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

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarter ended June 30, 2024

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number: 001-13337

STONERIDGE, INC

(Exact name of registrant as specified in its charter)

Ohio	**34-1598949**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
39675 MacKenzie Drive, Suite 400 , Novi , Michigan	**48377**
(Address of principal executive offices)	*(Zip Code)*

(248) 489-9300
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 Shares , without par value	SRI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

x Yes oNo

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).

x Yes oNo

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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by checkmark 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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).o Yes xNo

The number of Common Shares, without par value, outstanding as of July 26, 2024 was 27,677,748 .

STONERIDGE, INC. AND SUBSIDIARIES

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Forward-Looking Statements

Portions of this report on Form 10-Q contain "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this report and may include statements regarding the intent, belief or current expectations of the Company, with respect to, among other things, our (i) future product and facility expansion, (ii) acquisition strategy, (iii) investments and new product development, (iv) growth opportunities related to awarded business and (v) operational expectations. Forward-looking statements may be identified by the words "will," "may," "should," "designed to," "believes," "plans," "projects," "intends," "expects," "estimates," "anticipates," "continue," and similar words and expressions. The forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed in or implied by the statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, among other factors:

- the ability of our suppliers to supply us with parts and components at competitive prices on a timely basis, including the impact of potential tariffs and trade considerations on their operations and output;
- fluctuations in the cost and availability of key materials and components (including semiconductors, printed circuit boards, resin, aluminum, steel and copper) and our ability to offset cost increases through negotiated price increases with our customers or other cost reduction actions, as necessary;
- global economic trends, competition and geopolitical risks, including impacts from ongoing or potential global conflicts and any related sanctions and other measures, or an escalation of sanctions, tariffs or other trade tensions between the U.S. and other countries;
- our ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions;
- the reduced purchases, loss or bankruptcy of a major customer or supplier;
- the costs and timing of business realignment, facility closures or similar actions;
- a significant change in automotive, commercial, off-highway or agricultural vehicle production;
- competitive market conditions and resulting effects on sales and pricing;
- foreign currency fluctuations and our ability to manage those impacts;
- customer acceptance of new products;
- our ability to successfully launch/produce products for awarded business;
- adverse changes in laws, government regulations or market conditions affecting our products, our suppliers, or our customers' products;
- our ability to protect our intellectual property and successfully defend against assertions made against us;
- liabilities arising from warranty claims, product recall or field actions, product liability and legal proceedings to which we are or may become a party, or the impact of product recall or field actions on our customers;
- labor disruptions at our facilities, or at any of our significant customers or suppliers;
- business disruptions due to natural disasters or other disasters outside of our control;
- the amount of our indebtedness and the restrictive covenants contained in the agreements governing our indebtedness, including our revolving Credit Facility;
- capital availability or costs, including changes in interest rates;
- the failure to achieve the successful integration of any acquired company or business;
- risks related to a failure of our information technology systems and networks, and risks associated with current and emerging technology threats and damage from computer viruses, unauthorized access, cyber-attack and other similar disruptions; and
- the items described in Part I, Item IA ("Risk Factors") in the Company's 2023 Form 10-K.

The forward-looking statements contained herein represent our estimates only as of the date of this filing and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, whether to reflect actual results, changes in assumptions, changes in other factors affecting such forward-looking statements or otherwise.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

STONERIDGE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)	June 30, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 42,112**	$ 40,841
Accounts receivable, less reserves of $ 620 and $ 1,058 , respectively	**168,215**	166,545
Inventories, net	**178,749**	187,758
Prepaid expenses and other current assets	**32,882**	34,246
Total current assets	**421,958**	429,390
Long-term assets:		
Property, plant and equipment, net	**103,061**	110,126
Intangible assets, net	**43,586**	47,314
Goodwill	**34,244**	35,295
Operating lease right-of-use asset	**8,722**	10,795
Investments and other long-term assets, net	**55,080**	46,980
Total long-term assets	**244,693**	250,510
Total assets	**$ 666,651**	$ 679,900
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of debt	**$ 2,064**	$ 2,113
Accounts payable	**108,085**	111,925
Accrued expenses and other current liabilities	**76,098**	64,203
Total current liabilities	**186,247**	178,241
Long-term liabilities:		
Revolving credit facility	**187,417**	189,346
Deferred income taxes	**6,276**	7,224
Operating lease long-term liability	**5,814**	7,684
Other long-term liabilities	**10,446**	9,688
Total long-term liabilities	**209,953**	213,942
Shareholders' equity:		
Preferred Shares, without par value, 5,000 shares authorized, none issued	**—**	—
Common Shares, without par value, 60,000 shares authorized, 28,966 and 28,966 shares issued and 27,679 and 27,549 shares outstanding at June 30, 2024 and December 31, 2023, respectively, with no stated value	**—**	—
Additional paid-in capital	**224,599**	227,340
Common Shares held in treasury, 1,287 and 1,417 shares at June 30, 2024 and December 31, 2023, respectively, at cost	**(39,066)**	(43,344)
Retained earnings	**193,169**	196,509
Accumulated other comprehensive loss	**(108,251)**	(92,788)
Total shareholders' equity	**270,451**	287,717
Total liabilities and shareholders' equity	**$ 666,651**	$ 679,900

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

STONERIDGE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
(in thousands, except per share data)	**2024**	**2023**	**2024**	**2023**
Net sales	**$ 237,059**	$ 266,814	**$ 476,216**	$ 508,139
Costs and expenses:				
Cost of goods sold	**183,319**	206,326	**374,119**	404,849
Selling, general and administrative	**31,876**	33,491	**62,299**	63,354
Design and development	**18,457**	22,666	**36,060**	39,634
Operating income	**3,407**	4,331	**3,738**	302
Interest expense, net	**3,801**	3,120	**7,435**	5,866
Equity in loss of investee	**52**	329	**329**	500
Other (income) expense, net	**(2,296)**	2,387	**(260)**	3,535
Income (loss) before income taxes	**1,850**	(1,505)	**(3,766)**	(9,599)
(Benefit) provision for income taxes	**(936)**	1,487	**(426)**	779
Net income (loss)	**$ 2,786**	$ (2,992)	**$ (3,340)**	$ (10,378)
Income (loss) per share:				
Basic	**$ 0.10**	$ (0.11)	**$ (0.12)**	$ (0.38)
Diluted	**$ 0.10**	$ (0.11)	**$ (0.12)**	$ (0.38)
Weighted-average shares outstanding:				
Basic	**27,611**	27,452	**27,570**	27,400
Diluted	**27,853**	27,452	**27,570**	27,400

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

STONERIDGE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
(in thousands)	**2024**	**2023**	**2024**	**2023**
Net income (loss)	**$ 2,786**	$ (2,992)	**$ (3,340)**	$ (10,378)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation	**(8,454)**	2,992	**(13,333)**	7,064
Unrealized (loss) gain on derivatives(1)	**(2,200)**	288	**(2,130)**	56
Other comprehensive (loss) income, net of tax	**(10,654)**	3,280	**(15,463)**	7,120
Comprehensive (loss) income	**$ (7,868)**	$ 288	**$ (18,803)**	$ (3,258)

(1) Net of tax (benefit) expense of $(585) and $ 76 for the three months ended June 30, 2024 and 2023, respectively. Net of tax (benefit) expense of $(566) and $ 15 for the six months ended June 30, 2024 and 2023, respectively.

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

STONERIDGE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

Six months ended June 30, (in thousands)	2024	2023
OPERATING ACTIVITIES:		
Net loss	$ (3,340)	$ (10,378)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation	13,054	13,161
Amortization, including accretion and write-off of deferred financing costs	4,440	4,004
Deferred income taxes	(7,004)	(3,782)
Loss of equity method investee	329	500
Loss (gain) on sale of fixed assets	258	(854)
Share-based compensation expense	2,207	1,271
Excess tax deficiency related to share-based compensation expense	238	66
Changes in operating assets and liabilities:		
Accounts receivable, net	(6,094)	(28,100)
Inventories, net	3,438	(23,142)
Prepaid expenses and other assets	(1,038)	3,313
Accounts payable	(849)	27,069
Accrued expenses and other liabilities	12,123	12,184
Net cash provided by (used for) operating activities	17,762	(4,688)
INVESTING ACTIVITIES:		
Capital expenditures, including intangibles	(12,920)	(18,025)
Proceeds from sale of fixed assets	222	1,729
Investment in venture capital fund, net	(260)	—
Net cash used for investing activities	(12,958)	(16,296)
FINANCING ACTIVITIES:		
Revolving credit facility borrowings	57,000	42,000
Revolving credit facility payments	(58,000)	(38,068)
Proceeds from issuance of debt	17,677	16,402
Repayments of debt	(17,690)	(18,086)
Repurchase of Common Shares to satisfy employee tax withholding	(666)	(1,325)
Net cash (used for) provided by financing activities	(1,679)	923
Effect of exchange rate changes on cash and cash equivalents	(1,854)	(32)
Net change in cash and cash equivalents	1,271	(20,093)
Cash and cash equivalents at beginning of period	40,841	54,798
Cash and cash equivalents at end of period	$ 42,112	$ 34,705
Supplemental disclosure of cash flow information:		
Cash paid for interest, net	$ 8,003	$ 5,622
Cash paid for income taxes, net	$ 4,372	$ 5,927

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

STONERIDGE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Unaudited)

(in thousands)	Number of Common Shares outstanding	Number of treasury shares	Additional paid-in capital	Common Shares held in treasury	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
BALANCE DECEMBER 31, 2022	27,341	1,625	$ 232,758	$ (50,366)	$ 201,692	$ (103,142)	$ 280,942
Net loss	—	—	—	—	(7,386)	—	(7,386)
Unrealized loss on derivatives, net	—	—	—	—	—	(232)	(232)
Currency translation adjustments	—	—	—	—	—	4,072	4,072
Issuance of Common Shares	234	(234)	—	—	—	—	—
Repurchased Common Shares for treasury, net	(62)	62	—	5,649	—	—	5,649
Share-based compensation, net	—	—	(6,802)	—	—	—	(6,802)
BALANCE MARCH 31, 2023	27,513	1,453	$ 225,956	$ (44,717)	$ 194,306	$ (99,302)	$ 276,243
Net loss	—	—	—	—	(2,992)	—	(2,992)
Unrealized gain on derivatives, net	—	—	—	—	—	288	288
Currency translation adjustments	—	—	—	—	—	2,992	2,992
Issuance of Common Shares	15	(15)	—	—	—	—	—
Repurchased Common Shares for treasury, net	(6)	6	—	350	—	—	350
Share-based compensation, net	—	—	757	—	—	—	757
BALANCE JUNE 30, 2023	27,522	1,444	$ 226,713	$ (44,367)	$ 191,314	$ (96,022)	$ 277,638
BALANCE DECEMBER 31, 2023	**27,549**	**1,417**	**$ 227,340**	**$ (43,344)**	**$ 196,509**	**$ (92,788)**	**$ 287,717**
Net loss	**—**	**—**	**—**	**—**	**(6,126)**	**—**	**(6,126)**
Unrealized gain on derivatives, net	**—**	**—**	**—**	**—**	**—**	**70**	**70**
Currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(4,879)**	**(4,879)**
Issuance of Common Shares	**154**	**(154)**	**—**	**—**	**—**	**—**	**—**
Repurchased Common Shares for treasury, net	**(36)**	**36**	**—**	**3,958**	**—**	**—**	**3,958**
Share-based compensation, net	**—**	**—**	**(3,484)**	**—**	**—**	**—**	**(3,484)**
BALANCE MARCH 31, 2024	**27,667**	**1,299**	**$ 223,856**	**$ (39,386)**	**$ 190,383**	**$ (97,597)**	**$ 277,256**
Net income	**—**	**—**	**—**	**—**	**2,786**	**—**	**2,786**
Unrealized loss on derivatives, net	**—**	**—**	**—**	**—**	**—**	**(2,200)**	**(2,200)**
Currency translation adjustments	**—**	**—**	**—**	**—**	**—**	**(8,454)**	**(8,454)**
Issuance of Common Shares	**16**	**(16)**	**—**	**—**	**—**	**—**	**—**
Repurchased Common Shares for treasury, net	**(4)**	**4**	**—**	**320**	**—**	**—**	**320**
Share-based compensation, net	**—**	**—**	**743**	**—**	**—**	**—**	**743**
BALANCE JUNE 30, 2024	**27,679**	**1,287**	**$ 224,599**	**$ (39,066)**	**$ 193,169**	**$ (108,251)**	**$ 270,451**

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

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data, unless otherwise stated)
(Unaudited)

(1) Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared by Stoneridge, Inc. (the “Company”) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). The information furnished in the condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of such financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) have been condensed or omitted pursuant to the SEC’s rules and regulations. The results of operations for the three months ended June 30, 2024 are not necessarily indicative of the results to be expected for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company’s 2023 Form 10-K.

Reclassifications

Certain prior period amounts have been reclassified to conform to their 2024 presentation in the condensed consolidated financial statements.

