REFINITIV

DELTA REPORT

10-Q

PPIH - PERMA-PIPE INTERNATIONAL

10-Q - APRIL 30, 2024 COMPARED TO 10-Q - OCTOBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1302
CHANGES	262
DELETIONS	549
ADDITIONS	491

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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 31, 2023 April 30, 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 No. 001-32530

Perma-Pipe International Holdings, Inc.
(Exact name of registrant as specified in its charter)
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Delaware	36-3922969
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
24900 Pitkin Road, Suite 309, Spring, Texas	77386
(Address of principal executive offices)	(Zip Code)

(847) 966-1000
(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, $.01 par value per share	PPIH	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 ☒

On December 8, 2023, June 13, 2024, there were 8,063,501 8,017,981 shares of the registrant's common stock outstanding.

Perma-Pipe International Holdings, Inc.

FORM 10-Q

For the fiscal quarter ended October 31, 2023 April 30, 2024

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

PERMA-PIPE INTERNATIONAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,		Three Months Ended April 30,	
	2023	2022	2023	2022	2024	2023
Net sales	$ 45,690	$ 37,903	$ 110,489	$ 106,128	$ 34,321	$ 29,657
Cost of sales	32,506	26,773	81,065	78,063	23,804	22,883
Gross profit	13,184	11,130	29,424	28,065	10,517	6,774
Operating expenses						
General and administrative expenses	5,674	5,284	16,417	16,180	6,148	5,460
Selling expenses	1,471	1,310	4,201	3,863	1,235	1,239
Total operating expenses	7,145	6,594	20,618	20,043	7,383	6,699
Income from operations	6,039	4,536	8,806	8,022	3,134	75
Interest expense	640	717	1,788	1,585	507	512
Other expense	(502)	(948)	(350)	(963)		

Income before income taxes	4,897	2,871	6,668	5,474		
Other (expense) income					(67)	72
Income (loss) before income taxes					2,560	(365)
Income tax expense	1,533	1,143	3,257	2,763	770	758
Net income	3,364	1,728	3,411	2,711		
Net income (loss)					1,790	(1,123)
Less: Net income attributable to non-controlling interest	1,429	-	1,577	-	347	-
Net income attributable to common stock	$ 1,935	$ 1,728	$ 1,834	$ 2,711		
Net income (loss) attributable to common stock					$ 1,443	$ (1,123)
Weighted average common shares outstanding						
Basic	7,955	8,004	7,996	8,096	7,906	8,004
Diluted	8,021	8,146	8,106	8,238	8,056	8,004
Earnings per share attributable to common stock						
Basic	$ 0.24	$ 0.22	$ 0.23	$ 0.33	$ 0.18	$ (0.14)
Diluted	$ 0.24	$ 0.21	$ 0.23	$ 0.33	$ 0.18	$ (0.14)

See accompanying notes to consolidated financial statements.

PERMA-PIPE INTERNATIONAL HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended October 31,		Nine Months Ended October 31,		Three Months Ended April 30,	
	2023	2022	2023	2022	2024	2023
Net income	$ 3,364	$ 1,728	$ 3,411	$ 2,711		
Net income (loss)					$ 1,790	$ (1,123)
Other comprehensive income (loss)						
Foreign currency translation adjustments, net of tax	(2,035)	(2,735)	(2,133)	(4,122)	(1,415)	(437)
Minimum pension liability adjustment, net of tax	-	1,247	-	1,247		
Comprehensive income (loss)	$ 1,329	$ 240	$ 1,278	$ (164)	$ 375	$ (1,560)

Less: Comprehensive income attributable to non-controlling interests	1,429	-	1,577	-	347	-
Total comprehensive (loss) income attributable to common stock	$ (100)	$ 240	$ (299)	$ (164)		
Total comprehensive income (loss) attributable to common stock					$ 28	$ (1,560)

See accompanying notes to consolidated financial statements.

PERMA-PIPE INTERNATIONAL HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	October 31, 2023 (Unaudited)	January 31, 2023	April 30, 2024 (Unaudited)	January 31, 2024
ASSETS				
Current assets				
Cash and cash equivalents	$ 6,021	$ 5,773	$ 7,674	$ 5,845
Restricted cash	1,387	1,020	1,390	1,395
Trade accounts receivable, less allowance for credit losses of $574 at October 31, 2023 and $612 at January 31, 2023	47,095	42,010		
Trade accounts receivable, less allowance for credit losses of $644 at April 30, 2024 and $699 at January 31, 2024			44,276	46,646
Inventories	16,052	14,738	15,408	15,541
Prepaid expenses and other current assets	7,316	7,357	12,223	9,697
Unbilled accounts receivable	14,320	11,634	15,718	16,597
Costs and estimated earnings in excess of billings on uncompleted contracts	2,462	3,126	2,302	3,097
Total current assets	94,653	85,658	98,991	98,818
Long-term assets				
Property, plant and equipment, net of accumulated depreciation	35,851	26,518	38,211	37,620
Operating lease right-of-use asset	6,376	4,527	6,165	6,467
Deferred tax assets	639	696	8,160	7,919
Goodwill	2,152	2,227	2,172	2,222
Other long-term assets	4,534	3,340	3,464	2,665
Total long-term assets	49,552	37,308	58,172	56,893
Total assets	$ 144,205	$ 122,966	$ 157,163	$ 155,711
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities				
Trade accounts payable	$ 26,104	$ 14,754	$ 24,672	$ 25,323
Accrued compensation and payroll taxes	1,551	1,179	1,752	1,214
Commissions and management incentives payable	4,546	4,764	4,967	4,523
Revolving line - North America	6,702	4,387	5,312	5,519
Current maturities of long-term debt	7,132	6,227	6,099	4,071
Customers' deposits	3,220	1,951	5,285	4,264
Operating lease liability short-term	920	912	845	914
Other accrued liabilities	3,076	5,549	7,628	9,039

Billings in excess of costs and estimated earnings on uncompleted contracts	904	1,743	891	495
Income taxes payable	3,383	2,324	1,959	2,380
Total current liabilities	57,538	43,790	59,410	57,742
Long-term liabilities				
Long-term debt, less current maturities	4,158	4,389	4,069	4,229
Long-term finance obligation	9,114	9,215	8,982	9,035
Deferred compensation liabilities	1,142	1,608	1,031	1,212
Deferred tax liabilities	976	909	993	1,217
Operating lease liability long-term	6,143	4,252	6,032	6,270
Related party loan	2,753	-		
Loan payable to GIG			2,753	2,753
Other long-term liabilities	1,252	1,019	1,313	1,275
Total long-term liabilities	25,538	21,392	25,173	25,991
Non-controlling interest	4,156	-	7,033	6,266
Commitments and contingencies				
Stockholders' equity				
Common stock, $.01 par value, authorized 50,000 shares; 7,951 issued and outstanding at October 31, 2023 and 8,004 at January 31, 2023	80	80		
Common stock, $.01 par value, authorized 50,000 shares; 8,018 issued and outstanding at April 30, 2024 and 8,017 at January 31, 2024			80	80
Additional paid-in capital	62,991	62,562	59,870	60,063
Treasury stock, 109 shares at October 31, 2023 and 3 shares at January 31, 2023	(967)	(26)		
Treasury stock, 112 shares at April 30, 2024 and January 31, 2024			(968)	(968)
Retained earnings	3,451	1,617	13,531	12,088
Accumulated other comprehensive loss	(8,582)	(6,449)	(6,966)	(5,551)
Total stockholders' equity	56,973	57,784	65,547	65,712
Total liabilities and stockholders' equity	$ 144,205	$ 122,966	$ 157,163	$ 155,711

See accompanying notes to consolidated financial statements.

PERMA-PIPE INTERNATIONAL HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share data)

(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Total stockholders' equity at January 31, 2023	$ 80	$ 62,562	$ 1,617	$ (26)	$ (6,449)	$ 57,784						

Net loss	-	-	(1,123)	-	-	(1,123)						
Stock-based compensation expense	-	229	-	-	-	229						
Foreign currency translation adjustment	-	-	-	-	(437)	(437)						
Total stockholders' equity at April 30, 2023	$ 80	$ 62,791	$ 494	$ (26)	$ (6,886)	$ 56,453						
Total stockholders' equity at January 31, 2024							$ 80	$ 60,063	$ 12,088	$ (968)	$ (5,551)	$ 65,712
Net income	-	-	1,022	-	-	1,022	-	-	1,443	-	-	1,443
Common stock issued under stock plans, net of shares used for tax withholding	-	(274)	-	-	-	(274)						
Repurchase of common stock	1	-	-	(312)	-	(311)						
Stock-based compensation expense	-	245	-	-	-	245	-	228	-	-	-	228
Amount attributable to non-controlling interest							-	(421)	-	-	-	(421)
Foreign currency translation adjustment	-	-	-	-	339	339	-	-	-	-	(1,415)	(1,415)
Total stockholders' equity at July 31, 2023	$ 81	$ 62,762	$ 1,516	$ (338)	$ (6,547)	$ 57,474						
Total stockholders' equity at April 30, 2024							$ 80	$ 59,870	$ 13,531	$ (968)	$ (6,966)	$ 65,547

Net income	-	-	1,935	-	-	1,935
Repurchase of common stock	(1)	-	-	(629)	-	(630)
Stock-based compensation expense	-	229	-	-	-	229
Foreign currency translation adjustment	-	-	-	-	(2,035)	(2,035)
Total stockholders' equity at October 31, 2023	$ 80	$ 62,991	$ 3,451	$ (967)	$ (8,582)	$ 56,973

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Total stockholders' equity at January 31, 2022	$ 82	$ 61,766	$ (2,295)	$ (1,992)	$ (3,104)	$ 54,457
Net loss	-	-	(885)	-	-	(885)
Common stock issued under stock plans, net of shares used for tax withholding	-	16	-	-	-	16
Stock-based compensation expense	-	236	-	-	-	236
Foreign currency translation adjustment	-	-	-	-	(932)	(932)
Total stockholders' equity at April 30, 2022	$ 82	$ 62,018	$ (3,180)	$ (1,992)	$ (4,036)	$ 52,892
Net income	-	-	1,868	-	-	1,868
Common stock issued under stock plans, net of shares used for tax withholding	-	(247)	-	-	-	(247)
Repurchase of common stock	-	-	-	(43)	-	(43)
Retirement of treasury stock	(2)	-	(2,033)	2,035	-	-
Stock-based compensation expense	-	284	-	-	-	284
Foreign currency translation adjustment	-	-	-	-	(455)	(455)
Total stockholders' equity at July 31, 2022	$ 80	$ 62,055	$ (3,345)	$ -	$ (4,491)	$ 54,299
Net income	-	-	1,728	-	-	1,728
Common stock issued under stock plans, net of shares used for tax withholding	-	9	-	-	-	9
Stock-based compensation expense	-	243	-	-	-	243
Pension liability	-	-	-	-	1,247	1,247
Foreign currency translation adjustment	-	-	-	-	(2,735)	(2,735)
Total stockholders' equity at October 31, 2022	$ 80	$ 62,307	$ (1,617)	$ -	$ (5,979)	$ 54,791

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Total stockholders' equity at January 31, 2023	$ 80	$ 62,562	$ 1,617	$ (26)	$ (6,449)	$ 57,784
Net loss	-	-	(1,123)	-	-	(1,123)
Stock-based compensation expense	-	229	-	-	-	229
Foreign currency translation adjustment	-	-	-	-	(437)	(437)
Total stockholders' equity at April 30, 2023	$ 80	$ 62,791	$ 494	$ (26)	$ (6,886)	$ 56,453

Shares	2023	2022	2024	2023
Balances at beginning of year	8,007,002	8,151,754	8,016,781	8,007,002
Treasury stock retired	-	(4,887)	-	-
Shares issued, net of shares used for tax withholding	56,499	94,416	1,200	66,726
Prior period adjustments	-	(234,281)	-	(56,947)
Balances at period end	8,063,501	8,007,002	8,017,981	8,016,781

See accompanying notes to consolidated financial statements.

