REFINITIV

DELTA REPORT

10-Q

SIF - SIFCO INDUSTRIES INC

10-Q - DECEMBER 31, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	905
CHANGES	221
DELETIONS	373
ADDITIONS	311

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

FORM 10-Q

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

For the quarterly period ended June 30, 2023 December 31, 2023

or

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

For the transition period from ______to ______

Commission file number 1-5978

SIFCO Industries, Inc.

(Exact name of registrant as specified in its charter)

Ohio	**34-0553950**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
970 East 64th Street, Cleveland Ohio	**44103**
(Address of principal executive offices)	**(Zip Code)**

(216) 881-8600

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ý No ¨

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

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

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

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

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	SIF	NYSE American

The number of the Registrant's Common Shares, par value $1.00, outstanding at June 30, 2023 December 31, 2023 was 6,107,148. 6,159,987.

<u>Part I. Financial Information</u>

Item 1. Financial Statements

SIFCO Industries, Inc. and Subsidiaries
Consolidated Condensed Statements of Operations
(Unaudited)
(Amounts in thousands, except per share data)

		Three Months Ended June 30,		Nine Months Ended June 30,			
		Three Months Ended December 31,					
		Three Months Ended December 31,					
		Three Months Ended December 31,					
		2023	2022	2023	2022	2023	2022
Net sales	Net sales	$21,853	$21,454	$62,394	$65,269		
Cost of goods sold	Cost of goods sold	18,375	21,080	55,935	63,427		
Gross profit	Gross profit	3,478	374	6,459	1,842		
Selling, general and administrative expenses	Selling, general and administrative expenses	3,388	2,821	10,517	9,037		
Amortization of intangible assets	Amortization of intangible assets	63	62	187	252		
Amortization of intangible assets							
Amortization of intangible assets							
Gain on disposal of operating assets	Gain on disposal of operating assets	(3)	—	—	(2)		
Operating income (loss)		30	(2,509)	(4,245)	(7,445)		

Operating loss					
Operating loss					
Operating loss					
Interest expense, net	Interest expense, net	305	146	919	453
Gain on debt extinguishment		—	—	—	(5,106)
Interest expense, net					
Interest expense, net					
Foreign currency exchange loss (gain), net	Foreign currency exchange loss (gain), net	1	(7)	11	2
Other expense (income), net		323	23	287	(45)
Loss before income tax benefit		(599)	(2,671)	(5,462)	(2,749)
Income tax expense (benefit)		35	(3)	128	(29)
Foreign currency exchange loss (gain), net					
Foreign currency exchange loss (gain), net					
Other expense, net					
Loss before income tax expense					
Income tax expense					
Net loss					
Net loss					
Net loss	Net loss	$ (634)	$ (2,668)	$ (5,590)	$ (2,720)
Net loss per share	Net loss per share				
Net loss per share					
Net loss per share					
Basic					
Basic					
Basic	Basic	$ (0.11)	$ (0.46)	$ (0.94)	$ (0.47)
Diluted	Diluted	$ (0.11)	$ (0.46)	$ (0.94)	$ (0.47)

Weighted-average number of common shares (basic)	Weighted-average number of common shares (basic)	5,940	5,840	5,925	5,827
Weighted-average number of common shares (basic)					
Weighted-average number of common shares (basic)					
Weighted-average number of common shares (diluted)	Weighted-average number of common shares (diluted)	5,940	5,840	5,925	5,827

See notes to unaudited consolidated condensed financial statements.