(2) Recently Issued Accounting Standards

Accounting Standards Not Yet Adopted

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting (Topic 280) – Improvements to Reportable Segment Disclosures", which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. The updated standard is effective for annual periods beginning in fiscal 2025 and interim periods beginning in the first quarter of fiscal 2026. Early adoption is permitted. We are currently evaluating the impact that the updated standard will have on our financial statement disclosures.

In December 2023, the FASB issued ASU No. 2023-09, “Income Taxes (Topic 740) – Improvements to Income Tax Disclosures," which requires companies to disclose, on an annual basis, specific categories in the effective tax rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. In addition, companies are required to disclose additional information about income taxes paid. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The standard is to be adopted on a prospective basis; however, retrospective application is permitted. We are currently evaluating the impact on our annual consolidated financial statement disclosures.

(3) Revenue

Revenue is recognized when obligations under the terms of a contract with our customer are satisfied; generally this occurs with the transfer of control of our products and services, which is usually when the parts are shipped or delivered to the customer’s premises. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. The transaction price will include estimates of variable consideration to the extent it is probable that a significant reversal of revenue recognized will not occur. Incidental items that are not significant in the context of the contract are recognized as expense. The expected costs associated with our base warranties continue to be recognized as expense when the products are sold. Customer returns only occur if products do not meet the specifications of the contract and are not connected to any repurchase obligations of the Company.

The Company does not have any financing components or significant payment terms as payment occurs shortly after the point of sale. Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction that are collected by the Company from a customer are excluded from revenue. Amounts billed to customers related to shipping and handling costs are included in net sales in the condensed consolidated statements of operations. Shipping and handling costs associated with outbound freight after control over a product is transferred to the customer are accounted for as a fulfillment cost and are included in cost of sales.

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data, unless otherwise stated)
(Unaudited)

Revenue by Reportable Segment

Control Devices. Our Control Devices segment designs and manufactures products that monitor, measure or activate specific functions within a vehicle. This segment includes product lines such as actuators, sensors, switches and connectors. We sell these products principally to the automotive market in the North American and Asia Pacific regions. To a lesser extent, we also sell these products to the commercial vehicle and agricultural markets in the North American and Asia Pacific regions. Our customers included in these markets primarily consist of original equipment manufacturers ("OEM") and companies supplying components directly to the OEMs ("Tier 1 supplier").

Electronics. Our Electronics segment designs and manufactures driver information systems, vision and safety systems, connectivity and compliance products and electronic control units. These products are sold principally to the commercial vehicle market primarily through our OEM and aftermarket channels in the European, North American and Asia Pacific regions. Our vision and safety systems are sold principally to the commercial vehicle and off-highway vehicle markets in the European and North American regions.

Stoneridge Brazil. Our Stoneridge Brazil segment primarily serves the South American region and specializes in the design, manufacture and sale of vehicle tracking devices and monitoring services, vehicle security alarms and convenience accessories, in-vehicle audio and infotainment devices, driver information systems and telematics solutions. Stoneridge Brazil sells its products through the aftermarket distribution channel, to factory authorized dealer installers, also referred to as original equipment services and directly to OEMs. In addition, monitoring services and tracking devices are sold directly to corporate customers and individual consumers.

The following tables disaggregate our revenue by reportable segment and geographical location[1] for the three months ended June 30, 2024 and 2023:

	Control Devices		Electronics		Stoneridge Brazil		Consolidated	
Three months ended June 30,	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Net Sales:								
North America	**$ 67,391**	$ 78,745	**$ 54,124**	$ 56,845	**$ —**	$ —	**$ 121,515**	$ 135,590
South America	**—**	—	**—**	—	**11,649**	14,908	**11,649**	14,908
Europe	**—**	—	**90,613**	99,169	**—**	—	**90,613**	99,169
Asia Pacific	**12,508**	13,375	**774**	3,772	**—**	—	**13,282**	17,147
Total net sales	**$ 79,899**	$ 92,120	**$ 145,511**	$ 159,786	**$ 11,649**	$ 14,908	**$ 237,059**	$ 266,814

The following tables disaggregate our revenue by reportable segment and geographical location[1] for the six months ended June 30, 2024 and 2023:

	Control Devices		Electronics		Stoneridge Brazil		Consolidated	
Six months ended June 30,	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Net Sales:								
North America	**$ 133,213**	$ 154,426	**$ 106,417**	$ 104,887	**$ —**	$ —	**$ 239,630**	$ 259,313
South America	**—**	—	**—**	—	**23,865**	29,164	**23,865**	29,164
Europe	**—**	—	**186,988**	186,418	**—**	—	**186,988**	186,418
Asia Pacific	**23,844**	23,636	**1,889**	9,608	**—**	—	**25,733**	33,244
Total net sales	**$ 157,057**	$ 178,062	**$ 295,294**	$ 300,913	**$ 23,865**	$ 29,164	**$ 476,216**	$ 508,139

(1) Company sales based on geographic location are where the sale originates not where the customer is located.

(in thousands, except per share data, unless otherwise stated)

Performance Obligations

For OEM and Tier 1 supplier customers, the Company typically enters into contracts to provide serial production parts that consist of a set of documents including, but not limited to, an award letter, master purchase agreement and master terms and conditions. For each production product, the Company enters into separate purchase orders that contain the product specifications and an agreed-upon price. The performance obligation does not exist until a customer release is received for a specific number of parts. The majority of the parts sold to OEM and Tier 1 supplier customers are customized to the specific customer, with the exception of camera monitoring systems ("CMS") sold through our aftermarket channel that are common across all customers. The transaction price is equal to the contracted price per part and there is no expectation of material variable consideration in the transaction price. For most customer contracts, the Company does not have an enforceable right to payment at any time prior to when the parts are shipped or delivered to the customer; therefore, the Company recognizes revenue at the point in time it satisfies a performance obligation by transferring control of a part to the customer. Certain customer contracts contain an enforceable right to payment if the customer terminates the contract for convenience and therefore are recognized over time using the cost to complete input method.

Our aftermarket products are focused on meeting the demand for safety, compliance and entertainment applications. Including products, accessories and replacement parts and are sold primarily to aftermarket distributors in our South American and European markets, as well as direct to aftermarket customers in North America. Aftermarket products have one type of performance obligation which is the delivery of aftermarket parts and spare parts. For aftermarket customers, the Company typically has standard terms and conditions for all customers. In addition, aftermarket products have alternative use as they can be sold to multiple customers. Revenue for aftermarket part production contracts is recognized at a point in time when the control of the parts transfers to the customer which is based on the shipping terms. Aftermarket contracts may include variable consideration related to discounts and rebates which is included in the transaction price upon recognizing the product revenue.

A small portion of the Company's sales are comprised of monitoring services that include both monitoring devices and fees to individual, corporate, fleet and cargo customers in our Stoneridge Brazil segment. These monitoring service contracts are generally not capable of being distinct and are accounted for as a single performance obligation. We recognize revenue for our monitoring products and services contracts over the life of the contract. There is no variable consideration associated with these contracts. The Company has the right to consideration from a customer in the amount that corresponds directly with the value to the customer of the Company's performance to date. Therefore, the Company recognizes revenue over time using the practical expedient ASC 606-10-55-18 in the amount the Company has a "right to invoice" rather than selecting an output or input method.

Contract Balances

The Company had no material contract assets, contract liabilities or capitalized contract acquisition costs as of June 30, 2024 and December 31, 2023.

(4) Inventories

Inventories are valued at the lower of cost (using either the first-in, first-out ("FIFO") or average cost methods) or net realizable value. The Company evaluates and adjusts as necessary its excess and obsolescence reserve on a quarterly basis. Excess inventories are quantities of items that exceed anticipated sales or usage for a reasonable period. The Company has guidelines for calculating provisions for excess inventories based on the number of months of inventories on hand compared to anticipated sales or usage. Management uses its judgment to forecast sales or usage and to determine what constitutes a reasonable period. Inventory cost includes material, labor and overhead. Inventories consist of the following:

	June 30, 2024	**December 31, 2023**
Raw materials	**$ 131,100**	$ 142,744
Work-in-progress	**10,398**	11,907
Finished goods	**37,251**	33,107
Total inventories, net	**$ 178,749**	$ 187,758

Inventory valued using the FIFO method was $ 166,118 and $ 176,033 at June 30, 2024 and December 31, 2023, respectively. Inventory valued using the average cost method was $ 12,631 and $ 11,725 at June 30, 2024 and December 31, 2023, respectively.

(5) Financial Instruments and Fair Value Measurements

Financial Instruments

A financial instrument is cash or a contract that imposes an obligation to deliver or conveys a right to receive cash or another financial instrument. The carrying values of cash and cash equivalents, accounts receivable and accounts payable are considered to be representative of fair value because of the short maturity of these instruments. The fair value of debt approximates the carrying value of debt, due to the variable interest rate on our Credit Facility and the maturity of the remaining outstanding debt.

Derivative Instruments and Hedging Activities

On June 30, 2024, the Company had open Mexican peso-denominated foreign currency forward contracts. The Company used foreign currency forward contracts solely for hedging and not for speculative purposes during 2024 and 2023. Management believes that its use of these instruments to reduce risk is in the Company's best interest. The counterparties to these financial instruments are financial institutions with investment grade credit ratings.

Foreign Currency Exchange Rate Risk

Foreign currency transactions are remeasured into the functional currency using translation rates in effect at the time of the transaction with the resulting adjustments included on the condensed consolidated statements of operations within other (income) expense, net. These foreign currency transaction (gains) losses, including the impact of hedging activities, were $(2,270) and $ 2,356 for the three months ended June 30, 2024 and 2023, respectively, and $(326) and $ 3,458 for the six months ended June 30, 2024 and 2023, respectively.

The Company conducts business internationally and, therefore, is exposed to foreign currency exchange rate risk. The Company uses derivative financial instruments as cash flow hedges and used net investment hedges to manage its exposure to fluctuations in foreign currency exchange rates by reducing the effect of such fluctuations on foreign currency denominated intercompany transactions, inventory purchases and other foreign currency exposures.

Cash Flow Hedges

The Company entered into foreign currency forward contracts to hedge the Mexican peso currency in 2024 and 2023. These forward contracts were executed to hedge forecasted transactions and have been accounted for as cash flow hedges. As such, gains and losses on derivatives qualifying as cash flow hedges are recorded in accumulated other comprehensive loss, to the extent that hedges are effective, until the underlying transactions are recognized in earnings. Unrealized amounts in accumulated other comprehensive loss fluctuate based on changes in the fair value of hedge derivative contracts at each reporting period. The cash flow hedges were highly effective. The effectiveness of the transactions was measured using regression analysis and forecasted future purchases of the currency.

In certain instances, the foreign currency forward contracts may not qualify for hedge accounting or are not designated as hedges and, therefore, are marked-to-market with gains and losses recognized in the Company's condensed consolidated statements of operations as a component of other expense, net. At June 30, 2024, all of the Company's foreign currency forward contracts were designated as cash flow hedges.

The Company's foreign currency forward contracts offset a portion of the gains and losses on the underlying foreign currency denominated transactions as follows:

Mexican peso-denominated Foreign Currency Forward Contracts – Cash Flow Hedges

The Company holds Mexican peso-denominated foreign currency forward contracts with a notional amount at June 30, 2024 of $ 29,023 which expire ratably on a monthly basis from July 2024 to June 2025. The notional amounts at December 31, 2023 related to Mexican peso-denominated foreign currency forward contracts were $ 26,613 .

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The Company evaluated the effectiveness of the Mexican peso denominated forward contracts held as of June 30, 2024 and concluded that the hedges were highly effective.

Interest Rate Risk

Interest Rate Risk – Cash Flow Hedge

On February 18, 2020, the Company entered into a floating-to-fixed interest rate swap agreement (the “Swap”) with a notional amount of $ 50,000 to hedge its exposure to interest payment fluctuations on a portion of its Credit Facility borrowings. The Swap matured on March 10, 2023. The Swap was designated as a cash flow hedge of the variable interest rate obligation under the Company's Fourth Amended and Restated Credit Agreement, as amended,(the “Fourth Amended and Restated Credit Agreement”). Accordingly, the change in fair value of the Swap was recognized in accumulated other comprehensive loss. The Swap agreement required monthly settlements on the same days that the Fourth Amended and Restated Credit Agreement interest payments were due and had a maturity date of March 10, 2023, which was prior to the Fourth Amended and Restated Credit Agreement maturity date of June 5, 2024. Under the Swap terms, the Company paid a fixed interest rate and received a floating interest rate based on the one-month LIBOR, with a floor. The critical terms of the Swap were aligned with the terms of the Fourth Amended and Restated Credit Agreement, resulting in no hedge ineffectiveness. The difference between amounts to be received and paid under the Swap were recognized as a component of interest expense, net on the condensed consolidated statements of operations. The Swap settlements reduced interest expense, net by $ 290 for the six months ended June 30, 2023.