PERMA-PIPE INTERNATIONAL HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended October 31,		Three Months Ended April 30,	
	2023	2022	2024	2023
Operating activities				
Net income	$ 3,411	$ 2,711		
Adjustments to reconcile net income to net cash provided by (used in) operating activities				
Net income (loss)			$ 1,790	$ (1,123)
Adjustments to reconcile net income (loss) to net cash provided by operating activities				
Depreciation and amortization	2,774	2,781	829	915
Deferred tax expense	145	358		
Deferred tax (benefit) expense			(269)	77
Stock-based compensation expense	686	763	228	229
Non-cash pension termination expense	-	813		
Provision on uncollectible accounts	(37)	20	(26)	26
(Loss) gain from disposal of fixed assets	(13)	134		
Gain (loss) from disposal of fixed assets			14	(5)
Changes in operating assets and liabilities				

Accounts receivable	(5,377)	(4,345)	1,854	1,862
Inventories	(1,426)	(1,545)	(359)	1,813
Costs and estimated earnings in excess of billings on uncompleted contracts	(175)	(3,086)	1,191	1,858
Accounts payable	9,346	513	(268)	(227)
Accrued compensation and payroll taxes	1,167	126	1,000	1,279
Customers' deposits	1,272	1,250	1,143	(371)
Income taxes payable	327	530	(694)	(318)
Prepaid expenses and other current assets	205	(785)	(2,552)	(570)
Unbilled accounts receivable	(2,776)	(7,037)	295	(359)
Other assets and liabilities	(1,912)	1,699	(2,826)	(1,275)
Net cash provided by (used in) operating activities	7,617	(5,100)		
Net cash provided by operating activities			1,350	3,811
Investing activities				
Capital expenditures	(8,204)	(3,236)	(2,012)	(3,227)
Proceeds from insurance recovery for property and equipment	5	-	-	5
Proceeds from sales of property and equipment	-	117		
Net cash used in investing activities	(8,199)	(3,119)	(2,012)	(3,222)
Financing activities				
Proceeds from revolving credit lines	120,467	62,778	18,268	28,333
Payments of debt on revolving credit lines	(117,419)	(54,259)	(16,405)	(25,527)
Payments of principal on finance obligation	(84)	(65)	(42)	(27)
Payments of other debt	(179)	(198)	(58)	(61)
Decrease in drafts payable	(199)	(130)		
Increase (decrease) in drafts payable			794	(176)
Payments on finance lease obligations	(176)	(251)	(8)	(83)
Repurchase of common stock	(941)	(43)		
Stock options exercised and taxes paid related to restricted shares vested	(273)	(222)	8	-
Net cash provided by financing activities	1,196	7,610	2,557	2,459
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1	563	(71)	(56)
Net increase (decrease) in cash, cash equivalents and restricted cash	615	(46)		
Net increase in cash, cash equivalents and restricted cash			1,824	2,992
Cash, cash equivalents and restricted cash - beginning of period	6,793	9,771	7,240	6,793
Cash, cash equivalents and restricted cash - end of period	$ 7,408	$ 9,725	$ 9,064	$ 9,785
Supplemental cash flow information				
Cash interest paid	$ 1,754	$ 1,505	$ 248	$ 521
Cash income taxes paid	2,546	2,107	1,575	939
Fixed assets acquired from non affiliates - non-cash	$ 4,357	$ -		

See accompanying notes to consolidated financial statements.

PERMA-PIPE INTERNATIONAL HOLDINGS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2023 April 30, 2024

(In thousands, except per share data, or unless otherwise specified)

(Unaudited)

Note 1 - Basis of presentation

The interim consolidated financial statements of Perma-Pipe International Holdings, Inc., and subsidiaries (collectively, "PPIH", "Company", or "Registrant") are unaudited, but include all adjustments that the Company's management considers necessary to present fairly the financial position and results of operations for the periods presented. These adjustments consist of normal recurring adjustments. Certain information and footnote disclosures have been omitted pursuant to Securities and Exchange Commission ("SEC") rules and regulations. The consolidated balance sheet as of January 31, 2023 2024 is derived from the audited consolidated balance sheet as of that date. The results of operations for any interim period are not necessarily indicative of future or annual results. Interim financial statements should be read in conjunction with the financial statements and the notes thereto included in the Company's latest Annual Report on Form 10-K. The Company's fiscal year ends on January 31. Years and balances described as 2023 2024 and 2022 2023 are for the fiscal year ending January 31, 2024 2025 and for the fiscal year ended January 31, 2023 2024, respectively.

Significant New Accounting Policies

Refer to the Company's Annual Report on Form 10-K for the year ended January 31, 2023 2024 as filed with the SEC on April 27, 2023 26, 2024 for discussion of the Company's significant accounting policies. During the nine months ended October 31, 2023, the following accounting policy was adopted:

Current Expected Credit Loss

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No.2016-13,*Financial Instruments - Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Instruments. The new guidance affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amended guidance requires the application of a current expected credit loss ("CECL") model, which measures credit losses based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts. This ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. The Company adopted this guidance effective February 1, 2023, which was not material to the consolidated financial statements for the nine months ended October 31, 2023.

Subsequent Events

The Company has evaluated subsequent events through June 13, 2024December 8, 2023,, the date the financial statements were issued. Any material subsequent events that occurred during this time have been properly recognized and/or disclosed in these consolidated financial statements.

Note 2 - Business segment reporting

The Company is engaged in the manufacture and sale of products in one reportable segment: Piping Systems. The Company engineers, manufactures and sells pre-insulated specialty piping systems, and leak detection systems. Pre-insulated specialty piping systems include: (i) insulated and jacketed district heating and cooling piping systems for efficient energy distribution from central energy plants to multiple locations, (ii) primary and secondary containment piping systems for transporting chemicals, hazardous fluids and petroleum products, (iii) the coating and/or insulation of oil and gas gathering and transmission pipelines, and (iv) liquid and powder based anti-corrosion coatings applied both to the external and internal surfaces of steel pipe, including shapes like bends, reducers, tees, and other spools/fittings used in pipelines for the transportation of oil and gas products and potable water. The Company's leak detection systems are sold with its piping systems or on a stand-alone basis to monitor areas where fluid intrusion may contaminate the environment, endanger personal safety, cause a fire hazard, impair essential services or damage equipment or property.

Note 3 - Accounts receivable

The majority of the Company's accounts receivable consist of are due from geographically dispersed contractors and manufacturing companies. Credit is extended based on an evaluation of a customer's financial condition. In the United States, collateral is not generally required. In the United Arab Emirates ("U.A.E."), Saudi Arabia, Egypt and India letters of credit are usually obtained for substantially all significant orders. Accounts receivable are due within various time periods specified in the terms applicable to the specific contract customer and are stated at as amounts due from customers net of any an allowance for claims and credit losses. doubtful accounts. Standard payment terms are generally net 30 to 60 days. The allowance for credit losses doubtful accounts is based on specifically identified amounts in customers' accounts, where future collectability is deemed uncertain. Management exercises may exercise its judgment in adjusting the provision as a consequence of known items, such as current economic factors and credit trends. Past due trade accounts receivable balances are written off when an the Company's collection efforts have been unsuccessful in collecting the amount due and the amount is deemed uncollectible and all attempts to collect have been exhausted. uncollectible. The write-off write off is recorded against the allowance for credit losses. doubtful accounts.

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In 2015, the Company completed a project in the Middle East with billings in the aggregate amount of approximately $41.9 million. The system has not yet been commissioned by the customer. Nevertheless, the Company has settled approximately $39.5 $40.1 million as of October 31, 2023 April 30, 2024, with a remaining balance due in the amount of $2.4 million $1.8 million, all of which pertains to retention clauses within the agreements with the Company's customer, and which become payable by the customer when this project is fully tested and commissioned. Of this amount, $1.6 million $1.0 million is classified in other long-term assets on the Company's consolidated balance sheets.

Regardless of the contractual due date for payment, the The Company has been actively engaged involved in ongoing efforts to collect this outstanding balance. The Company continues to engage with the customer to ensure full payment of the open balances. In balances, and during the September 2023 three months ended April 30, 2024, and at various times throughout June 2022, 2023, a the Company received partial payment was received payments to settle $0.4 $0.3 million and $0.9 $0.6 million, respectively, of the customer's outstanding balances, respectively. balances. Further, the Company has been engaged by the customer to perform additional work in 2022 and 2023 2024 under customary trade terms that supports the continued cooperation between the Company and the customer. As a result, the Company did not reserve any allowance against the remaining outstanding balances as of October 31, 2023 April 30, 2024. However, if the Company's Company's efforts to collect on this account are not successful, the Company may recognize an allowance for all, or substantially all, of any such then uncollected amounts.

For the three months ended October 31, 2023, one customer accounted for 14% of the Company's consolidated net sales, and during the same period in 2022, no individual customer accounted for greater than 10% of the Company's consolidated net sales. For the nine months ended October 31, 2023 April 30, 2024 and 2022 2023, respectively, no individual one customer accounted for greater than 10% of the Company's consolidated net sales.

As of October 31, 2023 April 30, 2024 and January 31, 2023 2024, two one customers customer accounted for 24% 11% of the Company's accounts receivable, and one customer accounted for 12% of the Company's accounts receivable, respectively.

Note 4 - Revenue recognition

The Company accounts for its revenues under Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*.

Revenue from contracts with customers

The Company defines a contract as an agreement that has approval and commitment from both parties, defined rights and identifiable payment terms, which ensures the contract has commercial substance and that collectability is reasonably assured.

The Company's standard revenue transactions are classified into two main categories:

1) Systems and Coating - Includes which include all bundled products in which the Company Perma-Pipe engineers, and manufactures pre-insulated specialty piping systems mainly relating to the district heating and cooling and oil & gas markets.

2) Products - Includes which include cables, leak detection products, heat trace products, material/goods not bundled with piping or flowline systems, and field services not bundled into a project contract.

In accordance with ASC 606-10-25-27 through 29, the Company recognizes specialty piping and coating systems revenue over time as the manufacturing process progresses because one of the following conditions exist:

1) the customer owns the material that is being coated, so the customer controls the asset and thus the work-in-process; or

2) the customer controls the work-in-process due to the custom nature of the pre-insulated, fabricated system being manufactured, as evidenced by the Company's which has no alternative future use, and there is a right to payment for work performed to date plus profit margin.

Products revenue is recognized when goods are shipped or services are performed (ASC 606-10-25-30).

A breakdown of the Company's revenues by revenue class for the three and ninemonths ended October 31, 2023 and 2022 April 30, 2024 are as follows:

	Three Months Ended October 31,				Nine Months Ended October 31,				Three Months Ended April 30,			
	2023		2022		2023		2022		2024		2023	
	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% of Total
Products	$ 2,553	5%	$ 4,363	12%	$ 7,541	7%	$ 11,144	10%	$ 3,253	9%	$ 2,842	9%
Specialty Piping Systems and Coating												
Revenue recognized under input method	18,641	41%	12,593	33%	41,779	38%	35,918	34%	10,140	30%	10,338	35%
Revenue recognized under output method	24,496	54%	20,947	55%	61,169	55%	59,066	56%	20,928	61%	16,477	56%
Total	$ 45,690	100%	$ 37,903	100%	$ 110,489	100%	$ 106,128	100%	$ 34,321	100%	$ 29,657	100%

The input method as noted in ASC 606-10-55-20 is used by certain operating entities to measure revenue by the costs incurred to date relative to the estimated costs to satisfy the contract over time. Generally, these contracts are considered a single performance obligation satisfied over time and due to the custom nature of the goods and services, the "over time" method is the most faithful depiction of the Company's performance as it measures the value of the goods and services transferred to the customer. Costs include all material, labor, and direct costs incurred to satisfy the performance obligations of the contract. Revenue recognition begins when projects costs are incurred.

The output method as noted in ASC 606-10-55-17 is used by all other operating entities to measure revenue by the direct measurement of the outputs produced relative to the remaining goods promised under the contract. Due to the types of end customers, generally these contracts require formal inspection protocols or specific export documentation for units produced, or produced and shipped, therefore, the output method is the most faithful depiction of the Company’s performance. Depending on the conditions of the contract, revenue may be recognized based on units produced, inspected and held by the Company prior to shipment or on units produced, inspected and shipped.

Some of the Company’s operating entities invoice and collect milestone payments milestones or receive other contractual obligations prior to the transfer of goods and services, but do not recognize revenue until the performance obligations are satisfied under the methods discussed above.

Contract modifications that occur prior to the start of the manufacturing process will supersede the original contract and revenue is recognized using the modified contract value. Contract modifications that occur during the manufacturing process (changes in scope of work, job performance, material costs, and/or final contract settlements) are recognized in the period in which the revisions are known. Provisions are made for estimated losses on uncompleted contracts in the contract liabilities account in the period in which such losses are determined.

The transaction price associated with the Company's contracts with customers are generally determined based on the fixed amount of consideration as specified in a contract. This may also include variable consideration in certain instances where it is considered probable that a significant reversal of cumulative revenue recognized will not occur. As a result, the amount of consideration ultimately received from the customer can fluctuate due to the variability of future events stated in a contract. Therefore, the aggregate amount of the transaction price includes the fixed consideration contained in a contract that is generally not subject to change and excludes sales and value added taxes, or amounts collected on behalf of third parties, along with any variable consideration. The total transaction price is then allocated to the performance obligations which is eventually recognized as revenue based on the project type and the method that is used to measure the transfer of promised goods and services to customers. Additionally, transaction prices relating to cost-plus contracts are determined by applying the applicable profit margin to costs incurred on contracts, whereas transaction prices relating to fixed price contracts are determined on a lump-sum basis. Further, standard payment terms are generally net 30 to 60 days, which is customer specific.

Contract assets and liabilities

Contract assets represent revenue recognized in excess of amounts billed for work in progress for which the Company has a valid contract and an enforceable right to payment for work completed. Contract liabilities represent billings in excess of costs for work in progress for which the Company has a valid contract and an enforceable right to payment for work completed. Both customer billings and the satisfaction (or partial satisfaction) of the performance obligation(s) occur throughout the manufacturing process and impact the period end balances in these accounts. In addition, contract assets include receivables or amounts that are billable beyond the passage of time. For additional information, see Note 3 in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended January 31, 2024 as filed with the SEC on April 26, 2024, and *Unbilled accounts receivable*, as further described below.

