	23,973	8,352	11,273
Provision for income taxes	1,824	2,656	5,840	5,447	1,784	2,395
Net earnings	\$ 7,019	\$ 8,927	\$ 21,400	\$ 18,526	\$ 6,568	\$ 8,878
Weighted average shares outstanding:						
Basic and diluted	7,108	7,083	7,104	7,079	7,117	7,097
Net Earnings per share:						
Basic and diluted	\$ 0.99	\$ 1.26	\$ 3.01	\$ 2.62	\$ 0.92	\$ 1.25
Comprehensive income:						
Net earnings	\$ 7,019	\$ 8,927	\$ 21,400	\$ 18,526	\$ 6,568	\$ 8,878
Other comprehensive income (loss), net of tax:						
Unrealized gain (loss) on available-for-sale securities	20	(89)	28	(176)		
Other comprehensive income, net of tax:						
Unrealized gain on available-for-sale securities	-		-		15	
Comprehensive income	\$ 7,039	\$ 8,838	\$ 21,428	\$ 18,350	\$ 6,568	\$ 8,893
Cash dividends declared and paid per common share	\$ 0.00	\$ 0.00	\$ 4.00	\$ 4.50	\$ 4.50	\$ 4.00

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

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine **Three** Months Ended **October 1, 2023** **March 31, 2024** and **October 2, 2022** **April 2, 2023**

(Unaudited)

(Dollars in thousands)

	2023	2022	2024	2023
Cash flows from operating activities:				
Net earnings	\$ 21,400	\$ 18,526	\$ 6,568	\$ 8,878
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Provision for depreciation	2,887	1,974	1,095	1,328
Intangibles amortization	1,257	186	379	379
Benefit from doubtful accounts			(285)	-
Non-cash retirement plan expense	672	620	262	259
Proceeds from insurance claim	527	89		
Gain on bargain purchase	-	(492)		
Other	628	492	79	246
Changes in operating accounts:				
Accounts receivable, net	22,317	9,522	10,913	29,050
Inventories	(31,756)	(32,030)	(13,564)	(3,081)
Other assets and current assets	1,335	243	(1,598)	(2,317)
Accounts payable and accrued liabilities	10,123	(2,277)	(73)	378
Federal and state income taxes	(600)	(133)	1,779	2,351
Net cash provided by (used in) operating activities	28,790	(3,280)		
Net cash provided by operating activities			5,555	37,471
Cash flows from investing activities:				
Marketable securities purchased	(42,195)	(12,575)	(2,926)	(5,385)
Marketable securities - maturities and sales	42,127	2,832	5,009	1,253
Proceeds from note receivable	627	76	174	6
Acquisition of business, net cash required	-	(3,125)		
Purchase of property, plant and equipment	(1,693)	(522)	(389)	(498)
Net used in investing activities	(1,134)	(13,314)		
Proceeds from insurance claim			-	23
Net provided by (used in) investing activities			1,868	(4,601)
Cash flows from financing activities:				
Dividends paid	(28,385)	(31,827)	(32,029)	(28,385)
Proceeds from sale of treasury stock	429	436	513	429
Other	-	(36)	(18)	-
Net cash used in financing activities	(27,956)	(31,427)	(31,534)	(27,956)
Net decrease in cash and cash equivalents	(300)	(48,021)		
Net increase (decrease) in cash and cash equivalents			(24,111)	4,914
Cash and cash equivalents at beginning of period	70,711	109,805	87,657	70,711
Cash and cash equivalents at end of period	\$ 70,411	\$ 61,784	\$ 63,546	\$ 75,625

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

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
 Three and Nine Months Ended October 1, 2023 March 31, 2024 and October 2, 2022 April 2, 2023
 (Unaudited)
 (In thousands except per share data)

	Shares of Common Stock		Outstanding		Accumulated Other			
	Net of Treasury Shares		Common Stock	Paid-in Capital	Retained Earnings	Comprehensive Income (Loss)	Treasury Stock	Total
	7,057	\$ 7,441	14,374	\$ 326,970	\$ (67)	\$ (12,346)	\$ 336,372	
Balance July 3, 2022								
Net earnings					8,927			8,927
Unrealized loss on available-for-sale securities, net of tax						(89)		(89)
Other	3		211	-			104	315
Balance October 2, 2022	<u>7,060</u>	<u>\$ 7,441</u>	<u>\$ 14,585</u>	<u>\$ 335,897</u>		<u>\$ (156)</u>	<u>\$ (12,242)</u>	<u>\$ 345,525</u>
Balance July 2, 2023	<u>7,079</u>	<u>\$ 7,441</u>	<u>\$ 15,540</u>	<u>\$ 324,068</u>		<u>\$ (95)</u>	<u>\$ (11,658)</u>	<u>\$ 335,296</u>
Net earnings					7,019			7,019
Unrealized gain on available-for-sale securities, net of tax						20		20
Other	3		248	-			99	347
Balance October 1, 2023	<u>7,082</u>	<u>\$ 7,441</u>	<u>\$ 15,788</u>	<u>\$ 331,087</u>		<u>\$ (75)</u>	<u>\$ (11,559)</u>	<u>\$ 342,682</u>

	Shares of Common Stock		Accumulated		Shares of Common Stock				Accumulated				
	Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Other	Treasury Stock	Total	Outstanding	Common Stock	Paid-in Capital	Retained Earnings	Other	Tre
	Net of Treasury Shares				Comprehensive Income (Loss)			Net of Treasury Shares				Comprehensive Income (Loss)	
Balance													
December 31, 2021	7,042	\$ 7,441	\$ 13,743	\$ 349,198	\$ 20	\$ (12,779)	\$ 357,623						
Net earnings				18,526			18,526						
Unrealized loss on available-for-sale securities, net of tax					(176)		(176)						
Dividends paid													
March 15, \$1.00 per share					(31,827)		(31,827)						
regular, \$3.50 per share extra													
Other	18		842	-	-	537	1,379						
Balance October 2, 2022	<u>7,060</u>	<u>\$ 7,441</u>	<u>\$ 14,585</u>	<u>\$ 335,897</u>	<u>\$ (156)</u>	<u>\$ (12,242)</u>	<u>\$ 345,525</u>						
Balance December 31, 2022	<u>7,063</u>	<u>\$ 7,441</u>	<u>\$ 14,798</u>	<u>\$ 338,072</u>	<u>\$ (103)</u>	<u>\$ (12,156)</u>	<u>\$ 348,052</u>						

Balance at							
December							
31, 2022							
Net							
earnings		21,400		21,400			8,878
Unrealized							
gain on							
available-							
for-sale		28		28			15
securities,							
net of tax							
Dividends							
paid							
March 15,							
\$1.00 per							
share		(28,385)		(28,385)			(28,385)
regular,							
\$3.00 per							
share							
extra							
Other	19	990	-	597	1,587	13	509
Balance							
October 1,	7,082	\$ 7,441	\$ 15,788	\$ 331,087	\$ (75)	\$ (11,559)	\$ 342,682
2023							
Balance							
April 2,							
2023							
Balance							
December							
31, 2023							
Net							
earnings							6,568
Dividends							
paid March							
15, \$1.00							
per share							
regular,							
\$3.50 per							
share							
extra							
Other							
16							
Balance							
March 31,							
2024							
7,098	\$ 7,441	\$ 16,496	\$ 318,766	\$ (1)			

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

NATIONAL PRESTO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE A – BASIS OF PRESENTATION

The condensed consolidated interim financial statements included herein are unaudited and have been prepared by the Company pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"). In the opinion of management of the Company, the consolidated interim financial statements reflect all of the adjustments which were of a normal recurring nature necessary for a fair presentation of the results of the interim periods. The condensed consolidated balance sheet as of December 31, 2022 2023 is summarized from audited consolidated financial statements, but does not include all the disclosures contained therein and should be read in conjunction with the 2022 2023 Annual Report on Form 10-K. Interim results for the period are not indicative of those for the year.