SIFCO Industries, Inc. and Subsidiaries
Consolidated Condensed Statements of Comprehensive (Loss) Income
(Unaudited)
(Amounts in thousands)

		Three Months Ended June 30,		Nine Months Ended June 30,			
		Three Months Ended December 31,					
		Three Months Ended December 31,					
		Three Months Ended December 31,					
		2023	**2022**	**2023**	**2022**	**2023**	**2022**
Net loss	Net loss	$(634)	$(2,668)	$(5,590)	$(2,720)		
Other comprehensive loss:	Other comprehensive loss:						
Foreign currency translation adjustment, net of tax	Foreign currency translation adjustment, net of tax	20	(304)	436	(563)		
Foreign currency translation adjustment, net of tax							

Foreign currency translation adjustment, net of tax					
Retirement plan liability adjustment, net of tax	Retirement plan liability adjustment, net of tax	153	188	305	426
Other	Other	—	—	1	—
Comprehensive loss	Comprehensive loss	$(461)	$(2,784)	$(4,848)	$(2,857)

See notes to unaudited consolidated condensed financial statements.

SIFCO Industries, Inc. and Subsidiaries
Consolidated Condensed Balance Sheets
(Amounts in thousands, except per share data)

		June 30, 2023	September 30, 2022			
	December 31, 2023				December 31, 2023	September 30, 2023
		(unaudited)		(unaudited)		
ASSETS	**ASSETS**					
Current assets:	Current assets:					
Current assets:						
Current assets:						
Cash and cash equivalents	Cash and cash equivalents	$ 598	$ 1,174			
Receivables, net of allowance for doubtful accounts of $137 and $111, respectively		20,197	16,515			
Cash and cash equivalents						
Cash and cash equivalents						
Receivables, net of allowance for doubtful accounts of $121 and $242, respectively						
Contract assets	Contract assets	9,019	10,172			
Contract assets						
Contract assets						
Inventories, net						
Inventories, net						
Inventories, net	Inventories, net	10,610	8,969			
Refundable income taxes	Refundable income taxes	97	97			

Prepaid expenses and other current assets	Prepaid expenses and other current assets	1,176	1,851
Prepaid expenses and other current assets			
Prepaid expenses and other current assets			
Total current assets			
Total current assets			
Total current assets	Total current assets	41,697	38,778
Property, plant and equipment, net	Property, plant and equipment, net	37,387	39,272
Operating lease right-of-use assets, net	Operating lease right-of-use assets, net	14,567	15,167
Intangible assets, net	Intangible assets, net	333	477
Goodwill	Goodwill	3,493	3,493
Other assets	Other assets	79	79
Total assets	Total assets	$ 97,556	$ 97,266
Total assets			
Total assets			
LIABILITIES AND SHAREHOLDERS' EQUITY	**LIABILITIES AND SHAREHOLDERS' EQUITY**		
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Current maturities of long-term debt	Current maturities of long-term debt	$ 5,394	$ 4,379
Current maturities of long-term debt			
Current maturities of long-term debt			
Promissory note - related party			
Revolver	Revolver	14,948	11,163
Short-term operating lease liabilities	Short-term operating lease liabilities	847	792
Accounts payable	Accounts payable	11,469	10,387
Accrued liabilities	Accrued liabilities	6,173	5,868
Accrued liabilities			
Accrued liabilities			
Total current liabilities			
Total current liabilities			
Total current liabilities	Total current liabilities	38,831	32,589
Long-term debt, net of current maturities, net of unamortized debt issuance costs	Long-term debt, net of current maturities, net of unamortized debt issuance costs	2,994	3,508

Long-term operating lease liabilities, net of short-term	Long-term operating lease liabilities, net of short-term	14,203	14,786
Deferred income taxes, net	Deferred income taxes, net	—	137
Pension liability	Pension liability	4,789	4,812
Other long-term liabilities	Other long-term liabilities	676	744
Shareholders’ equity:	Shareholders’ equity:		
Serial preferred shares, no par value, authorized 1,000 shares		—	—
Common shares, par value $1 per share, authorized 10,000 shares; issued and outstanding shares 6,107 at June 30, 2023 and 6,040 at September 30, 2022		6,107	6,040
Shareholders’ equity:			
Shareholders’ equity:			
Serial preferred shares, no par value, authorized 1,000 shares; 0 shares issued and outstanding at December 31, 2023 and September 30, 2023			
Serial preferred shares, no par value, authorized 1,000 shares; 0 shares issued and outstanding at December 31, 2023 and September 30, 2023			
Serial preferred shares, no par value, authorized 1,000 shares; 0 shares issued and outstanding at December 31, 2023 and September 30, 2023			
Common shares, par value $1 per share, authorized 10,000 shares; issued and outstanding shares 6,160 at December 31, 2023 and 6,105 at September 30, 2023			
Additional paid-in capital	Additional paid-in capital	11,541	11,387
Retained earnings	Retained earnings	26,366	31,956
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(7,951)	(8,693)
Total shareholders’ equity	Total shareholders’ equity	36,063	40,690
Total liabilities and shareholders’ equity	Total liabilities and shareholders’ equity	$ 97,556	$ 97,266