The following table shows the reconciliation of costs in excess of billings and billings in excess of costs:

	October 31, 2023	January 31, 2023	April 30, 2024	January 31, 2024
Costs incurred on uncompleted contracts	$ 22,560	$ 18,342	$ 15,980	$ 21,912
Estimated earnings	11,916	9,370	10,441	11,270
Earned revenue	34,476	27,712	26,421	33,182
Less billings to date	32,918	26,329	25,010	30,580
Costs in excess of billings, net	$ 1,558	$ 1,383	$ 1,411	$ 2,602
Balance sheet classification				
Contract assets: Costs and estimated earnings in excess of billings on uncompleted contracts	$ 2,462	$ 3,126	$ 2,302	$ 3,097
Contract liabilities: Billings in excess of costs and estimated earnings on uncompleted contracts	(904)	(1,743)	(891)	(495)
Costs in excess of billings, net	$ 1,558	$ 1,383	$ 1,411	$ 2,602

The Company anticipates that substantially all costs incurred on uncompleted contracts as of October 31, 2023 April 30, 2024 will be billed and collected within one year and all billings on uncompleted contracts as of October 31, 2023 will be satisfied and collected within one year. .

Unbilled accounts receivable

The Company has recorded $14.3 15.7 million and $11.6 $16.6 million of unbilled accounts receivable on the consolidated balance sheets as of October 31, 2023 April 30, 2024 and January 31, 2023 2024, from revenues generated by certain of its subsidiaries. The Company has fulfilled all performance obligations and has recorded revenue under the respective contracts. The deliverables under these contracts have been accepted by the customer in accordance with and billings will be made once the terms customer takes possession of or arranges shipping for the contract. products. The Company anticipates that substantially all of the amounts included in unbilled accounts receivable as of October 31, 2023 April 30, 2024 will be billed within one year.

Practical expedients

Costs to obtain a contract are not considered to be incremental or material, and project duration generally does not span more than one year. Accordingly, the Company applies the practical expedient for these types of costs and as such, are expensed in the period incurred.

As a result of the Company's contracts are generally having a duration of less than one year, the Company has applied the a practical expedient was applied regarding disclosure of the aggregate amount and future timing of performance obligations that are unsatisfied or partially satisfied as of the end of the reporting period.

Note 5 - Income taxes

The determination of the consolidated provision for income taxes, deferred tax assets and liabilities and related valuation allowances requires management to make judgments and estimates. As a company with subsidiaries in foreign jurisdictions, the process of calculating income taxes involves estimating current tax obligations and exposures in each jurisdiction as well as making judgments regarding the future recoverability of deferred tax assets. Income earned in the U.A.E. is not subject to local country income tax. Additionally, the The relative proportion of taxable income earned domestically versus internationally can fluctuate significantly from period to period. Changes in the estimated level of annual pre-tax income, tax laws and the results of tax audits can affect the overall effective income tax rate, which impacts the level of income tax expense and net income. Judgments and estimates related to the Company's projections and assumptions are inherently uncertain; therefore, actual results could differ materially from projections.

The Company's worldwide effective tax rates ("ETR") for the three months ended October 31, 2023 April 30, 2024 and 2022 2023 were 31% 30% and 40% (208%), respectively. The change in the ETR is due primarily to the inability to recognize tax benefits due to on losses incurred in the United States resulting in due to a full partial valuation allowance in the prior period and due to changes in the mix of income and loss in various jurisdictions.

The Company expects that future distributions from foreign subsidiaries will not be subject to incremental U.S. federal tax as they will either be remittances of previously taxed earnings and profits or eligible for a full dividends received deduction. Current and future earnings in the Company's subsidiaries in Canada and Egypt are not permanently reinvested. The earnings from these subsidiaries are subject to tax in their local jurisdiction, and withholding taxes in these jurisdictions are considered. The Company's As such, the Company has accrued a liability was $0.9 million of $0.7 million as of October 31, 2023 April 30, 2024 related to these taxes.

Note 6 - Impairment of long-lived assets

The Company's assessment of long-lived assets, and other identifiable intangibles is based upon factors that market participants would use in accordance with the accounting guidance for the fair value measurement of assets. During At October 31, 2023 April 30, 2024, the Company performed a periodic an assessment to determine whether there were any triggering events that may have occurred which could indicate that the carrying value of the Company's long-lived assets are not recoverable, and an impairment may exist. Based on this assessment, the Company did not identify any triggering events that would indicate that the carrying amounts may not be recoverable with respect to long-lived assets for the at three and nine months ended October 31, 2023 and 2022 April 30, 2024. Accordingly, the Company did not proceed with performing an impairment test as a result of this periodic assessment. The Company will continue testing for potential impairment at least annually or as otherwise required by applicable accounting standards.

Goodwill. The purchase price of an acquired company is allocated between intangible assets and the net tangible assets of the acquired business with the residual of the purchase price recorded as goodwill. All identifiable goodwill as of October 31, 2023 April 30, 2024 and January 31, 2023 2024 was is attributable to the purchase of the remaining 50% interest in Perma-Pipe Canada, Ltd., which occurred in 2016.

The following table provides a reconciliation of changes in the carrying amount of goodwill:

	January 31, 2023	Foreign exchange change effect	October 31, 2023
Goodwill	$ 2,227	$ (75)	$ 2,152

	January 31, 2024	**Foreign exchange change effect**	**April 30, 2024**
Goodwill	$ 2,222	$ (50)	$ 2,172

The Company performs an impairment assessment of goodwill annually as of January 31, or more frequently if triggering events occur, based on the estimated fair value of the related reporting unit or intangible asset. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at participants. During the measurement date. During period ended October 31, 2023 April 30, 2024, the Company performed a periodic assessment to determine whether there were any triggering events that may have occurred which could indicate that more likely than not that the fair value of the reporting unit did not exceed its carrying value, resulting in an impairment. Based on this assessment, the Company did not identify any triggering events that would indicate that the fair value is less than the carrying value of the reporting unit for the Three at April 30, 2024 and Nine Months Ended October 31, 2023and 2022. Accordingly, the Company did not proceed with performing an impairment test as a result of this periodic assessment. The the Company will continue testing for impairment at least annually as of January 31, or as otherwise required by applicable accounting standards.

Note 7 - Stock-based compensation

The Company's 2017 Omnibus Stock Incentive Plan dated June 13, 2017, as amended, which the Company's stockholders approved in June 2017 ("2017 Plan"), expired in June 2020.
The Company has prior incentive plans under which previously granted awards remain outstanding, including the 2017 Plan, but under which no new awards may be granted. At October 31, 2023 April 30, 2024 the Company had reserved a total of 250,448 245,150 shares for grants and issuances under these incentive stock plans, which includes a reserve for issuances pursuant to unvested or unexercised prior awards.

The Company's prior incentive plans While the 2017 Plan provided for the grant of deferred shares, non-qualified stock options, incentive stock options, restricted shares, restricted stock units, and performance-based restricted stock units intended to qualify under section 422 of the Internal Revenue Code. Code, the Company issued only restricted shares and restricted stock units under the 2017 Plan. The prior incentive plans2017 Plan authorized awards to officers, employees, consultants, and independent directors.

The Company's 2021 Omnibus Stock Incentive Plan, dated May 26, 2021, was approved by the Company's stockholders in May 2021 ("2021 Plan"). The 2021 Plan will expire in May 2024. The 2021 Plan authorizes awards to officers, employees, consultants and independent directors. Grants were made to the Company's employees, officers, and independent directors under the 2021 Plan, as described below.

Stock-based compensation expense

The Company has granted stock-based compensation awards to eligible employees, officers or independent directors. The Company recognized the following stock-based compensation expense for the periods presented:

	Three Months Ended October 31,		Nine Months Ended October 31,	
	2023	2022	2023	2022
Restricted stock-based compensation expense	$ 229	$ 243	$ 686	$ 763

	Three Months Ended April 30,	
	2024	**2023**
Restricted stock-based compensation expense	$ 228	$ 229

Stock options

The Company did not grant any stock options during the three or ninemonths ended October 31, 2023April 30, 2024. The following table summarizes the Company's stock option activity:

	Options	Weighted Average Exercise Price (Per share)	Weighted Average Remaining Contractual Term (In years)	Aggregate Intrinsic Value	**Options**	**Weighted Average Exercise Price (Per share)**	**Weighted Average Remaining Contractual Term (In years)**	**Aggregate Intrinsic Value**
Outstanding at January 31, 2023	40	$ 10.85	1.1	$ 19				
Outstanding at January 31, 2024					22	$ 11.15	0.7	$ 6
Exercised	(1)	6.85	-	2	(1)	6.85	-	2
Expired or forfeited	(17)	10.60	-	-	-	11.39	-	-
Outstanding and exercisable at October 31, 2023	22	$ 11.15	0.9	$ 1				
Outstanding and exercisable at April 30, 2024					21	$ 11.39	0.4	$ 7

There was no vesting, expiration or forfeiture of previously unvested stock options during the ninethree months ended October 31, 2023April 30, 2024. As of October 31, 2023, In addition, there were no remaining unvested stock options outstanding, and therefore no unrecognized compensation expense related to unvested stock options.

Restricted stock

The following table summarizes the Company's restricted stock activity for the ninethree months ended October 31, 2023April 30, 2024:

	Restricted Shares	Weighted Average Price (Per share)	Aggregate Intrinsic Value	**Restricted Shares**	**Weighted Average Price (Per share)**	**Aggregate Intrinsic Value**
Outstanding at January 31, 2023	267	$ 8.55	$ 2,286			
Outstanding at January 31, 2024				223	$ 9.33	$ 2,079
Granted	91	10.26		-	-	
Vested and issued	(84)	8.43		-	-	
Forfeited or retired for taxes	(47)	9.23		-	-	
Outstanding at October 31, 2023	228	$ 9.35	$ 2,133			
Outstanding at April 30, 2024				223	$ 9.33	$ 2,079

As of October 31, 2023 April 30, 2024, there was $1.3 $0.8 million of unrecognized compensation expense related to unvested restricted stock granted under the plans. That cost is These costs are expected to be recognized over a weighted average period of 2.0 1.7 years.

Note 8 - Earnings per share

	Three Months Ended October 31,		**Nine Months Ended October 31,**		**Three Months Ended April 30,**	
	2023	**2022**	**2023**	**2022**	**2024**	**2023**
Basic weighted average common shares outstanding at October 31, 2023	7,955	8,004	7,996	8,096		
Basic weighted average common shares outstanding at April 30, 2024					7,906	8,004
Dilutive effect of equity compensation plans	66	142	110	142	150	-
Weighted average common shares outstanding assuming full dilution	8,021	8,146	8,106	8,238	8,056	8,004
Stock options and restricted stock not included in the computation of diluted earnings per share of common stock because the option exercise prices or grant date prices exceeded the average market prices of the common shares	122	105	18	105	32	35
Stock options and restricted stock with exercise prices or grant date prices below the average market prices	66	142	170	142	150	210
Net income attributable to common stock	$ 1,935	$ 1,728	$ 1,834	$ 2,711		
Net income (loss) attributable to common stock					$ 1,443	$(1,123)
Earnings per share attributable to common stock						
Basic	$ 0.24	$ 0.22	$ 0.23	$ 0.33	$ 0.18	$ (0.14)
Diluted	$ 0.24	$ 0.21	$ 0.23	$ 0.33	$ 0.18	$ (0.14)

Note 9 - Debt

Debt totaled $27.2 million $27.3 million and $24.3 million $25.7 million at October 31, 2023 April 30, 2024 and January 31, 2023 2024, respectively.

Revolving lines - North America. On September 20, 2018, the Company and certain of its U.S. and Canadian subsidiaries (collectively, together with the Company, the “North American Loan Parties”) entered into a Revolving Credit and Security Agreement (the “Credit Agreement”) with PNC Bank, National Association ("PNC"), as administrative agent and lender, providing for a three-year $18 million senior secured revolving credit facility, subject to a borrowing base including various reserves (the “Senior Credit Facility”).

On September 17, 2021, the North American Loan Parties executed an extension of the Credit Agreement with PNC, providing for a new five-year $18 million senior secured revolving credit facility, subject to a borrowing base including various reserves (the “Renewed Senior Credit Facility”). The Company's obligations under the Renewed Senior Credit Facility are currently guaranteed by Perma-Pipe Canada, Inc. Each of the North American Loan Parties other than Perma-Pipe Canada, Inc. (collectively, the "Borrowers") is a borrower under the Renewed Senior Credit Facility.

The Borrowers have used and will continue to use borrowings under the Renewed Senior Credit Facility (i) to fund future capital expenditures; (ii) to fund ongoing working capital needs; and (iii) for other corporate purposes, including potentially additional stock repurchases. Borrowings under the Renewed Senior Credit Facility bear interest at a rate equal to an alternate base rate, or the Secured Overnight Financing Rate (as defined in the Renewed Senior Credit Facility, "SOFR"), SOFR rate index, plus, in each case, an applicable margin. The applicable margin is based on a fixed charge coverage ratio ("FCCR") range. Interest on alternate base rate borrowings is the alternate base rate (as defined in the Renewed Senior Credit Facility) plus an applicable margin ranging from 1.00% to 1.50%, based on the FCCR in the most recently reported period. Interest on SOFR rate borrowings is the SOFR rate (as defined in the Renewed Senior Credit Facility) plus an applicable margin ranging from 2.00% to 2.50%, based on the FCCR in the most recently reported period, period, as well as an additional SOFR adjustment ranging from 0.10% to 0.25%, based on the term of the interest period. Additionally, the Borrowers pay a 0.25% per annum facility fee on the unused portion of the Renewed Senior Credit Facility.