NOTE B – GENERAL

As of the end of the quarter ending October 1, 2023, few of the after-effects of the government responses to the COVID-19 virus remain beyond inflation, labor shortages and the general attitude towards work. The extent to which these after-effects impact the Company's business for the remainder of 2023 and beyond will depend on future developments that are highly uncertain and cannot be predicted.

NOTE C – REVENUES

The Company's revenues are derived from short-term contracts and programs that are typically completed within 3 to 36 months and are recognized in accordance with Financial Accounting Standard Board ("FASB") Accounting Standard Codification ("ASC") Topic 606, *Revenue from Contracts with Customers*. The Company's contracts generally contain one or more performance obligations: the physical delivery of distinct ordered product or products. The Company provides an assurance type product warranty on its products to the original owner. In addition, for the Housewares/Small Appliances segment, the Company estimates returns of seasonal products and returns of newly introduced products sold with a return privilege. Stand-alone selling prices are set forth in each contract and are used to allocate revenue to the corresponding performance obligations. For the Housewares/Small Appliances segment, contracts include variable consideration, as the prices are subject to customer allowances, which principally consist of allowances for cooperative advertising, defective product, and trade discounts. Customer allowances are generally allocated to the performance obligations based on budgeted rates agreed upon with customers, as well as historical experience, and yield the Company's best estimate of the expected value for the variable consideration.

The Company's contracts in the Defense segment are primarily with the U.S. Department of Defense (DOD) and DOD prime contractors. As a consequence, this segment's business essentially depends on the product needs and governmental funding of the DOD. Substantially all of the work performed by the Defense segment directly or indirectly for the DOD is performed on a fixed-price basis. Under fixed-price contracts, the price paid to the contractor is usually awarded based on competition at the outset of the contract and therefore, with the exception of limited escalation provisions on specific materials, is generally not subject to any adjustments reflecting the actual costs incurred by the contractor.

For the Housewares/Small Appliance segment, revenue is generally recognized as the completed, ordered product is shipped to the customer from the Company's warehouses. For the relatively few situations in which revenue should be recognized when product is received by the customer, the Company adjusts revenue accordingly. For the Defense segment, revenue is primarily recognized when the customer has legal title and formally documents that it has accepted the products. In some situations, the customer may obtain legal title and accept the products at the Company's facilities, arranging for transportation at a later date, typically in one to four weeks. The Company does not consider the short-term storage of the customer owned products to be a material performance obligation, and no part of the transaction price is allocated to it. There are also certain termination clauses in Defense segment contracts that may give rise to an over-time pattern of recognition of revenue in the absence of alternative use of the product.

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, and customer advances and deposits (contract liabilities) on the Company's Condensed Consolidated Balance Sheets. For the Defense segment, the Company occasionally receives advances or deposits from certain customers before revenue is recognized, resulting in contract liabilities. These advances or deposits do not represent a significant financing component. As of October 1, 2023 March 31, 2024 and December 31, 2022 2023, \$2,975,000 \$20,012,000 and \$4,434,000 \$13,666,000, respectively, of contract liabilities were included in Accounts Payable Accrued Liabilities on the Company's Condensed Consolidated Balance Sheets. The Company recognized revenue of \$285,000 \$1,473,000 during the nine three month period ended October 1, 2023 March 31, 2024 that was included in the Defense segment contract liability at the beginning of that period. The Company monitors its estimates of variable consideration, which includes customer allowances for cooperative advertising, defective product, trade discounts, and returns of seasonal and newly introduced product, all of which pertain to the Housewares/Small Appliances segment, and periodically makes cumulative adjustments to the carrying amounts of these contract liabilities as appropriate. During the three and nine month periods ended October 1, March 31, 2024 and April 2, 2023, the Company made a cumulative adjustment increasing customer allowances by \$775,000. There were no material adjustments to the aforementioned estimates during the three and nine month periods ended October 2, 2022. estimates. There were no amounts of revenue recognized during the same periods related to performance obligations satisfied in a previous period. The portion of contract transaction prices allocated to unsatisfied performance obligations, also known as the contract backlog, in the Company's Defense segment were \$554,865,000 was \$692,608,000 and \$505,069,000 \$564,005,000 as of October 1, 2023 March 31, 2024 and December 31, 2022 2023, respectively. The Company anticipates that the unsatisfied performance obligations (contract backlog) will be fulfilled in an 18 to 36-month period. The performance obligations in the Housewares/Small Appliances segment have original expected durations of less than one year.

The Company's principal sources of revenue are derived from three segments: Housewares/Small Appliance, Defense, and Safety, as shown in Note E. Management utilizes the performance measures by segment to evaluate the financial performance of and make operating decisions for the Company.

NOTE D C – EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of common shares and participating securities outstanding during the period. Diluted earnings per share also includes the dilutive effect of additional potential common shares issuable. Unvested stock awards, which contain non-forfeitable rights to dividends whether paid or unpaid (“participating securities”), are included in the number of shares outstanding for both basic and diluted earnings per share calculations.

NOTE E D – BUSINESS SEGMENTS

In the following summary, operating profit represents earnings before other income and income taxes. The Company's segments operate discretely from each other with no shared owned or leased manufacturing facilities. Costs associated with corporate activities (such as cash, **cash equivalents**, and marketable securities management) and the assets associated with such activities are included within the Housewares/Small Appliances segment for all periods presented.