See notes to unaudited consolidated condensed financial statements.

SIFCO Industries, Inc. and Subsidiaries

Consolidated Condensed Statements of Cash Flows
(Unaudited, Amounts in thousands)

	Nine Months Ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (5,590)	$ (2,720)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:		
Depreciation and amortization	4,821	4,800
Amortization of debt issuance costs	30	30
Gain on disposal of operating assets	—	(2)
Loss on insurance proceeds received for non-property claim	60	—
LIFO effect	(272)	586
Share transactions under company stock plan, net	221	203
Inventory valuation accounts	(1,793)	332
Gain on extinguishment of debt	—	(5,106)
Other long-term liabilities	66	(104)
Deferred income taxes	(136)	(18)
Changes in operating assets and liabilities:		
Receivables	(3,160)	2,730
Contract assets	1,153	938
Inventories	869	(1,384)
Prepaid expenses and other current assets	653	479
Other assets	128	(13)
Accounts payable	585	828
Other accrued liabilities	(157)	(857)
Accrued income and other taxes	252	(25)
Net cash (used for) provided by operating activities	(2,270)	697
Cash flows from investing activities:		
Proceeds from disposal of operating assets	13	2
Capital expenditures	(1,905)	(2,501)
Net cash used for investing activities	(1,892)	(2,499)
Cash flows from financing activities:		
Proceeds from long-term debt	—	1,402
Payments on long-term debt	(809)	(1,039)
Proceeds from revolving credit agreement	60,087	59,668
Repayments of revolving credit agreement	(56,301)	(58,486)
Short-term debt borrowings	4,459	2,762
Short-term debt repayments	(3,965)	(2,715)
Net cash provided by financing activities	3,471	1,592
Decrease in cash and cash equivalents	(691)	(210)
Cash and cash equivalents at the beginning of the period	1,174	346
Effect of exchange rate changes on cash and cash equivalents	115	(25)
Cash and cash equivalents at the end of the period	$ 598	$ 111

	2023	2022
Supplemental disclosure of cash flow information of operations:		
Cash paid for interest	$ (924)	$ (423)
Cash paid for income taxes, net	$ (16)	$ (23)
Non-cash investing activities:		
Additions to property, plant & equipment - incurred but not yet paid	$ 306	$ 336

	Three Months Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (3,422)	$ (2,589)
Adjustments to reconcile net loss to net cash (used for) provided by operating activities:		
Depreciation and amortization	1,562	1,571
Amortization of debt issuance costs	11	10
Gain on disposal of operating assets	—	(11)
Loss on insurance proceeds received for non-property claim	—	110
LIFO effect	293	262
Share transactions under company stock plan, net	37	51
Inventory valuation accounts	392	(812)
Other long-term liabilities	18	(96)
Deferred income taxes	(37)	7
Changes in operating assets and liabilities:		
Receivables	2,230	1,632
Contract assets	(859)	(1,350)
Inventories	(4,056)	1,544
Prepaid expenses and other current assets	(667)	84
Other assets	(49)	107
Accounts payable	862	2,488
Other accrued liabilities	1,459	(2,775)
Accrued income and other taxes	89	59
Net cash (used for) provided by operating activities	(2,137)	292
Cash flows from investing activities:		
Proceeds from disposal of operating assets	—	12
Capital expenditures	(496)	(547)
Net cash used for investing activities	(496)	(535)
Cash flows from financing activities:		
Proceeds from long-term debt	2,183	—
Payments on long-term debt	(274)	(257)
Proceeds from revolving credit agreement	23,413	19,768
Repayments of revolving credit agreement	(23,641)	(19,385)
Payment of debt issuance costs	(236)	—
Proceeds from promissory note related party	3,000	—
Short-term debt borrowings	2,246	1,360