Subject to certain exceptions, borrowings under the Renewed Senior Credit Facility are secured by substantially all of the North American Loan Parties' assets. The Renewed Senior Credit Facility matures on September 20, 2026. Subject to certain qualifications and exceptions, the Renewed Senior Credit Facility contains covenants that, among other things, restrict the North American Loan Parties' ability to create liens, merge or consolidate, consummate acquisitions, make investments, dispose of assets, incur debt, and pay dividends and other distributions. In addition, the North American Loan Parties may not make capital expenditures in excess of $5.0 million annually, plus a limited carryover of any unused amounts. Further, the North American Loan Parties may not make repurchases of the Company's common stock in excess of $3.0 million.

The Renewed Senior Credit Facility also contains financial covenants requiring the North American Loan Parties to achieve a ratio of its EBITDA (as defined in the Renewed Senior Credit Facility) to the sum of scheduled cash principal payments on indebtedness for borrowed money and interest payments on the advances under the Renewed Senior Credit Facility of to be not less than 1.10 to 1.00 for any five consecutive days in which the undrawn availability is less than $3.0 million or any day in which the undrawn availability is less than $2.0 million. As of October 31, 2023, the calculated ratio was less than 1.10 to 1.00. In order to cure any future breach of these covenants by the North American Loan Parties, the Company may repatriate cash from any of its foreign subsidiaries that are otherwise not a party to the Renewed Senior Credit Facility in an amount which, when added to the amount of the North American Loan Parties' Company's Consolidated EBITDA, would result in compliance on a pro forma basis. The Company was in compliance with respect to these covenants as of October 31, 2023 April 30, 2024.

The Renewed Senior Credit Facility contains customary events of default. If an event of default occurs and is continuing, then PNC may terminate all commitments to extend further credit and declare all amounts outstanding under the Renewed Senior Credit Facility due and payable immediately. In addition, if any of the North American Loan Parties or certain of their subsidiaries become the subject of voluntary or involuntary proceedings under any bankruptcy, insolvency or similar law, then any outstanding obligations under the Renewed Senior Credit Facility will automatically become immediately due and payable. Loans outstanding under the Renewed Senior Credit Facility will bear interest at a rate of 2.00% per annum in excess of the otherwise applicable rate (i) while a bankruptcy event of default exists or (ii) upon the lender's request, during the continuance of any other event of default.

As of October 31, 2023 April 30, 2024, the Company had borrowed an aggregate of $6.7 5.3 million at a rate of 10.0% and had $4.6 $5.0 million available under the Renewed Senior Credit Facility. As of January 31, 2023 2024, the Company had borrowed an aggregate of $4.4 $5.5 million and had $9.9 $4.0 million available under the Renewed Senior Credit Facility.

Finance obligation - buildings and land. On April 14, 2021, the Company entered into a purchase and sale agreement (the "Purchase and Sale Agreement"). Pursuant to the terms of the Purchase and Sale Agreement, the Company sold its land and buildings in Lebanon, Tennessee (the "Property") for $10.4 million. The transaction generated net cash proceeds of $9.1 million. Concurrently with the sale, the Company paid off the approximately $0.9 million mortgage note on the Property to its lender. The Company used the remaining proceeds to repay its borrowings under the Senior Credit Facility, for strategic investments, and for general corporate needs. Concurrent with the sale of the Property, the Company entered into a fifteen-year lease agreement (the "Lease Agreement"), whereby the Company leases back the Property at an annual rental rate of approximately $0.8 million, subject to annual rent increases of 2.0%. Under the Lease Agreement, the Company has four consecutive options to extend the term of the lease by five years for each such option.

In accordance with ASC 842, *Leases*, this transaction was recorded as a failed sale and leaseback as the present value of lease payments exceeded substantially the fair value of the underlying assets. The Company utilized an incremental borrowing rate of 8.0% to determine the finance obligation to record for the amounts received and will continue to depreciate the assets. The current portion of the finance obligation of $0.1 $0.2 million is recognized in current maturities of long-term debt and the long-term portion of $9.1 $9.0 million is recognized in long-term finance obligation on the Company's consolidated balance sheets as of October 31, 2023 April 30, 2024. The net carrying amount of the financial liability and remaining assets will be zero at the end of the lease term.

Revolving lines - foreign. The Company also has credit arrangements used by its Middle Eastern subsidiaries in the U.A.E., Egypt and Saudi Arabia as discussed further below.

United Arab Emirates

The Company has a revolving line for 8.0 million U.A.E. Dirhams (approximately $2.2 million at October 31, 2023 April 30, 2024) from a bank in the U.A.E. As of October 31, 2023 April 30, 2024 the facility has an interest rate of approximately 9.0% 8.8%, and is set to expire in May 2024. July 2024, with intentions to be subsequently renewed and extended thereafter. The Company had borrowed an aggregate of $0.1 million and $0.6 $0.2 million as of October 31, 2023 April 30, 2024 and January 31, 2023 2024, respectively, and is presented as a component of current maturities of long-term debt in the Company's consolidated balance sheets. The Company had unused borrowing availability of approximately $1.9 million as of April 30, 2024 and January 31, 2024, respectively.

The Company has a revolving line for 19.5 20.5 million U.A.E. Dirhams (approximately $5.3 $5.6 million at October 31, 2023 April 30, 2024) from a bank in the U.A.E. As of October 31, 2023 April 30, 2024 the facility has an interest rate of approximately 9.0% 8.7%, and is set to expire in May 2024. August 2024, with intentions to be subsequently renewed and extended thereafter. The Company had borrowed an aggregate of $1.3 million and $1.1 $0.1 million as of October 31, 2023 April 30, 2024 and January 31, 2023 2024, respectively, and is presented as a component of current maturities of long-term debt in the Company's consolidated balance sheets. As of April 30, 2024 and January 31, 2024, the Company had unused borrowing availability of approximately $1.6 million and $1.0 million, respectively.

Egypt

In June 2021, and as renewed or amended subsequently thereafter, the Company's Egyptian subsidiary entered into a credit arrangement with a bank in Egypt for a revolving line of 100.0 million Egyptian Pounds (approximately $3.2 2.1 million at October 31, 2023 April 30, 2024). This credit arrangement is in the form of project financing at rates competitive in Egypt. The line is secured by certain assets (such as accounts receivable) of the Company's Egyptian subsidiary. Among other covenants, the credit arrangement established a maximum leverage ratio allowable and restricted the Company's Egyptian subsidiary's ability to undertake any additional debt. As of October 31, 2023 April 30, 2024 the facility has an interest rate of approximately 8.0% 9.5% and expired in June 2022. This credit arrangement was subsequently renewed in August 2022 2023 with substantially the same terms and conditions, expect except for the facility interest rate which increased to 20.8%, and expired expires in August 2023. 2024. The Company is This credit arrangement was subsequently renewed in regular communication November 2023 with substantially the bank throughout same terms and conditions and expires in November 2024. As of April 30, 2024, the renewal process and the facility has continued without interruption or penalty. The Company had borrowed an aggregate of $1.6 million substantially nothing outstanding with respect to this credit arrangement, and $3.1 million as of October 31, 2023 and approximately $1.4 million outstanding at January 31, 2023 2024, respectively, and which is presented as a component of current maturities of long-term debt in the Company's consolidated balance sheets.

Further, as of April 30, 2024 and January 31, 2024, the Company had unused borrowing capacity of $2.1 million and $3.2 million, respectively.

In December 2021, the Company entered into a credit arrangement for project financing with a bank in Egypt for 28.2 million Egyptian Pounds. As this project has progressed and the Company has made collections, the facility has decreased to a current amount of 8.9 2.1 million Egyptian Pounds (approximately $0.3 $0.1 million at October 31, 2023 April 30, 2024). This credit arrangement is in the form of project financing at rates competitive in Egypt. The line is secured by the contract for a project being financed by the Company's Egyptian subsidiary. The facility has an interest rate of approximately 20.8% 11.0% and, as of November 2022, is no longer available for borrowings by the Company. The facility will expire in connection with final customer balance collections and the completion of the project. The Company had approximately $0.3 $0.1 million outstanding as of October 31, 2023 April 30, 2024 and January 31, 2023 2024, respectively, and is presented as a component of current maturities of long-term debt in the Company's consolidated balance sheets.

Saudi Arabia

In March 2022, the Company's Saudi Arabian subsidiary entered into a credit arrangement with a bank in Saudi Arabia for a revolving line of 37.0 million Saudi Riyals (approximately $9.9 million at October 31, 2023 April 30, 2024). This credit arrangement is in the form of project financing at rates competitive in Saudi Arabia. The line is secured by certain assets (such as accounts receivable) of the Company's Saudi Arabian subsidiary. The facility was renewed in May 2023, 2024 with substantially the same terms and the line was increased to 37.0 million Saudi Riyal (approximately $9.9 million at conditions and expires in October 31, 2023 May 2025.). As of October 31, 2023 April 30, 2024, the facility has an interest rate of approximately 9.5% and is set to expire in May 2024. . The Company had borrowed an aggregate of $3.8 $4.1 million and $1.1 $3.2 million as of October 31, 2023 April 30, 2024 and January 31, 2023 2024, respectively, and is presented as a component of current maturities of long-term debt in the Company's consolidated balance sheets. The unused borrowing availability attributable to this credit arrangement at April 30, 2024 and January 31, 2024, was $5.4 million and $6.1 million, respectively.

These credit arrangements are in the form of overdraft facilities and project financing at rates competitive in the countries in which the Company operates. The lines are secured by certain equipment, certain assets (such as accounts receivable and inventory), and a guarantee by the Company. Some credit arrangement covenants require a minimum tangible net worth to be maintained, including maintaining certain levels of intercompany subordinated debt. In addition, some of the revolving credit facilities restrict payment of dividends or undertaking of additional debt. The Company guarantees only a portion of the subsidiaries' debt, including foreign debt. As of October 31, 2023, the The amount of foreign subsidiary debt guaranteed by the Company was approximately $0.1 million. $0.3 million and $0.1 million at April 30, 2024 and January 31, 2024, respectively.

The Company was in compliance with the covenants under the credit arrangements in the U.A.E., Egypt and Saudi Arabia as of October 31, 2023 April 30, 2024, with the exception of those arrangements that have expired or are set to expire and have not yet been renewed. Although certain of the arrangements have expired and the borrowings could be required to be repaid immediately by the banks, the Company is in regular communication with the respective banks throughout the renewal process and all of the arrangements have continued without interruption or penalty. On October 31, 2023 April 30, 2024, interest rates were based on (i) the Emirates Inter Bank Offered Rate plus 3.0% to 3.5% per annum for the U.A.E. credit arrangements, two of which have a minimum interest rate of 4.5% per annum; (ii) either the Central Bank of Egypt corporate loan rate plus 1.5% to 3.5% per annum or the stated interest rate in the agreements for the Egypt credit arrangements; and (iii) the Saudi Inter Bank Inter-Bank Offered Rate plus 3.5% for the Saudi Arabia credit arrangement. Based on these base rates, as of October 31, 2023 April 30, 2024, the Company's interest rates ranged from 8.0% 8.7% to 20.8%, with a weighted average rate of 12.1% 11.5%, and the Company had facility limits totaling $27.2 24.7 million under these credit arrangements. As of October 31, 2023 April 30, 2024, $6.7 million of availability was used to support letters of credit to guarantee amounts committed for inventory purchases and for performance guarantees. Additionally, as of October 31, 2023 April 30, 2024, the Company had borrowed $9.5 8.4 million and had an additional $13.7 13.0 million of borrowing remaining available under the foreign revolving credit arrangements. The foreign revolving lines balances as of October 31, 2023 and January 31, 2023, were included as a component of current maturities of long-term debt in the Company's consolidated balance sheets. sheets as of April 30, 2024 and January 31, 2024.

In June 2023, the Company assumed a promissory note of approximately $2.8 million in connection with the formation of the joint venture with Gulf Insulation Group (see Note 15). In accordance with the promissory note, all principal is due and payable on the maturity date of April 9, 2026, with the option to prepay, in whole or in part, at any time prior to the maturity date, without premium or penalty.

Mortgages. On July 28, 2016, the Company entered into a mortgage agreement secured by the Company's manufacturing facility located in Alberta, Canada that matures on December 23, 2042. As of October 31, 2023 April 30, 2024, the remaining balance on the mortgage in Canada is approximately CAD 6.1 6.00 million (approximately $4.4 million at October 31, 2023 April 30, 2024). The interest rate is variable, and was 9.1% at October 31, 2023 April 30, 2024. The principal balance is included as a component of long-term debt, less current maturities in the Company's consolidated balance sheets and is presented net of issuance costs of $0.1 million as of October 31, 2023 April 30, 2024 and January 31, 2023 2024, respectively.

Note 10 - Leases

The Company accounts for its leases under ASC 842,*Leases*. Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases, and are recorded on the consolidated balance sheets. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liabilities short-term, and operating lease liabilities long-term in the Company's consolidated balance sheets. Finance leases are included in property, plant and equipment, current maturities of long-term debt, and long-term debt less current maturities in the Company's consolidated balance sheets.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease calculated by discounting fixed lease payments over the lease term at the rate implicit in the lease or the Company's incremental borrowing rate. Lease liabilities are increased by interest and reduced by payments each period, and the ROU asset is amortized over the lease term. For operating leases, interest on the lease liability and the amortization of the ROU asset result in straight-line rent expense over the lease term. For finance leases, interest on the lease liability and the amortization of the ROU asset results in front-loaded expense over the lease term. Variable lease expenses are recorded when incurred. ROU assets and liabilities are recognized at the commencement date of the lease based on the present value of lease payments over the lease term.