	(in thousands)							(in thousands)						
	Housewares /				Housewares									
	Small Appliances	Defense	Safety	Total	/ Small Appliances	Defense	Safety	Total						
Quarter ended October 1, 2023														
Quarter ended March 31, 2024														
External net sales	\$ 21,545	\$ 61,311	\$ 285	\$ 83,141	\$ 21,267	\$ 55,040	\$ 346	\$ 76,653						
Gross profit (loss)	3,920	12,740	(1,261)	15,399	3,108	11,924	(1,179)	13,853						
Operating profit (loss)	760	9,085	(2,777)	7,068	449	8,315	(2,487)	6,277						
Total assets	182,221	225,636	8,112	415,969	155,577	255,691	6,187	417,455						
Depreciation and amortization	262	842	89	1,193	240	1,194	40	1,474						
Capital expenditures	216	554	97	867	33	304	52	389						

Quarter ended October 2, 2022

	(in thousands)							(in thousands)						
	Housewares /				Housewares									
	Small Appliances	Defense	Safety	Total	/ Small Appliances	Defense	Safety	Total						
Quarter ended April 2, 2023														
External net sales	\$ 27,120	\$ 42,347	\$ 216	\$ 69,683	\$ 21,052	\$ 58,858	\$ 499	\$ 80,409						
Gross profit (loss)	8,787	8,846	(571)	17,062	4,706	14,059	(745)	18,020						
Operating profit (loss)	6,083	6,268	(1,853)	10,498	1,345	10,519	(2,444)	9,420						
Total assets	215,752	175,966	15,725	407,443	182,139	207,151	6,589	395,879						
Depreciation and amortization	504	747	143	1,394	252	1,342	113	1,707						
Capital expenditures	100	194	924	1,218	66	166	266	498						

	(in thousands)							(in thousands)						
	Housewares /				Housewares									
	Small Appliances	Defense	Safety	Total	/ Small Appliances	Defense	Safety	Total						
Nine Months Ended October 1, 2023														
External net sales	\$ 61,533	\$ 179,874	\$ 1,089	\$ 242,496										
Gross profit (loss)	12,814	36,992	(3,007)	46,799										
Operating profit (loss)	2,957	26,720	(7,939)	21,738										
Total assets	182,221	225,636	8,112	415,969										
Depreciation and amortization	769	3,060	315	4,144										
Capital expenditures	444	1,074	175	1,693										
Nine Months Ended October 2, 2022														
External net sales	\$ 72,267	\$ 134,828	480	\$ 207,575										
Gross profit (loss)	14,020	28,941	(1,150)	41,811										
Operating profit (loss)	5,151	20,900	(4,607)	21,444										

Total assets	215,752	175,966	15,725	407,443
Depreciation and amortization	766	1,136	258	2,160
Capital expenditures	177	286	927	1,390

NOTE F - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company utilizes the methods of fair value as described in FASB ASC 820, *Fair Value Measurements and Disclosures*, to value its financial assets and liabilities. ASC 820 utilizes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The carrying amounts for cash and cash equivalents, accounts receivable, notes receivable, accounts payable, and accrued liabilities approximate fair value due to the immediate or short-term maturity of these financial instruments. See Note G for fair value information on marketable securities.

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NOTE G - CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES

The Company considers all highly liquid marketable securities with an original maturity of three months or less to be cash equivalents. Cash equivalents include money market funds. The Company deposits its cash in high quality financial institutions. The balances, at times, may exceed federally insured limits. Money market funds are reported at fair value determined using quoted prices in active markets for identical securities (Level 1, as defined by FASB ASC 820).

The Company has classified all marketable securities as available-for-sale which requires the securities to be reported at estimated fair value, with unrealized gains and losses, net of tax, reported as a separate component of stockholders' equity. Highly liquid, tax-exempt variable rate demand notes with put options exercisable in three months or less are classified as marketable securities.

At **October 1, 2023** **March 31, 2024** and **December 31, 2022** **2023**, cost for marketable securities was determined using the specific identification method. A summary of the amortized costs and fair values of the Company's marketable securities at the end of the periods presented is shown in the following table. All of the Company's marketable securities are classified as Level 2, as defined by FASB ASC 820, with fair values determined using significant other observable inputs, which include quoted prices in markets that are not active, quoted prices of similar securities, recently executed transactions, broker quotations, and other inputs that are observable.

	(In Thousands)				(In Thousands)			
	MARKETABLE SECURITIES				MARKETABLE SECURITIES			
	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Amortized Cost	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
October 1, 2023								
Fixed Rate Municipal Bonds	\$ 2,091	\$ 2,087	\$ -	\$ 4				
March 31, 2024								
Certificates of Deposit	18,791	18,700	.91		19,819	19,846	41	14
Variable Rate Demand Notes	4,179	4,179	-	-	4,526	4,526	-	-
Total Marketable Securities	\$ 25,061	\$ 24,966	\$ -	\$ 95	\$ 24,345	\$ 24,372	\$ 41	\$ 14
December 31, 2022								
Fixed Rate Municipal Bonds	\$ 11,460	\$ 11,405	\$ -	\$ 58				
December 31, 2023								
Certificates of Deposit	9,895	9,820	22	94	21,305	21,331	58	31
Variable Rate Demand Notes	3,638	3,638	-	-	5,123	5,123	-	-
Total Marketable Securities	\$ 24,993	\$ 24,863	\$ 22	\$ 152	\$ 26,428	\$ 26,454	\$ 58	\$ 31

Proceeds from maturities and sales of available-for-sale securities totaled **\$3,961,000** **\$5,009,000** and **\$195,000** **\$1,253,000** for the three month periods ended **October 1, 2023** **March 31, 2024** and **October 2, 2022** **2023**, respectively, and totaled **\$42,127,000** and **\$2,832,000** for the nine month periods then ended, respectively. There were no

gross gains or losses related to sales of marketable securities during the same periods. Net unrealized gain (loss) included in other comprehensive income were \$25,000 was \$0 and \$(86,000) \$19,000 before taxes for the three month periods ended October 1, 2023 March 31, 2024 and October April 2, 2022 2023, respectively, and were a net unrealized gain (loss) of \$35,000 and \$(197,000) before taxes for the nine month periods then ended, respectively. No unrealized gains or losses were reclassified out of accumulated other comprehensive income during the same periods.

The contractual maturities of the marketable securities held at October 1, 2023 March 31, 2024 are as follows: \$15,425,000 \$15,848,000 within one year; \$6,964,000 \$6,052,000 beyond one year to five years; and \$2,672,000 \$2,445,000 beyond five years to ten years. All of the instruments in the beyond five year range are variable rate demand notes which can be tendered for cash at par plus interest within seven days. Despite the stated contractual maturity date, to the extent a tender is not honored, the notes become immediately due and payable.

NOTE H – OTHER ASSETS

Other Assets includes prepayments and deposits that are made from time to time by the Company for certain materials used in the manufacturing process in the Housewares/Small Appliances segment. The Company expects to utilize the prepayments and related materials over an estimated period of two one years. As of October 1, 2023 March 31, 2024 and December 31, 2022 2023, \$4,171,000 \$3,084,000 and \$7,065,000 \$5,018,000 of such prepayments, respectively, remained unused and outstanding. At October 1, 2023 outstanding and December 31, 2022, \$2,888,000 and \$5,377,000 of those payments, respectively were included in Other Current Assets, representing the Company's best estimate of the expected utilization of the prepayments and related materials during the twelve-month periods following those dates.