Short-term debt repayments	(1,223)	(1,370)
Net cash provided by financing activities	5,468	116
Increase (decrease) in cash and cash equivalents	2,835	(127)
Cash and cash equivalents at the beginning of the period	368	1,174
Effect of exchange rate changes on cash and cash equivalents	33	110
Cash and cash equivalents at the end of the period	$ 3,236	$ 1,157
Supplemental disclosure of cash flow information of operations:		
Cash paid for interest	$ (428)	$ (259)
Non-cash investing activities:		
Additions to property, plant & equipment - incurred but not yet paid	$ 541	$ 795
Non-cash financing activities:		
Debt issuance cost due at maturity - related party	$ 910	$ —

See notes to unaudited consolidated condensed financial statements.

SIFCO Industries, Inc. and Subsidiaries
Consolidated Condensed Statements of Shareholders' Equity
(Unaudited, Amounts in thousands)

	Three Months Ended December 31, 2023					
	Three Months Ended December 31, 2023					
	Three Months Ended December 31, 2023					
	Common	Common	Additional		Accumulated Other	Total
	Shares		Paid-In Capital	Retained Earnings	Comprehensive Loss	Shareholders' Equity
	Nine Months Ended June 30, 2023					
	Common		Additional		Accumulated Other	Total
	Shares	Amount	Paid-In Capital	Retained Earnings	Comprehensive Loss	Shareholders' Equity
Balance - September 30, 2023						
Balance - September 30, 2022	6,040	$6,040	$11,387	$31,956	$ (8,693)	$ 40,690
Balance - September 30, 2023						
Balance - September 30, 2023						
Comprehensive (loss) income						
Comprehensive (loss) income						

Comprehensive (loss) income	Comprehensive (loss) income	—	—	—	(5,590)	742	(4,848)
Performance and restricted share expense	Performance and restricted share expense	—	—	292	—	—	292
Performance and restricted share expense							
Performance and restricted share expense							
Share transactions under equity-based plans	Share transactions under equity-based plans	67	67	(138)	—	—	(71)
Balance - June 30, 2023		6,107	$6,107	$11,541	$26,366	$ (7,951)	$ 36,063
Balance - December 31, 2023							

Three Months Ended December 31, 2022
Three Months Ended December 31, 2022
Three Months Ended December 31, 2022

	Common				Accumulated	
	Shares	Common	Additional Paid-In Capital	Retained Earnings	Other Comprehensive Loss	Total Shareholders' Equity

	Three Months Ended June 30, 2023					
	Common		Additional		Accumulated Other	Total
	Shares	Amount	Paid-In Capital	Retained Earnings	Comprehensive Loss	Shareholders' Equity
Balance - March 31, 2023	6,108	$6,108	$11,455	$27,000	$ (8,124)	$ 36,439
Comprehensive (loss) income	—	—	—	(634)	173	(461)
Performance and restricted share expense	—	—	86	—	—	86
Share transactions under equity-based plans	(1)	(1)	—	—	—	(1)
Balance - June 30, 2023	6,107	$6,107	$11,541	$26,366	$ (7,951)	$ 36,063

Balance - September 30, 2022
Balance - September 30, 2022
Balance - September 30, 2022
Comprehensive (loss) income Comprehensive (loss) income Comprehensive (loss) income
Performance and restricted share expense
Performance and restricted share expense
Performance and restricted share expense Share transactions under equity-based plans **Balance - December 31, 2022**