As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term and amount equal to the lease payments in a similar economic environment.

In calculating the ROU asset and lease liability, the Company elects to combine lease and non-lease components. Additionally, the Company excludes short-term leases having an initial term of 12 months or less in accordance with the new guidance as an accounting policy election, and recognizes rent expense on a straight-line basis over the lease term.

Operating Leases. In August 2020, the Company entered into a new lease in Abu Dhabi for land upon which the Company built a facility. The initial annual payments were approximately 1.2 million U.A.E. Dirhams (approximately (approximately $0.3 million)million at April 30, 2024), inclusive of rent, escalation clauses, and other common charges contained in the agreement. Rent payments previously deferred until August 2022 have commenced, and the lease expires in August 2050.

In March and December 2022, the Company served Notices of Termination to its lessor for the Company's lease of land and buildings in Fujairah in the U.A.E. The Company served the Notices of Termination in connection with the Company's intended relocation to a different facility in Abu Dhabi. The Company vacated portions of the leased space in December 2022 and expects to vacate the remaining space in 2023. December 2024. The first Notice of Termination required that the Company pay an additional amount equal to three months' rent after that termination to enable the lessor to prepare the assets for lease by another party. As a result of the termination, the Company has recognized adjustments to the amounts recorded in the consolidated financial statements as of October 31, 2023 April 30, 2024. The termination resulted in decreases of $0.3 million, $4.0 million $0.4 million, $6.0 million and $3.6 million $5.5 million to operating lease liability short-term, operating lease liability long-term and operating lease right-of-use asset, respectively, in the consolidated balance sheets as of October 31, 2023 April 30, 2024. The termination also resulted in a decrease in rent expense of $1.1 million in the consolidated statement of operations for the year ended January 31, 2023. There were no other adjustments in connection with these terminations for the year ended January 31, 2024, or during the three months ended April 30, 2024.

At April 30, 2024, the Company had total operating lease liabilities of $6.9 million and operating ROU assets of $6.2 million, which are reflected in the consolidated balance sheets. At April 30, 2024, the Company also had total finance lease liabilities of $0.1 million included in current maturities of long-term debt, and total finance ROU assets of $0.4 million which were included in property plant and equipment, net of accumulated depreciation in the consolidated balance sheets.

Finance Leases. The Company has several significant operating lease agreements, with lease terms of one to thirty years, which consist of real estate, vehicles and office equipment leases. These leases do not require any contingent rental payments, impose any financial restrictions or contain any residual value guarantees. Certain of the Company's leases include renewal options and escalation clauses; renewal options have not been included in the calculation of the lease liabilities and right-of-use ("ROU") ROU assets as the Company is not reasonably certain to exercise the options. The Company does not have any arrangements where it acts as a lessor.

At October 31, 2023, the Company had total operating lease liabilities of $7.1 million and operating ROU assets of $6.4 million, which are reflected in the consolidated balance sheets. At October 31, 2023 April 30, 2024, the Company also had total finance lease liabilities of $0.1 million $0.1 million included in current maturities of long-term debt and total financelong-term debt less current maturities, and financial ROU assets of $0.5 million $0.4 million which were included in property plant and equipment, net of accumulated depreciation in the consolidated balance sheets.

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Supplemental balance sheet information related to leases is as follows:

Operating and Finance leases:	October 31, 2023	January 31, 2023	April 30, 2024	January 31, 2024
Finance leases assets:				
Property and Equipment - gross	$ 940	$ 1,161	$ 949	$ 970
Accumulated depreciation and amortization	(482)	(700)	(562)	(536)
Property and Equipment - net	$ 458	$ 461	$ 387	$ 434
Finance lease liabilities:				
Finance lease liability short-term	$ 31	$ 164	$ 32	$ 113
Finance lease liability long-term			71	-
Total finance lease liabilities	$ 117	$ 164	$ 103	$ 113
Operating lease assets:				
Operating lease ROU assets	$ 6,376	$ 4,527	$ 6,165	$ 6,467
Operating lease liabilities:				
Operating lease liability short-term	$ 920	$ 912	$ 845	$ 914
Operating lease liability long-term	6,143	4,252	6,032	6,270
Total operating lease liabilities	$ 7,063	$ 5,164	$ 6,877	$ 7,184

Total lease costs consist of the following:

Lease costs	Consolidated Statements of Operations Classification	Three Months Ended October 31, 2023	Three Months Ended October 31, 2022	Nine Months Ended October 31, 2023	Nine Months Ended October 31, 2022	Consolidated Statements of Operations Classification	Three Months Ended April 30, 2024	Three Months Ended April 30, 2023
Finance Lease Costs								
Amortization of ROU assets	Cost of sales	$ 37	$ 62	$ 121	$ 125	Cost of sales	$ 38	$ 53

Interest on lease liabilities	Interest expense	3	8	7	18	Interest expense	2	3
Operating lease costs	Cost of sales, SG&A expenses	564	694	1,450	587	Cost of sales, SG&A expenses	455	456
Short-term lease costs (1)	Cost of sales, SG&A expenses	99	13	350	72	Cost of sales, SG&A expenses	143	179
Sub-lease income	SG&A expenses	(20)	(27)	(61)	(40)	SG&A expenses	-	(20)
Total Lease costs	Total Lease costs	$ 683	$ 750	$ 1,867	$ 762	Total Lease costs	$ 638	$ 671

(1) Includes variable lease costs, which are not material.

Supplemental cash flow information related to leases is as follows:

	Nine Months Ended October 31, 2023	Nine Months Ended October 31, 2022
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash outflows from finance leases	$ 176	$ 251
Operating cash outflows from finance leases	7	24
Operating cash outflows from operating leases	1,399	1,377
ROU liabilities obtained in exchange for new lease obligations:		
Operating leases liabilities	$ 3,615	$ -

	Nine Months Ended October 31, 2023	Nine Months Ended October 31, 2022
ROU liabilities obtained in exchange for new lease obligations:		
Finance leases liabilities	$ 139	$ -
Operating leases liabilities	3,615	-

	Three Months Ended April 30, 2024	Three Months Ended April 30, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Financing cash outflows from finance leases	$ 8	$ 83
Operating cash outflows from finance leases	2	3
Operating cash outflows from operating leases	454	468
ROU assets obtained in exchange for new lease obligations:		
Operating leases liabilities	$ -	$ 129

Weighted-average lease terms and discount rates are as follows:

	October 31, 2023 April 30, 2024
Weighted-average remaining lease terms (in years):	
Finance leases	3.3 3.0
Operating leases	14.9 13.8
Weighted-average discount rates:	
Finance leases	10.2 6.9 %
Operating leases	8.9 9.8 %

Maturities of lease liabilities as of October 31, 2023 April 30, 2024, are is as follows:

	Operating Leases	Finance Leases
For the three months ending January 31, 2024	$ 565	$ 9
For the year ending January 31, 2025	1,515	37
For the year ending January 31, 2026	1,349	37
For the year ending January 31, 2027	1,326	37
For the year ending January 31, 2028	1,273	9
For the year ending January 31, 2029	947	-
Thereafter	7,465	-
Total lease payments	$ 14,440	$ 129
Less: amount representing interest	(7,377)	(12)
Total lease liabilities at October 31, 2023	$ 7,063	$ 117

	Operating Leases	Finance Leases
For the nine months ending January 31, 2024	$ 1,416	$ 28
For the year ended January 31, 2026	1,714	38
For the year ended January 31, 2027	1,701	38
For the year ended January 31, 2028	1,656	9
For the year ended January 31, 2029	1,286	-
For the year ended January 31, 2030	499	-
Thereafter	6,982	-
Total lease payments	$ 15,254	$ 113
Less: amount representing interest	(8,377)	(10)
Total lease liabilities at April 30, 2024	$ 6,877	$ 103

Rent expense on operating leases, which is recorded on straight-line basis, was $0.7 $0.6 million for the three months ended October 31, 2023 April 30, 2024 and 2022 2023, respectively.

Note 11 - Restricted cash

Restricted cash held by foreign subsidiaries is related to fixed deposits that also serve as security deposits and guarantees:

	October 31, 2023		January 31, 2023		April 30, 2024		January 31, 2024
Cash and cash equivalents	$	6,021	$	5,773	$ 7,674	$	5,845
Restricted cash		1,387		1,020	1,390		1,395
Cash, cash equivalents and restricted cash shown in the statement of cash flows	$	7,408	$	6,793	$ 9,064	$	7,240

Note 12 - Fair value

The carrying values of cash and cash equivalents, accounts receivable and accounts payable are considered reasonable estimates of their fair value due to their short-term nature. The carrying amount of the Company's short-term debt, revolving lines of credit and long-term debt approximate fair value because the majority of the amounts outstanding accrue interest at variable market rates.

Note 13 - Recent accounting pronouncements

The Company evaluated recent accounting pronouncements and does not expect any to have a material impact on its consolidated financial statements or related disclosures.

Note 14 - Treasury stock

The repurchase program approved on October 4, 2021 authorized the Company to use up to $3.0 million for the purchase of its outstanding shares of common stock. Stock repurchases were permitted to be executed through open market or privately negotiated transactions, depending upon current market conditions and other factors. On December 7, 2022 the Board of Directors authorized the use of $1.0 million remaining under the share repurchase program previously approved on October 4, 2021 that expired on October 3, 2022. During the three twelve months ended October January 31, 2023 2024, the Company used the remaining $0.6 million of the $1.0 million authorized to repurchase its outstanding shares of common stock.

The following table sets forth the Accordingly, there was no repurchase activity with respect to the Company's shares of common stock during the three months ended October April 30, 202431,2023:

Period	Total number of shares purchased		Average price paid (per share)	Total number of shares purchased as part of publicly announced plans or programs		Approximate dollar value of shares that may yet be purchased under the plans or programs
August 1, 2023 - August 31, 2023	62	$	8.64	62	$	91
September 1, 2023 - September 30, 2023	10		8.92	10		-
October 1, 2023 - October 31, 2023	-		-	-		-
Total	72			72		

On July 26, 2022, the Company retired 239,168 shares of treasury stock previously repurchased under the stock repurchase program. The retirement was recorded as a reduction to common stock based on the par value of the shares, and the excess over par value was recorded as a decrease to retained earnings in accordance with ASC 505-30,.*Equity - Treasury Stock.*

Note 15 - Noncontrolling interest

The Company has a controlling financial interest in a certain investment which is not considered a wholly owned subsidiary. Accordingly, there remains a minority portion of the equity interest that is owned by a third party. Pursuant to the applicable guidance contained in ASC 810,*Consolidations*, the balance sheets and operating activities of this investment is included in the Company's consolidated financial statements. The Company adjusts net income in the consolidated statements of operations to exclude the proportionate share of results that is attributable to non-controlling interest. Additionally, the Company presents the proportionate share that is attributable to redeemable non-controlling interest as temporary equity within the consolidated balance sheets. This mezzanine presentation is the result of the non-controlling interest being subject to a put option that is not solely within the Company's control and in connection with the equity shares of the business arrangement that is redeemable any time after five years following the date of incorporation. Further, the put option did not meet the definition of a derivative as a result of not containing a net settlement provision and the shares not being readily convertible to cash, thereby being considered embedded with respect to non-controlling interest.

On June 1, 2023, the Company closed on its formation of the a joint venture ("The the JV", and the agreement governing the JV, "the JV Agreement") with Gulf Insulation Group ("GIG"), a leading provider of pre-insulated piping systems, leak detection systems and pipe fabrication, in which the Company acquired a 60% controlling financial interest in exchange for consideration of $2.7 million, and contributed assets consisting of land a building and equipment. The JV is a limited liability company named Perma Pipe Gulf Arabia Industry and is a closed joint stock company established under the laws of the Kingdom of Saudi Arabia. The JV's capital is comprised of ordinary shares with 60% owned by the Company and remaining 40% owned by GIG. The Company expects this collaborative business arrangement to result in expanding its market presence in Saudi Arabia, Kuwait, and Bahrain. The primary business activities of the JV include the manufacture and sale of the pre-insulated piping systems and pipe coating services. The other party to this business arrangement acquired a 40% non-controlling interest by contributing assets to the JV of approximately $6.8 million in fair value, mainly consisting of an idle building and equipment. The fair value of the net assets contributed was determined through the use of a third-party appraiser using the indirect cost method. Pursuant to the applicable guidance in ASC 805, *Business Combinations and Noncontrolling Interests*, the Company determined that the transaction did not meet the necessary conditions to be considered a business combination. As such, as the set of assets acquired did not contain an organized workforce and therefore was recorded as an asset acquisition. The assets transferred by the Company to the JV were recorded at historical cost, and no gain was recognized as a result of this exchange. Further, exchange since the other party to this business arrangement Company has a controlling interest in the JV. The Company's measurement of the acquired a 40% assets is comprised of the fair value of the contributed net assets given up by the Company and the fair value of the non-controlling interest by contributing assets of approximately $2.7 million, mainly consisting of land and equipment. excluding the contributed assets. The non-controlling interest attributable to the other party was recorded at its estimated fair value as of the investment date and was measured as part of the carrying amount of the ownership interest in the net assets given up by the Company plus the fair value of the non-controlling interest excluding the contributed assets. no No gain or loss was recognized as a result of this exchange. In connection with the joint venture, the The Company agreed to also assumed a promissory note payable to GIG issued as part of the formation of the JV in the principal amount $2.7 million payable to the related party contained in this agreement. of $2.8 million. The principal amount is presented within the note payable to GIG Long-term debt, less current maturities caption in the Company's consolidated balance sheets. The Company also has a promissory note due from the JV that was issued as part of the formation of the JV in the amount of approximately $4.2 million and eliminates in consolidation.