The notional amounts and fair values of derivative instruments in the condensed consolidated balance sheets were as follows:

	Notional amounts (A)		Prepaid expenses and other current assets		Accrued expenses and other current liabilities	
	June 30, 2024	**December 31, 2023**	**June 30, 2024**	**December 31, 2023**	**June 30, 2024**	**December 31, 2023**
Derivatives designated as hedging instruments:						
Cash flow hedges:						
Forward currency contracts	**$ 29,023**	$ 26,613	**$ —**	$ 1,858	**$ 838**	$ —

(A) Notional amounts represent the gross contract of the derivatives outstanding in U.S. dollars.

Gross amounts recorded for the cash flow hedges in other comprehensive (loss) income and in net income (loss) for the three months ended June 30 were as follows:

	(Loss) gain recorded in other comprehensive (loss) income		Gain reclassified from other comprehensive (loss) income into net income (loss) (A)	
	2024	**2023**	**2024**	**2023**
Derivatives designated as cash flow hedges:				
Forward currency contracts	**$ (2,371)**	$ 416	**$ 414**	$ 51

(A) Gains reclassified from other comprehensive (loss) income into net income (loss) recognized in selling, general and administrative expenses (“SG&A”) in the Company’s condensed consolidated statements of operations were $ 134 and $ 13 for the three months ended June 30, 2024 and 2023, respectively. Gains reclassified from other comprehensive (loss) income into net income (loss) recognized in cost of goods sold (“COGS”) in the Company’s condensed consolidated statements of operations were $ 280 and $ 38 for the three months ended June 30, 2024 and 2023, respectively.

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Gross amounts recorded for the cash flow and net investment hedges in other comprehensive (loss) income and in net income (loss) for the six months ended June 30 were as follows:

	(Loss) gain recorded in other comprehensive (loss) income		Gain reclassified from other comprehensive (loss) income into net loss (A)	
	2024	2023	2024	2023
Derivatives designated as cash flow hedges:				
Forward currency contracts	**$ (1,628)**	$ 416	**$ 1,068**	$ 51
Interest rate swap	**$ —**	$ (4)	**$ —**	$ 290

(A) Gains reclassified from other comprehensive (loss) income into net loss recognized in SG&A in the Company's condensed consolidated statements of operations were $ 251 and $ 13 for the six months ended June 30, 2024 and 2023, respectively. Gains reclassified from other comprehensive (loss) income into net loss recognized in COGS in the Company's condensed consolidated statements of operations were $ 817 and $ 38 for the six months ended June 30, 2024 and 2023, respectively. Gains reclassified from other comprehensive (loss) income into net loss recognized in interest expense, net in the Company's condensed consolidated statements of operations were $ 0 and $ 290 for the six months ended June 30, 2024 and 2023, respectively.

Cash flows from derivatives used to manage foreign currency exchange and interest rate risks are classified as operating activities within the condensed consolidated statements of cash flows.

Fair Value Measurements

Certain assets and liabilities held by the Company are measured at fair value on a recurring basis and are categorized using the three levels of the fair value hierarchy based on the reliability of the inputs used. Fair values estimated using Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Fair values estimated using Level 2 inputs, other than quoted prices, are observable for the asset or liability, either directly or indirectly and include among other things, quoted prices for similar assets or liabilities in markets that are active or inactive as well as inputs other than quoted prices that are observable. For forward currency and cross-currency contracts, inputs include forward foreign currency exchange rates. For the interest rate swap, inputs included LIBOR. Fair values estimated using Level 3 inputs consist of significant unobservable inputs.

The following table presents our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the three levels of the fair value hierarchy based on the reliability of inputs used.

	June 30, 2024				December 31, 2023
		Fair values estimated using			
	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs	Fair value
Financial assets carried at fair value:					
Forward currency contracts	**$ —**	**$ —**	**$ —**	**$ —**	$ 1,858
Total financial assets carried at fair value	**$ —**	**$ —**	**$ —**	**$ —**	$ 1,858
Financial liabilities carried at fair value:					
Forward currency contracts	**$ 838**	**$ —**	**$ 838**	**$ —**	$ —
Total financial liabilities carried at fair value	**$ 838**	**$ —**	**$ 838**	**$ —**	$ —

There were no transfers in or out of Level 3 from other levels in the fair value hierarchy for the six months ended June 30, 2024.

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(6) Share-Based Compensation

Compensation expense for share-based compensation arrangements, which is recognized in the condensed consolidated statements of operations as a component of SG&A expense, was $ 1,115 and $ 1,202 for the three months ended June 30, 2024 and 2023, respectively. Compensation expense for share-based compensation arrangements was $ 2,207 and $ 1,271 for the six months ended June 30, 2024 and 2023, respectively. The six months ended June 30, 2023 included income from the forfeiture of certain grants associated with employee resignations.

(7) Debt

Debt consisted of the following at June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023	Interest rates at June 30, 2024	Maturity
Revolving Credit Facility				
Revolving Credit Facility	**$ 187,417**	$ 189,346	**7.48 %**	**November 2026**
Debt				
Suzhou short-term credit line	**2,064**	2,113	**3.25 %**	**August 2024**
Total debt	**2,064**	2,113		
Less: current portion	**(2,064)**	(2,113)		
Total long-term debt, net	**$ —**	$ —		

Revolving Credit Facility

On June 5, 2019, the Company entered into the Fourth Amended and Restated Credit Agreement. The Fourth Amended and Restated Credit Agreement provided for a $ 300,000 senior secured revolving credit facility. As a result of entering into the Fourth Amended and Restated Credit Agreement and related amendments, the Company capitalized $ 332 of deferred financing costs during the year ended December 31, 2023.

On November 2, 2023, the Company entered into the Fifth Amended and Restated Credit Agreement (the “Credit Facility”). The Credit Facility provides for a $ 275,000 senior secured revolving credit facility and it replaced and superseded the Fourth Amended and Restated Credit Agreement. The Credit Facility has an accordion feature which allows the Company to increase the availability by up to $ 150,000 upon the satisfaction of certain conditions, including the consent of lenders providing the increase in commitments and also includes a letter of credit subfacility, swing line subfacility and multicurrency subfacility. The Credit Facility has a termination date of November 2, 2026. Borrowings under the Credit Facility bear interest at either the Base Rate or the SOFR rate, at the Company’s option, plus the applicable margin as set forth in the Credit Facility. The Credit Facility contains certain financial covenants that require the Company to maintain less than a maximum leverage ratio and more than a minimum interest coverage ratio.

As a result of entering into the Fifth Amended and Restated Credit Agreement, the Company capitalized $ 1,915 of deferred financing costs and wrote off $ 309 of previously recorded deferred financing costs during the year ended December 31, 2023.

The Credit Facility contains customary affirmative covenants and representations. The Credit Facility also contains customary negative covenants, which, among other things, are subject to certain exceptions, including restrictions on (i) indebtedness, (ii) liens, (iii) liquidations, mergers, consolidations and acquisitions, (iv) disposition of assets or subsidiaries, (v) affiliate transactions, (vi) continuation of or change in business, (vii) restricted payments, (viii) restrictions in agreements on dividends, intercompany loans and granting liens on the collateral, (ix) loans and investments and (x) changes in organizational documents and fiscal year. The Credit Facility contains customary events of default, subject to customary thresholds and exceptions, including, among other things, (i) non-payment of principal and non-payment of interest and fees, (ii) a material inaccuracy of a representation or warranty at the time made, (iii) a failure to comply with any covenant, subject to customary grace periods in the case of certain affirmative covenants, (iv) cross default of other debt, final judgments and other adverse orders in excess of $ 30,000 , (v) any loan document shall cease to be a legal, valid and binding agreement, (vi) certain uninsured losses or proceedings against assets with a value in excess of $ 30,000 , (vii) ERISA events, (viii) a change of control, or (ix) bankruptcy or insolvency proceedings.

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Borrowings outstanding on the Credit Facility were $ 187,417 and $ 189,346 at June 30, 2024 and December 31, 2023, respectively.

The Company was in compliance with all Credit Facility covenants at June 30, 2024 and December 31, 2023.

The Company also has outstanding letters of credit of$ 1,586 at both June 30, 2024 and December 31, 2023.

Debt

The Company's wholly owned subsidiary located in Stockholm, Sweden (the "Stockholm subsidiary"), has an overdraft credit line that allows overdrafts on the subsidiary's bank account up to a daily maximum level of 20,000 Swedish krona, or $ 1,888 and $ 1,987 , at June 30, 2024 and December 31, 2023, respectively. At June 30, 2024 and December 31, 2023, there were no borrowings outstanding on this overdraft credit line. During the six months ended June 30, 2024, the subsidiary borrowed and repaid 186,496 Swedish krona, or $ 17,609 . The Stockholm subsidiary has pledged certain of its assets as collateral in order to obtain a guarantee of certain of the Stockholm subsidiary's obligations to third parties.

The Company's wholly owned subsidiary located in Suzhou, China (the "Suzhou subsidiary"), has lines of credit (the "Suzhou credit line") that allow up to a maximum borrowing level of 20,000 Chinese yuan, or $ 2,752 and $ 2,818 at June 30, 2024 and December 31, 2023, respectively. At June 30, 2024 and December 31, 2023 there was $ 2,064 and $ 2,113 , respectively, in borrowings outstanding on the Suzhou credit line with a weighted-average interest rate of 3.25 %. The Suzhou credit line was included on the condensed consolidated balance sheets within current portion of debt. In addition, the Suzhou subsidiary has a bank acceptance draft line of credit which facilitates the extension of trade payable payment terms by 180 days. The bank acceptance draft line of credit allows up to a maximum borrowing level of 60,000 Chinese yuan, or $ 8,256 and $ 8,453 at June 30, 2024 and December 31, 2023, respectively. There was $ 0 and $ 2,387 utilized on the Suzhou bank acceptance draft line of credit at June 30, 2024 and December 31, 2023, respectively. The Suzhou bank acceptance draft line of credit is included on the condensed consolidated balance sheets within accounts payable.

(8) Earnings (Loss) Per Share

Basic earnings (loss) per share was computed by dividing net income (loss) by the weighted-average number of Common Shares outstanding for each respective period. Diluted earnings (loss) per share was calculated by dividing net income by the weighted-average of all potentially dilutive Common Shares that were outstanding during the periods presented. However, for all periods in which the Company recognized a net loss, the Company did not recognize the effect of the potential dilutive securities as their inclusion would be anti-dilutive. Potential dilutive shares of 233,202 for the three months ended June 30, 2023, were excluded from diluted loss per share because the effect would be anti-dilutive. Potential dilutive shares of 265,815 and 256,514 for the six months ended June 30, 2024 and 2023, respectively, were excluded from diluted loss per share because the effect would be anti-dilutive.

Weighted-average Common Shares outstanding used in calculating basic and diluted earnings per share were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
Basic weighted-average Common Shares outstanding	**27,610,756**	27,451,623	**27,570,014**	27,400,490
Effect of dilutive shares	**241,871**	—	**—**	—
Diluted weighted-average Common Shares outstanding	**27,852,627**	27,451,623	**27,570,014**	27,400,490

There were 646,500 and 425,612 performance-based right to receive Common Shares outstanding at June 30, 2024 and 2023, respectively. The right to receive Common Shares are included in the computation of diluted earnings per share based on the number of Common Shares that would be issuable if the end of the quarter were the end of the performance period.

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(9) Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income for the three months ended June 30, 2024 and 2023 were as follows:

	Foreign currency translation	Unrealized gain (loss) on derivatives	Total
Balance at April 1, 2024	**$ (99,135)**	**$ 1,538**	**$ (97,597)**
Other comprehensive loss before reclassifications	**(8,454)**	**(1,873)**	**(10,327)**
Amounts reclassified from accumulated other comprehensive loss	**—**	**(327)**	**(327)**
Net other comprehensive loss, net of tax	**(8,454)**	**(2,200)**	**(10,654)**
Balance at June 30, 2024	**$ (107,589)**	**$ (662)**	**$ (108,251)**
Balance at April 1, 2023	$ (99,302)	$ —	$ (99,302)
Other comprehensive income before reclassifications	2,992	328	3,320
Amounts reclassified from accumulated other comprehensive loss	—	(40)	(40)
Net other comprehensive income, net of tax	2,992	288	3,280
Balance at June 30, 2023	$ (96,310)	$ 288	$ (96,022)

Changes in accumulated other comprehensive loss for the six months ended June 30, 2024 and 2023 were as follows:

	Foreign currency translation	Unrealized gain (loss) on derivatives	Total
Balance at January 1, 2024	**$ (94,256)**	**$ 1,468**	**$ (92,788)**
Other comprehensive loss before reclassifications	**(13,333)**	**(1,286)**	**(14,619)**
Amounts reclassified from accumulated other comprehensive loss	**—**	**(844)**	**(844)**
Net other comprehensive loss, net of tax	**(13,333)**	**(2,130)**	**(15,463)**
Balance at June 30, 2024	**$ (107,589)**	**$ (662)**	**$ (108,251)**
Balance at January 1, 2023	$ (103,374)	$ 232	$ (103,142)
Other comprehensive income before reclassifications	7,064	325	7,389
Amounts reclassified from accumulated other comprehensive loss	—	(269)	(269)
Net other comprehensive income, net of tax	7,064	56	7,120
Balance at June 30, 2023	$ (96,310)	$ 288	$ (96,022)

(10) Commitments and Contingencies

From time to time, we are subject to various legal actions and claims incidental to our business, including those arising out of breach of contracts, product warranties, product liability, patent infringement, regulatory matters and employment-related matters. The Company establishes accruals for matters which it believes that losses are probable and can be reasonably estimated. Although it is not possible to predict with certainty the outcome of these matters, the Company is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on its consolidated results of operations or financial position.