	Nine Months Ended June 30, 2022										
	Common			Additional				Accumulated		Total	
	Shares		Amount	Paid-In Capital		Retained Earnings		Other Comprehensive Loss		Shareholders' Equity	
Balance - September 30, 2021	5,987	$	5,987	$	11,118	$	41,596	$	(9,079)	$	49,622
Comprehensive loss	—		—		—		(2,720)		(137)		(2,857)
Performance and restricted share expense	—		—		309		—		—		309
Share transactions under equity-based plans	53		53		(159)		—		—		(106)
Balance - June 30, 2022	6,040	$	6,040	$	11,268	$	38,876	$	(9,216)	$	46,968

	Three Months Ended June 30, 2022				
	Common	Additional	Retained	Accumulated	Total

	Shares	Amount	Paid-In Capital	Earnings	Other Comprehensive Loss	Shareholders' Equity
Balance - March 31, 2022	6,040	$ 6,040	$ 11,264	$ 41,544	$ (9,100)	$ 49,748
Comprehensive loss	—	—	—	(2,668)	(116)	(2,784)
Performance and restricted share expense	—	—	4	—	—	4
Balance - June 30, 2022	6,040	$ 6,040	$ 11,268	$ 38,876	$ (9,216)	$ 46,968

See notes to unaudited consolidated condensed financial statements.

SIFCO Industries, Inc. and Subsidiaries
Notes to Unaudited Consolidated Condensed Financial Statements
(Amounts in thousands, except per share data)

1. Summary of Significant Accounting Policies

A. Principles of Consolidation

The accompanying unaudited consolidated condensed financial statements include the accounts of SIFCO Industries, Inc. and its wholly-owned subsidiaries (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The U.S. dollar is the functional currency for all of the Company's operations in the United States ("U.S.") and its non-operating subsidiaries. For these operations, all gains and losses from completed currency transactions are included in income (loss). The functional currency for the Company's non-U.S. subsidiaries is the Euro. Assets and liabilities are translated into U.S. dollars at the rates of exchange at the end of the period, and revenues and expenses are translated using average rates of exchange for the period which approximate the rates in effect at the date of the transaction. Foreign currency translation adjustments are reported as a component of accumulated other comprehensive loss in the unaudited consolidated condensed financial statements.

These unaudited consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's fiscal 2022 2023 Annual Report on Form 10-K. The year-end consolidated condensed balance sheet contained in these financial statements was derived from the audited financial statements and disclosures required by accounting principles generally accepted in the U.S. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) and disclosures considered necessary for a fair presentation have been included. The results of operations for any interim period are not necessarily indicative of the results to be expected for other interim periods or the full year.

B. Accounting Policies

A summary of the Company's significant accounting policies is included in Note 1 to the audited consolidated financial statements of the Company's Annual Report on Form 10-K for the year ended September 30, 2022 September 30, 2023.

C. Net Loss per Share

The Company's net loss per basic share has been computed based on the weighted-average number of common shares outstanding. During a period of net loss, zero restricted and performance shares are included in the calculation of diluted earnings per share because the effect would be anti-dilutive. In a period of net income, the net income per diluted share reflects the effect of the Company's outstanding restricted shares and performance shares under the treasury stock method. The dilutive effect is as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2023	2022	2023	2022
Net loss	$ (634)	$ (2,668)	$ (5,590)	$ (2,720)

Weighted-average common shares outstanding (basic and diluted)	5,940	5,840	5,925	5,827
Effect of dilutive securities:				
Restricted shares	—	—	—	—
Performance shares	—	—	—	—
Weighted-average common shares outstanding (diluted)	5,940	5,840	5,925	5,827
Net loss per share – basic:	$ (0.11)	$ (0.46)	$ (0.94)	$ (0.47)
Net loss per share – diluted:	$ (0.11)	$ (0.46)	$ (0.94)	$ (0.47)
Anti-dilutive weighted-average common shares excluded from calculation of diluted earnings per share	211	313	187	309