The Company has a 60% controlling financial interest in the JV which is not considered a wholly owned subsidiary. Accordingly, there remains a minority portion of the equity interest that is owned by a third party, GIG. Pursuant to the applicable guidance contained in ASC 810,*Consolidations*, the balance sheets and operating activities of this investment are included in the Company's consolidated financial statements. The carrying amount of the assets and liabilities of the JV that are consolidated by the Company totaled $26.3 million and $17.7 million, respectively, as of April 30, 2024.
The Company adjusts net income in the consolidated statements of operations to exclude the proportionate share of results that is attributable to the non-controlling interest. Additionally, the Company presents the proportionate share that is attributable to the redeemable non-controlling interest as temporary equity within the consolidated balance sheets. This mezzanine presentation is the result of the non-controlling interest being subject to a put option that is not solely within the Company's control and in connection with the equity shares of the business arrangement that is redeemable at any time after five years following the date of formation. The redemption amount per the JV Agreement is at fair value of the non-controlling interest which represents the fair value of ordinary shares of the JV that is owned by GIG. Further, neither the call option or put option contained in the JV Agreement met the definition of a derivative as a result of not containing a net settlement provision and the shares not being readily convertible to cash, thereby being considered embedded with respect to non-controlling interest and not a freestanding instrument.
As a result of the non-controlling interest being subject to redemption rights that are not entirely within the Company's control, it was concluded that the necessary conditions were met to be accounted for in accordance with ASC 480,*Distinguishing Liabilities from Equity*. Pursuant to this accounting standard,

the Company determined that the only criteria for the security to become redeemable is the passage of time and, therefore, is considered probable of redemption. The Company made a policy election to measure changes in the non-controlling interest immediately as they occur and adjust the carrying amount of non-controlling interest equal to its redemption amount as the non-controlling interest has no stated fixed price or fixed date. As such, at each subsequent balance sheet date following the formation of the JV, the Company must determine whether further adjustment is required to increase the carrying value of the redeemable non-controlling interest. If the Company determines that the fair value of the redeemable non-controlling interest exceeds its carrying value, an adjustment is made to reflect this change. However, if the value is determined to be less than its carrying value, such adjustment is limited to its original carrying value at the formation of the business arrangement. Additionally, adjustments made to reflect the change in the value of the redeemable non-controlling interest are offset against permanent equity within the Company's consolidated balance sheets.

Net income attributable to GIG was $1.4$0.3 million and $0.0$0.0 million for the three months ended October 31, 2023 April 30, 2024and 2022 2023, respectively. Net income attributable to GIG was $1.6 million and $0.0 million for the nine months ended October 31, 2023 and 2022, respectively. The proportionate share of net income was accounted for as a reduction in deriving net income attributable to common stock in the Company's consolidated statements of operations.

The Company had carrying amounts attributable is the ultimate parent of the JV through its 60% controlling financial interest and as part of the JV Agreement majority control of the operational activities of the JV and no joint control exists. The JV Agreement has no veto or kickout rights and board voting is proportional to the ownership interest. Certain activities do include a two-thirds majority affirmative vote of shareholders of the JV and include acquiring another company, establishing new subsidiaries, entering another partnership or joint venture, engaging in any merger or materially changing the business of the JV. These are considered protective rights. The 60% equity ownership of the JV by the Company allows it to receive its proportionate share of losses and residual returns.

The non-controlling interest of $4.2as measured at fair value was $7.0 million and $0.0$6.3 million, and was recorded within temporary equity at October 31, 2023 April 30, 2024and January 31, 2023 2024, respectively. There The change in non-controlling interest consists of $0.3 million in current year net income attributable to non-controlling interest, and approximately $0.4 million as an adjustment in the carrying value of the redeemable non-controlling interest pertaining to the business arrangement. In addition, there were no dividends or any other forms form of distributions from non-controlling interest as of for the period ended October 31, 2023 April 30, 2024and January 31, 2023 2024, respectively.

Note 16 - Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business, including those involving environmental, tax, product liability and general liability claims. The Company accrues for such liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Company's estimates of the outcomes with respect to these matters, and its experience in contesting, litigating and settling other similar matters.

As of October 31, 2023, the Company is actively involved in certain legal proceedings that are ongoing and for which the ultimate outcome remains uncertain. For all other legal proceedings, the Company does not currently anticipate that the ultimate liability with respect to these matters will materially affect the Company's financial position, liquidity or future operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

The statements contained in this MD&A and other information contained elsewhere in this quarterly report, which can be identified by the use of forward-looking terminology such as "may," "will," "expect," "continue," "remains," "intend," "aim," "should," "prospects," "could," "future," "potential," "believes," "plans," "likely" and "probable" or the negative thereof or other variations thereon or comparable terminology, constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbors created thereby. These statements should be considered as subject to the many risks and uncertainties that exist in the Company's operations and business environment. Such risks and uncertainties could cause actual results to differ materially from those projected as a result of many factors, including, but not limited to, those under the heading Item 1A. Risk Factors included in the Company's latest Annual Report on Form 10-K. The Company's fiscal year ends on January 31. Years and balances described as 2023 2024 and 2022 2023 are for the fiscal year ending January 31, 2024 January 31, 2025 and the fiscal year ended January 31, 2023 January 31, 2024, respectively.

This MD&A should be read in conjunction with the Company's consolidated financial statements, including the notes thereto, contained elsewhere in this report. Percentages set forth below in this MD&A have been rounded to the nearest percentage point.

CONSOLIDATED RESULTS OF OPERATIONS

(In thousands, except per share data, or unless otherwise specified)

(Unaudited)

The Company is engaged in the manufacture and sale of products in one reportable segment. Since the Company focuses on discrete projects, operating results can be significantly impacted as a result of large variations in the level of project activity in reporting periods.

($ in thousands)	Three Months Ended October 31,					Nine Months Ended October 31,					Three Months Ended April 30,				
	2023		2022		Change favorable (unfavorable)	2023		2022		Change favorable (unfavorable)	2024		2023		Change favorable (unfavorable)
	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount	Amount	Percent of Net Sales	Amount	Percent of Net Sales	Amount
Net sales	$ 45,690		$ 37,903		$ 7,787	$110,489		$106,128		$ 4,361	$ 34,321		$29,657		$ 4,664
Gross profit	13,184	29 %	11,130	29 %	2,054	29,424	27 %	28,065	26 %	1,359	10,517	31 %	6,774	23 %	3,743
General and administrative expenses	5,674	12 %	5,284	14 %	(390)	16,417	15 %	16,180	15 %	(237)	6,148	18 %	5,460	18 %	(688)
Selling expense	1,471	3 %	1,310	3 %	(161)	4,201	4 %	3,863	4 %	(338)	1,235	4 %	1,239	4 %	4
Interest expense	640		717		77	1,788		1,585		(203)	507		512		5
Other expense	(502)		(948)		446	(350)		(963)		613					
Other (expense) income											(67)		72		(139)
Income before income taxes	4,897		2,871		2,026	6,668		5,474		1,194					
Loss before income taxes											2,560		(365)		2,925

Income tax expense	1,533	1,143	(390)	3,257	2,763	(494)	770	758	(12)
Net income (loss)	3,364	1,728	1,636	3,411	2,711	700	1,790	(1,123)	2,913
Less: Net income attributable to non-controlling interest	1,429	-	(1,429)	1,577	-	(1,577)	347	-	(347)
Net income (loss) attributable to common stock	1,935	1,728	207	1,834	2,711	(877)	1,443	(1,123)	2,566

Three months ended October 31, 2023 April 30, 2024 vs. Three months ended October 31, 2022 April 30, 2023

Net sales:

Net sales were $ 45.7 million 34.3 million and $ 37.9 million 29.7 million in the three months ended October 31, 2023 April 30, 2024 and 2022, 2023, respectively. The increase o f $7.8 $4.6 million, or 21% 15% , was a result of increased sales volumes in Saudi Arabia. the Middle East and India.

Gross profit:

Gross profit was $13.2 $10.5 million, or 29% 31% of net sales, and $11.1 $6.8 million, or 29% 23% of net sales, in the three months ended October 31, 2023 April 30, 2024 and 2022, 2023, respectively. The increase of $2.1 $3.7 million was primarily driven by increased sales volumes in Saudi Arabia. the Middle East and India.

General and administrative expenses:

General and administrative expenses were $5.7 million $6.1 million and $5.3 $5.5 million in the three months ended October 31, 2023 April 30, 2024 and 2022, 2023, respectively. The increase of $0.4 $0.6 million, or 8% 11%, was due to higher payroll costs professional service fees in the quarter.

Selling expenses:

Selling expenses remained consistent and were $ 1.5 million and $ 1.3 1.2 million in the three months ended October 31, 2023 April 30, 2024 and 2022, 2023, respectively. The increase of $ 0.2 million was consistent with prior quarter results.

Interest expense:

Net interest expense remained consistent and was $0.6 million and $0.7 million $0.5 million in the three months ended October 31, 2023 April 30, 2024 and 2022, 2023, respectively.

Other expense: (expense) income:

Other expense (expense) income was $(0.5) $(0.1) million and $(0.9) $0.1 million for the three months ended October 31, 2023 April 30, 2024 and 2022 2023, respectively. The components of other expense were both related change was primarily due to the pension plan termination. exchange rate fluctuations in foreign currency transactions.

Income tax expense:

The Company's worldwide effective tax rates rate ("ETR") were 31%was 30% and 40%(208%) in the three months ended October 31, 2023 April 30, 2024 and 2022, 2023, respectively. The change in the ETR is due primarily to the inability to recognize tax benefits due to and losses incurred in the United States resulting in due to a full partial valuation allowance in the prior period and due to changes in the mix of income and loss in various jurisdictions.

For further information, see Note 5 - Income taxes, in the Notes to Consolidated Financial Statements.

Net income attributable to common stock:

Net income attributable to common stock was $1.9 million and $1.7 million in the three months ended October 31, 2023 and 2022, respectively. The increase of $0.2 million was mainly due to increased sales activity in the quarter.

Nine months ended October 31, 2023 vs. Nine months ended October 31, 2022

Net sales:

Net sales were $ 110.5 million and $ 106.1 million in the nine months ended October 31, 2023 and 2022 , respectively. The increase of $ 4.4 million, or 4% was a result of increased sales volumes in Saudi Arabia.

Gross profit:

Gross profit was $29.4 million, or 27% of net sales, and $28.1 million, or 26% of net sales, in the nine months ended October 31, 2023 and 2022, respectively. The increase of $1.3 million was driven by increased sales volumes in Saudi Arabia.

General and administrative expenses:

General and administrative expenses were $16.4 million and $16.2 million in the nine months ended October 31, 2023 and 2022, respectively. The increase of $0.2 million was consistent with prior year results.

Selling expenses:

Selling expenses were $4.2 million and $3.9 million in the nine months ended October 31, 2023 and 2022, respectively. The increase of $0.3 million was driven by higher payroll expenses.

Interest expense:

Net interest expense remained consistent and was $1.8 million and $1.6 million in the nine months ended October 31, 2023 and 2022, respectively. The increase of $0.2 million was attributable to increases in interest rates and borrowing activity during the year.

Other expense:

Other expense was $(0.4) million and $(1.0) million for the nine months ended October 31, 2023 and 2022, respectively. The components of other expense were both related to the pension plan termination.

Income tax expense:

The Company's worldwide effective tax rates ("ETR") were 31% and 40% in the nine months ended October 31, 2023 and 2022, respectively. The change in the ETR is due primarily to the inability to recognize tax benefits due to losses incurred in the United States resulting in a full valuation allowance and due to changes in the mix of income and loss in various jurisdictions.

For further information, see Note 5 - Income taxes, in the Notes to Consolidated Financial Statements.

Net income (loss) attributable to common stock:

Net income (loss) attributable to common stock was $1.8$1.4 million and $2.7 (1.1) million in the nine three months ended October 31, 2023April 30, 2024 and 2022 2023, respectively. The decrease increase of $0.9$2.5 million was mainly due to increased selling, general sales activity in the quarter, and administrative expenses as compared to the same period in 2022. better project execution.