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As a result of environmental studies performed at the Company's former facility located in Sarasota, Florida, the Company became aware of soil and groundwater contamination at the site. The Company engaged an environmental engineering consultant to assess the level of contamination and to develop a remediation and monitoring plan for the site. Soil remediation at the site was completed during the year ended December 31, 2010. A remedial action plan was approved by the Florida Department of Environmental Protection and groundwater remediation began in the fourth quarter of 2015. During the three months ended June 30, 2024 and 2023, the Company did not recognize any expense related to groundwater remediation. During the six months ended June 30, 2024 and 2023, the Company recognized expense of $ 0 and $ 125 , respectively, related to groundwater remediation. At June 30, 2024 and December 31, 2023, the Company accrued $ 129 and $ 143 , respectively, related to expected future remediation costs. At June 30, 2024 and December 31, 2023, $ 129 and $ 136 , respectively, were recorded as a component of accrued expenses and other current liabilities in the condensed consolidated balance sheets while the remaining amount as of December 31, 2023 was recorded as a component of other long-term liabilities. Costs associated with the recorded liability will be incurred to complete the groundwater remediation and monitoring. The recorded liability is based on assumptions in the remedial action plan as well as estimates for future remediation activities. Although the Company sold the Sarasota facility and related property in December 2011, the liability to remediate the site contamination remains the responsibility of the Company. Due to the ongoing site remediation, the Company is currently required to maintain a $ 1,489 letter of credit for the benefit of the buyer.

The Company's Stoneridge Brazil subsidiary has civil, labor and other tax contingencies (excluding income tax) for which the likelihood of loss is deemed to be reasonably possible, but not probable, by the Company's legal advisors in Brazil. As a result, no provision has been recorded with respect to these contingencies, which amounted to R$ 40,976 ($ 7,372) and R$ 41,681 ($ 8,609) at June 30, 2024 and December 31, 2023, respectively. An unfavorable outcome on these contingencies could result in significant cost to the Company and adversely affect its results of operations and cash flows.

On August 12, 2020, the Brazilian Administrative Counsel for Economic Defense ("CADE") issued a ruling against Stoneridge Brazil for abuse of dominance and market foreclosure through its prior use of exclusivity provisions in agreements with its distributors. The CADE tribunal imposed a R$ 7,995 ($ 1,438) fine which is included in the reasonably possible contingencies noted above. The Company continues to challenge this ruling in Brazilian federal court to reverse this decision by the CADE tribunal.

Long Term Supply Commitment

In 2022, the Company entered into a long term supply agreement, as amended, with a supplier for the purchase of certain electronic semiconductor components through December 31, 2027. Pursuant to the agreement, the Company paid capacity deposits of $ 1,000 in December 2022 and June 2023, respectively. The capacity deposits are recognized in prepaid and other current assets on our condensed consolidated balance sheets and amortized ratably over the life of the purchase commitment. This long term supply agreement requires the Company to purchase minimum annual volumes while requiring the supplier to sell these components at a fixed price. The Company purchased $ 626 and $ 2,662 of these components during the three months ended June 30, 2024 and 2023, respectively, and $ 822 and $ 3,327 during the six months ended June 30, 2024 and 2023, respectively. The Company is required to purchase $ 3,914 , $ 10,764 , $ 10,764 and $ 3,914 of these components in each of the years 2024 through 2027, respectively.

Product Warranty and Recall

Amounts accrued for product warranty and recall claims are established based on the Company's best estimate of the amounts necessary to settle existing and future claims on products sold as of the balance sheet dates. These accruals are based on several factors including past experience, production changes, industry developments and various other considerations. Our estimate is based on historical trends of units sold and claim payment amounts, combined with our current understanding of the status of existing claims, forecasts of the resolution of existing claims, expected future claims on products sold and commercial discussions with our customers. The key factors in our estimate are the warranty period and the customer source. The Company can provide no assurances that it will not experience material claims or that it will not incur significant costs to defend or settle such claims beyond the amounts accrued. The current portion of the product warranty and recall reserve is included as a component of accrued expenses and other current liabilities on the condensed consolidated balance sheets. Product warranty and recall reserve included $ 8,556 and $ 7,228 of a long-term liability at June 30, 2024 and December 31, 2023, respectively, which is included as a component of other long-term liabilities on the condensed consolidated balance sheets.

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During the second quarter of 2023, the Company received a demand for arbitration from one of our customers seeking recovery for warranty claims related to past sales of PM sensor products, a product line we exited in 2019. In March 2024, pursuant to the arbitration process, the customer submitted a formal statement of claim notification for 29,340 euro ($ 31,433). In May 2024, the Company responded with a formal statement of defense denying responsibility for the claim. Based on our review of the technical merits and specific claims as well as prior discussions with the customer, we believe these warranty claims lack merit and are significantly overstated. While no assurances can be made as to the ultimate outcome of this matter, or any other future claims, we do not currently believe a material loss is probable.

The following provides a reconciliation of changes in product warranty and recall reserve liability:

Six months ended June 30,	2024	2023
Product warranty and recall reserve at beginning of period	**$ 21,610**	$ 13,477
Accruals for warranties established during period	**10,030**	7,636
Aggregate changes in pre-existing liabilities due to claim developments	**399**	327
Settlements made during the period	**(6,899)**	(3,784)
Foreign currency translation	**(692)**	(196)
Product warranty and recall reserve at end of period	**$ 24,448**	$ 17,460

(11) Business Realignment and Restructuring

The Company regularly evaluates the performance of its businesses and cost structures, including personnel, and makes necessary changes thereto in order to optimize its results. The Company also evaluates the required skill sets of its personnel and periodically makes strategic changes. As a consequence of these actions, the Company incurs severance related costs that are referred to as business realignment charges.

Business realignment charges incurred by reportable segment were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Control Devices (A)	**$ —**	$ 379	**$ —**	$ 379
Electronics (B)	**1,890**	1,347	**1,890**	1,656
Unallocated Corporate (C)	**59**	184	**59**	1,137
Total business realignment charges	**$ 1,949**	$ 1,910	**$ 1,949**	$ 3,172

(A) Severance costs for the three and six months ended June 30, 2023 related to COGS and SG&A were $ 369 and $ 10 , respectively.

(B) Severance costs for the three and six months ended June 30, 2024 related to D&D and SG&A were $ 1,432 and $ 458 , respectively. Severance costs for the three months ended June 30, 2023 related to COGS and SG&A were $ 82 and $ 1,265 , respectively. Severance costs for the six months ended June 30, 2023 related to COGS and SG&A were $ 257 and $ 1,399 , respectively.

(C) Severance costs related costs for the three and six months ended June 30, 2024 related to SG&A were $ 59 . Severance costs related costs for the three and six months ended June 30, 2023 related to SG&A were $ 169 and $ 1,122 , respectively. Severance costs related costs for the three and six months ended June 30, 2023 related to D&D were $ 15 .

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Business realignment charges incurred, classified by statement of operations line item were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
Cost of goods sold	**$ —**	$ 451	**$ —**	$ 626
Selling, general and administrative	**517**	1,444	**517**	2,531
Design and development	**1,432**	15	**1,432**	15
Total business realignment charges	**$ 1,949**	$ 1,910	**$ 1,949**	$ 3,172

(12) Income Taxes

For interim tax reporting, we estimate our annual effective tax rate and apply it to our year to date ordinary income. Tax jurisdictions with a projected or year to date loss for which a benefit cannot be realized are excluded.

For the three months ended June 30, 2024, income tax benefit of $ 936 was attributable to the mix of earnings among tax jurisdictions and U.S. taxes on foreign earnings, offset by tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions. The effective tax rate of (50.6)% varies from the statutory rate primarily due to U.S. taxes on foreign earnings offset by the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions.

For the three months ended June 30, 2023, income tax expense of $ 1,487 was attributable to the mix of earnings among tax jurisdictions as well as tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions. The effective tax rate of (98.8)% varies from the statutory rate primarily due to U.S. taxes on foreign earnings and non-deductible expenses offset by the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives.

For the six months ended June 30, 2024, income tax benefit of $ 426 was attributable to the mix of earnings among tax jurisdictions and U.S. taxes on foreign earnings offset by tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives. The effective tax rate of 11.3 % varies from the statutory rate primarily due to U.S. taxes on foreign earnings offset by the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives.

For the six months ended June 30, 2023, income tax expense of $ 779 was attributable to the mix of earnings among tax jurisdictions as well as tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions. The effective tax rate of (8.1)% varies from the statutory rate primarily due to U.S. taxes on foreign earnings and non-deductible expenses offset by the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives.

The OECD (Organisation for Economic Co-operation and Development) implemented a 15% global corporate minimum tax (Pillar Two) to ensure that large multinational enterprises pay a minimum level of tax in the countries they operate. During 2023, many countries took steps to incorporate Pillar Two into their domestic laws. In 2024, we do not expect a material change to our income tax provision in connection with Pillar Two. As additional jurisdictions implement this legislation, our effective tax rate and cash tax payments could increase in future years.

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(Unaudited)

(13) Segment Reporting

Operating segments are defined as components of an enterprise that are evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the Chief Executive Officer.

The Company has three reportable segments, Control Devices, Electronics and Stoneridge Brazil, which also represent its operating segments. The Control Devices reportable segment produces actuators, sensors, switches and connectors. The Electronics reportable segment produces driver information systems, vision and safety systems, connectivity and compliance products and electronic control units. The Stoneridge Brazil reportable segment designs and manufactures vehicle tracking devices and monitoring services, vehicle security alarms and convenience accessories, in-vehicle audio and infotainment devices, driver information systems and telematics solutions.

The accounting policies of the Company's reportable segments are the same as those described in Note 2, "Summary of Significant Accounting Policies" of the Company's 2023 Form 10-K. The Company's management evaluates the performance of its reportable segments based primarily on revenues from external customers, capital expenditures and operating income. Inter-segment sales are accounted for on terms similar to those to third parties and are eliminated upon consolidation.

The financial information presented below is for our three reportable operating segments and includes adjustments for unallocated corporate costs and intercompany eliminations, where applicable. Such costs and eliminations do not meet the requirements for being classified as an operating segment. Corporate costs include various support functions, such as accounting/finance, executive administration, human resources, information technology and legal.

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STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data, unless otherwise stated)
(Unaudited)

A summary of financial information by reportable segment is as follows:

	Three months ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Net Sales:				
Control Devices	**$ 79,899**	$ 92,120	**$ 157,057**	$ 178,062
Inter-segment sales	**955**	970	**1,786**	1,704
Control Devices net sales	**80,854**	93,090	**158,843**	179,766
Electronics	**145,511**	159,786	**295,294**	300,913
Inter-segment sales	**7,967**	8,491	**14,308**	17,007
Electronics net sales	**153,478**	168,277	**309,602**	317,920
Stoneridge Brazil	**11,649**	14,908	**23,865**	29,164
Inter-segment sales	**199**	—	**199**	—
Stoneridge Brazil net sales	**11,848**	14,908	**24,064**	29,164
Eliminations	**(9,121)**	(9,461)	**(16,293)**	(18,711)
Total net sales	**$ 237,059**	$ 266,814	**$ 476,216**	$ 508,139
Operating Income (Loss):				
Control Devices	**$ 3,725**	$ 5,074	**$ 5,889**	$ 7,161
Electronics	**9,831**	7,444	**16,920**	8,844
Stoneridge Brazil	**(41)**	899	**163**	2,242
Unallocated Corporate (A)	**(10,108)**	(9,086)	**(19,234)**	(17,945)
Total operating income	**$ 3,407**	$ 4,331	**$ 3,738**	$ 302
Depreciation and Amortization:				
Control Devices	**$ 2,806**	$ 3,099	**$ 5,669**	$ 6,273
Electronics	**3,903**	3,503	**7,764**	6,967
Stoneridge Brazil	**1,221**	1,201	**2,497**	2,286
Unallocated Corporate	**620**	605	**1,204**	1,207
Total depreciation and amortization (B)	**$ 8,550**	$ 8,408	**$ 17,134**	$ 16,733
Interest Expense (Income), net:				
Control Devices	**$ (19)**	$ 65	**$ (19)**	$ 83
Electronics	**501**	511	**1,104**	996
Stoneridge Brazil	**(224)**	(319)	**(594)**	(589)
Unallocated Corporate	**3,543**	2,863	**6,944**	5,376
Total interest expense, net	**$ 3,801**	$ 3,120	**$ 7,435**	$ 5,866
Capital Expenditures:				
Control Devices	**$ 1,587**	$ 2,019	**$ 3,104**	$ 3,975
Electronics	**2,977**	2,334	**4,354**	8,541
Stoneridge Brazil	**799**	782	**1,739**	1,418
Unallocated Corporate (C)	**326**	217	**760**	329
Total capital expenditures	**$ 5,689**	$ 5,352	**$ 9,957**	$ 14,263

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data, unless otherwise stated)
(Unaudited)

	June 30, 2024	December 31, 2023
Total Assets:		
Control Devices	**$ 156,173**	$ 159,612
Electronics	**400,787**	404,994
Stoneridge Brazil	**54,100**	66,318
Corporate [(C)]	**455,731**	419,469
Eliminations	**(400,140)**	(370,493)
Total assets	**$ 666,651**	$ 679,900

The following tables present net sales and long-term assets for each of the geographic areas in which the Company operates:

	Three months ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net Sales:				
North America	**$ 121,515**	$ 135,590	**$ 239,630**	$ 259,313
South America	**11,649**	14,908	**23,865**	29,164
Europe and Other	**103,895**	116,316	**212,721**	219,662
Total net sales	**$ 237,059**	$ 266,814	**$ 476,216**	$ 508,139

	June 30, 2024	December 31, 2023
Long-term Assets:		
North America	**$ 97,959**	$ 92,419
South America	**28,704**	32,679
Europe and Other	**118,030**	125,412
Total long-term assets	**$ 244,693**	$ 250,510

(A) Unallocated Corporate expenses include, among other items, accounting/finance, human resources, information technology and legal costs as well as share-based compensation.