	Three Months Ended December 31,	
	2023	**2022**
Net loss	$ (3,422)	$ (2,589)
Weighted-average common shares outstanding (basic and diluted)	5,956	5,896
Net loss per share – basic and diluted	$ (0.57)	$ (0.44)
Anti-dilutive weighted-average common shares excluded from calculation of diluted earnings per share	249	176

D. Going Concern

As required by Accounting Standard Codification ("ASC") ASC Topic 205-40, In accordance with ASU 2014-15, "*Presentation of Financial Statements - Statements—Going Concern (Subtopic 205-40) ("ASC 205-40")*", the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. This evaluation requires management assesses to perform two steps. First, management must evaluate whether there are conditions and events that raise substantial doubt about the Company's entity's ability to continue as a going concern for one year from concern. Second, if management concludes that substantial doubt is raised, management is required to consider whether its plans that are not yet fully implemented are probable of both being implemented and effective in alleviating that doubt. In the event substantial doubt is raised, disclosures in the notes to the consolidated condensed financial statement issuance at each annual statements of management's plans and interim reporting period.

management's conclusion as to whether

the substantial doubt exists or has been alleviated are required. The accompanying consolidated condensed financial statements have been prepared assuming that the Company will continue as a going concern. concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that may result from the outcome of this uncertainty. This step shall not take into consideration the potential mitigating effects of plans that have not been fully implemented as of the date the financial statements are issued.

The Company has debt maturing in December 2023 and an alternate financing arrangement has yet to be executed. This October 2024. As a result of this condition, raises there is substantial doubt about the Company's ability to continue as a going concern.

The Company is evaluating continues to evaluate available financial alternatives, including obtaining acceptable alternative financing. The Company cannot provide assurances that it will be able to provide the remaining post closing deliverable as established under the Seventh Amendment of the Credit

Agreement discussed in *Note 7, Debt and Subsequent Event* or be successful in restructuring of the existing debt obligations, obtaining capital or entering into a strategic alternative transaction which provides sufficient funding for the refinancing of its outstanding indebtedness prior to the maturity date of its obligations under the Credit Agreements. The consolidated condensed financial statements do not include any adjustments to the carrying amount and classification of assets, liabilities, and reported expense that may be necessary if the Company was unable to continue as a going concern. See *Note 7 Debt and Subsequent Event and Note 13, Subsequent Events.* *, Debt.*

E. Recent Accounting Standards Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *"Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* and subsequent updates. ASU 2016-13 changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The new guidance will replace the current incurred loss approach with an expected loss model. The new expected credit loss impairment model will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt instruments, net investments in leases, loan commitments and standby letters of credit. Upon initial recognition of the exposure, the expected credit loss model requires entities to estimate the credit losses expected over the life of an exposure (or pool of exposures). The estimate of expected credit losses should consider historical information, current information and reasonable and supportable forecasts, including estimates of prepayments. Financial instruments with similar risk characteristics should be grouped together when estimating expected credit losses. ASU 2016-13 does not prescribe a specific method to make the estimate, so its application will require significant judgment. ASU 2016-13 is effective for public companies in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. However, in November 2019, the FASB issued ASU 2019-10, *"Financial Instruments - Credit Loss (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842),"* which defers the effective date for public filers that qualify as a smaller reporting company ("SRC"), as defined by the Securities and Exchange Commission, to fiscal years after December 15, 2022, including interim periods within those fiscal years. Because SIFCO is considered a SRC, this ASU is effective for the Company is not required to implement until beginning October 1, 2023. The Company will continue to evaluate the effect of adopting this ASU 2016-13 will did not have on an impact to the Company's results within the consolidated condensed statements of operations and financial condition.

F. Recent Accounting Standards Not Yet Adopted

In July 2023, the FASB issued ASU 2023-03, "*Presentation of Financial Statement (Topic 205), Income Statement - Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation - Stock Compensation (Topic 718)*", to amend various SEC paragraphs in the Accounting Standards Codification to reflect the issuance of SEC Staff Accounting Bulletin No. 120, among other things. The ASU does not provide any new guidance so there is no transition or effective date associated with it. The Company is currently assessing the impact of adopting ASU 2023-03 on the consolidated condensed financial statements and related disclosures.