Liquidity and capital resources

Cash and cash equivalents as of October 31, 2023 April 30, 2024 were $6.0 $7.7 million compared to $5.8 million on January 31, 2023 January 31, 2024. On October 31, 2023 April 30, 2024, $0.1 $0.3 million was held in the United States, and $5.9 $7.4 million was held at the Company's foreign subsidiaries. The Company's working capital was $37.1 $39.6 million on October 31, 2023 April 30, 2024 compared to $41.9 $41.1 million on January 31, 2023 January 31, 2024. Of the working capital components, accounts receivable increased decreased by $5.1 $2.3 million and cash and cash equivalents increased by $0.2 million $1.9 million as the result of the movements discussed below. As of October 31, 2023 April 30, 2024, the Company had $4.6 $5.0 million of borrowing capacity under the Renewed Senior Credit Facility in North America and $13.7 $13.0 million of borrowing capacity under its foreign revolving credit agreements. The Company had $6.7 $5.3 million borrowed under the Renewed Senior Credit Facility and $9.5 $8.4 million borrowed under its foreign revolving credit agreements at October 31, 2023 April 30, 2024.

Net cash provided by from operating activities was $7.6 1.4 million and net cash used in operating activities was $5.1 3.8 million in the nine three months ended October 31, 2023 April 30, 2024 and 2022, 2023, respectively. The increase decrease of $12.7 2.5 million was due primarily attributable to decreases increases in unbilled prepaid expenses and other current assets and inventory, partially offset by changes to accounts receivable inventory and costs and estimated earnings in excess of billings on uncompleted contracts, partially offset by changes to accounts receivable and accounts payable. contracts.

Net cash provided by (used in) operating from investing activities in the nine three months ended October 31, 2023 April 30, 2024 and 2022 2023 was $8.2 2.0 million and $3.1 3.2 million, respectively. The increase decrease of $5.1 1.2 million was due primarily to fewer investments in the Middle East United States and Canada.

Net cash provided by from financing activities in the nine three months ended October 31, 2023 April 30, 2024 and 2022 2023 was $1.2 2.6 million and $7.6 2.5 million, respectively. The main source of cash from financing activities during the nine three months ended October 31, 2023 April 30, 2024 was consisted of net proceeds from borrowings of approximately $4.8 $1.9 million under the Company's credit facilities, an increase in drafts payable of $0.9 million, and approximately $0.1 million attributable to fewer payments on finance lease obligations, as compared to net proceeds of approximately $2.8 million during the nine three months ended October 31, 2022 April 30, 2023, when net proceeds were approximately $11.3 million.. Debt totaled $27.2 27.3 million and $24.3 25.7 million as of October 31, 2023 April 30, 2024 and January 31, 2023 January 31, 2024, respectively. See Note 9 - Debt, in the Notes to Consolidated Financial Statements for further discussion relating to this topic.

Treasury stock. On December 7, 2022 the Board of Directors authorized the use of $1.0 million remaining under the share repurchase program previously approved on October 4, 2021 that expired on October 3, 2022. Share repurchases may be executed through open market or in privately negotiated transactions over the course of the 12 months following the Board of Directors authorization. See Note 14 - Treasury stock, for further discussion relating to this topic.

Revolving lines - North America. On September 20, 2018, the Company and certain of its U.S. and Canadian subsidiaries (collectively, together with the Company, the “North American Loan Parties”) entered into a Revolving Credit and Security Agreement (the “Credit Agreement”) with PNC Bank, National Association ("PNC"), as administrative agent and lender, providing for a three-year $18 million senior secured revolving credit facility, subject to a borrowing base including various reserves (the “Senior Credit Facility”).

On September 17, 2021, the North American Loan Parties executed an extension of the Credit Agreement with PNC, providing for a new five-year $18 million senior secured revolving credit facility, subject to a borrowing base including various reserves (the “Renewed Senior Credit Facility”). The Company's obligations under the Renewed Senior Credit Facility are currently guaranteed by Perma-Pipe Canada, Inc. Each of the North American Loan Parties other than Perma-Pipe Canada, Inc. (collectively, the "Borrowers") is a borrower under the Renewed Senior Credit Facility.

The Borrowers have used and will continue to use borrowings under the Renewed Senior Credit Facility (i) to fund future capital expenditures; (ii) to fund ongoing working capital needs; and (iii) for other corporate purposes, including potentially additional stock repurchases. Borrowings under the Renewed Senior Credit Facility bear interest at a rate equal to an alternate base rate, or the Secured Overnight Financing Rate (as defined in the Renewed Senior Credit Facility, "SOFR"), SOFR rate index, plus, in each case, an applicable margin. The applicable margin is based on a fixed charge coverage ratio ("FCCR") range. Interest on alternate base rate borrowings is the alternate base rate (as defined in the Renewed Senior Credit Facility) plus an applicable margin ranging from 1.00% to 1.50%, based on the FCCR in the most recently reported period. Interest on SOFR rate borrowings is the SOFR rate (as defined in the Renewed Senior Credit Facility) plus an applicable margin ranging from 2.00% to 2.50%, based on the FCCR in the most recently reported period, period, as well as an additional SOFR adjustment ranging from 0.10% to 0.25%, based on the term of the interest period. Additionally, the Borrowers pay a 0.25% per annum facility fee on the unused portion of the Renewed Senior Credit Facility.

Subject to certain exceptions, borrowings under the Renewed Senior Credit Facility are secured by substantially all of the North American Loan Parties' assets. The Renewed Senior Credit Facility matures on September 20, 2026. Subject to certain qualifications and exceptions, the Renewed Senior Credit Facility contains covenants that, among other things, restrict the North American Loan Parties' ability to create liens, merge or consolidate, consummate acquisitions, make investments, dispose of assets, incur debt, and pay dividends and other distributions. In addition, the North American Loan Parties may not make capital expenditures in excess of $5.0 million annually, plus a limited carryover of any unused amounts. Further, the North American Loan Parties may not make repurchases of the Company's common stock in excess of $3.0 million.

The Renewed Senior Credit Facility also contains financial covenants requiring the North American Loan Parties to achieve a ratio of its EBITDA (as defined in the Renewed Senior Credit Facility) to the sum of scheduled cash principal payments on indebtedness for borrowed money and interest payments on the advances under the Renewed Senior Credit Facility of to be not less than 1.10 to 1.00 for any five consecutive days in which the undrawn availability is less than $3.0 million or any day in which the undrawn availability is less than $2.0 million. As of October 31, 2023, the calculated ratio was less than 1.10 to 1.00. In order to cure any future breach of these covenants by the North American Loan Parties, the Company may repatriate cash from any of its foreign subsidiaries that are otherwise not a party to the Renewed Senior Credit Facility in an amount which, when added to the amount of the North American Loan Parties' Company's Consolidated EBITDA, would result in compliance on a pro forma basis. The Company was in compliance with respect to these covenants as of October 31, 2023April 30, 2024.

The Renewed Senior Credit Facility contains customary events of default. If an event of default occurs and is continuing, then PNC may terminate all commitments to extend further credit and declare all amounts outstanding under the Renewed Senior Credit Facility due and payable immediately. In addition, if any of the North American Loan Parties or certain of their subsidiaries become the subject of voluntary or involuntary proceedings under any bankruptcy, insolvency or similar law, then any outstanding obligations under the Renewed Senior Credit Facility will automatically become immediately due and payable. Loans outstanding under the Renewed Senior Credit Facility will bear interest at a rate of 2.00% per annum in excess of the otherwise applicable rate (i) while a bankruptcy event of default exists or (ii) upon the lender's request, during the continuance of any other event of default.

As of October 31, 2023 April 30, 2024, the Company had borrowed an aggregate of $6.7 5.3 million at a rate of 10.0% and had $4.6 $5.0 million available under the Renewed Senior Credit Facility. As of January 31, 2023 January 31, 2024, the Company had borrowed an aggregate of $4.4 $5.5 million and had $9.9 $4.0 million available under the Renewed Senior Credit Facility.

Revolving lines - foreign . The Company also has credit arrangements used by its Middle Eastern subsidiaries in the U.A.E., Egypt, and Saudi Arabia as discussed further below.

United Arab Emirates

The Company has a revolving line for 8.0 million U.A.E. Dirhams (approximately $2.2 million at October 31, 2023 April 30, 2024) from a bank in the U.A.E. As of October 31, 2023 April 30, 2024 the facility has an interest rate of approximately 9.0% 8.8%, and is set to expire in May 2024. July 2024, with intentions to be subsequently renewed and extended thereafter. The Company had borrowed an aggregate of $0.1 million and $0.6 $0.2 million as of October 31, 2023 April 30, 2024 and January 31, 2023 January 31, 2024, respectively, and is presented as a component of current maturities of long-term debt in the Company's consolidated balance sheets. The Company had unused borrowing availability of approximately $1.9 million as of April 30, 2024 and January 31, 2024, respectively.

The Company has a revolving line for 19.5 20.5 million U.A.E. Dirhams (approximately $5.3 $5.6 million at October 31, 2023 April 30, 2024) from a bank in the U.A.E. As of October 31, 2023 April 30, 2024 the facility has an interest rate of approximately 9.0% 8.7%, and is set to expire in May 2024. August 2024, with intentions to be subsequently renewed and extended thereafter. The Company had borrowed an aggregate of $1.3 million and $1.1 $0.1 million as of October 31, 2023 April 30, 2024 and January 31, 2023 January 31, 2024, respectively, and is presented as a component of current maturities of long-term debt in the Company's consolidated balance sheets. As of April 30, 2024 and January 31, 2024, the Company had unused borrowing availability of approximately $1.6 million and $1.0 million, respectively.

Egypt

In June 2021, and as renewed or amended subsequently thereafter, the Company's Egyptian subsidiary entered into a credit arrangement with a bank in Egypt for a revolving line of 100.0 million Egyptian Pounds (approximately $3.2 2.1 million at October 31, 2023 April 30, 2024). This credit arrangement is in the form of project financing at rates competitive in Egypt. The line is secured by certain assets (such as accounts receivable) of the Company's Egyptian subsidiary. Among other covenants, the credit arrangement established a maximum leverage ratio allowable and restricted the Company's Egyptian subsidiary's ability to undertake any additional debt. As of October 31, 2023 April 30, 2024 the facility has an interest rate of approximately 8.0% 9.5% and expired in June 2022. This credit arrangement was subsequently renewed in August 2022 2023 with substantially the same terms and conditions, expect except for the facility interest rate which increased to 20.8%, and expired expires in August 2023. The Company is 2024. This credit arrangement was subsequently renewed in regular communication November 2023 with substantially the bank throughout same terms and conditions and expires in November 2024. As of April 30, 2024, the renewal process and the facility has continued without interruption or penalty. The Company had borrowed an aggregate of $1.6 million substantially nothing outstanding with respect to this credit arrangement, and $3.1 million as of October 31, 2023 and January 31, 2023 approximately $1.4 million outstanding at January 31, 2024, respectively, and which is presented as a component of current maturities of long-term debt in the Company's consolidated balance sheets. Further, as of April 30, 2024 and January 31, 2024, the Company had unused borrowing capacity of $2.1 million and $3.2 million, respectively.

In December 2021, the Company entered into a credit arrangement for project financing with a bank in Egypt for 28.2 million Egyptian Pounds. As this project has progressed and the Company has made collections, the facility has decreased to a current amount of 8.9 2.1 million Egyptian Pounds (approximatel y $0.3 $0.1 million at October 31, 2023 April 30, 2024). This credit arrangement is in the form of project financing at rates competitive in Egypt. The line is secured by the contract for a project being financed by the Company's Egyptian subsidiary. The facility has an interest rate of approximately 20.8% 11.0% and, as of November 2022, is no longer available for borrowings by the Company. The facility will expire in connection with final customer balance collections and the completion of the project. The Company had approximately $ 0.3 $0.1 million outstanding as of October 31, 2023 April 30, 2024 and January 31, 2023 January 31, 2024, respectively, and is presented as a component of current maturities of long-term debt in the Company's consolidated balance sheets.

Saudi Arabia

In March 2022, the Company's Saudi Arabian subsidiary entered into a credit arrangement with a bank in Saudi Arabia for a revolving line of 37.0 million Saudi Riyals (approximately $9.9 $ 9.9 million at October 31, 2023 April 30, 2024). This credit arrangement is in the form of project financing at rates competitive in Saudi Arabia. The line is secured by certain assets (such as accounts receivable) of the Company's Saudi Arabian subsidiary. The facility was renewed in May 2023, 2024 with substantially the same terms and the line was increased to 37.0 million Saudi Riyal (approximately $9.9 million at October 31, 2023). conditions and expires in May 2025. As of October 31, 2023 April 30, 2024, the facility has an interest rate of approximately 9.5% and is set to expire in May 2024. . The Company had borrowed an aggregate of $3.8 $4.1 million and $1.1 $3.2 million as of October 31, 2023 April 30, 2024 and January 31, 2023 January 31, 2024, respectively, and is presented as a component of current maturities of long-term debt in the Company's consolidated balance sheets.

The unused borrowing availability attributable to this credit arrangement at April 30, 2024 and January 31, 2024, was $5.4 million and $6.1 million, respectively.

These credit arrangements are in the form of overdraft facilities and project financing at rates competitive in the countries in which the Company operates. The lines are secured by certain equipment, certain assets (such as accounts receivable and inventory), and a guarantee by the Company. Some credit arrangement covenants require a minimum tangible net worth to be maintained, including maintaining certain levels of intercompany subordinated debt. In addition, some of the revolving credit facilities restrict payment of dividends or undertaking of additional debt. The Company guarantees only a portion of the subsidiaries' debt, including foreign debt. As of October 31, 2023, the The amount of foreign subsidiary debt guaranteed by the Company was approximately $0.3 million and $0.1 million. at April 30, 2024 and January 31, 2024, respectively.