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NOTE I – LEASES

The Company accounts for leases under ASC Topic 842, Leases. The Company's leasing activities include roles as both lessee and lessor. As lessee, the Company's primary leasing activities include buildings and structures to support its manufacturing operations at one location in its Defense segment, buildings and structures to support its Safety segment, and warehouse space and equipment to support its distribution center operations in its Housewares/Small Appliances segment. As lessor, the Company's primary leasing activity is comprised of manufacturing and office space located adjacent to its corporate offices. All of the Company's leases are classified as operating leases.

The Company's leases as lessee in its Defense segment provide for variable lease payments that are based on changes in the Consumer Price Index. As lessor, the Company's primary lease also provides for variable lease payments that are based on changes in the Consumer Price Index, as well as on increases in costs of insurance, real estate taxes, and utilities related to the leased space. Generally, all of the Company's lease contracts include options for extensions and early terminations. The majority of lease terms of the Company's lease contracts recognized on the balance sheet reflect extension options, while none reflect early termination options.

The Company has determined that the rates implicit in its leases are not readily determinable and therefore, estimates its incremental borrowing rates utilizing quotes from financial institutions for real estate and equipment, as applicable, over periods of time similar to the terms of its leases. The Company has entered into various short-term (12 months or less) leases as lessee and has elected a non-recognition accounting policy, as permitted by ASC Topic 842.

Summary of Lease Cost (in thousands)	Three Months	Three Months	Nine Months	Nine Months	Three	Three
	Ended	Ended	Ended	Ended	Months	Months
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022	Ended	Ended
Operating lease cost	\$ 302	\$ 284	\$ 893	\$ 784	\$ 305	\$ 295
Short-term and variable lease cost	37	79	155	158	60	55
Total lease cost	<u>\$ 339</u>	<u>\$ 363</u>	<u>\$ 1,048</u>	<u>\$ 942</u>	<u>\$ 365</u>	<u>\$ 350</u>

Operating cash used for operating leases was \$339,000 \$365,000 and \$1,048,000 \$350,000 for the three and nine months ended October 1, 2023, respectively, and \$363,000 and \$942,000 for the three March 31, 2024 and nine months ended October April 2, 2022 2023, respectively. The weighted-average remaining lease term was 19.8 19.5 years, and the weighted-average discount rate was 4.6% 4.8% as of October 1, 2023 March 31, 2024.

Maturities of operating lease liabilities are as follows:

Years ending December 31:	(In thousands)	(In thousands)
2023 (remaining three months)	\$ 247	

2024		981
2024 (remaining nine months)	\$ 742	
2025	855	879
2026	782	807
2027	782	808
2028		814
Thereafter	13,475	12,968
Total lease payments	\$ 17,122	\$ 17,018
Less: future interest expense	6,575	6,528
Lease liabilities	\$ 10,547	\$ 10,490

Lease income from operating lease payments was \$551,000 and \$514,000 for the quarters ended October 1, 2023 March 31, 2024 and October 2, 2022 April 2, 2023, respectively, and \$1,653,000 and \$1,552,000 for the nine months then ended, respectively. Undiscounted cash flows provided by lease payments are expected as follows:

Years ending December 31:	(In thousands)	(In thousands)
2023 (remaining three months)	\$ 551	
2024	2,186	
2024 (remaining nine months)		\$ 1,707
2025	2,186	2,186
2026	2,186	2,186
2027	2,186	2,186
2028		2,186
Thereafter	15,302	13,116
Total lease payments	\$ 24,597	\$ 23,567

The Company considers risk associated with the residual value of its leased real property to be low, given the nature of the long-term lease agreement, the Company's ability to control the maintenance of the property, and the creditworthiness of the lessee. The residual value risk is further mitigated by the long-lived nature of the property, and the propensity of such assets to hold their value or, in some cases, appreciate in value.

NOTE J – COMMITMENTS AND CONTINGENCIES

The Company is involved in largely routine litigation incidental to its business. Management believes the ultimate outcome of the litigation will not have a material effect on the Company's consolidated financial position, liquidity, or results of operations.

In the state of Mississippi, inventory that is shipped out of state that is held in a licensed Free Port Warehouse is exempt from personal property taxes. One of the Company's subsidiaries operates in Hinds County, Mississippi. That subsidiary has submitted its Hinds County Free Port Warehouse tax filing for approximately 40 years. Each year, the county then assessed the subsidiary in accordance with the Company's filing. However, in June 2020, the Hinds County tax assessor notified the Company that the county had no record of a Free Port Warehouse License and issued an assessment totaling \$2,506,000, reflecting personal property tax going back seven years. The Company is vigorously fighting the assessment, and does not consider the ultimate payment of the taxes to be probable. Accordingly, as prescribed by ASC 450 - Contingencies, no accrual has been recorded on the Company's consolidated financial statements as of October 1, 2023.

NOTE K – RECENTLY ISSUED OR ADOPTED ACCOUNTING PRONOUNCEMENTS

The Company assesses the impacts of adopting recently issued accounting standards by the Financial Accounting Standards Board on the Company's financial statements, and updates previous assessments, as necessary, from the Company's Quarterly Annual Report on Form 10-Q-K for the fiscal quarter year ended July December 31, 2023. In 2, December 2023, the FASB issued ASU 2023-09 Income Taxes (Topic 2023, 740): Improvements to Income Tax Disclosures, which requires disaggregated information about a company's effective tax rate reconciliation and provision for income taxes, as well as information on income taxes paid. ASU 2023-09 There were effective for public business entities for annual periods beginning after December 15, 2024. As this update relates to disclosures only, the Company does not new accounting standards issued or adopted in

the quarter ended expect ASU October 1, 2023 that would -09 will have a material an impact on the Company's its consolidated results of operations and financial statements. condition.

NOTE L – BUSINESS ACQUISITIONS

On July 29, 2022, the Company's wholly owned subsidiary, UESCO, Inc., purchased with cash on hand of \$3,125,000 certain assets and assumed certain liabilities of Knox Safety, Inc., a company formed in 2019 with operations in Illinois and North Carolina. In addition, upon closing the Company paid a deposit of \$500,000 and, subsequently in the first fiscal quarter of 2023, an additional deposit of \$1,000,000 to a vendor that had previously been a supplier of Knox Safety. Knox Safety is a startup company that designs and sells carbon monoxide detectors for residential use, the acquisition of which should complement the product lines currently offered by the Company's Safety segment. Subsequent to the acquisition of Knox Safety, UESCO legally adopted the corporate name Rely Innovations, Inc.

The acquisition was accounted for under the acquisition method of accounting with the Company treated as the acquiring entity. Accordingly, the consideration paid by the Company to complete the acquisition has been recorded to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of acquisition. The carrying values for current assets and liabilities were deemed to approximate their fair values due to the short-term nature of these assets and liabilities. The following table shows the amounts recorded as of their acquisition date.