In November 2023, the FASB issued ASU 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*", that would enhance disclosures for significant segment expenses for all public entities required to report segment information in accordance with ASC 280. ASC 280 requires a public entity to report for each reportable segment a measure of segment profit or loss that its chief operating decision maker ("CODM") uses to assess segment performance and to make decisions about resource allocations. The amendments in ASU 2023-07 improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more useful financial analyses. Currently, *Topic 280* requires that a public entity disclose certain information about its reportable segments. For example, a public entity is required to report a measure of segment profit or loss that the CODM uses to assess segment performance and make decisions about allocating resources. ASC 280 also requires other specified segment items and amounts such as depreciation, amortization and depletion expense to be disclosed under certain circumstances. The amendments in ASU 2023-07 do not change or remove those disclosure requirements. The amendments in ASU 2023-07 also do not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments in ASU 2023-07 retrospectively to all prior periods presented in the

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financial statements. The Company is currently assessing the impact of adopting ASU 2023-07 on the consolidated condensed financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*". ASU 2023-09 is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 address investor requests for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. Early adoption is permitted. A public entity should apply the amendments in ASU 2023-09 prospectively to all annual periods beginning after December 15, 2024. The Company is currently evaluating the impact of this standard on our consolidated condensed financial statements and related disclosures.

G. Employee Retention Credit

Under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Employee Retention Credit ("ERC") is a refundable payroll tax credit for businesses and tax-exempt organizations that were affected during the COVID-19 pandemic. Eligible program, eligible businesses, both for-profit and not-for-profit, that experienced a full or partial government-ordered suspension of operations or a "significant" decline in gross receipts in any quarter (more than 50% decrease in 2020 from 2019, and more than 20% in 2021) could receive a quarterly refundable payroll tax credit. The Company, with reasonably assured qualification, submitted and received approval for refunds under the ERC program.

As no authoritative guidance exists under U.S. GAAP for reporting ERCs, the Company adopted International Accounting Standards (“IAS”("IAS") 20 – *Accounting for Government Grants and Disclosure of Government Assistance* which permits the recording and presentation of either the gross amount as other income or netting the credit against related expense. The Company recorded a gross benefit of $1,772, which represented $1,688 claimed as refund and $84 in interest income. The ERC was recognized as a reduction in other manufacturing and selling, general and administrative expenses and allocated to the financial statement categories from which the payroll taxes were originally incurred. The Company recorded benefits to cost of goods sold of $1,452, selling, general and administrative expense of $236 and interest income $84, respectively and recorded selling, general and administrative expense of $354 for professional fees related to the tax credit in the consolidated condensed statements of operations during For the three and nine months ended June 30, 2023. The Company received $1,246 of refunds on May 9, 2023 December 31, 2023 and recorded $526 in accounts receivable on the consolidated condensed balance sheets as of June 30, 2023. 2022, there was no income or expense recorded.

G. Reclassification

Certain amounts in prior years have been reclassified to conform to the fiscal 2023 consolidated condensed statement presentation. In fiscal 2023, the Company revised its classification within the consolidated condensed statement of cash flows by moving a prior year amount of $332 of inventories from changes in operating assets and liabilities to inventory valuation accounts adjustment to reconcile net loss to net cash used for operating activities to conform to current period presentation.

