

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 August 31, 2024

or

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-05131

ART'S-WAY MANUFACTURING CO., INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

42-0920725  
(I.R.S. Employer Identification No.)

5556 Highway 9  
Armstrong, Iowa 50514  
(Address of principal executive offices) (Zip Code)

(712) 208-8467  
(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 \$0.01 par value	ARTW	The Nasdaq Stock Market LLC

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

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

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

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

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

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

Number of common shares outstanding as of October 1, 2024 : 5,031,459

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# PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

### ART'S-WAY MANUFACTURING CO., INC. Condensed Consolidated Balance Sheets

	(Unaudited) August 31, 2024	November 30, 2023
<b>Assets</b>		
Current assets:		
Cash	\$ 5,119	\$ 4,014
Accounts receivable, net	2,943,202	3,432,216
Inventories, net	10,691,065	11,031,362
Cost and profit in excess of billings	25,957	289,282
Other current assets	361,074	296,662
Current assets of discontinued operations	22,837	31,958
Total current assets	14,049,254	15,085,494
Property, plant, and equipment, net	5,180,769	5,060,595
Assets held for lease, net	115,291	145,494
Deferred income taxes, net	2,648,325	2,503,213
Other assets	476,085	583,752
Other assets of discontinued operations	1,001,640	1,023,566
Total assets	\$ 23,471,364	\$ 24,402,114
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 870,275	\$ 2,256,502
Customer deposits	162,927	416,044
Billings in excess of cost and profit	2,521,851	351,289
Income taxes payable	5,000	5,000
Accrued expenses	1,105,374	1,399,232
Line of credit	3,867,437	4,413,520
Current portion of finance lease liabilities	240,849	257,454
Current portion of long-term debt	114,537	109,193
Current liabilities of discontinued operations	175,279	186,789
Total current liabilities	9,063,529	9,395,023
Long-term portion of operating lease liabilities	7,009	13,774
Long-term portion of finance lease liabilities	590,676	722,200
Long-term debt, excluding current portion	2,543,307	2,629,862
Total liabilities	12,204,521	12,760,859
Commitments and Contingencies (Notes 9, 11, 12 and 15)		
Stockholders' equity:		
Undesignated preferred stock - \$0.01 par value. Authorized 500,000 shares on August 31, 2024 and November 30, 2023; issued and outstanding 0 shares on August 31, 2024 and November 30, 2023.	-	-
Common stock – \$0.01 par value. Authorized 9,500,000 shares on August 31, 2024 and November 30, 2023; 5,189,172 issued on August 31, 2024 and 5,106,922 on November 30, 2023	51,892	51,069
Additional paid-in capital	5,025,396	4,838,425
Retained earnings	6,496,701	7,021,253
Treasury stock, at cost (112,714 shares on August 31, 2024 and 94,256 shares on November 30, 2023)	(307,146)	(269,492)
Total stockholders' equity	11,266,843	11,641,255
Total liabilities and stockholders' equity	\$ 23,471,364	\$ 24,402,114

See accompanying notes to condensed consolidated financial statements.

**ART'S-WAY MANUFACTURING CO., INC.**  
Condensed Consolidated Statements of Operations  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	August 31,	August 31,	August 31,	August 31,
	2024	2023	2024	2023
Sales	\$ 5,875,700	\$ 8,117,422	\$ 18,329,363	\$ 23,428,681
Cost of goods sold	4,175,575	5,816,798	13,248,961	16,757,586
Gross profit	1,700,125	2,300,624	5,080,402	6,671,095
Expenses				
Engineering	78,949	170,595	346,373	439,387
Selling	380,797	566,327	1,241,187	1,608,752
General and administrative	1,086,685	1,095,479	3,550,460	3,178,285
Total expenses	1,546,431	1,832,401	5,138,020	5,226,424
Income (loss) from operations	153,694	468,223	(57,618)	1,444,671
Other income (expense):				
Interest expense	(150,012)	(160,792)	(471,784)	(419,802)
Other	(4,165)	(2,528)	(13,386)	141,079
Total other expense	(154,177)	(163,320)	(485,170)	(278,723)
Income (loss) from continuing operations before income taxes	(483)	304,903	(542,788)	1,165,948
Income tax expense (benefit)	(2,713)	64,030	(116,131)	245,019
Income (loss) from continuing operations	2,230	240,873	(426,657)	920,929
Discontinued Operations (Note 3)				
(Loss) from discontinued operations before income taxes	(35,919)	(398,611)	(123,849)	(438,081)
Income tax (benefit)	(7,489)	(83,708)	(25,954)	(91,997)
Loss on discontinued operations	(28,430)	(314,903)	(97,895)	(346,084)
Net Income (loss)	\$ (26,200)	\$ (74,030)	\$ (524,552)	\$ 574,845

See accompanying notes to condensed consolidated financial statements.

**ART'S-WAY MANUFACTURING CO., INC.**  
Condensed Consolidated Statements of Stockholders' Equity  
Nine Months Ended August 31, 2024 and August 31, 2023  
(Unaudited)

	Common Stock		Additional paid-in capital	Retained earnings	Treasury Stock		Total
	Number of shares	Par value			Number of shares	Amount	
Balance, November 30, 2022	5,013,671	\$ 50,137	\$ 4,547,172	\$ 6,754,284	64,574	\$ (200,956)	\$ 11,150,637
Stock based compensation	88,251	882	226,373	-	27,774	(63,995)	163,260
Net Income	-	-	-	574,845	-	-	574,845
Balance, August 31, 2023	5,101,922	\$ 51,019	\$ 4,773,545	\$ 7,329,129	92,348	\$ (264,951)	\$ 11,888,742
	Common Stock		Additional paid-in capital	Retained earnings	Treasury Stock		Total
	Number of shares	Par value			Number of shares	Amount	
Balance, November 30, 2023	5,106,922	\$ 51,069	\$ 4,838,425	\$ 7,021,253	94,256	\$ (269,492)	\$ 11,641,255
Stock based compensation	82,250	823	186,971	-	18,458	(37,654)	150,140
Net loss	-	-	-	(524,552)	-	-	(524,552)
Balance, August 31, 2024	5,189,172	\$ 51,892	\$ 5,025,396	\$ 6,496,701	112,714	\$ (307,146)	\$ 11,266,843

See accompanying notes to condensed consolidated financial statements.