	(in thousands)
Accounts receivable	1,832
Inventories	1,274
Other current assets	7
Property, plant and equipment	868
Intangible assets	290
Right-of-Use Lease Assets	1,126
Total assets acquired	5,397
Less: Current liabilities assumed	(776)
Less: Lease Liability - Noncurrent	(1,004)
Net assets acquired	\$ 3,617

The acquired intangibles primarily included trademarks and safety certifications that will be amortized over a period of two years. Due to its startup nature and history of operating losses, the acquisition of Knox Safety resulted in a bargain purchase gain of \$492,000, which was included with Selling and general expenses in the Consolidated Statements of Comprehensive Income for the quarter ended October 2, 2022. There was no material tax impact from the acquisition on the Company's Consolidated Financial Statements.

On October 26, 2022, the Company's wholly owned subsidiary, National Defense Corporation, and newly formed subsidiary Woodlawn Manufacturing, LLC, acquired with cash on hand of \$21,558,000 the equity interests of Woodlawn Manufacturing, Ltd. Woodlawn Manufacturing, Ltd, is a high volume manufacturer of precision metal parts and assemblies primarily for the defense and aerospace industry.

The acquisition was accounted for under the acquisition method of accounting with the Company treated as the acquiring entity. Accordingly, the consideration paid by the Company to complete the acquisition has been recorded to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of acquisition. The carrying values for current assets and liabilities were deemed to approximate their fair values due to the short-term nature of these assets and liabilities. The following table shows the amounts recorded as of their acquisition date. During the quarter ended April 2, 2023, \$860,000 of additional deferred tax liabilities were identified that would have existed as of the date of acquisition. Accordingly, both Goodwill and Deferred tax liability balances were increased during that quarter. The table below reflects those adjustments.

	(in thousands)
Accounts receivable	2,136
Inventories	2,309
Other current assets	130
Property, plant and equipment	6,400
Intangible assets	6,058
Goodwill	7,948
Total assets acquired	24,981
Less: Current liabilities assumed	(1,084)
Less: Deferred tax liability	(2,339)
Net assets acquired	\$ 21,558

The acquired intangible assets primarily include customer contracts and will be amortized over a period of four years. The amount of goodwill recorded reflects expected earning potential and synergies with other operations in the Defense segment. The recorded goodwill is not deductible for income tax purposes.

The following pro forma condensed consolidated results of operations has been prepared as if the acquisitions had occurred as of January 1, 2022.

	(unaudited) (in thousands, except per share data)	(unaudited) (in thousands, except per share data)
	Three Months Ended	Nine Months Ended
	October 2, 2022	October 2, 2022
Net sales	\$ 76,778	\$ 224,881
Net earnings	8,967	17,462
Net earnings per share (basic and diluted)	\$ 1.27	\$ 2.47
Weighted average shares outstanding (basic and diluted)	7,083	7,079

The unaudited pro forma financial information presented above is not intended to represent or be indicative of what would have occurred if the transactions had taken place on the dates presented and is not indicative of what the Company's actual results of operations would have been had the acquisition been completed at the beginning of the periods indicated above. The pro forma combined results reflect one-time costs to fully merge and operate the combined organization more efficiently, but do not reflect anticipated synergies expected to result from the combination and should not be relied upon as being indicative of the future results that the Company will experience.

NOTE M K - SUBSEQUENT EVENT

The Company has evaluated subsequent events through the filing of this Form 10-Q, and determined that there have been no events that have occurred that would require adjustments to the disclosures in the Company's consolidated financial statements.

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

Forward-looking statements in this Management's Discussion and Analysis of Financial Condition and Results of Operations, elsewhere in this Form 10-Q, in the Company's 2022 2023 Annual Report to Stockholders, in the Proxy Statement for the annual meeting to be held on May 16, 2023 May 21, 2024, and in the Company's press releases and oral statements made with the approval of an authorized executive officer are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. There are certain important factors that could cause results to differ materially from those anticipated by some of the statements made herein. Investors are cautioned that all forward-looking statements involve risks and uncertainty. In addition to the factors discussed herein and in the Notes to Consolidated Financial Statements, among the other factors that could cause actual results to differ materially are the following: consumer spending and debt levels; interest rates; continuity of relationships with and purchases by major customers; product mix; the benefit and risk of business acquisitions; competitive pressure on sales and pricing; development and market acceptance of new products; increases in material, freight/shipping, tariffs, or production cost which cannot be recouped in product pricing; delays or interruptions in shipping or production; shipment of defective product which could result in product liability claims or recalls; work or labor disruptions stemming from a unionized work force; changes in government requirements, military spending, and funding of government contracts, which could result in, among other things, the modification or termination of existing contracts; dependence on subcontractors or vendors to perform as required by contract; the ability of startup businesses to ultimately have the potential to be successful; the efficient start-up and utilization of capital equipment investments; political actions of federal and state governments which could have an impact on everything from the value of the U.S dollar vis-à-vis other currencies to the availability of affordable labor and energy; and security breaches and disruptions to the Company's information technology systems. Additional information concerning these and other factors is contained in the Company's Securities and Exchange Commission filings.

COVID-19 Disclosure

All of the Company's businesses were deemed essential and as a result, all operated during the COVID-19 shutdowns. Distribution systems of customers that survived the shutdowns are largely intact as most key retail customers' outlets have been open since third quarter 2020. Although more people are working from home, customer offices are open and trade shows have resumed. As a result of government COVID-19 policies, labor and material costs have materially increased. Labor shortages continue. Due to the Company's historical conservative practices, it has no debt and has adequate balances to fund its operations.

For historical information about the impact of the government responses to COVID-19, please see "Item 1A. Risk Factors" titled "The COVID-19 or Other Health Epidemics, Pandemics, Epidemics or Similar Public Health Crises Risks" included Risks:

The Company faces a wide variety of risks related to health epidemics, pandemics and similar outbreaks, especially of infectious diseases. A global health crisis like the COVID-19 pandemic has contributed to business slowdowns or shutdowns, labor shortages, supply chain challenges, changes in government spending and requirements, regulatory challenges, reductions in demand for products and services, inflationary pressures and market volatility. If a health epidemic, pandemic or similar outbreak were to occur or worsen, the Company's Annual Report Company will likely experience broad and varied impacts, including potentially labor shortages, supply chain disruptions, inflationary pressures and increased costs (which may or may not be fully recoverable or insured), contracting, production and/or distribution delays, market volatility and other financial impacts. If any or all of these items were to occur, the Company could experience material adverse impacts on Form 10-K for year ended December 31, 2022, its business, financial condition, results of operations and/or cash flows.

Comparison of **Third First Quarter 2023 2024** and **2022 2023**

Readers are directed to Note E to the Consolidated Financial Statements, "Business Segments," for data on the financial results of the Company's three business segments for the quarters ended **October 1, 2023** **March 31, 2024** and **October 2, 2022** **April 2, 2023**.