The Company was in compliance with the covenants under the credit arrangements in the U.A.E., Egypt and Saudi Arabia as of October 31, 2023 April 30, 2024, with the exception of those arrangements that have expired or are set to expire and have not yet been renewed. Although certain of the arrangements have expired and the borrowings could be required to be repaid immediately by the banks, the Company is in regular communication with the respective banks throughout the renewal process and all of the arrangements have continued without interruption or penalty. On October 31, 2023 April 30, 2024, interest rates were based on (i) the Emirates Inter Bank Offered Rate plus 3.0% to 3.5% per annum for the U.A.E. credit arrangements, two of which have a minimum interest rate of 4.5% per annum; (ii) either the Central Bank of Egypt corporate loan rate plus 1.5% to 3.5% per annum or the stated interest rate in the agreements for the Egypt credit arrangements; and (iii) the Saudi Inter Bank Offered Rate plus 3.5% for the Saudi Arabia credit arrangement. Based on these base rates, as of October 31, 2023 April 30, 2024, the Company's interest rates ranged from 8.0% 8.7% to 20.8%, with a weighted average rate of 12.1% 11.5%, and the Company had facility limits totaling $27.2 24.7 million under these credit arrangements. As of October 31, 2023 April 30, 2024, $6.7 million of availability was used to support letters of credit to guarantee amounts committed for inventory purchases and for performance guarantees. Additionally, as of October 31, 2023 April 30, 2024, the Company had borrowed $9.5 8.4 million and had an additional $13.7 13.0 million of borrowing remaining available under the foreign revolving credit arrangements. The foreign revolving lines balances as of October 31, 2023 and January 31, 2023, were included as a component of current maturities of long-term debt in the Company's consolidated balance sheets. sheets as of April 30, 2024 and January 31, 2024.

In June 2023, the Company assumed a promissory note of approximately $2.8 million in connection with the formation of the joint venture with Gulf Insulation Group (see Note 15). In accordance with the promissory note, all principal is due and payable on the maturity date of April 9, 2026, with the option to prepay, in whole or in part, at any time prior to the maturity date, without premium or penalty.

Finance obligation - buildings and land.*On April 14, 2021, the Company entered into a purchase and sale agreement (the "Purchase and Sale Agreement"). Pursuant to the terms of the Purchase and Sale Agreement, the Company sold the Property its land and buildings in Lebanon, Tennessee (the "Property") for $10.4 million. $10.4 million. The transaction generated net cash proceeds of $9.1 million. Concurrently with the sale, of the Property, the Company paid off the approximately $0.9 million remaining on the $0.9 million mortgage note on the Property to its lender. The Company used the remaining proceeds to repay its borrowings under the Senior Credit Facility, for strategic investments, and for general corporate needs. Concurrent with the sale of the Property, the Company entered into a 15-year fifteen-year lease agreement (the “Lease Agreement”), whereby the Company leases back the Property at an annual rental rate of approximately $0.8 million, $0.8 million, subject to annual rent increases of 2.0%. Under the Lease Agreement, the Company has four consecutive options to extend the term of the lease by five years for each such option.*

In accordance with ASC 842, Leases, this transaction was recorded as a failed sale and leaseback as the present value of lease payments exceeded substantially all of the fair value of the underlying asset. assets. The Company utilized an incremental borrowing rate of 8.0% to determine the finance obligation to record for the amounts received and will continue to depreciate the assets. The current portion of the finance obligation of $0.1$0.2 million is recognized in current maturities of long-term debt and the long-term portion of $9.1$9.0 million is recognized in long-term finance obligation on the Company's consolidated balance sheets as of April 30, 2024October 31, 2023. The net carrying amount of the financial liability and remaining assets will be zero at the end of the lease term.

Accounts receivable:

In 2015, the Company completed a project in the Middle East with billings in the aggregate amount of approximately $41.9 million. The system has not yet been commissioned by the customer. Nevertheless, the Company has settled approximately $39.5 approximately $ 40.1 million as of October 31, 2023April 30, 2024, with a remaining balance due in the amount of $2.4 million, $ 1.8 million, all of which pertains to retention clauses within the agreements with the Company's customer, and which become payable by the customer when this project is fully tested and commissioned. Of this retention amount, $1.6 million $ 1.0 million is classified in a other long-term receivable account.

Regardless of assets on the contractual due date for payment, the Company's consolidated balance sheets.

The Company has been actively engaged involved in ongoing efforts to collect the this outstanding amount. balance. The Company continues to engage with the customer to ensure full payment of the open balances. In September balances, and during the three months ended April 30, 2024, and at various times throughout 2023, and June 2022, a the Company received partial payment was received payments to settle $0.4 $ 0.3 million and $0.9 $ 0.6 million, respectively, of the customer's outstanding balances, respectively. balances. Further, the Company has been engaged by the customer to perform additional work in 2023 and 2022 2024 under customary trade terms that supports the continued cooperation between the Company and the customer. As a result, the Company did not reserve any allowance against the remaining outstanding balances as of October 31, 2023 April 30, 2024. However, if the Company’s Company's efforts to collect on this account are not successful, the Company may recognize an allowance for all, or substantially all, of any such then uncollected amounts.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are described in Item 7. MD&A and in the Notes to the Consolidated Financial Statements for the year ended January 31, 2023 January 31, 2024 contained in the Company's latest Annual Report on Form 10-K. Any new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements have been discussed in the Notes to Consolidated Financial Statements in this Quarterly Report on Form 10-Q. The application of critical accounting policies may require management to make assumptions, judgments and estimates about the amounts reflected in the Consolidated Financial Statements. Management uses historical experience and all available information to make these estimates and judgments, and different amounts could be reported using different assumptions and estimates.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of October 31, 2023April 30, 2024. This evaluation included consideration of the controls, processes and procedures that are designed to ensure that information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, the certifying officers have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were not effective because of the material weakness described below.

Management has previously reported on a material weaknessweaknesses in the Company's internal control over information technology general controls ("ITGC"), financial reporting regarding the design and operating effectiveness of controls relatedrelating to the existencereview and approval of inventory during the fiscal year ended January 31, 2023. Specifically, the Company failed to appropriately perform cycle count procedures at one of the Company's operating facilities, resulting in a significant adjustment during the full physical inventory count at period end. Further, managementmanual journal entries, timely review of the financial close process, and resulting adjustments on a periodic basis failedtimely review of certain financial policies and procedures and respective HR policies. The Company also did not maintain effective controls at certain operating locations in the Middle East and North Africa ("MENA"), specifically the Company did not maintain sufficient documentation to identify the issue.support an evaluation that controls over business processes were operating effectively. These deficiencies led management to conclude that a material weakness existed with respect to the Company's internal control over financial reporting. The material weakness did not result in any material misstatements to the Company's consolidated financial statements. As a result, at January 31, 2023, the Company's internal control over financial reporting was not effective. Subsequent to the fiscal year end, the Company has substantially executed on its plan to remediate the material weakness in internal control over financial reporting. As of October 31, 2023January 31, 2024 and April 30, 2024, and on the date of this Quarterly Report on Form 10-Q, the Company's remediation planinternal control over financial reporting is substantially complete, subject to testing the design and operating effectiveness of controls in connection with the annual audit.not effective.

Notwithstanding the material weakness described above, the Company's management, including the Chief Executive Officer and Chief Financial Officer, has concluded that the financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material respects, the Company's 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. *A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.*

Management identified a material weakness in the Company's internal control over financial reporting regarding the design and operating effectiveness of controls related to the existence of inventory during the fiscal year ended January 31, 2023. As a result of the material weaknessweaknesses identified, the Company has begun updating its internal control over financial reporting as discussed in its remediation plan updatedas further described below.

Remediation Plan for the Material WeaknessWeaknesses in Internal Control over Financial Reporting. Reporting. *To address the material weakness, these matters, the Company has implementedbegun implementing its remediation plan. Specifically, the Company has:is executing on the following:*

- Hired additional personnel with significant experience in inventory management to oversee the process at the Lebanon, Tennessee facility;
- Engaged outside consultants to assist in reviewing and updating policies, procedures and controls over inventory management;
- Redesigned cycle count procedures to better identify higher value and more active inventory parts, as well as to include additional review of results prior to recording of any adjustments; and
- Performed updates with respect to the Company's physical inventory and inventory management system.

The remediation plans related to ITGCs include: (i) addressing the identified issues with control owners, including Company leadership and IT personnel; (ii) engaging outside consultants with expertise relating to ITGCs to document processes, assist in addressing the design and operating business process controls, monitoring and testing reviews focusing on systems supporting our financial reporting process (iii) developing and maintaining documentation *underlying ITGCs for knowledge transfer and function changes, including access control and change management; (iv) outsourcing certain functions to third-party providers, specifically relating to servers and firewalls, and managed detection and response.*

The remediation plans related to the entity level controls and business process controls over MENA locations include: (i) addressing issues with control owners, including company leadership; (ii) evaluating and updating the Company's evidence of internal control policies and procedures as needed and providing necessary guidance to applicable locations; (iii) assessing the adequacy and determine whether enhancements are needed to the design of corporate and / or operating locations business process controls; and (iv) augmenting our internal audit function by hiring an additional resource to assist in overseeing the remediation process, including updating policies and procedures, and implementing internal controls; (v) engaging outside consultants to conduct training sessions.

The Company anticipates the actions described above and resulting improvements in controls will strengthen the Company's processes, procedures and controls related to inventory management and will address the related material weakness weaknesses described above. However, the material weakness weaknesses cannot be considered fully remediated until the remediation processes have been in operation for a period of time are and successfully tested and management concludes tested.

***Change in Internal Control over Financial Reporting**. While the Company continues to implement design enhancements to our internal control procedures, we believe that, these processes and controls are operating effectively. The Company will continue other than the changes described above regarding the ongoing remediation efforts, there were no changes to monitor the effectiveness of its remediation measures in connection with its future assessments of the effectiveness of our internal control over financial reporting and disclosure controls and procedures, and management will make any changes which were identified in connection with the evaluation required by Rules 13a-15(d) or 15d-15(d) under the Exchange Act during the fiscal quarter ended April 30, 2024, that have materially affected, or are reasonably likely to the design of the Company's plan and take such other actions deemed appropriate given the circumstances. materially affect, our internal control over financial reporting.*

PART II OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

The repurchase program approved on October 4, 2021 authorized the Company to use up to $3.0 million for the purchase of its outstanding shares of common stock. Stock repurchases were permitted to be executed through open market or privately negotiated transactions, depending upon current market conditions and other factors. On December 7, 2022 the Board of Directors authorized the use of $1.0 million remaining under the share repurchase program previously approved on October 4, 2021 that expired on October 3, 2022. During the three months ended October 31, 2023 the Company used the remaining $0.6 million of the $1.0 million authorized to repurchase its outstanding shares of common stock.

The following table sets forth the repurchase activity with respect to the Company's shares of common stock during the three months ended October 31, 2023:

Period	*Total number of shares purchased*	*Average price paid (per share)*	*Total number of shares purchased as part of publicly announced plans or programs*	*Approximate dollar value of shares that may yet be purchased under the plans or programs*
August 1, 2023 - August 31, 2023	*62*	*$ 8.64*	*62*	*$ 91*
September 1, 2023 - September 30, 2023	*10*	*8.92*	*10*	*-*
October 1, 2023 - October 31, 2023	*-*	*-*	*-*	*-*
Total	*72*		*72*	

Item 6. Exhibits

31.1	Rule 13a - 14(a)/15d - 14(a) Certifications (1) Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Rule 13a - 14(a)/15d - 14(a) Certifications (2) Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Section 1350 Certifications (Chief Executive Officer and Chief Financial Officer certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)
101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation
101.DEF	Inline XBRL Taxonomy Extension Definition
101.LAB	Inline XBRL Taxonomy Extension Labels
101.PRE	Inline XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

Perma-Pipe International Holdings, Inc.

Date:	December 7, 2023 June 13, 2024	By: /s/ David J. Mansfield David J. Mansfield President and Chief Executive Officer (Principal Executive Officer)
Date:	December 7, 2023 June 13, 2024	By: /s/ Matthew E. Lewicki Matthew E. Lewicki Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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Exhibit 31.1

I, David J. Mansfield, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Perma-Pipe International Holdings, 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.*

Date: December 8, 2023 June 13, 2024

/s/ David J. Mansfield
David J. Mansfield
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

I, Matthew E. Lewicki, certify that:

1. *I have reviewed this quarterly report on Form 10-Q of Perma-Pipe International Holdings, 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.*

Date: *December 8, 2023 June 13, 2024*

/s/ Matthew E. Lewicki
Matthew E. Lewicki
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32

Certification of Principal Executive Officers
Pursuant to 18 U.S.C. 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

The undersigned, in their capacities as Chief Executive Officer and Chief Financial Officer of Perma-Pipe International Holdings, Inc. (the "Registrant") certify that, to the best of their knowledge, based upon a review of the Quarterly Report on Form 10-Q for the period ended October 31, 2023 April 30, 2024 of the Registrant, (the "Report"):

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ David J. Mansfield
David J. Mansfield
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Matthew E. Lewicki
Matthew E. Lewicki
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

December 8, 2023 June 13, 2024

A signed original of this written statement required by Section 906 has been provided by Perma-Pipe International Holdings, Inc. and will be retained by Perma-Pipe International Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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