**ART'S-WAY MANUFACTURING CO., INC.**  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	Nine Months Ended	
	August 31, 2024	August 31, 2023
<b>Cash flows from operations:</b>		
Net income (loss) from continuing operations	\$ (426,657)	\$ 920,929
Net loss from discontinued operations	(97,895)	(346,084)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Stock based compensation	187,794	227,255
Decrease in obsolete inventory reserves	(154,525)	(143,165)
Gain on disposal of property, plant, and equipment	(800)	(92,495)
Depreciation and amortization expense	663,828	599,181
Amortization of cloud computing implementation costs	91,364	-
Increase in allowance for expected credit losses - accounts receivable	24,509	8
Deferred income taxes	(145,112)	144,454
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	464,505	(1,989,230)
Inventories	494,822	(1,076,784)
Other assets	(193,993)	(14,687)
Increase (decrease) in:		
Accounts payable	(1,386,227)	367,912
Contracts in progress, net	2,433,887	480,643
Customer deposits	(253,117)	(405,076)
Income taxes payable	-	1,500
Accrued expenses	(294,171)	(19,633)
Net cash provided by (used in) operating activities - continuing operations	1,506,107	(999,188)
Net cash provided by (used in) operating activities - discontinued operations	(76,123)	480,541
Net cash provided by (used in) operating activities	1,429,984	(518,647)
<b>Cash flows from investing activities:</b>		
Purchases of property, plant, and equipment	(614,367)	(569,445)
Net proceeds from sale of assets	800	286,815
Net cash used in investing activities - continuing operations	(613,567)	(282,630)
Net cash provided by investing activities - discontinued operations	-	80,595
Net cash used in investing activities	(613,567)	(202,035)
<b>Cash flows from financing activities:</b>		
Net change in line of credit	(546,083)	610,059
Proceeds from finance lease obligations	-	397,536
Principal payments on finance lease obligations	(148,129)	(127,888)
Repayment of term debt	(81,211)	(73,019)
Repurchases of common stock	(37,654)	(63,995)
Net cash provided by (used in) financing activities - continuing operations	(813,077)	742,693
Net cash used in financing activities - discontinued operations	(2,235)	(22,849)
Net cash provided by (used in) financing activities	(815,312)	719,844
Net increase (decrease) in cash	1,105	(838)
Cash at beginning of period	4,014	5,055
Cash at end of period	\$ 5,119	\$ 4,217
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the period for:		
Interest	\$ 476,809	\$ 434,799
Income taxes	90	2,841
<b>Supplemental disclosures of non-cash operating activities:</b>		
Right-of-use (ROU) assets acquired (included in other assets)	\$ 38,192	\$ 134,543
Amortization of operating lease ROU assets (included in other assets)	\$ 6,451	\$ 7,001

See accompanying notes to condensed consolidated financial statements.

## Notes to Unaudited Condensed Consolidated Financial Statements

### 1) Description of the Company

Unless otherwise specified, as used in this Quarterly Report on Form 10-Q, the terms "we," "us," "our," "Art's-Way," and the "Company" refer to Art's-Way Manufacturing Co., Inc., a Delaware corporation headquartered in Armstrong, Iowa, and its wholly owned subsidiaries.

The Company began operations as a farm equipment manufacturer in 1956. Since that time, it has become a major worldwide manufacturer of agricultural equipment. Its principal manufacturing plant is located in Armstrong, Iowa.

The Company has organized its business into two operating segments. Management separately evaluates the financial results of each segment because each is a strategic business unit offering different products and requiring different technology and marketing strategies. The Agricultural Products segment manufactures and sells farm equipment and related replacement parts under the Art's-Way Manufacturing label and private labels. The Modular Buildings segment manufactures and installs modular buildings for animal containment and various laboratory uses.

During the third quarter of fiscal 2023, the Company ceased operations of its Tools business, which manufactured steel cutting tools and inserts. In previous periods, operations of the Tools business was reported in consolidated numbers as the Company's third operating segment. The Tools segment was reported in discontinued operations beginning with the three and nine month periods ending August 31, 2023. For more information on discontinued operations, see Note 3 "Discontinued Operations."

### 2) Summary of Significant Accounting Policies

#### *Statement Presentation*

The foregoing condensed consolidated financial statements of the Company are unaudited and reflect all adjustments (consisting only of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company's financial position and operating results for the interim periods. The condensed consolidated financial statements should be read in conjunction with the condensed financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2023. The results of operations for the three and nine months ended August 31, 2024 are not necessarily indicative of the results to be expected for the fiscal year ending November 30, 2024.

#### *Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the three and nine months ended August 31, 2024. Actual results could differ from those estimates.

#### *Allowance for Credit Losses*

The Company uses aging categories to estimate expected credit losses on trade receivables. The Company considers in its analysis: historical loss experience, forward-looking macroeconomic factors, company credit risk including previous delinquencies, disputed amounts, and the intent and ability to pay. The Company's typical credit terms are Net 30, however, it does offer terms up to 360 days on floor plan units. The Company would consider trade receivables greater than 30 days past due, but is not required to disclose past due receivables with an original term less than one year. The Company performs additional analysis monthly on amounts over 90 days past due to determine collectability. The Company has assigned expected credit loss percentages based on where the asset falls in the aging schedule. The Company's actual credit losses have been low compared to historical allowance estimates. The Company has considered the current interest rate environment and the recent decline in the agricultural commodity market and believes its method of estimating a higher than historical loss percentage to be an adequate estimate. The Company foresees increased credit risk over the next year or so until inventory on dealer lots starts to decline, interest rates drop and farm income strengthens.

The Company carries contract assets related to its Modular Buildings segment in the form of costs and profit in excess of billings. These contract assets are typically converted to trade receivables in 30 to 90 days, depending on contract terms, and due 30 days or less from the billing date. Because these contract assets are typically converted to receivables and collected in less than a year, consideration for these contract assets has been included in the expected credit loss model for trade receivables.

### 3) Discontinued Operations

On June 7, 2023, the Company announced that it would be discontinuing the operations of its Tools segment in order to focus its efforts and resources on the business segments that have historically been more successful and that are expected to present greater opportunities for meaningful long-term stockholder returns. A large portion of this segment's assets were disposed of in the 3rd quarter of fiscal 2023. The Company entered into a purchase agreement on July 31, 2024 to sell the Tools segment real estate in Canton, OH for \$ 1,800,000. The Company expects to complete the sale in mid- October of 2024.

The cessation of operations and liquidation of the Tools segment as a unique business unit of the Company, represented a strategic shift in the Company's operations. In accordance with Accounting Standard Code Topic 360, the Company has reclassified Tools as discontinued operations for all periods presented.

The components of discontinued operations in the accompanying Condensed Consolidated Balance Sheets are as follows:

	August 31, 2024	November 30, 2023
Inventory	\$ 18,013	\$ 18,013
Other current assets	4,824	13,945
Current assets of discontinued operations	<u>\$ 22,837</u>	<u>\$ 31,958</u>
	August 31, 2024	November 30, 2023
Property, plant, and equipment, net	\$ 1,001,640	\$ 1,023,566
Other assets of discontinued operations	<u>\$ 1,001,640</u>	<u>\$ 1,023,566</u>
	August 31, 2024	November 30, 2023
Accounts payable	\$ 64	\$ 3,539
Current portion of long-term debt	158,363	160,599
Other current liabilities	16,852	22,651
Current liabilities of discontinued operations	<u>\$ 175,279</u>	<u>\$ 186,789</u>

Segment information as of August 31, 2024 and August 31, 2023 for discontinued operations is as follows:

	Tools	
	Three Months Ended	
	August 31, 2024	August 31, 2023
Revenue from external customers	\$ -	\$ 439,000
Gross (Loss)	(22,000)	(209,000)
Operating Expense	-	181,000
Loss from operations	(22,000)	(390,000)
Loss before tax	(36,000)	(399,000)
Total Assets	1,024,000	1,576,000
Capital expenditures	-	-
Depreciation & Amortization	\$ 7,000	\$ 46,000

	Tools	
	Nine Months Ended	
	August 31, 2024	August 31, 2023
Revenue from external customers	\$ -	\$ 2,031,000
Gross Profit (loss)	(74,000)	100,000
Operating Expense	9,000	499,000
Loss from operations	(83,000)	(399,000)
Loss before tax	(124,000)	(438,000)
Total Assets	1,024,000	1,576,000
Capital expenditures	-	16,000
Depreciation & Amortization	\$ 22,000	\$ 127,000



## Recently Issued Accounting Pronouncements

### Recently Adopted Pronouncement

#### Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 added a current expected credit loss ("CECL") impairment model to U.S. GAAP that is based on expected losses rather than incurred losses. Modified retrospective adoption was required with any cumulative-effect adjustment recorded to retained earnings as of the beginning of the period of adoption. ASU 2016-13 was effective for smaller reporting entities for fiscal years beginning after December 15, 2022, including interim periods within the year of adoption. Early adoption was permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted ASU 2016-13 in the first quarter of fiscal 2024. The Company did not make a cumulative-effect adjustment to retained earnings.