On a consolidated basis, net sales **increased decreased** by **\$13,458,000 (19% \$3,756,000 (5%)**, gross profit decreased by **\$1,663,000 (10% \$4,167,000 (23%)**, selling and general expenses **increased decreased** by **\$1,418,000 (22% \$1,024,000 (13%)**, and amortization **increased 349,000 (447%) was flat**. Other income increased by **\$690,000 (64% \$222,000 (12%)**, earnings before provision for income taxes decreased by **\$2,740,000 (24% \$2,921,000 (26%)**, and net earnings decreased by **\$1,908,000 (21% \$2,310,000 (26%)**. Details concerning these changes can be found in the comments by segment below.

Housewares/Small Appliance net sales **decreased were relatively flat**, increasing by **\$5,575,000 \$215,000** from **\$27,120,000 \$21,052,000** to **\$21,545,000 \$21,267,000, or 1%**. Increases in volume of **\$1,240,000** were essentially offset by decreases in product pricing, or 21%, approximately 66% of which was attributable to a decrease in units shipped, with the remainder of the decrease attributable to a decrease in pricing and changes in mix. Defense net sales **increased decreased** by **\$18,964,000 \$3,818,000** from **\$42,347,000 \$58,858,000** to **\$61,311,000 \$55,040,000** or **45% 7%**, primarily reflecting an **increase decrease** in shipments from the segment's backlog.

Housewares/Small Appliance gross profit decreased **\$4,867,000 \$1,598,000** from **\$8,787,000 \$4,706,000** to **\$3,920,000 \$3,108,000**, primarily reflecting **lower margins on changes in the product mix, as well as higher repair costs at its main facility**. Defense gross profit decreased **\$2,135,000** from **\$14,059,000** to **\$11,924,000**, primarily reflecting the decrease in sales mentioned above **augmented by increased accruals for customer allowances, as well as higher facility repair costs**. Defense gross profit increased **\$3,894,000** from **\$8,846,000** and changes to **\$12,740,000**, primarily reflecting the **increase in sales mentioned above, product mix**. Due to the startup nature of the businesses in the Safety segment and the resulting limited revenues, gross margins were negative in both years.

Selling and general expenses for the Housewares/Small Appliance **increased \$456,000, decreased \$702,000**, primarily reflecting **higher decreased accruals for self insurance of \$357,000, and increased accruals for mainly relating to legal and professional costs, costs of \$382,000, and bad debts of \$285,000**. Selling and general expenses for the Defense segment **increased \$698,000, primarily reflecting increased salaries and compensation costs of \$337,000 and increased accruals for legal settlement costs of \$288,000, were relatively flat**. Selling and general expenses for the Safety segment **increased \$264,000, decreased \$319,000**, primarily reflecting the absence of the 2022 bargain purchase gain recognized upon the acquisition of Rely Innovations, Inc. of **\$492,000** (see Note L to the Consolidated Financial Statements) and increased employee compensation **decreased personnel costs of \$165,000, partially offset by \$189,000 and decreased legal and professional cost accruals of \$464,000**. Intangibles amortization increased as a result of the acquisition of contracts/customer relationship and intellectual property intangibles in the acquisitions of Rely Innovations, Inc. and Woodlawn Manufacturing, Ltd. See Note L to the Consolidated Financial Statements. **\$110,000**.

The above items were responsible for the change in operating profit.

The **\$690,000 \$222,000** increase in other income was primarily attributable to an increase in interest income on marketable securities largely stemming from higher yields on a lower average daily investment.

Earnings before provision for income taxes decreased **\$2,740,000 \$2,921,000** from **\$11,583,000 \$11,273,000** to **\$8,843,000 \$8,352,000**. The provision for income taxes decreased from **\$2,656,000 \$2,395,000** to **\$1,824,000 \$1,784,000**. The effective income tax rate was 21% and 23% for the quarters ended **October 1, 2023** **March 31, 2024** and **October 2, 2022, respectively** **April 2, 2023**. Net earnings decreased **\$1,908,000 \$2,310,000** from **\$8,927,000 \$8,878,000** to **\$7,019,000 \$6,568,000, or 21%**.

Comparison of First Nine Months 2023 and 2022

Readers are directed to Note E to the Consolidated Financial Statements, "Business Segments," for data on the financial results of the Company's three business segments for the first nine months ended October 1, 2023 and October 2, 2022.

On a consolidated basis, net sales increased by **\$34,921,000 (17%)**, gross profit increased by **\$4,988,000 (12%)**, selling and general expenses increased by **\$3,623,000 (18%)**, and amortization increased **\$1,071,000 (576%)**. Other income increased by **\$2,973,000 (118%)**, earnings before provision for income taxes increased by **\$3,267,000 (14%)**, and net earnings increased by **\$2,874,000 (16%)**. Details concerning these changes can be found in the comments by segment below.

Housewares/Small Appliance net sales decreased by **\$10,734,000** from **\$72,267,000** to **\$61,533,000**, or 15%, approximately 77% of which was attributable to a decrease in units shipped, with the remainder of the decrease attributable to a decrease in pricing and changes in mix. Defense net sales increased by **\$45,046,000** from **\$134,828,000** to **\$179,874,000**, or 33%, primarily reflecting an increase in shipments from the segment's backlog.

Housewares/Small Appliance gross profit decreased **\$1,206,000** from **\$14,020,000** to **\$12,814,000**, primarily reflecting the decrease in sales mentioned above, year-to-year timing differences in accruals for customer allowances and warranty, as well as higher facility repair costs. Defense gross profit increased **\$8,051,000** from **\$28,941,000** to **\$36,992,000**, primarily reflecting the increase in sales mentioned above. Due to the startup nature of the businesses in the Safety segment and the resulting limited revenues, gross margins were negative in both years.

Selling and general expenses for the Housewares/Small Appliance segment increased **\$988,000**, primarily reflecting higher accruals for self insurance of **\$866,000** and increased salaries and compensation of **\$310,000**, partially offset by lower accruals for legal and professional costs of **\$263,000**. Selling and general expenses for the Defense segment increased **\$1,168,000**, primarily reflecting increased salaries and compensation costs of **\$806,000**, increased accruals for legal settlement costs of **\$288,000**, and one-time insurance related costs of **\$250,000**. These were partially offset by an adjustment of **\$313,000** related to the purchase of Woodlawn Manufacturing, LTD, which was acquired on

October 26, 2022. See Note L to the Condensed Consolidated Financial Statements. Selling and general expenses for the Safety segment increased \$1,467,000, primarily reflecting increased employee compensation costs of \$1,083,000 and the absence of the 2022 bargain purchase gain recognized upon the acquisition of Rely Innovations, Inc. of \$492,000 (see Note L to the Consolidated Financial Statements). These were partially offset by a decrease in legal and professional cost accruals of \$519,000.

Intangibles amortization increased as a result of the acquisition of contracts/customer relationship and intellectual property intangibles in the acquisitions of Rely Innovations, Inc. and Woodlawn Manufacturing, Ltd. See Note L to the Consolidated Financial Statements.