(B) These amounts represent depreciation and amortization on property, plant and equipment and certain intangible assets.

(C) Assets located at Corporate consist primarily of cash, intercompany loan receivables, fixed assets for the corporate headquarter building, leased assets, information technology assets, equity investments and investments in subsidiaries.

(14) Investments

In December 2018, the Company entered into an agreement to make a $ 10,000 investment in a fund ("Autotech Fund II") managed by Autotech Ventures ("Autotech"), a venture capital firm focused on ground transportation technology which is accounted for under the equity method of accounting. The Company's $ 10,000 investment in the Autotech Fund II will be contributed over the expected ten-year life of the fund. The Company has contributed $ 8,660 to the Autotech Fund II as of June 30, 2024. The Company contributed $ 260 and $ 0 to Autotech Fund II during the six months ended June 30, 2024 and 2023, respectively. The Company did not receive distributions from Autotech Fund II during the six months ended June 30, 2024 or 2023. The Company has a 6.6 % interest in Autotech Fund II. The Company recognized losses of $ 52 and $ 329 during the three months ended June 30, 2024 and 2023, respectively. The Company recognized losses of $ 329 and $ 500 during the six months ended June 30, 2024 and 2023, respectively. The Autotech Fund II investment recorded in investments and other long-term assets in the condensed consolidated balance sheets was $ 8,403 and $ 8,472 as of June 30, 2024 and December 31, 2023, respectively.

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

We are a global designer and manufacturer of highly engineered electrical and electronic systems, components and modules primarily for the automotive, commercial, off-highway and agricultural vehicle markets.

The following discussion and analysis should be read in conjunction with the condensed consolidated financial statements and notes related thereto and other financial information included elsewhere herein.

Segments

We are organized by products produced and markets served. Under this structure, our operations have been reported using the following segments:

Control Devices. This segment includes results of operations that manufacture actuators, sensors, switches and connectors.

Electronics. This segment includes results of operations from the production of driver information systems, vision and safety systems, connectivity and compliance products and electronic control units.

Stoneridge Brazil. This segment includes results of operations that design and manufacture vehicle tracking devices and monitoring services, vehicle security alarms and convenience accessories, in-vehicle audio and infotainment devices, driver information systems and telematics solutions.

Second Quarter Overview

The Company had net income of $2.8 million, or $0.10 per diluted share, for the three months ended June 30, 2024.

Net income for the quarter ended June 30, 2024 improved by $5.8 million, or $0.21 per diluted share, from net loss of $3.0 million, or $(0.11) per diluted share, for the three months ended June 30, 2023. Net income improved due to lower D&D costs from higher customer reimbursements and the favorable impact of non-operating foreign currency gains. Net sales decreased by $29.8 million, or 11.2%, compared to the three months ended June 30, 2023, primarily from lower volumes in our North American automotive market for Control Devices and lower volumes in our European and North American commercial vehicle markets for Electronics. Gross margin as a percent of sales remained consistent at 22.7% driven by lower contribution from lower sales offset by favorable sales mix and a reduction in adverse foreign exchange related material variances.

Our Control Devices segment net sales decreased by 13.3% compared to the second quarter of 2023 primarily as a result of decreases in our North American and China automotive markets. The decrease in our North American automotive market was due to lower customer volumes and the expected wind down of end-of-life programs. These decreases were offset by increases in our China commercial vehicle market. Segment gross margin as a percentage of sales decreased slightly due to lower contribution from lower sales levels. Segment operating income decreased due to lower contribution from lower sales volumes offset by lower D&D and SG&A spending.

Our Electronics segment net sales decreased by 8.9% compared to the second quarter of 2023 primarily due to lower sales volumes in our European and North American commercial vehicle markets, partially mitigated by the ramp-up of recently launched programs, including our next generation tachograph. Net sales also decreased due to a reduction in pricing actions including the impact of retroactive pricing and lower electronic component spot buy purchases, which are material purchases reimbursed by customers and recorded as both revenue and offsetting material cost. As such, spot buy purchases do not impact gross profit. We experienced higher sales volumes in our European off-highway vehicle market which offset the aforementioned reductions. Segment gross margin as a percent of sales remained consistent with the prior year second quarter as lower contribution from lower sales levels was offset by a reduction in foreign exchange related material variances. Operating income for the segment increased compared to the second quarter of 2023 primarily due to lower D&D from higher customer reimbursements and lower SG&A from 2023 business realignment costs offset by lower contribution from lower sales levels.

Our Stoneridge Brazil segment net sales decreased by 21.9% compared to the second quarter of 2023 primarily due to lower OEM product sales from lower customer volumes and lower sales of tracking devices and monitoring service fees. Operating loss increased due to lower contribution from lower sales volumes offset by favorable sales mix and lower SG&A spending.

In the second quarter of 2024, SG&A expenses decreased by $1.6 million compared to the second quarter of 2023 primarily due tdlower SG&A business realignment costs, lower professional services and a 2024 non-recurring commercial settlement gain offset by higher medical insurance costs.

In the second quarter of 2024, D&D costs decreased by $4.2 million compared to the prior year second quarter primarily due tchigher customer reimbursements in our Electronics segment.

At June 30, 2024 and December 31, 2023, we had cash and cash equivalents balances of $42.1 million and $40.8 million, respectively, and we had $187.4 million and $189.3 million, respectively, in borrowings outstanding on our Credit Facility. The 2024 increase in cash and cash equivalents was mostly due to cash generated from operating activities including a reduction in inventory balances.

Outlook

The Company believes that focusing on products that address industry megatrends has had and will continue to have a positive effect on both our top-line growth and underlying margins. Expanding on our existing products and technology platforms with advanced capabilities, applications and data services is core to our long-term strategy. For example, the Company is aligned with platforms likely to perform well against overall market dynamics including light-trucks, SUVs and crossover vehicles and our continued focus on safety, vehicle intelligence and connectivity based products, such as our ongoing launches of our OEM MirrorEye® programs in North America and Europe as well as our next generation tachograph in Europe. In addition, we are partnering with an OEM to develop advanced system capabilities based on data services, software and AI in bus applications.

Based on IHS Market production forecasts, the North American automotive market is expected to increase from 15.6 million units in 2023 to 15.8 million units in 2024. In our Control Devices segment, we expect modest sales growth of products used in electric vehicle platforms, however, lower than initially expected due to reduced production expectations with some of our key customers. We continue to focus on improved manufacturing execution, supply chain strategies, material cost improvement actions and enterprise-wide cost improvement plans and will continue to react to changes in our end markets as needed to maintain and improve our margins. During 2024, our Control Devices segment has incurred $1.0 million of support costs for a troubled supplier. We do not expect these costs to be material for the remainder of 2024. We remain focused on drivetrain agnostic technologies to drive new business awards as our markets evolves.

In 2024, our European and North American commercial vehicle end market volumes are forecasted to decrease 11.5% and 3.0%, respectively. We expect our Electronics' segment sales to outperform forecasted changes in production volumes due to strong demand for our existing products and the impact of ongoing launches of our OEM MirrorEye programs in North America and Europe as well as our next generation tachograph in Europe. Driven by European regulatory requirements we expect significant growth of our next generation tachograph product over the next several years. We expect continued growth in MirrorEye as our OEM programs continue to launch and as take rates continue to increase for existing OEM programs. Recovery from customers related to spot buys of materials purchased by the Company on behalf of those customers, which is recognized as revenue and material costs, increased net sales by $14.6 million for the full year 2023. As a result of supply chains normalizing and material availability improving, the Company did not incur any spot buy material purchases in the first half of 2024 and does not expect to incur additional spot buy material purchases in the future based on current market conditions. During 2024, our Electronics segment has incurred $0.5 million of support costs for a troubled supplier. We expect to continue to incur these costs in the second half of 2024.

In the second half of 2024, we expect net D&D spending to remain relatively stable driven by operating cost control reduced launch activities, and as a result, we expect lower customer reimbursements and capitalization of software development costs. We continue to execute our strategy to optimize our engineering footprint to enhance capabilities and capacity for the most efficient return on our engineering spend including the reorganization of our Solna, Sweden location which resulted in business realignment expense of $1.4 million in the second quarter of 2024.

In July 2024, the International Monetary Fund forecasted the Brazil gross domestic product to grow 2.[illegible]% in 2024. We expect our served market channels to remain relatively stable in 2024 based on current market and economic conditions, however our sales of in region OEM products have been lower than expected due to lower customer demand. Stoneridge Brazil continues to focus on growing our OEM capabilities in-region to better support our global customers. We expect this strategy will provide opportunities for future growth and a platform to continue to rotate our local portfolio to more closely align with our global products. In addition, we continue to align our global engineering capabilities and footprint by expanding our Brazilian engineering center.

We remain focused on improving cash generation and the reduction of debt through targeted actions to reduce net working capital, particularly our inventory levels, as the impacts from our Electronics segment product launches normalize.

We expect higher interest expense in 2024 driven by higher outstanding balances on our Credit Facility.

Our future effective tax rate depends on various factors, such as changes in tax laws, regulations, accounting principles and our jurisdictional mix of earnings. We monitor these factors and the impact on our effective tax rate.

Other Matters

A significant portion of our sales are outside of the United States. These sales are generated by our non-U.S. based operations, and therefore, movements in foreign currency exchange rates can have a significant effect on our results of operations, which are presented in U.S. dollars. A significant portion of our raw materials purchased by our Electronics and Stoneridge Brazil segments are denominated in U.S. dollars, and therefore movements in foreign currency exchange rates can also have a significant effect on our results of operations. The U.S. Dollar strengthened against the euro, Swedish krona, Chinese yuan, Mexican peso, Brazilian real and Argentine peso in 2024 and the Swedish krona, Chinese yuan and Argentine peso in 2023, unfavorably impacting our reported results.

We regularly evaluate the performance of our businesses and their cost structures, including personnel, and make necessary changes thereto in order to optimize our results. We also evaluate the required skill sets of our personnel and periodically make strategic changes. As a consequence of these actions, we incur severance and resignation related costs that we refer to as business realignment charges. Business realignment costs of $1.9 million were incurred in both the three months ended June 30, 2024 and 2023, respectively.

Because of the competitive nature of the markets we serve, we face pricing pressures from our customers in the ordinary course of business. In response to these pricing pressures we have been able to effectively manage our production costs by the combination of lowering certain costs and limiting the increase of others, the net impact of which to date has not been material. However, if we are unable to effectively manage production costs in the future to mitigate future pricing pressures, our results of operations would be adversely affected.

Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023

Condensed consolidated statements of operations as a percentage of net sales are presented in the following table (in thousands):

Three months ended June 30,	**2024**		**2023**		**Dollar increase (decrease)**
Net sales	**$ 237,059**	**100.0 %**	$ 266,814	100.0 %	$ (29,755)
Costs and expenses:					
Cost of goods sold	**183,319**	**77.3**	206,326	77.3	(23,007)
Selling, general and administrative	**31,876**	**13.4**	33,491	12.6	(1,615)
Design and development	**18,457**	**7.8**	22,666	8.5	(4,209)
Operating income	**3,407**	**1.4**	4,331	1.6	(924)
Interest expense, net	**3,801**	**1.6**	3,120	1.2	681
Equity in loss of investee	**52**	**—**	329	0.1	(277)
Other (income) expense, net	**(2,296)**	**(1.0)**	2,387	0.9	(4,683)
Income (loss) before income taxes	**1,850**	**0.8**	(1,505)	(0.6)	3,355
(Benefit) provision for income taxes	**(936)**	**(0.4)**	1,487	0.6	(2,423)
Net income (loss)	**$ 2,786**	**1.2 %**	$ (2,992)	(1.1)%	$ 5,778

Net Sales. Net sales for our reportable segments, excluding inter-segment sales, are summarized in the following table (in thousands):

Three months ended June 30,	**2024**		**2023**		**Dollar decrease**	**Percent decrease**
Control Devices	**$ 79,899**	**33.7 %**	$ 92,120	34.5 %	$ (12,221)	(13.3)%
Electronics	**145,511**	**61.4**	159,786	59.9	(14,275)	(8.9)%
Stoneridge Brazil	**11,649**	**4.9**	14,908	5.6	(3,259)	(21.9)%
Total net sales	**$ 237,059**	**100.0 %**	$ 266,814	100.0 %	$ (29,755)	(11.2)%

Our Control Devices segment net sales decreased $12.2 million because of decreases in our North American and China automotive markets of $11.5 million and $1.4 million, respectively. The decrease in our North American automotive market was primarily due to lower customer volumes and the expected wind down of end-of-life programs. These decreases were offset by an increase in our China commercial vehicle markets of $1.2 million. In addition, second quarter of 2024 net sales were adversely impacted by an increase in unfavorable foreign currency translation of $0.4 million.

Our Electronics segment net sales decreased $14.3 million because of lower customer production volumes in our European and North American commercial vehicle markets of $5.8 million and $2.5 million, respectively, mitigated by the ramp-up of recently launched programs, including our next generation tachograph. Net sales also decreased because of the 2023 impacts of both required electronic component spot buy purchases of $4.3 million and retroactive price increases of $3.1 million. These decreases were offset by increases in our European off-highway market of $2.3 million. Second quarter of 2024 net sales were adversely impacted by euro and Swedish krona foreign currency translation of $1.1 million compared to the prior year quarter.

Our Stoneridge Brazil segment net sales decreased $3.3 million mostly because of lower OEM product sales from lower customer volumes and lower sales of tracking devices and monitoring service fees. In addition, second quarter of 2024 net sales were adversely impacted by an increase in unfavorable foreign currency translation of $0.7 million.

Net sales by geographic location are summarized in the following table (in thousands):

Three months ended June 30,	2024		2023		Dollar decrease	Percent decrease
North America	**$ 121,515**	**51.3 %**	$ 135,590	50.8 %	$ (14,075)	(10.4) %
South America	**11,649**	**4.9**	14,908	5.6	(3,259)	(21.9) %
Europe and Other	**103,895**	**43.8**	116,316	43.6	(12,421)	(10.7) %
Total net sales	**$ 237,059**	**100.0 %**	$ 266,814	100.0 %	$ (29,755)	(11.2) %

The decrease in North American net sales was mostly attributable to a decrease in sales volume in our automotive and commercial vehicle markets of $11.6 million and $3.0 million, respectively. The decrease in our North American automotive market was partially caused by the expected wind down of end-of-life programs. These decreases were offset by higher sales in our agricultural market of $0.5 million.

The decrease in net sales in South America was primarily due to lower sales in local OEM products, tracking devices and monitoring service fees. In addition, second quarter of 2024 net sales were adversely impacted by an increase in unfavorable foreign currency translation of $0.7 million.

The decrease in net sales in Europe and Other was due to decreases in customer production volumes in our European commercial vehicle and China automotive markets of $5.9 million and $1.4 million, respectively, as well as a decrease in electronic component spot buys of $3.7 million and a decrease in negotiated price increases of $2.1 million. These decreases were offset by higher sales in our European off-highway market of $2.3 million. Net sales were adversely impacted by an increase in unfavorable foreign currency translation of $1.5 million.

Cost of Goods Sold and Gross Margin. Cost of goods sold decreased compared to the second quarter of 2023 and our gross margin remained consistent at 22.7% compared to the second quarter of 2023. Our material cost as a percentage of net sales decreased to 55.9% in the second quarter of 2024 from 58.3% in the second quarter of 2023. The decrease in material cost percentage was due to favorable product mix and material cost improvements as well as a reduction in foreign exchange related material variances. Overhead as a percentage of net sales was 16.6% and 14.1% for the second quarter of 2024 and 2023, respectively. The increase in overhead as a percentage of sales was attributable to higher warranty and indirect wage and fringe benefits.

Our Control Devices segment gross margin slightly decreased primarily because of lower sales offset by improved sales mix.

Our Electronics segment gross margin remained consistent with the prior year second quarter as lower contribution from lower sales levels and higher overhead spending were offset by lower direct material from a reduction in foreign exchange related material variances.

Our Stoneridge Brazil segment gross margin increased primarily because of favorable sales mix of relatively higher proportion of monitoring fees.

Selling, General and Administrative. SG&A expenses decreased by $1.6 million primarily because of lower business realignment costs lower professional services and a 2024 non-recurring commercial settlement gain offset by higher medical insurance costs.

Design and Development. D&D costs decreased by $4.2 million because of higher customer reimbursements in our Electronics segment.

Operating Income. Operating income (loss) by segment is summarized in the following table (in thousands):

Three months ended June 30,	2024	2023	Dollar increase (decrease)	Percent increase (decrease)
Control Devices	**$ 3,725**	$ 5,074	$ (1,349)	(26.6)%
Electronics	**9,831**	7,444	2,387	32.1
Stoneridge Brazil	**(41)**	899	(940)	(104.6)
Unallocated corporate	**(10,108)**	(9,086)	(1,022)	(11.2)
Operating income (loss)	**$ 3,407**	$ 4,331	$ (924)	(21.3)%

Our Control Devices segment operating income decreased because of lower contribution margin from lower sales levels offset by lower D&D spending.

Our Electronics segment operating income increased primarily because of lower D&D from higher customer reimbursements and lower SG&A from 2023 business realignment costs offset by lower contribution from lower sales levels.

Our Stoneridge Brazil segment prior year operating income decreased to an operating loss in the current year because of lower contribution from lower sales levels offset by lower SG&A spending.

Our unallocated corporate operating loss increased from higher SG&A and D&D spending.

Operating income (loss) by geographic location is summarized in the following table (in thousands):

Three months ended June 30,	2024	2023	Dollar increase (decrease)	Percent increase (decrease)
North America	**$ (7,158)**	$ (489)	$ (6,669)	(1,363.8)%
South America	**(41)**	899	(940)	(104.6)
Europe and Other	**10,606**	3,921	6,685	170.5
Operating income (loss)	**$ 3,407**	$ 4,331	$ (924)	(21.3)%

Our North American operating loss increased due to highe SG&A and D&D spending. Operating loss in South America increased due to lower contribution from lower sales levels offset by favorable product mix. Our operating results in Europe and Other increased primarily due to lower D&D and SG&A spending.

Interest Expense, net. Interest expense, net was $3.8 million and $3.1 million for the three months ended June 30, 2024 and 2023, respectively. The increase for the quarter ended June 30, 2024, was the result of higher outstanding balances and higher benchmark rates affecting our floating rate Credit Facility debt.

Equity in Loss of Investee. Equity loss for Autotech Fund II was $0.1 million and $0.3 million for the three months ended June 30, 2024 and 2023, respective.y

Other (Income) Expense, net. We record certain foreign currency transaction (gains) losses as a component of other (income) expense, net on the condensed consolidated statement of operations. Other (income) expense, net of $(2.3) million increased by $4.7 million compared to the second quarter of 2023 due to foreign currency transaction gains in our Electronics and SRB segments from the strengthening of the U.S. dollar.

(Benefit) Provision for Income Taxes. For the three months ended June 30, 2024, income tax benefit of $0.9 million was attributable to the mix of earnings among tax jurisdictions and U.S. taxes on foreign earnings, offset by tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions. The effective tax rate of (50.6)% varies from the statutory tax rate primarily due to U.S. taxes on foreign earnings offset by the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions.

For the three months ended June 30, 2023, income tax expense of $1.5 million was attributable to the mix of earnings among tax jurisdictions as well as tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions. The effective tax rate of (98.8)% varies from the statutory tax rate primarily due to U.S. taxes on foreign earnings and non-deductible expenses offset by the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Condensed consolidated statements of operations as a percentage of net sales are presented in the following table (in thousands):

Six months ended June 30,	2024		2023		Dollar increase / (decrease)
Net sales	**$ 476,216**	100.0 %	$ 508,139	100.0 %	$ (31,923)
Costs and expenses:					
Cost of goods sold	**374,119**	78.6	404,849	79.7	(30,730)
Selling, general and administrative	**62,299**	13.1	63,354	12.5	(1,055)
Design and development	**36,060**	7.6	39,634	7.8	(3,574)
Operating income	**3,738**	0.7	302	0.2	3,436
Interest expense, net	**7,435**	1.6	5,866	1.2	1,569
Equity in loss of investee	**329**	0.1	500	0.1	(171)
Other (income) expense, net	**(260)**	—	3,535	0.8	(3,795)
Loss before income taxes	**(3,766)**	(1.0)	(9,599)	(2.0)	5,833
(Benefit) provision for income taxes	**(426)**	(0.1)	779	0.2	(1,205)
Net loss	**$ (3,340)**	(0.9)%	$ (10,378)	(2.1)%	$ 7,038

Net Sales. Net sales for our reportable segments, excluding inter-segment sales, are summarized in the following table (in thousands):

Six months ended June 30,	2024		2023		Dollar decrease	Percent decrease
Control Devices	**$ 157,057**	**33.0 %**	$ 178,062	35.0 %	$ (21,005)	(11.8) %
Electronics	**295,294**	**62.0**	300,913	59.2	(5,619)	(1.9) %
Stoneridge Brazil	**23,865**	**5.0**	29,164	5.7	(5,299)	(18.2) %
Total net sales	**$ 476,216**	**100.0 %**	$ 508,139	100.0 %	$ (31,923)	(6.3) %

Our Control Devices segment net sales decreased $21.0 million because of decreases in our North American automotive market of $21.1 million, including the impact of expected end of life production for certain programs and lower demand for electronic vehicle related products, and decreases in our China automotive market of $0.8 million. These decreases were offset by an increase in our China commercial vehicle market of $2.1 million. In addition, net sales for the six months ended June 30, 2024 were impacted by unfavorable foreign currency translation of $0.9 million.

Our Electronics segment net sales decreased $5.6 million because of higher sales volumes in our European and North American commercial vehicle markets of $6.4 million and $2.4 million, respectively, which were more than offset by the 2023 impacts of both required electronic component spot buy purchases of $13.3 million and retroactive price increases of $3.0 million. As well as lower sales in our agricultural market of $1.8 million. In addition, we experienced higher sales volumes in our North American and European off-highway vehicle markets of $2.9 million and $1.2 million, respectively, and unfavorable euro and Swedish krona foreign currency translation of $0.5 million compared to the prior year.

Our Stoneridge Brazil segment net sales decreased because of lower sales of our OEM products, monitoring service fees and tracking devices.

Net sales by geographic location are summarized in the following table (in thousands):

Six months ended June 30,	2024		2023		Dollar decrease	Percent decrease
North America	**$ 239,630**	**50.3 %**	$ 259,313	51.0 %	$ (19,683)	(7.6) %
South America	**23,865**	**5.0**	29,164	5.7	(5,299)	(18.2) %
Europe and Other	**212,721**	**44.7**	219,662	43.2	(6,941)	(3.2) %
Total net sales	**$ 476,216**	**100.0 %**	$ 508,139	100.0 %	$ (31,923)	(6.3) %

The decrease in North American net sales was mostly attributable to decreases in sales volume in our automotive market including the impact of expected end of life production for certain programs and lower demand for electric vehicle related products and our agricultural market of $21.2 million and $0.6 million, respectively, as well as the 2023 impact of required electronic component spot buy purchases of $2.2 million. These decreases were offset by higher sales volume in our North American off-highway and commercial vehicle markets of $2.8 million and $1.8 million, respectively.

The decrease in net sales in South America was primarily due to lower sales in our OEM products, monitoring service fees and tracking devices.

The decrease in net sales in Europe and Other was due to2023 required customer recoveries of electronic component spot buys of $11.1 million anca reduction in negotiated price increases of $2.0 million. In addition, we experienced decreases in our China automotive market of $0.8 million as well as unfavorable foreign currency translation of $1.5 million. These decreases were offset by increases in our European commercial vehicle market, including sales related to the launch of a next generation tachograph, and China commercial vehicle markets of $6.4 million and $2.3 million, respectively.