### Accounting Pronouncements Not Yet Adopted

#### Segment Reporting - Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting - Improvements to Reportable Segment Disclosures." ASU 2023-07 adds enhanced disclosures about significant segment expenses, clarifies circumstances in which an entity can disclose multiple segment measures of profit and loss and provides new segment disclosure requirements for entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. An entity will be required to recast any changes to segment information for prior periods presented. The Company will adopt ASU 2023-07 in fiscal 2025. The Company does not expect the application ASU 2023-07 to have a significant impact on segment disclosures.

## 4) Disaggregation of Revenue

The following table displays revenue by reportable segment from external customers, disaggregated by major source. The Company believes disaggregating by these categories depicts how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

Three Months Ended August 31, 2024			
	Agricultural	Modular Buildings	Total
Farm equipment	\$ 2,367,000	\$ -	\$ 2,367,000
Farm equipment service parts	532,000	-	532,000
Modular buildings	-	2,776,000	2,776,000
Modular building lease income	-	56,000	56,000
Other	89,000	56,000	145,000
	\$ 2,988,000	\$ 2,888,000	\$ 5,876,000
Three Months Ended August 31, 2023			
	Agricultural	Modular Buildings	Total
Farm equipment	\$ 4,581,000	\$ -	\$ 4,581,000
Farm equipment service parts	846,000	-	846,000
Modular buildings	-	2,547,000	2,547,000
Modular building lease income	-	20,000	20,000
Other	103,000	20,000	123,000
	\$ 5,530,000	\$ 2,587,000	\$ 8,117,000
Nine Months Ended August 31, 2024			
	Agricultural	Modular Buildings	Total
Farm equipment	\$ 9,870,000	\$ -	\$ 9,870,000
Farm equipment service parts	1,674,000	-	1,674,000
Modular buildings	-	6,268,000	6,268,000
Modular building lease income	-	148,000	148,000
Other	235,000	134,000	369,000
	\$ 11,779,000	\$ 6,550,000	\$ 18,329,000
Nine Months Ended August 31, 2023			
	Agricultural	Modular Buildings	Total
Farm equipment	\$ 14,804,000	\$ -	\$ 14,804,000
Farm equipment service parts	2,255,000	-	2,255,000
Modular buildings	-	5,950,000	5,950,000
Modular building lease income	-	85,000	85,000
Other	284,000	51,000	335,000
	\$ 17,343,000	\$ 6,086,000	\$ 23,429,000

The Company offered floorplan terms in its Agricultural Products segment during its Fall of 2022 and 2023 early order program to incentivize customers to stock farm equipment on their lots for fiscal 2023 and fiscal 2024. Floorplan terms allow customers to pay the Company at the earliest of retail date or 180 days. This program has an effect on the timing of the Company's cash flows compared with historical cash flows.

On August 31, 2024, the Company had approximately \$ 341,000 in receivables on the floorplan program with a due date greater than 30 days compared to \$1,313,000 on August 31, 2023.

## 5) Accounts receivable

Accounts receivable are shown net of allowances for expected credit losses. Expected losses are recorded in administrative expense at the time of receivable recognition.

The activity related to expected credit losses for the nine months ended August 31, 2024 is as follows:

	Nine Months Ended (Continuing operations) August 31, 2024
Balance, beginning	\$ 32,137
Provision charged to expense	37,128
Less amounts charged-off	(12,619)
Balance, ending	<u>\$ 56,646</u>

The activity of allowance for doubtful accounts for activity for the nine months ended August 31, 2023 under legacy US GAAP is as follows:

	Nine Months Ended (Continuing operations) August 31, 2023
Balance, beginning	\$ 33,288
Provision charged to expense	1,419
Less amounts charged-off	-
Balance, ending	<u>\$ 34,707</u>

## 6) Contract Receivables, Contract Assets and Contract Liabilities

The following table provides information about contract receivables, contract assets, and contract liabilities from contracts with customers included on the Condensed Consolidated Balance Sheets.

	August 31, 2024	November 30, 2023
Receivables	\$ 2,943,000	\$ 3,432,000
Assets	26,000	289,000
Liabilities	2,685,000	767,000

The amount of revenue recognized in the first nine months of fiscal 2024 that was included in a contract liability on November 30, 2023 was approximately \$686,000 compared to \$1,153,000 in the same period of fiscal 2023. The beginning contract receivables, assets and liabilities on December 1, 2022 were approximately \$2,466,000; \$451,000 and \$1,153,000, respectively.

## 7) Net Income (Loss) Per Share of Common Stock

Basic net income (loss) per share of common stock has been computed on the basis of the weighted average number of common shares outstanding. Diluted net income (loss) per share has been computed on the basis of the weighted average number of common shares outstanding plus equivalent shares assuming exercise of stock options. Potential shares of common stock that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted net income (loss) per share.

Basic and diluted net income (loss) per share have been computed based on the following as of August 31, 2024 and August 31, 2023:

	<b>For the Three Months Ended</b>	
	<b>August 31, 2024</b>	<b>August 31, 2023</b>
Numerator for basic and diluted net income (loss) per share:		
Net income from continuing operations	\$ 2,230	\$ 240,873
Net loss from discontinued operations	(28,430)	(314,903)
Net loss	(26,200)	(74,030)
Denominator:		
For basic net income (loss) per share - weighted average common shares outstanding	5,071,512	5,009,041
Effect of dilutive stock options	-	-
For diluted net income (loss) per share - weighted average common shares outstanding	<u>5,071,512</u>	<u>5,009,041</u>
Net Income (loss) per share - Basic:		
Continuing Operations	\$ 0.00	\$ 0.05
Discontinued Operations	(0.01)	(0.06)
Net loss per share	<u>(0.01)</u>	<u>(0.01)</u>
Net Income (loss) per share - Diluted:		
Continuing Operations	\$ 0.00	\$ 0.05
Discontinued Operations	(0.01)	(0.06)
Net loss per share	<u>(0.01)</u>	<u>(0.01)</u>
	<b>For the Nine Months Ended</b>	
	<b>August 31, 2024</b>	<b>August 31, 2023</b>
Numerator for basic and diluted net income (loss) per share:		
Net income (loss) from continuing operations	\$ (426,657)	\$ 920,929
Net loss from discontinued operations	(97,895)	(346,084)
Net income (loss)	(524,552)	574,845
Denominator:		
For basic net income (loss) per share - weighted average common shares outstanding	5,054,092	5,000,185
Effect of dilutive stock options	-	-
For diluted net income (loss) per share - weighted average common shares outstanding	<u>5,054,092</u>	<u>5,000,185</u>
Net Income (Loss) per share - Basic:		
Continuing Operations	\$ (0.08)	\$ 0.18
Discontinued Operations	(0.02)	(0.07)
Net income (loss) per share	<u>(0.10)</u>	<u>0.11</u>
Net Income (Loss) per share - Diluted:		
Continuing Operations	\$ (0.08)	\$ 0.18
Discontinued Operations	(0.02)	(0.07)
Net income (loss) per share	<u>(0.10)</u>	<u>0.11</u>