The above items were responsible for the change in operating profit.

The \$2,973,000 increase in other income was primarily attributable to an increase in interest income on marketable securities largely stemming from higher yields on a lower average daily investment.

Earnings before provision for income taxes increased \$3,267,000 from \$23,973,000 to \$27,240,000. The provision for income taxes increased \$393,000 from \$5,447,000 to \$5,840,000. The effective income tax rate was 21% and 23%, for the nine months ended October 1, 2023 and October 2, 2022, respectively. Net earnings increased \$2,874,000 from \$18,526,000 to \$21,400,000, or 16% 26%.

Liquidity and Capital Resources

Net cash provided by operating activities was \$28,790,000 \$5,555,000 and \$37,471,000 during the first nine three months of 2024 and 2023, compared to \$3,280,000 used in operating activities for the first nine months of 2022, respectively. The principal factors contributing to the change can be found in the changes in the components of working capital within the Consolidated Statements of Cash Flows. Of particular note during the first nine three months of 2023 2024 were net earnings of \$21,400,000, \$6,568,000, which included non-cash depreciation and amortization expenses of \$4,144,000 \$1,474,000. Contributing to the cash provided were decreases in accounts receivable levels stemming from cash collections on customer sales, and deposits made to vendors included in other assets and current assets, and increases in payable and accrual levels. These were partially offset by increases in inventory levels, levels, as well as prepayments included in other current assets. Of particular note during the first nine three months of 2022 2023 were net earnings of \$18,526,000, \$8,878,000, which included non-cash depreciation and amortization expenses of \$2,160,000 \$1,707,000. Contributing to the cash used provided were increased inventory levels and a net decrease in payable and accrual levels, partially offset by a large decrease in accounts receivable levels stemming from cash collections on customer sales, sales and increases in payable and accrual levels, partially offset by increases in inventory levels and increases in deposits made to vendors included in other assets and current assets.

Net cash provided by investing activities was \$1,868,000 for the first three months of 2024, and net cash used in investing activities was \$1,134,000 and \$13,314,000, \$4,601,000 for the first nine three months of 2023 and 2022, respectively. Significant factors contributing to the change were net maturities and sales of marketable securities purchased of \$68,000 \$2,083,000 in 2023, 2024, in contrast with net marketable securities purchased of \$9,743,000 \$4,132,000 in 2022. Also contributing to the change in cash were a payment to acquire Knox Safety, Inc. of \$3,125,000 (see Note L to the Consolidated Financial Statements) in 2022 and an increase in the purchase of property, plant, and equipment in 2023 of \$1,171,000.

2023.

Net cash used in financing activities was \$27,956,000 \$31,534,000 and \$31,427,000, \$27,956,000, for the first nine three months of 2023 2024 and 2022, 2023, respectively, and primarily relates to the annual dividend payments. The extra dividend decreased increased from \$3.00 per share in 2023 to \$3.50 per share in 2022 to \$3.00 per share in 2023. 2024. Cash flows for both nine three month periods also reflected the proceeds from the sale of treasury stock to a Company sponsored retirement plan.

Working capital decreased by \$2,607,000 \$23,524,000 during the first nine three months of 2023 2024 to \$270,384,000 \$264,567,000 at October 1, 2023 March 31, 2024 for the reasons stated above. The Company's current ratio was 5.3 4.6 to 1.0 and 6.1 5.0 to 1.0 at October 1, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

The Company expects to continue to evaluate acquisition opportunities that align with its business segments and will make further acquisitions, as well as continue to make capital investments in its business segments per existing authorized projects and for additional projects, if the appropriate return on investment is projected.

The Company has substantial liquidity in the form of cash and cash equivalents and marketable securities to meet all of its anticipated capital requirements, to make dividend payments, and to fund future growth through acquisitions and other means. The bulk of its marketable securities are invested in certificates of deposit and the variable rate demand notes described in Item 3 of Part I of this quarterly report on Form 10-Q, fixed rate municipal notes and bonds, and certificates of deposits. bonds. The Company intends to continue its investment strategy of safety and short-term liquidity throughout its investment holdings.

Critical Accounting Estimates

The Company's discussion and analysis of financial condition and results of operations are based upon its Consolidated Financial Statements. The preparation of the Company's Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and

revenues and expenses during the periods reported. The estimates are based on experience and other assumptions that the Company believes are reasonable under the circumstances, and these estimates are evaluated on an ongoing basis. Actual results may differ from those estimates.

The Company's critical accounting policies are those that materially affect its Consolidated Financial Statements and involve difficult, subjective, or complex judgments by management. The Company reviewed the development and selection of the critical accounting policies and believes the following are the most critical accounting policies that could have an effect on the Company's reported results as they involve the use of significant estimates and assumptions as described above. These critical accounting policies and estimates have been reviewed with the Audit Committee of the Board of Directors. See Note A - Summary of Significant Accounting Policies to the Consolidated Financial Statements included in Part II, Item 8 of the Annual Report on Form 10-K for the year-ended December 31, 2022 December 31, 2023 filed on March 13, 2023 March 15, 2024 for more detailed information regarding the Company's critical accounting policies.

Inventories

New Housewares/Small Appliance and safety product introductions are an important part of the Company's sales. In the case of the Housewares/Small Appliance segment, the introductions are important to offset the morbidity rate of other products and/or the effect of lowered acceptance of seasonal products due to weather conditions. New products entail unusual risks and have occasionally, in the past, resulted in losses related to obsolete or excess inventory as a result of low or diminishing demand for a product. During 2022, the Housewares/Small Appliance segment recorded an impairment related to such losses of \$3,613,000. In addition, due to fire safety regulations, commercial extinguishers have a limited shelf life, which is based on \$1,216,000 during the date of production. The Safety segment recorded impairments of \$1,807,000 and \$3,090,000 in 2022 and 2021, respectively, in recognition of that fact. year ended 2023. There were no other obsolescence issues that had a material effect during the nine three months ended October 1, 2023 March 31, 2024. In the future should product demand issues arise, the Company may incur losses related to the obsolescence of the related inventory. Inventory risk for the Company's Defense segment is not deemed to be significant, as products are largely built pursuant to customers' specific orders.

Self-Insured Product Liability and Health Insurance

The Company is subject to product liability claims in the normal course of business and is self-insured for health care costs, although it does carry stop loss and other insurance to cover claims once a health care claim reaches a specified threshold. The Company's insurance coverage varies from policy year to policy year, and there are typically limits on all types of insurance coverage, which also vary from policy year to policy year. Accordingly, the Company records an accrual for known claims and incurred but not reported claims, including an estimate for related legal fees in the Company's Consolidated Financial Statements. The Company utilizes historical trends and other analysis to assist in determining the appropriate accrual. There are no known claims that would have a material adverse impact on the Company beyond the reserve levels that have been accrued and recorded on the Company's books and records. An increase in the number or magnitude of claims could have a material impact on the Company's financial condition and results of operations.