Cost of Goods Sold and Gross Margin. Cost of goods sold decreased compared to the six months ended June 30, 2023 and our gross margin increased from 20.3% in the first six months of 2023 to 21.4% in the first six months of 2024. Our material cost as a percentage of net sales decreased from 60.3% in the first six months of 2023 to 57.4% in the first six months of 2024. The decrease in material cost percentage was partially due to the impact of required electronic component spot buy purchases, reimbursed by customers. The impact of these spot buy purchases increased cost of goods sold by $13.5 million, or 2.7% of sales, for the first six months of 2023, which reduced gross margin percent by 0.6% in 2023. Other factors contributing to the reduction in material costs were favorable product mix and material cost improvement actions. Overhead as a percentage of net sales was 16.4% and 14.4% for the first six months of 2024 and 2023, respectively. The increase in overhead as a percentage of sales was attributable to higher indirect wage inflation and adverse leverage from lower sales levels.

Our Control Devices segment gross margin increased primarily as a result of favorable sales mix.

Our Electronics segment gross margin increased because of the reduction of the adverse effect of required electronic component spot buy purchases, net of customer recoveries, favorable sales mix and material cost improvement actions.

Our Stoneridge Brazil segment gross margin decreased primarily because of lower contribution on lower sales levels.

Selling, General and Administrative. SG&A expenses decreased by $1.1 million primarily due to lower business realignment costs offset by higher share based compensation expense due the forfeiture of certain grants associated with employee resignations in 2023.

Design and Development. D&D costs decreased by $3.6 million because of higher customer reimbursements for our Electronics segment.

Operating Income. Operating income (loss) by segment is summarized in the following table (in thousands):

Six months ended June 30,	**2024**	**2023**	**Dollar increase / (decrease)**	**Percent increase / (decrease)**
Control Devices	**$ 5,889**	$ 7,161	$ (1,272)	(17.8)%
Electronics	**16,920**	8,844	8,076	91.3 %
Stoneridge Brazil	**163**	2,242	(2,079)	(92.7)%
Unallocated corporate	**(19,234)**	(17,945)	(1,289)	(7.2)%
Operating income (loss)	**$ 3,738**	$ 302	$ 3,436	(1137.7)%

Our Control Devices segment operating income decreased because of lower contribution from lower sales offset by lower D&D spending and lower SG&A from a 2024 nonrecurring commercial settlement gain.

Our Electronics segment operating income increased primarily because of lower D&D from higher customer reimbursements and lower SG&A from 2023 business realignment costs.

Our Stoneridge Brazil segment operating income decreased because of lower contribution from lower sales levels offset by favorable sales mix of relatively higher proportion of monitoring fees.

Our unallocated corporate operating loss increased primarily from higher share based compensation expense due the forfeiture of certain grants associated with employee resignations in 2023 offset by lower business realignment costs.

Operating income (loss) by geographic location is summarized in the following table (in thousands):

Six months ended June 30,	2024	2023	Dollar increase (decrease)	Percent increase (decrease)
North America	**$ (12,764)**	$ (7,359)	$ (5,405)	(73.4)%
South America	**163**	2,242	(2,079)	(92.7)%
Europe and Other	**16,339**	5,419	10,920	201.5 %
Operating income (loss)	**$ 3,738**	$ 302	$ 3,436	(1137.7)%

Our North American operating loss increased because of higher material and labor costs, higher share based compensation and a 2023 gain on disposal of fixed assets offset by a favorable commercial settlement. Operating income in South America decreased because of lower contribution from lower sales levels offset by favorable product mix. Our operating results in Europe and Other increased primarily because of lower direct material costs and SG&A and D&D spending offset by lower contribution and adverse leverage from lower sales levels.

Interest Expense, net. Interest expense, net was $7.4 million and $5.9 million for the six months ended June 30, 2024 and 2023, respectively. The increase was the result of higher outstanding balances and higher benchmark rates affecting our floating rate Credit Facility debt.

Equity in Loss of Investee. Equity loss for Autotech Fund II was $0.3 million and $0.5 million for the six months ended June 30, 2024 and 2023, respective.y

Other (Income) Expense, net. We record certain foreign currency transaction (gains) losses as a component of other (income) expense, net on the condensed consolidated statement of operations. Other (income) expense, net of $(0.3) million increased by $3.8 million compared to the first six months of 2023 due to the impact of favorable foreign currency movements in our Electronics and SRB segments from moderated strengthening of the U.S. dollar.

(Benefit) Provision for Income Taxes. For the six months ended June 30, 2024, income tax benefit of $0.4 million was attributable to the mix of earnings among tax jurisdictions and U.S. taxes on foreign earnings offset by tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives. The effective tax rate of 11.3% varies from the statutory tax rate primarily due to U.S. taxes on foreign earnings offset by the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives.

For the six months ended June 30, 2023, income tax expense of $0.8 million was attributable to the mix of earnings among tax jurisdictions as well as tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions. The effective tax rate of (8.1%) varies from the statutory tax rate primarily due to U.S. taxes on foreign earnings and non-deductible expenses offset by the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives.

Liquidity and Capital Resources

Summary of Cash Flows:

Six months ended June 30,	2024	2023
Net cash provided by (used for):		
Operating activities	**$ 17,762**	$ (4,688)
Investing activities	**(12,958)**	(16,296)
Financing activities	**(1,679)**	923
Effect of exchange rate changes on cash and cash equivalents	**(1,854)**	(32)
Net change in cash and cash equivalents	**$ 1,271**	$ (20,093)

Cash provided by operating activities increased compared to 2023 primarily dueto a reduction in cash used to support working capital levels.Cash provided by receivables was favorable to 2023 as the result of lower sales levels while collection terms remained consistent. Cash provided by inventory improved from the prior year due to the 2023 ramp up of new product launches, the mitigation of supply chain disruptions and the impact of our inventory reduction actions.

Net cash used for investing activities decreased compared to 2023 due to lower capital expenditures and capitalized software development costs as well as the 2023 impact of cash proceeds from the sale of equipment.

Net cash used for financing activities increased compared to 2023 due to an increase in Credit Facility payments net of borrowings.

As outlined in Note 7 to our condensed consolidated financial statements, the Credit Facility permits borrowing up to a maximum level of $275.0 million. This variable rate facility provides the flexibility to refinance other outstanding debt or finance acquisitions through November 2026. The Credit Facility contains certain financial covenants that require the Company to maintain less than a maximum leverage ratio and more than a minimum interest coverage ratio. The Credit Facility also contains affirmative and negative covenants and events of default that are customary for credit arrangements of this type including covenants that place restrictions and/or limitations on the Company’s ability to borrow money, make capital expenditures and pay dividends. The Credit Facility had an outstanding balance of $187.4 million at June 30, 2024.

The Company was in compliance with all covenants at June 30, 2024 and December 31, 2023. The Company has not experienced a violation that would limit the Company’s ability to borrow under the Credit Facility and does not expect that the covenants under it will restrict the Company’s financing flexibility. However, it is possible that future borrowing flexibility under the Credit Facility may be limited as a result of lower than expected financial performance due to the adverse impact of macroeconomic conditions and supply chain disruptions on the Company’s markets and general global demand. The Company expects to make additional repayments on the Credit Facility when cash exceeds the amount needed for operations and to remain in compliance with all covenants.

The Company’s wholly owned subsidiary located in Stockholm, Sweden, has an overdraft credit line that allows overdrafts on the subsidiary’s bank account up to a daily maximum level of 20.0 million Swedish krona, or $1.9 million and $2.0 million at June 30, 2024 and December 31, 2023, respectively. At June 30, 2024 and December 31, 2023 there were no borrowings outstanding on this overdraft credit line. During the six months ended June 30, 2024, the subsidiary borrowed and repaid 186.5 million Swedish krona, or $17.6 million.

The Company’s wholly owned subsidiary located in Suzhou, China, has lines of credit that allow up to a maximum borrowing level of 20.0 million Chinese yuan, or $2.8 million at both June 30, 2024 and December 31, 2023. At June 30, 2024 and at December 31, 2023 there was $2.1 million and $2.1 million, respectively, in borrowings outstanding on the Suzhou credit line with a weighted-average interest rate of 3.25%. The Suzhou credit line is included on the condensed consolidated balance sheet within current portion of debt. In addition, the Suzhou subsidiary has a bank acceptance draft line of credit which facilitates the extension of trade payable payment terms by 180 days. The bank acceptance draft line of credit allows up to a maximum borrowing level of 60.0 million Chinese yuan, or $8.3 million and $8.5 million at June 30, 2024 and December 31, 2023, respectively. There was $0.0 million and $2.4 million utilized on the Suzhou bank acceptance draft line of credit at June 30, 2024 and December 31, 2023, respectively. The Suzhou bank acceptance draft line of credit is included on the condensed consolidated balance sheet within accounts payable.

In December 2018, the Company entered into an agreement to make a $10.0 million investment in Autotech Fund II managed by Autotech, a venture capital firm focused on ground transportation technology. The Company’s $10.0 million investment in the Autotech Fund II will be contributed over the expected ten-year life of the fund. As of June 30, 2024, the Company’s cumulative investment in the Autotech Fund II was $8.7 million. The Company contributed $0.3 million to Autotech Fund II during the six months ended June 30, 2024 and made no contributions during the six months ended June 30, 2023.

Our future results could also be adversely affected by unfavorable changes in foreign currency exchange rates. We have significant foreign denominated transaction exposure in certain locations, especially in Brazil, Argentina, Mexico, Sweden, Estonia, the Netherlands, United Kingdom and China. Currently, we have foreign currency forward contracts in place for Mexican pesos. See Note 5 to the condensed consolidated financial statements for additional details. Our future results could also be unfavorably affected by increased commodity prices and material cost inflation as these fluctuations impact the cost of our raw material purchases.

At June 30, 2024, we had a cash and cash equivalents balance of approximately $42.1 million, of which 84.7% was held in foreign locations. The Company has approximately $87.6 million of undrawn commitments under the Credit Facility as of June 30, 2024, which results in total undrawn commitments and cash balances of more than $129.7 million. However, it is possible that future borrowing flexibility under our Credit Facility may be limited as a result of our financial performance.

The principal sources of liquidity available for our future cash requirements are expected to be (i) cash flows from operations, (ii) cash and cash equivalents on hand and (iii) borrowings from our Credit Facility. We believe that our overall liquidity and operating cash flow will be sufficient to meet our anticipated cash requirements for capital expenditures, working capital and other commitments during the next twelve months. While uncertainty surrounding the current economic environment could adversely impact our business, based on our current financial position, we believe it is unlikely that any such effects would preclude us from maintaining sufficient liquidity.

Commitments and Contingencies

See Note 10 to the condensed consolidated financial statements for disclosures of the Company's commitments and contingencies.

Seasonality

Our Control Devices and Electronics segments are moderately seasonal, impacted by mid-year and year-end shutdowns and the ramp-up of new model production at key customers. In addition, the demand for our Stoneridge Brazil segment consumer products is generally higher in the second half of the year.

Critical Accounting Policies and Estimates

The Company's critical accounting policies, which include management's best estimates and judgments, are included in Part II, Item 7, to the consolidated financial statements of the Company's 2023 Form 10-K. These accounting policies are considered critical as disclosed in the Critical Accounting Policies and Estimates section of Management's Discussion and Analysis of the Company's 2023 Form 10-K because of the potential for a significant impact on the financial statements due to the inherent uncertainty in such estimates. There have been no material changes in our significant accounting policies or critical accounting estimates during the second quarter of 2024.

Information regarding other significant accounting policies is included in Note 2 to our consolidated financial statements in Item 8 of Part II of the Company's 2023 Form 10-K.

International Presence

By operating internationally, we are affected by foreign currency exchange rates and the economic conditions of certain countries. Furthermore, given the current economic climate and fluctuations in certain commodity prices, we believe that an increase in such items could significantly affect our profitability. See Note 5 to the condensed consolidated financial statements for additional details on the Company's foreign currency exchange rate and interest rate risks.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the quantitative and qualitative information about the Company's market risk from those previously presented within Part II, Item 7A of the Company's 2023 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of June 30, 2024, an evaluation was performed under the supervision and with the participation of the Company's management, including the principal executive officer ("PEO") and principal financial officer ("PFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the PEO and PFO, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2024.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the three months ended June 30, 2024 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II–OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in certain legal actions and claims primarily arising in the ordinary course of business. We establish accruals for matters which we believe that losses are probable and can be reasonably estimated. Although it is not possible to predict with certainty the outcome of these matters, we do not believe that any of the litigation in which we are currently engaged, either individually or in the aggregate, will have a material adverse effect on our business, consolidated financial position or results of operations. We are subject to litigation regarding civil, labor, regulatory and other tax contingencies in our Stoneridge Brazil segment for which we believe the likelihood of loss is reasonably possible, but not probable, although these claims might take years to resolve. We are also subject to product liability and product warranty claims. In addition, if any of our products prove to be defective, we may be required to participate in a government-imposed or customer OEM-instituted recall involving such products. There can be no assurance that we will not experience any material losses related to product liability, warranty or recall claims. See additional details of these matters in Note 10 to the condensed consolidated financial statements.