## 8) Inventory

Major classes of inventory are:

	August 31, 2024	November 30, 2023
Raw materials	\$ 8,240,857	\$ 8,860,296
Work in process	185,311	281,760
Finished goods	4,181,654	3,472,354
Total Gross Inventory	\$ 12,607,822	\$ 12,614,410
Less: Reserves	(1,916,757)	(1,583,048)
Net Inventory	\$ 10,691,065	\$ 11,031,362

## 9) Accrued Expenses

Major components of accrued expenses are:

	August 31, 2024	November 30, 2023
Salaries, wages, and commissions	\$ 541,145	\$ 805,908
Accrued warranty expense	215,918	295,113
Other	348,311	298,211
Total accrued expenses	\$ 1,105,374	\$ 1,399,232

## 10) Assets Held for Lease

Major components of assets held for lease are:

	August 31, 2024	November 30, 2023
Modular Buildings	\$ 115,291	\$ 145,494
Total assets held for lease	\$ 115,291	\$ 145,494

There were approximately \$56,000 and \$148,000 of rents recognized from assets held for lease included in sales on the Condensed Consolidated Statements of Operations during the three and nine months ended August 31, 2024, respectively, compared to \$20,000 and \$85,000 for the same periods ending August 31, 2023.

The future minimum lease receipts for the years ended November 30 are as follows:

Year	Amount
2024	\$ 53,942
2025	70,036
	\$ 123,978

## 11) Product Warranty

The Company offers warranties of various lengths to its customers depending on the specific product and terms of the customer purchase agreement. The average length of the warranty period is one year from the date of purchase. The Company's warranties require it to repair or replace defective products during the warranty period at no cost to the customer. Product warranty is included in the price of the product and provides assurance that the product will function in accordance with agreed-upon specifications. It does not represent a separate performance obligation under ASC 606. The Company records a liability for estimated costs that may be incurred under its warranties. The costs are estimated based on historical experience and any specific warranty issues that have been identified. Although historical warranty costs have been within expectations, there can be no assurance that future warranty costs will not exceed historical amounts. The Company periodically assesses the adequacy of its recorded warranty liability and adjusts the balance as necessary. The accrued warranty balance is included in accrued expenses as shown in Note 9 "Accrued Expenses." Changes in the Company's product warranty liability for the three and nine months ended August 31, 2024 and August 31, 2023 are as follows:

Three Months Ended (Continuing Operations)			
	August 31, 2024	August 31, 2023	
Balance, beginning	\$ 196,668	\$ 252,444	
Provision charged to expense	71,426	114,074	
Less amounts charged-off	(52,176)	(102,485)	
Balance, ending	\$ 215,918	\$ 264,033	

  

Nine Months Ended (Continuing Operations)			
	August 31, 2024	August 31, 2023	
Balance, beginning	\$ 295,113	\$ 192,301	
Provision charged to expense	250,102	345,409	
Less amounts charged-off	(329,297)	(273,677)	
Balance, ending	\$ 215,918	\$ 264,033	

## 12) Loan and Credit Agreements

### Bank Midwest Revolving Lines of Credit and Term Loans

The Company maintains a \$5,500,000 revolving line of credit (the "Line of Credit") with Bank Midwest. On August 31, 2024, the balance of the Line of Credit was \$ 3,867,437 with \$ 1,632,563 remaining available, as may be limited by the borrowing base calculation. The Line of Credit borrowing base is an amount equal to 75% of accounts receivable balances (discounted for aged receivables), plus 50% of net inventory, less any outstanding loan balance on the Line of Credit. On August 31, 2024, the Line of Credit was not limited by the borrowing base calculation. Any unpaid principal amount borrowed on the Line of Credit accrues interest at a floating rate per annum equal to 0.75% above the Wall Street Journal rate published in the money rates section of the Wall Street Journal. The interest rate floor is set at 6.00% per annum and the current interest rate is 8.75% per annum. The Line of Credit was most recently renewed on March 4, 2024 with a maturity date of March 30, 2025 and requires monthly interest-only payments. The most recent renewal of the Line of Credit combined the previous Line of Credit and a Reserve Line of Credit and decreased the floating rate by 0.50%.

The Company carries a \$2,600,000 term loan with Bank Midwest due October 1, 2037 (the "Term Loan"), and a \$350,000 term loan (the "Roof Term Loan") due on May 15, 2027. The Term Loan interest rate accrues at a fixed rate of 7% based on prime plus 0.75%. The interest rate floor is set at 4.15% per annum and the interest rate may only be adjusted by Bank Midwest once every five years. Monthly payments of \$19,648 in principal and interest are required. The Term Loan is also guaranteed by the United States Department of Agriculture ("USDA"), which required an upfront guarantee fee of \$62,400 and requires an annual fee of 0.5% of the unpaid balance. As part of the USDA guarantee requirements, stockholders owning more than 20% are required to personally guarantee a portion of the Term Loan, in an amount equal to their stock ownership percentage. The J. Ward McConnell Jr. Living Trust, the estate of the former Vice Chairman of the Board of Directors and a stockholder owning more than 20% of the Company's outstanding stock, is guaranteeing approximately 38% of the Term Loan, for an annual fee of 2% of the personally guaranteed amount. The initial guarantee fee will be amortized over the life of the Term Loan, and the annual fees and personally guaranteed amounts are expensed monthly. The Term Loan is governed by the terms of a Promissory Note, dated September 28, 2017, entered into between the Company and Bank Midwest.

The Company entered into the Roof Term Loan of \$350,000 with Bank Midwest on May 17, 2022. The Roof Term Loan's proceeds were used to fix sections of the Armstrong facility's roof. The Roof Term Loan requires 59 regular payments of \$2,972 and an estimated balloon payment of \$269,517 on the maturity date of May 15, 2027. Any unpaid principal amount borrowed on the Roof Term Loan accrues interest at a rate of 7.0% per annum. The Roof Term Loan is governed by the terms of a Promissory Note, dated May 17, 2022, entered into between the Company and Bank Midwest and by a Change of Terms Agreement dated March 30, 2023 which fixed the interest rate terms of the original Promissory Note.

In connection with the Line of Credit, the Company, Art's-Way Scientific Inc. and Ohio Metal Working Products/Art's-Way Inc. each entered into a Commercial Security Agreement with Bank Midwest, dated September 28, 2017, pursuant to which each granted to Bank Midwest a first priority security interest in certain inventory, equipment, accounts, chattel paper, instruments, letters of credit and other assets to secure the obligations of the Company under the Line of Credit. Each of Art's-Way Scientific Inc. and Ohio Metal Working Products/Art's-Way Inc. also agreed to guarantee the obligations of the Company pursuant to the Line of Credit, as set forth in Commercial Guaranties, each dated September 28, 2017.

To further secure the Line of Credit, the Company granted Bank Midwest a mortgage on its Canton, Ohio property held by Ohio Metal Working Products/Art's-Way Inc. The Term Loan is secured by a mortgage on the Company's Armstrong, Iowa and Monona, Iowa properties. Each mortgage is governed by the terms of a separate Mortgage, dated September 28, 2017, and each property is also subject to a separate Assignment of Rents, dated September 28, 2017.