Revenues

Sales are recorded net of discounts and returns for the Housewares/Small Appliance segment. Sales discounts and returns are key aspects of variable consideration, which is a significant estimate utilized in revenue recognition. Sales returns pertain primarily to warranty returns, returns of seasonal items, and returns of those newly introduced products sold with a return privilege. The calculation of warranty returns is based in large part on historical data, while seasonal and new product returns are primarily developed using customer provided information.

Impairment and Valuation of Long-lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. Long-lived assets consist of property, plant and equipment and intangible assets, including the value of contracts/customer relationships, trademarks and safety certifications, trade secrets, and technology software. Determining whether an impairment has occurred typically requires various estimates and assumptions, including determining which cash flows are directly related to the potentially impaired asset, the useful life over which cash flows will occur, the amounts of the cash flows and the asset's residual value, if any. In turn, measurement of an impairment loss requires a determination of fair value, which is based on the best information available. The Company uses internal discounted cash flows estimates, quoted market prices when available, and independent appraisals, as appropriate, to determine fair value. The Company derives the required cash flow estimates from its historical experience and its internal business plans.

The Company recognizes the excess cost of acquired entities over the net amount assigned to the fair value of assets acquired and liabilities assumed as goodwill. Goodwill is tested for impairment on an annual basis at the start of the fourth quarter and between annual tests whenever an impairment is indicated. The impairment test for goodwill requires the determination of fair value of the reporting unit. The Company uses multiples of earnings before interest, taxes, depreciation, and amortization ("EBITDA"), sales, and discounted cash flow models, which are described above, to determine the reporting unit's fair value, as appropriate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's interest income on cash equivalents and marketable securities is affected by changes in interest rates in the United States. Cash equivalents primarily consist of money market funds. Based on the accounting profession's interpretation of cash equivalents under FASB ASC Topic 230, the Company's seven-day variable rate demand notes are classified as marketable securities rather than as cash equivalents. The demand notes are highly liquid instruments with interest rates set every seven days that can be tendered to the trustee or remarketer upon seven days notice for payment of principal and accrued interest amounts. The seven-day tender feature of these variable rate demand notes is further supported by an irrevocable letter of credit from highly rated U.S. banks. To the extent a bond is not remarketed at par plus accrued interest, the difference is drawn from the bank's letter of credit. The Company has had no issues tendering these notes to the trustees or remarketers. Other than a failure of a major U.S. bank, there are no risks

of which the Company is aware that relate to these notes in the current market. The balance of the Company's investments is held primarily in fixed and variable rate municipal bonds and certificates of deposits with a weighted average life of 0.7 years. Accordingly, changes in interest rates have not had a material effect on the Company, and the Company does not anticipate that future exposure to interest rate market risk will be material. The Company uses sensitivity analysis to determine its exposure to changes in interest rates.

The Company has no history of, and does not anticipate in the future, investing in derivative financial instruments. Most transactions with international customers are entered into in U.S. dollars, precluding the need for foreign currency cash flow hedges. As the majority of the Housewares/Small Appliance segment's suppliers are located in China, periodic changes in the U.S. dollar and Chinese Renminbi (RMB) exchange rates do have an impact on that segment's product costs. It is anticipated that any potential material impact from fluctuations in the exchange rate will be to the cost of products secured via purchase orders issued subsequent to the revaluation.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company's management, including the Chief Executive Officer and Treasurer (principal financial officer), conducted an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (the "1934 Act") as of **October 1, 2023** **March 31, 2024**. Based on that evaluation, the Company's Chief Executive Officer and Treasurer (principal financial officer) concluded that the Company's disclosure controls and procedures were effective as of that date.

There were no changes to internal controls over financial reporting during the quarter ended **October 1, 2023** **March 31, 2024** that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note **J** to the Consolidated Financial Statements set forth under Part I - Item 1 above.

Item 5. Other Information

Insider Trading Arrangement

During the fiscal quarter ended **October 1, 2023**, the following officer (as

No officers or directors, as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934) of the Company adopted a "non-Rule 10b5-1 trading arrangement" as defined in Regulation S-K Item 408:

David Peuse, Treasurer and Director of Financial Reporting, adopted a trading arrangement on August 17, 2023 providing for the one-time sale of 193 shares of the Company's common stock. The duration of the trading arrangement was until the sale was completed.

No other officers or directors, as defined in Rule 16a-1(f), adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," as defined in Regulation S-K Item 408, during the **last fiscal quarter** quarter ended **March 31, 2024**.

Item 6. Exhibits

Exhibit 3(i)	Restated Articles of Incorporation - incorporated by reference from Exhibit 3 (i) of the Company's annual report on Form 10-K for the year ended December 31, 2005
Exhibit 3(ii)	By-Laws - incorporated by reference from Exhibit 3 (ii) of the Company's current report on Form 8-K dated July 6, 2007
Exhibit 9.1	Voting Trust Agreement - incorporated by reference from Exhibit 9 of the Company's quarterly report on Form 10-Q for the quarter ended July 6, 1997
Exhibit 9.2	Voting Trust Agreement Amendment - incorporated by reference from Exhibit 9.2 of the Company's annual report on Form 10-K for the year ended December 31, 2008
Exhibit 31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2	Certification of the Treasurer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of the Treasurer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	eXtensible Business Reporting Language (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.
Exhibit 101.SCH	Inline XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
Exhibit 101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
Exhibit 104	The cover page from this Quarterly Report on Form 10-Q for the quarter ended October 1, 2023 March 31, 2024 , formatted in Inline XBRL and contained in Exhibit 101.INS

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.

NATIONAL PRESTO INDUSTRIES, INC.

/s/ Maryjo Cohen

Maryjo Cohen, Chair of the Board,
President, Chief Executive Officer
(Principal Executive Officer), Director

/s/ David J. Peuse

David J. Peuse, Director of Financial Reporting and Treasurer, (Principal
Financial Officer)

Date: November 13, 2023 May 10, 2024

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EXHIBIT 31.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Maryjo Cohen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Presto Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 13, 2023** **May 10, 2024**

/S/ **Maryjo Cohen**
 Maryjo Cohen
 Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
 18 U.S.C. SECTION 1350,
 AS ADOPTED PURSUANT TO
 SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David J. Peuse, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Presto Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

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

- a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023 May 10, 2024

/S/ David J. Peuse

David J. Peuse

Treasurer

EXHIBIT 32.1

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

Pursuant to 18 U.S.C. §1350 (as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Chief Executive Officer of National Presto Industries, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended October 1, 2023 March 31, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: November 13, 2023 May 10, 2024

/S/ Maryjo Cohen

Maryjo Cohen,

Chief Executive Officer

EXHIBIT 32.2

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

Pursuant to 18 U.S.C. §1350 (as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002), I, the undersigned Treasurer of National Presto Industries, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended **October 1, 2023** **March 31, 2024** (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: **November 13, 2023** **May 10, 2024**

/S/ David J. Peuse

David J. Peuse

Treasurer

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