Item 1A. Risk Factors

There have been no material changes with respect to risk factors previously disclosed in the Company's 2023 Form 10-K.

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

The following table presents information with respect to repurchases of Common Shares made by us during the three months ended June 30, 2024. There were 4,076 Common Shares delivered to us by employees as payment for withholding taxes due upon vesting of performance share awards and share unit awards.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
4/1/24-4/30/24	**1,929**	**$ 17.83**	**N/A**	**N/A**
5/1/24-5/31/24	**2,147**	**$ 15.32**	**N/A**	**N/A**
6/1/24-6/30/24	**—**	**$ —**	**N/A**	**N/A**
Total	**4,076**			

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

During the three months ended June 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Exhibit	
10.1	Exit Agreement, dated May 3, 2024, by and between Stoneridge, Inc. and Peter Österberg, filed herewith.	
31.1	Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.	
31.2	Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.	
32.1	Chief Executive Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.	
32.2	Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.	
	101	**XBRL Exhibits:**
	101.INS	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	XBRL Taxonomy Extension Schema Document
	101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
	101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
	101.LAB	XBRL Taxonomy Extension Label Linkbase Document
	104	The cover page from our Quarterly Report on Form 10-Q for the period ended June 30, 2024, filed with the Securities and Exchange Commission on July 31, 2024, is formatted in Inline Extensible Business Reporting Language (“iXBRL”)

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.

	STONERIDGE, INC.
Date: July 31, 2024	/s/ James Zizelman
	James Zizelman
	President, Chief Executive Officer and Director
	(Principal Executive Officer)
Date: July 31, 2024	/s/ Matthew R. Horvath
	Matthew R. Horvath
	Chief Financial Officer and Treasurer
	(Principal Financial Officer)

Exhibit 10.1

Exit Agreement

This exit agreement ("**Agreement**") has on this date been entered into between:

1. Stoneridge Electronics AB, company registration number 556442-9388 (the "**Company**") and

2. Peter Österberg, personal identity number 681119-4932 (the "**Employee**"),

(each a "**Party**" and collectively the "**Parties**").

1. BACKGROUND

1.1 The Employee has been employed by the Company since 1 February 2022 in accordance with employment agreement signed 28 October 2021 (the "Employment Agreement"). The Employee holds the position as President SRE.

1.2 After the Employee has taken the initiative to terminate the employment, and in mutual agreement with the Company, the Parties have agreed on the conditions for the termination of employment that follow from this Agreement.

2. CESSATION OF THE EMPLOYMENT

2.1 The Employee's employment ceases with last day of employment on 7 August 2024 ("**End Date"),** which equals six (6) months' notice.

2.2 The Employee is released from work duties from the date 31 May 2024 ("**Last Working Date**") but shall remain available until End Date to respond to questions when needed and to a reasonable extent. The Employee is entitled to take up other employment and to conduct business activities after the Last Working Date, unless it competes with the Company's or a group company's business in a way that may cause harm or otherwise harm the Company's business (up until the End Date). For time after the End Date, see Section 7.2 below.

3. RESIGNATION AS BOARD MEMBER

3.1 The Employee shall, when requested by the Company, resign as managing director and board member of the Company, by signing a standard resignation form to be submitted to the Swedish Companies Registration Office (*Sw*: Bolagsverket) by the Company.

3.2 The Employee shall resign from all other commitments in the Company and of any other entity within the same Group as the Company.

3.3 The Employee waives any claim for compensation in relation to his board memberships or other commitments in the Company and in any other entity as set forth in clause 3.1-3.2 above.

4. COMPENSATION

4.1 The Employee shall receive regular salary and other employment benefits up until and including the End Date.

4.2 Incentive payments already earned for 2023 in accordance with the Annual Incentive Plan, if any, will be paid to the Employee as scheduled in March 2024.

4.3 In accordance with Employee's Grant Agreements under the Long-Term Incentive Plan and Company practice, the number of awarded Performance Share Units and Restricted Shares Units will be calculated *pro rata* as of the date of notice, 7 February 2024, and vest on End Date, as shown in the table below, with any remaining shares to be forfeited. Employee will surrender appropriate number of vested shares to cover applicable taxes upon vest.

Grant	Grant Date	Vesting Date	Units Granted	#of Months Proration	Proration %	Prorata Units to Vest	Proration Based on:
2022 PSU - TSR	3/14/2022	3/3/2025	2,021	24	66.7%	1,347	March 2022 - February 2024 (24/36 months)
2022 PSU - ROIC	3/14/2022	3/3/2025	808	24	66.7%	538	March 2022 - February 2024 (24/36 months)
2022 PSU - EPS	3/14/2022	3/3/2025	1,617	24	66.7%	1,078	March 2022 - February 2024 (24/36 months)
2022 RSU	3/14/2022	3/3/2025	3,638	24	66.7%	2,425	March 2022 - February 2024 (24/36 months)
2023 PSU - TSR	3/13/2023	3/1/2026	2,159	12	33.3%	719	March 2023 - February 2024 (12/36 months)
2023 PSU - ROIC	3/13/2023	3/1/2026	863	12	33.3%	287	March 2023 - February 2024 (12/36 months)
2023 PSU - EPS	3/13/2023	3/1/2026	1,727	12	33.3%	575	March 2023 - February 2024 (12/36 months)
2023 RSU	3/13/2023	3/1/2026	3,886	12	33.3%	1,295	March 2023 - February 2024 (12/36 months)
Total			**16,719**			**8,264**	

4.4 In accordance with Employee's Employment Agreement, the Company shall pay Employee salary continuation for a period of six (6) months, beginning on the day after the End Date and continuing to 7 February 2025. All salary continuation payments are subject to fees and taxes per law.

4.5 In addition to salary and other benefits until End Date, and salary continuation per Employee's Employment Agreement, the Company shall pay the Employee a severance pay of SEK 1 312 500 (equalling six (6) months' salary), to be paid together with the final salary at the end of the salary continuation period. The severance pay will be split into two payments, with one payment as lumpsum cash payment to Employee and one payment to the Employee's pension fund, up to the amount allowable by law.

4.6 The Company shall withhold preliminary withholding tax and pay social fees on the salary continuation and severance pay in compliance with applicable tax laws. The severance pay shall not be considered when calculating vacation pay or occupational pension.

4.7 The Employee is not entitled to any additional bonuses, compensation related to Incentive Plans as outlined in Clauses 7.2-7.3 of the Employment Agreement, compensation pursuant to the Phantom Share Grant Agreement entered into between the Parties on 20 June 2023, or any other form of compensation in addition to Clauses 4.1-4.5.

4.8 The Parties agree that the Employee's Phantom Shares in accordance with the Phantom Share Grant Agreement have been forfeited.

4.9 Compensation for possibly saved and earned but per End Date not yet taken vacation days, shall be paid out to the Employee as vacation pay no later than 30 days after End Date. The Parties agree that vacation days that are earned during the Employee's work release shall be placed and used as paid vacation days before End Date. The amount that shall be paid out as vacation pay will be calculated at time of End Date.

4.10 The Company shall not deduct income that the Employee may earn in other employment or business activities, from salary and other employment benefits or from severance pay.

4.11 The Company agrees to reimburse the Employee's actual expenses for tax consultation services, not exceeding SEK 55 000, for the Employee to receive advice on tax matters relevant to this Agreement under Swedish and French law, as well as the Employee's residency in France. Employee must submit actual invoice of tax consultation services to the undersigned in order to receive reimbursement.

5. CONFIDENTIALITY

5.1 The Employee is reminded that the confidentiality undertaking in clause 14 of the Employment Agreement shall continue to apply after the End Date and that the Employee in accordance with the Trade Secrets Act (SFS 2018:558) is prevented from giving himself access to, using or disclosing the Company's or its affiliate companies' trade secrets (during the employment and after the End Date).

5.2 Neither of the Parties shall, before or after the End Date, make adverse comments or any comments which may damage the goodwill of or which could be detrimental or degrading to the other Party or, as far as the Company is concerned, its affiliated companies.

6. INTELLECTUAL PROPERTY RIGHTS

6.1 In accordance with clause 16 in the Employment Agreement, the Company has during the Employee's employment obtained, and will continue to obtain for a period of one year after the End Date, the exclusive ownership of all material and all results and intellectual property rights which the Employee has produced or will produce pursuant to his employment, including the right to amend and transfer copyrights. The Employee is reminded of his obligations in accordance with clause 16 of the Employment Agreement.

6.2 The Employee is not entitled, either on his own account or for another person or company, to use any material or results referred to in clause 6.1 without the prior written consent of the Company's board of directors.

7. NON-COMPETITION AND NON-SOLICITATION UNDERTAKINGS

7.1 The Parties acknowledge that the Employee is bound by a non-solicitation restriction until 7 August 2025 as set forth in Clause 18 in the Employment Agreement.

7.2 The Parties acknowledge that the Employee is bound by a non-competition restriction until 7 May 2025 as set forth in Clause 17 in the Employment Agreement. The Parties hereby agree that the Employee, through the salary continuation and severance pay in Clauses 4.4 and 4.5, is fully compensated for the non-competition restriction and thus not entitled to any additional compensation in accordance with Clause 17.3 in the Employment Agreement.

8. MISCELLANEOUS

8.1 The Employee acknowledges that the lease of the Company-provided apartment located at address Wittstockgatan 21, 11527 Stockholm (the "**Apartment**"), which was rented for the Employee, will terminate on 31 May 2024. The Employee will no longer have the right to reside in the Apartment and the Company is not obligated to bear any expenses related to the Apartment on behalf of the Employee, or any other residential expenses that the Employee may incur after 31 May 2024.

8.2 The Employee shall no later than on the Last Working Date return company car (inclusive of all equipment), computer, passwords, keys, entrance passes, company cards, documents, computer files and information (regardless of format or medium, including copies which – when applicable – shall be deleted) and all other property belonging to the Company which the Employee is in possession of. Employee may retain the Company-provided mobile phone after return and removal of all Company information from the mobile phone.

8.3 The Parties undertake to respect confidentiality regarding the contents of this Agreement towards third parties, however with the exception for authorities and a Party's advisor, trade union and unemployment agency (Sw. *arbetslöshetskassa*). Also, the Company shall be permitted to disclose such information that the Company believe is necessary to disclose according to mandatory legislation or applicable stock exchange regulations.

8.4 The Company will decide on internal and external communication regarding the cessation of the employment but will discuss the communication plan with the Employee.

9. FINAL SETTLEMENT

Upon the Company fulfilling its obligations towards the Employee under this Agreement, the Employee has no further claims towards the Company, including but not limited to claims for salary, bonus, pension, holiday compensation, damages and/or other compensation.

10. GOVERNING LAW AND DISPUTES

10.1 This Agreement shall be governed by and construed in accordance with the laws of Sweden.

10.2 Any dispute, controversy or claim arising out of, or in connection with, this Agreement or the Employment Agreement, or the breach, termination or invalidity thereof, shall be finally settled as set forth in Clause 24 in the Employment Agreement.

This Agreement is signed electronically and each Party will receive a signed counterpart by e-mail.

Place:	Place:
Date: May 3, 2024	Date: April 30th 2024
Stoneridge Electronics AB	
/s/ James Zizelman	/s/ Peter Österberg
James Zizelman	Peter Österberg

EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES–OXLEY ACT OF 2002

I, James Zizelman certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of Stoneridge, Inc. (the “Company”);

(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 Company as of, and for, the periods presented in this report;

(4) The Company’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 Company and we 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 Company, 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 Company’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;

(d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting;

(5) The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors:

(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 Company’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 Company’s internal control over financial reporting.

/s/ James Zizelman

James Zizelman, President and Chief Executive Officer

July 31, 2024

EXHIBIT 31.2

<u>CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES–OXLEY ACT OF 2002</u>

I, Matthew R. Horvath, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of Stoneridge, Inc. (the “Company”);

(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 Company as of, and for, the periods presented in this report;

(4) The Company’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 Company and we 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 Company, 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 Company’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;

(d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting;

(5) The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors:

(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 Company’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 Company’s internal control over financial reporting.

/s/ Matthew R. Horvath

Matthew R. Horvath
Chief Financial Officer and Treasurer

July 31, 2024

EXHIBIT 32.1

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

I, James Zizelman, President and Chief Executive Officer of Stoneridge, Inc. (the “Company”), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q of the Company for the three months ended June 30, 2024 (“the Report”) which this certification accompanies fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

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

/s/ James Zizelman

James Zizelman, President and Chief Executive Officer

July 31, 2024

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

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

I, Matthew R. Horvath, Chief Financial Officer and Treasurer of Stoneridge, Inc. (the “Company”), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q of the Company for the three months ended June 30, 2024 (“the Report”) which this certification accompanies fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

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

/s/ Matthew R. Horvath

Matthew R. Horvath
Chief Financial Officer and Treasurer
July 31, 2024

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.