If the Company or its subsidiaries (as guarantors pursuant to the Commercial Guaranties) commits an event of default with respect to the promissory notes and fails or is unable to cure that default, Bank Midwest may immediately terminate its obligation, if any, to make additional loans to the Company and may accelerate the Company's obligations under the promissory notes. Bank Midwest shall also have all other rights and remedies for default provided by the Uniform Commercial Code, as well as any other applicable law and the various loan agreements. In addition, in an event of default, Bank Midwest may foreclose on the mortgaged property.

Compliance with Bank Midwest covenants is measured annually on November 30. The terms of the Bank Midwest loan agreements require the Company to maintain a minimum of \$4,000,000 of monthly working capital. Additionally, a maximum debt to worth ratio of 1 to 1 must be maintained, with a minimum of 40% tangible balance sheet equity, with variations subject to mutual agreement. The Company is also required to maintain a minimum debt service coverage ratio of 1.25, with a 0.10 tolerance. The Company also must receive bank approval for individual purchases or sales of equipment over \$100,000 and maintain reasonable salaries and owner compensation. The Company was out of compliance with its debt to worth ratio by fifteen percentage points on the Bank Midwest loans as of November 30, 2023. Bank Midwest issued a waiver forgiving the noncompliance, and in turn waived the event of default. In the March 2024 renewal Bank Midwest dropped the debt to worth ratio requirement going forward. The next measurement date is November 30, 2024 for all covenants except the monthly working capital requirement.

### SBA Economic Injury Disaster Loans

In June of 2020, the Company executed the standard loan documents required for securing loans offered by the U.S. Small Business Administration under its Economic Injury Disaster Loan ("EIDL") assistance program in light of the impact of the COVID-19 pandemic on the Company's business. Two loans were executed on June 18, 2020 with principal amounts of \$150,000 each, with a third loan being executed on June 24, 2020 with a principal amount of \$150,000. Proceeds from these EIDLs were used for working capital purposes. Interest accrues at the rate of 3.75% per annum and will accrue from the date of inception. Installment payments, including principal and interest, were due monthly beginning December 18, 2022 (thirty months from the date of the EIDLs) and December 24, 2022 in the amount of \$731 per EIDL. The balance of principal and interest is payable 30 years from the date of the EIDL. The EIDLs are secured by a security interest on all of the Company's assets subordinate to Bank Midwest's security interest. Each EIDL is governed by the terms of a separate Promissory Note, dated either June 18, 2020 or June 24, 2020, as applicable, entered into by the Company or the applicable subsidiary.

The Company will be required to pay the balance of the EIDL loan associated with the Tools segment upon liquidation of real estate and dissolution of the business. The principal balance of this loan was \$158,363 at August 31, 2024. The Company will also be required to pay off the balance of the Bank Midwest Roof Loan upon closing of the real estate sales the Tools segment. The principal balance of this loan at August 31, 2024 is \$327,849.

A summary of the Company's term debt is as follows:

	August 31, 2024	November 30, 2023
Bank Midwest loan payable in monthly installments of \$ 19,648 including interest at 7.00%, due October 1, 2037	2,013,149	2,080,718
Bank Midwest loan payable in monthly installments of \$ 2,972 including interest at 7.00%, due May 15, 2027	327,849	336,858
U.S. Small Business Administration loan payable in monthly installments of \$ 731 including interest at 3.75% beginning December 18, 2022, due June 18, 2050	158,363	160,583
U.S. Small Business Administration loan payable in monthly installments of \$ 731 including interest at 3.75% beginning December 18, 2022, due June 18, 2050	158,363	160,599
U.S. Small Business Administration loan payable in monthly installments of \$ 731 including interest at 3.75% beginning December 24, 2022, due June 24, 2050	158,483	160,896
Total term debt	\$ 2,816,207	\$ 2,899,654
Less term debt of discontinued operations	\$ (158,363)	(160,599)
Term debt, continuing operations	2,657,844	2,739,055
Less current portion of term debt	(114,537)	(109,193)
Term debt, excluding current portion	\$ 2,543,307	\$ 2,629,862

A summary of the minimum maturities of term debt follows for twelve month periods ending May 31, are as follows:

Year	Amount
2025	\$ 264,244
2026	\$ 113,364
2027	\$ 130,762
2028	\$ 421,447
2029	\$ 276,867
2030 and thereafter	\$ 1,609,523
	<u>\$ 2,816,207</u>

**13) Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating losses.

The Company has net operating losses and tax credits that are expected to offset any 2024 fiscal year tax liability and does not expect to have significant cash tax cost in the near future.

**14) Related Party Transactions**

During the three and nine months ended August 31, 2024, and August 31, 2023, the Company did not recognize any revenues from transactions with a related party, and no amounts in accounts receivable balances were due from a related party. From time to time, the Company purchases various supplies from related parties, which are companies in which Marc McConnell, the Chairman of the Company's Board of Directors, has an ownership interest and also serves as President. J. Ward McConnell Jr.'s estate, the J. Ward McConnell, Jr. Living Trust, is paid a monthly fee to guarantee a portion of the Company's term debt in accordance with the USDA guarantee obtained on the Company's term debt. In the three and nine months ended August 31, 2024, the Company recognized \$3,869 and \$11,549 of expense for transactions with related parties, respectively, compared to \$4,068 and \$12,131 for the three and nine months ended August 31, 2023. As of August 31, 2024, accrued expenses contained a balance of \$1,299 owed to a related party compared to \$1,357 on August 31, 2023.

**15) Leases**

The components of operating leases on the Condensed Consolidated Balance Sheets on August 31, 2024 and November 30, 2023 were as follows:

	<b>August 31, 2024</b>	<b>November 30, 2023</b>
Operating lease right-of-use assets (in other assets)	\$ 15,975	\$ 22,427
Current portion of operating lease liabilities (in accrued expenses)	\$ 8,966	\$ 8,653
Long-term portion of operating lease liabilities	7,009	13,774
Total operating lease liabilities	\$ 15,975	\$ 22,427

The components of finance leases on the Condensed Consolidated Balance Sheets on August 31, 2024 and November 30, 2023 were as follows:

	<b>August 31, 2024</b>	<b>November 30, 2023</b>
Finance lease right-of-use assets (net of amortization in other assets)	\$ 414,133	\$ 511,367
Current portion of finance lease liabilities	\$ 240,849	\$ 257,454
Long-term portion of finance lease liabilities	590,676	722,200
Total finance lease liabilities	\$ 831,525	\$ 979,654

**16) Equity Incentive Plan and Stock Based Compensation**

On February 25, 2020, the Board of Directors of the Company (the "Board") authorized and approved the Art's-Way Manufacturing Co., Inc. 2020 Equity Incentive Plan (the "2020 Plan"). The 2020 Plan was approved by the stockholders on April 30, 2020. The 2020 Plan replaced the Art's-Way Manufacturing Co., Inc. 2011 Equity Incentive Plan (the "2011 Plan") and prior plans. The 2020 Plan added an additional 500,000 shares to the number of shares reserved for issuance pursuant to equity awards. No further awards will be made under the 2011 Plan or other prior plans. Awards to directors and executive officers under the 2020 Plan are governed by the forms of agreement approved by the Board of Directors. Stock options or other awards granted prior to February 25, 2020 are governed by the applicable prior plan and the forms of agreement adopted thereunder.

The 2020 Plan permits the plan administrator to award nonqualified stock options, incentive stock options, restricted stock awards, restricted stock units, performance awards, and stock appreciation rights to employees (including officers), directors, and consultants. The Board has approved a director compensation policy pursuant to which non-employee directors are automatically granted restricted stock awards of 1,000 shares of fully vested common stock annually or initially upon their election to the Board and another 1,000 shares of fully vested common stock on the last business day of each fiscal quarter.

Shares issued under the 2020 Plan for the three and nine months ended August 31, 2024 and 2023 are as follows:

	<b>For the Three Months Ended</b>	
	<b>August 31, 2024</b>	<b>August 31, 2023</b>
Shares issued to directors (immediate vesting)	5,000	5,000
Shares issued to directors, employees, and consultants (three year vesting)	-	-
<b>Total shares issued</b>	<b>5,000</b>	<b>5,000</b>

  

	<b>For the Nine Months Ended</b>	
	<b>August 31, 2024</b>	<b>August 31, 2023</b>
Shares issued to directors (immediate vesting)	20,000	20,000
Shares issued to directors, employees, and consultants (three year vesting)	69,000	82,250
Unvested shares forfeited upon termination	(6,750)	(13,999)
<b>Total shares issued</b>	<b>82,250</b>	<b>88,251</b>

**17) Disclosures About the Fair Value of Financial Instruments**

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties. On August 31, 2024 and November 30, 2023, the carrying amount approximated fair value for cash, accounts receivable, accounts payable, notes payable to bank, finance lease liabilities and other current and long-term liabilities. The carrying amounts of current assets and liabilities approximate fair value because of the short maturity of these instruments. The fair value of the finance lease liabilities also approximate recorded value as that is based on discounting future cash flows at rates implicit in the lease. The rates implicit in the lease do not materially differ from current market rates. The fair value of the Company's term loans payable also approximates recorded value because the interest rates charged under the loan terms are not substantially different from current interest rates.



## 18) Segment Information

As of August 31, 2024, the Company has two reportable segments: Agricultural Products and Modular Buildings. The Agricultural Products segment manufactures and sells farm equipment and related replacement parts under the Art's-Way Manufacturing label. The Modular Buildings segment manufactures and installs modular buildings for various uses, commonly animal containment and research laboratories.

The accounting policies applied to determine the segment information are the same as those described in the summary of significant accounting policies. Management evaluates the performance of each segment based on profit or loss from operations before income taxes, exclusive of nonrecurring gains and losses.

Approximate financial information with respect to the reportable segments is as follows.

Three Months Ended August 31, 2024			
	Agricultural Products	Modular Buildings	Consolidated (Continuing Operations)
Revenue from external customers	\$ 2,988,000	\$ 2,888,000	\$ 5,876,000
Gross profit	814,000	886,000	1,700,000
Operating Expense	1,287,000	259,000	1,546,000
Income (loss) from operations	(472,000)	626,000	154,000
Income (loss) before tax	(618,000)	618,000	-
Total Assets	19,311,000	3,136,000	22,447,000
Capital expenditures	50,000	52,000	102,000
Depreciation & Amortization	\$ 163,000	\$ 66,000	\$ 229,000

  

Three Months Ended August 31, 2023			
	Agricultural Products	Modular Buildings	Consolidated (Continuing Operations)
Revenue from external customers	\$ 5,530,000	\$ 2,587,000	\$ 8,117,000
Gross profit	1,437,000	864,000	2,301,000
Operating Expense	1,545,000	288,000	1,833,000
Income (loss) from operations	(108,000)	576,000	468,000
Income (loss) before tax	(264,000)	569,000	305,000
Total Assets	20,515,000	3,473,000	23,988,000
Capital expenditures	-	1,000	1,000
Depreciation & Amortization	\$ 126,000	\$ 65,000	\$ 191,000

  

Nine Months Ended August 31, 2024			
	Agricultural Products	Modular Buildings	Consolidated (Continuing Operations)
Revenue from external customers	\$ 11,779,000	\$ 6,550,000	\$ 18,329,000
Gross profit	3,278,000	1,802,000	5,080,000
Operating Expense	4,336,000	802,000	5,138,000
Income (loss) from operations	(1,057,000)	999,000	(58,000)
Income (loss) before tax	(1,516,000)	973,000	(543,000)
Total Assets	19,311,000	3,136,000	22,447,000
Capital expenditures	438,000	176,000	614,000
Depreciation & Amortization	\$ 472,000	\$ 192,000	\$ 664,000

  

Nine Months Ended August 31, 2023			
	Agricultural Products	Modular Buildings	Consolidated (Continuing Operations)
Revenue from external customers	\$ 17,343,000	\$ 6,086,000	\$ 23,429,000
Gross profit	5,100,000	1,571,000	6,671,000
Operating Expense	4,390,000	836,000	5,226,000
Income from operations	710,000	735,000	1,445,000
Income before tax	340,000	826,000	1,166,000
Total Assets	20,515,000	3,473,000	23,988,000
Capital expenditures	447,000	122,000	569,000
Depreciation & Amortization	\$ 376,000	\$ 223,000	\$ 599,000

\*The consolidated total in the tables is a sum of segment figures and may not tie to actual figures in the condensed consolidated financial statements due to rounding.

## 19) Subsequent Events

Management evaluated all other activity of the Company and concluded that no subsequent events have occurred that would require recognition in the condensed consolidated financial statements.

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

### Forward-Looking Statements

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q (this "report") and the audited consolidated financial statements and related notes thereto included in Part II, Item 8, "Financial Statements and Supplementary Data," as well as Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," of our Annual Report on Form 10-K for the fiscal year ended November 30, 2023. Some of the statements in this report may be forward-looking statements that reflect our current view on future events, future business, industry and other conditions, our future performance, and our plans and expectations for future operations and actions. In some cases you can identify forward-looking statements by the use of words such as "may," "should," "anticipate," "believe," "expect," "plan," "future," "intend," "could," "estimate," "predict," "hope," "potential," "continue," or the negative of these terms or other similar expressions. Many of these forward-looking statements are located in this report under Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," but they may appear in other sections as well. Forward-looking statements in this report generally relate to: (i) our expectations with respect to order backlog, future demand for products, expected product mix and resulting sales; (ii) our beliefs regarding the sufficiency of working capital and cash flows; (iii) our expectation that we will continue to be able to renew or obtain financing on reasonable terms when necessary as well as our continued positive relationship with our creditors and lenders; (iv) our beliefs regarding production capabilities; (v) our intentions and beliefs relating to our costs, business strategies, and future performance, including without limitation, the impact of cost cutting measures, process improvement measures and new product development; (vi) our beliefs regarding the impact and potential actions with respect to discontinuing our Tools segment, including without limitation, potential cash that may be generated by the sale of related real estate and other assets and our belief that Modular and Agricultural Products present greater opportunity for long-term stockholder returns in comparison to our discontinued Tools segment; (vii) our beliefs regarding our early order program providing a picture of future demand; (viii) our expected financial results, including without limitation, our expected results for the Modular and Agricultural Products segments; and (ix) our expectations regarding receiving Employer Retention Credit Refunds; and (x) our expectations concerning our primary capital and cash flow needs.

You should read this report thoroughly with the understanding that our actual results may differ materially from those set forth in the forward-looking statements for many reasons, including events beyond our control and assumptions that prove to be inaccurate or unfounded. We cannot provide any assurance with respect to our future performance or results. Our actual results or actions could and likely will differ materially from those anticipated in the forward-looking statements for many reasons, including but not limited to: (i) the impact of changing credit markets on our ability to continue to obtain financing on reasonable terms; (ii) our ability to repay current debt, continue to meet debt obligations and comply with financial covenants; (iii) the effect of inflation as well as general economic conditions, including consumer and governmental spending, on the demand for our products and the cost of our supplies and materials; (iv) impacts caused by fluctuating commodity prices and fluctuating farm income; (v) fluctuations in seasonal demand and our production cycle; (vi) the ability of our suppliers to meet our demands for raw materials and component parts; (vii) fluctuations in the price of raw materials, especially steel; (viii) our ability to predict and meet the demands of each market in which our segments operate; (ix) fluctuating demand for commercial real estate and the assets we are liquidating as part of closing our Tools segment; (x) other factors described from time to time in our Securities and Exchange Commission filings. We do not intend to update the forward-looking statements contained in this report other than as required by law. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this report. You should read this report and the documents that we reference in this report and have filed as exhibits completely and with the understanding that our actual future results may be materially different from what we currently expect. We qualify all of our forward-looking statements by these cautionary statements.

### Critical Accounting Policies

Our critical accounting policies involving the more significant judgments and assumptions used in the preparation of our financial statements as of August 31, 2024 remain unchanged from November 30, 2023. Disclosure of these critical accounting policies is incorporated by reference from Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the fiscal year ended November 30, 2023.

## Results of Operations

### *Net Sales and Cost of Sales*

Our consolidated corporate sales from continuing operations for the three- and nine-month periods ended August 31, 2024 were \$ 5,876,000 and \$18,329,000 compared to \$8,117,000 and \$23,429,000 during the same respective periods in fiscal 2023, a \$2,241,000, or 27.6%, decrease for the comparative three months and a decrease of \$5,100,000, or 21.8%, for the comparative nine months. Consolidated gross margin for the three and nine months ended August 31, 2024 was 28.9% and 27.7% compared to 28.3% and 28.5% for the same periods in fiscal 2023.

Our third quarter sales in our Agricultural Products segment were \$2,988,000 compared to \$5,530,000 during the same period of fiscal 2023, a decrease of \$2,542,000, or 46.0%. For the nine months ended August 31, 2024, our Agricultural Products segment sales were \$11,779,000 compared to \$17,343,000, during the same period of 2023, a decrease of \$5,564,000, or 32.1%. In February of 2024, the US Department of Agriculture reported a 25% expected decline in farm income levels for 2024 due to weaker row crop prices and expected increases in production expenses. Our sales year to date have fallen in line with the USDA's early sentiments on projected farm income. In September 2024, the USDA revised their projection to an expected 9.6% decrease in net farm income. This number is propped up by large feedlot operations where livestock prices remain above the five-year average and in general animal/animal product cash receipts are expected to be up 7.1% from 2023. Incoming whole good orders remained scarce in the third quarter of fiscal 2024 as row crop prices, including corn, soybeans and wheat, were down 18-24% from the five-year average. Sugar prices remain around 8% above the five-year average as of this report, but the overall agriculture economy sentiment is negative. High interest rates continue to put pressure on farmer's bottom lines, are prohibitive to equipment financing arrangements and floorplan programs. We enacted initial cost cutting measures in the first quarter of fiscal 2024 to partially mitigate the effect on cash flow from decreased sales, including layoffs of non-production employees and offering early retirement incentives to employees at retirement age. We also entered the Iowa Work Force Development's voluntary workshare program in April 2024, which eliminates the need for additional production layoffs by allowing us to cut employee's hours while employees receive unemployment benefits for lost hours. We remain focused on trimming operating expenses and reducing overall inventory while remaining efficient in our production process. From a sales standpoint, we continue to work with dealers to help move field inventory to generate more sales opportunities for our products. We are targeting new dealer acquisitions to penetrate geographic markets in which we lack a substantial presence. Gross margin for our Agricultural Products segment for the three-month and nine-month periods ended August 31, 2024 was 27.2% and 27.8%, respectively, compared to 26.0% and 29.4% for the same periods in fiscal 2023. We primarily attribute our year to date gross margin decrease to the decrease in sales, which have diminished our economies of scale, but also our margins are burdened by inflationary price increases in supplies used in manufacturing and health and general insurance costs. We expect a continued focus on driving overheads costs down for the remainder of fiscal 2024 and fiscal 2025.

Our third quarter sales in our Modular Buildings segment were \$2,888,000 compared to \$2,587,000 for the same period in fiscal 2023, an increase of \$301,000, or 11.6%. For the nine months ended August 31, 2024, our Modular Buildings sales were \$6,550,000, compared to \$6,086,000 for the same period of fiscal 2023, an increase of \$464,000, or 7.6%. Two large research projects are driving the sales increase for the three- and nine- month periods. We expect a strong finish to fiscal 2024 as we expect to close out one of the two large research products in the fourth quarter. Gross margin in the Modular Buildings segment for the three- and nine-month periods ended August 31, 2024 was 30.7% and 27.5%, respectively, compared to 33.4% and 25.8% for the same respective periods in fiscal 2023. The Modular Buildings segment typically sees higher margins on research projects, which made up the majority of our revenue for the first nine months of fiscal 2024, compared to a higher percentage of agricultural buildings in fiscal 2023. This, coupled with increased billing rates, has led to improved margins in this segment over the last 24 months.

### *Expenses*

Consolidated selling expenses from continuing operations for the three months ended August 31, 2024 were \$381,000, compared to \$566,000 for the same period in fiscal 2023. Our consolidated selling expenses from continuing operations for the nine months ended August 31, 2024 were \$1,241,000, compared to \$1,609,000 for the same period in fiscal 2023, a decrease of \$368,000, or 22.9%. The decrease in selling expenses is related mainly to decreases in commission expense. Decreased sales in the Agricultural Products segment and the addition of an inside salesperson contributed to the decrease in commission expense. Our Modular Buildings segment also utilizes commissions on agricultural building sales and we saw a significant decrease in these sales comparatively. Selling expenses as a percentage of sales was 6.8% for the nine months ended August 31, 2024 compared to 6.9% for nine months ended August 31, 2023.

Consolidated engineering expenses from continuing operations were \$79,000 and \$346,000 for the three- and nine-month periods ended August 31, 2024, respectively, compared to \$171,000 and \$439,000 for the same periods in fiscal 2023. The decrease in engineering expenses is related to budget cuts made at the beginning of fiscal 2024. Engineering expenses as a percentage of sales were 1.9% for the nine months ended August 31, 2024, compared to 1.9% for the same respective periods in fiscal 2023.

Consolidated administrative expenses from continuing operations for the three- and nine-month periods ended August 31, 2024 were \$1,087,000 and \$3,550,000, respectively, compared to \$1,095,000 and \$3,178,000 for the same respective period in fiscal 2023. Administrative expenses as a percentage of sales were 19.4% for the nine months ended August 31, 2024, compared to 13.6% for the same respective period in fiscal 2023. Administrative expenses increased year on year primarily due to the addition of skilled staff in accounting and human resources. We also paid out approximately \$188,000 of early retirement incentives for employees of retirement age that retired mid-March of 2024. The retirement incentive was offered to help right-size our workforce. We also saw increased information technology costs year on year from rising prices and the amortization of our cloud computing arrangement implementation which will be fully amortized after the second quarter of fiscal 2025.

### *Net income (loss) from continuing operations*

Consolidated net income from continuing operations was \$2,000 for the three-month period ended August 31, 2024, compared to net income of \$241,000 for the same period in fiscal 2023. For the nine months ended August 31, 2024, our consolidated net loss was \$427,000 compared to net income of \$921,000 for the same period of fiscal 2023. While we had positive operating income from continuing operations for the second straight fiscal quarter, high interest rates have put strain on our bottom line in fiscal 2024. We expect it may be another twelve months before we see some sales stabilization in the Agricultural Products segment due to ongoing market conditions. Inventory reduction, debt retirement and cost cutting to maximize cash flow will be key over the next 18 months to weather the current conditions. The Modular Buildings segment recorded revenue increases and profitability for both the three and nine months ended August 31, 2024. We anticipate continued positive performance from this segment for the remainder of fiscal 2024 as we close out current backlog.

### *Order Backlog*

The consolidated order backlog net of discounts for continuing operations as of October 3, 2024 was \$5,600,000 compared to \$5,605,000 as of October 3, 2023, a 0.1% decrease. The Agricultural Products segment order backlog was \$708,000 as of October 3, 2024 compared to \$4,143,000 in fiscal 2023, an 82.9% decrease. Expected decreases in net farm income from struggling row crop prices coupled with high interest rates in fiscal 2024 has suppressed demand for agricultural products across the North American market. We expect future rate cuts to have a positive effect on the agriculture equipment market and expect a period of maybe 6 to 12 months where incoming orders remain slow while existing inventory is consumed from dealer lots. As of the date of this report we are in the first phase of our early order program. We will have a better gauge on how fiscal 2025 is going to shape up once our early order program expires. The backlog for the Modular Buildings segment was \$4,892,000 as of October 3, 2024, compared to \$1,462,000 in fiscal 2023, an 234.6% increase. We continue to see strong demand for research-type modulars in our Modular Buildings segment as we progress through the fourth quarter of fiscal 2024. We have also noticed an uptick in Agricultural modular building demand in the past 30 days or so. Our order backlog is not necessarily indicative of future revenue to be generated from such orders due to the possibility of order cancellations and dealer discount arrangements we may enter into from time to time.

### **Liquidity and Capital Resources**

Our primary source of funds for the nine months ended August 31, 2024 was cash generated by operating activities bolstered by contracts in progress in the Modular Buildings segment. Favorable billing terms have allowed us to stay cash positive while we complete large research projects we have under contract. Our inventory levels at November 30, 2023 were heightened compared to recent history and the reduction of those inventory levels over the nine months ended August 31, 2024 generated positive cash for us. We also carried over close to \$1.9 million in accounts receivable from floorplan sales in our Agricultural Products segment at the end of fiscal 2023 that provided a strong cash influx over the first nine months of fiscal 2024. A large reduction in accounts payable was our biggest cash outflow for the first nine months of fiscal 2024. The heightened inventory balance at November 30 coupled with reduced inventory spending drove this decrease. For the remainder of fiscal 2024, we expect our primary sources of cash to be collection of receivables and inventory reduction activities. While we are over billed in our Modular Buildings contracts, close to \$1 million of these billings are still in accounts receivable. We expect our construction contracts cash in and outflows to be close to even for the remainder of the fiscal year while operating expenses and retirement of debt will be our biggest cash consumption activities. The sale of real estate of our Tools segment in October 2024 for \$1.8 million should net close to \$1.7 million in cash after closing expenses. We expect to retire short and long-term debt with the proceeds. We also expect \$1.2 million of net Employer Retention Credit refunds to provide a material inflow of cash, although the timing of this transaction is unknown.

We have \$5,500,000 on a revolving line of credit with Bank Midwest that, as of August 31, 2024, had an outstanding principal balance of \$3,867,437. This line of credit was renewed on March 4, 2024 and is scheduled to mature on March 30, 2025.

We believe our current financing arrangements will provide sufficient cash to finance operations and pay debt when due during the next twelve months. We expect to continue to be able to procure financing upon reasonable terms.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

As a smaller reporting company, we are not required to provide disclosure pursuant to this item.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

The persons serving as our principal executive officer and principal financial officer have evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period subject to this report. Based on this evaluation, the persons serving as our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of August 31, 2024. Our management has concluded that the consolidated financial statements included in this report present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal controls over financial reporting that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

**PART II – OTHER INFORMATION****Item 1. Legal Proceedings.**

We are currently not a party to any material pending legal proceedings.

**Item 1A. Risk Factors.**

As a smaller reporting company, we are not required to provide disclosure pursuant to this item.

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

The following table presents the information with respect to purchases made by us of our common stock during the third quarter of fiscal 2024:

	<b>Total Number of Shares Purchased (1)</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as part of Publicly Announced Plans or Programs</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs</b>
June 1 to June 30, 2024	-	\$ -	N/A	N/A
July 1 to July 31, 2024	-	\$ -	N/A	N/A
August 1 to August 31, 2024	-	\$ -	N/A	N/A
Total	-	\$ -	-	-

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
3.1	<a href="#">Conformed Certificate of Incorporation of Art's-Way Manufacturing Co., Inc. – incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2020.</a>
3.2	<a href="#">Conformed Bylaws of Art's-Way Manufacturing Co., Inc.– incorporated by reference to Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended November 30, 2020.</a>
31.1	<a href="#">Certificate of Chief Executive Officer pursuant to 17 CFR 13a-14(a) – filed herewith.</a>
31.2	<a href="#">Certificate of Chief Financial Officer pursuant to 17 CFR 13a-14(a) – filed herewith.</a>
32.1	<a href="#">Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 - filed herewith.</a>
32.2	<a href="#">Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 - filed herewith.</a>
101	The following materials from this report, formatted in iXBRL (Inline Extensible Business Reporting Language) are filed herewith: (i) condensed consolidated balance sheets, (ii) condensed consolidated statement of operations, (iii) condensed consolidated statements of cash flows, and (iv) the notes to the condensed consolidated financial statements.
104	Cover Page Interactive Data File (embedded within the 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.

ART'S-WAY MANUFACTURING CO., INC.

Date: October 10, 2024

By: /s/ Marc H. McConnell  
Marc H. McConnell  
President, Chief Executive Officer and  
Chairman

Date: October 10, 2024

By: /s/ Michael W. Woods  
Michael W. Woods  
Chief Financial Officer

**CERTIFICATION PURSUANT TO 17 CFR 240.13(a)-14(a)  
(SECTION 302 CERTIFICATION)**

I, Marc H. McConnell, certify that:

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

ART'S-WAY MANUFACTURING CO., INC.

Date: October 10, 2024

/s/ Marc H. McConnell

Marc H. McConnell

President, Chief Executive Officer and Chairman



**CERTIFICATION PURSUANT TO 17 CFR 240.13(a)-14(a)  
(SECTION 302 CERTIFICATION)**

I, Michael W. Woods, certify that:

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

ART'S-WAY MANUFACTURING CO., INC.

Date: October 10, 2024

/s/ Michael W. Woods  
Michael W. Woods  
Chief Financial 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 on Form 10-Q of Art's-Way Manufacturing Co., Inc. (the "Company") for the fiscal quarter ended August 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc H. McConnell, as the President, Chief Executive Officer and Chairman of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 10, 2024

/s/ Marc H. McConnell

Marc H. McConnell

President, Chief Executive Officer and Chairman

**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 on Form 10-Q of Art's-Way Manufacturing Co., Inc. (the "Company") for the fiscal quarter ended August 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael W. Woods, as the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

3. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
4. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 10, 2024

/s/ Michael W. Woods

Michael W. Woods  
Chief Financial Officer