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2. <u>Inventories</u>

Inventories consist of:

		June 30, 2023	September 30, 2022		
	December 31, 2023			December 31, 2023	September 30, 2023
Raw materials and supplies	Raw materials and supplies	$ 1,763	$ 2,968		
Work-in-process	Work-in-process	5,342	3,356		
Finished goods	Finished goods	3,505	2,645		
Total inventories, net	Total inventories, net	$10,610	$ 8,969		

For a portion of the Company's inventory, cost is determined using the last-in, first-out ("LIFO") method. Approximately 19% 32% and 42% 19% of the Company's inventories at June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023, respectively, use the LIFO method. An actual valuation of inventory under the LIFO method is made at the end of each fiscal year based on the inventory levels and costs existing at that time. Accordingly, interim LIFO calculations must be based on management's estimates of expected year-end inventory levels and costs. Because the actual results may vary from these estimates, the annual results may differ from interim results as they are subject to adjustments based on the differences between the estimates and the actual results. The first-in, first-out ("FIFO" ("FIFO") method is used for the remainder of the inventories, which are stated at the lower of cost or net realizable value ("NRV"). If the FIFO method had been used for the inventories for which cost is determined using the LIFO method, inventories would have been $9,668 $9,927 and $9,939 $9,634 higher than reported at June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023, respectively. Net realizable value is the estimated selling price in the ordinary course of business less reasonably predictable costs of completion, disposal, and transportation. The Company estimates net realizable value, excess and obsolescence and shrink reserves for its inventory based upon historical experience, historical and projected sales trends and the age of inventory on hand. As of June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023, our inventory valuation allowances were $3,857 $3,534 and $5,084, $4,049, respectively.

3. Long-lived Assets

The Company reviews the carrying value of its long-lived assets ("asset groups"), including property, plant and equipment, when events and circumstances indicate a triggering event has occurred. A triggering event is a change in circumstances that indicates the carrying value of the asset group may not be recoverable. This review is performed using estimates of future undiscounted cash flows, which include proceeds from disposal of assets. Under the asset group. As required by ASC Accounting Standard Codification ("ASC") 360 ("Topic 360"), should if the carrying value of a long-lived asset group exceed is greater than the estimated undiscounted future cash flows, then the long-lived asset group is considered impaired and an impairment charge is recorded for the amount by which the carrying value of the long-lived asset group exceeds its fair value.

The Company continuously monitors for indicators of impairment to determine if further testing is necessary. In the third first quarter of fiscal 2024, the Company evaluated potential triggering events and did not identify any indicators that the asset groups might be impaired.

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4. Goodwill

The Company tests its goodwill for impairment in the fourth fiscal quarter, and in interim periods if certain events occur indicating that the carrying amount of goodwill may be impaired. In the third first quarter of fiscal 2024, the Company evaluated potential triggering events and determined interim testing was not required.

5. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows:

		June 30, 2023	September 30, 2022		
	December 31, 2023			December 31, 2023	September 30, 2023
Foreign currency translation adjustment	Foreign currency translation adjustment	$(5,760)	$ (6,196)		
Retirement plan liability adjustment, net of tax	Retirement plan liability adjustment, net of tax	(2,204)	(2,509)		
Interest rate swap agreement, net of tax	Interest rate swap agreement, net of tax	13	12		

Total accumulated other comprehensive loss	$(7,951)	$ (8,693)

6. Leases

The components of lease expense were as follows:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Nine Months Ended June 30, 2023	Nine Months Ended June 30, 2022
Finance lease expense:				
Amortization of right-of use assets on finance leases	$ 11	$ 2	$ 47	$ 16
Interest on lease liabilities	1	—	6	1
Operating lease expense	421	425	1,243	1,283

Total accumulated other comprehensive loss
Three Months Ended December 31,
Three Months Ended December 31,
Three Months Ended December 31,
2023 2023 2022
Finance lease expense:
Finance lease expense:
Finance lease expense:
Amortization of right-of use assets on finance leases
Amortization of right-of use assets on finance leases
Amortization of right-of use assets on finance leases
Interest on lease liabilities
Operating lease expense

Variable lease cost	Variable lease cost	29	29	89	89
Variable lease cost					
Variable lease cost					
Total lease expense	**Total lease expense**	$462	$456	$1,385	$1,389
Total lease expense					
Total lease expense					

The following table presents the impact of leasing on the consolidated condensed balance sheet.

		Classification in the consolidated condensed balance sheets	**June 30, 2023**	**September 30, 2022**
	Classification in the consolidated condensed balance sheets	**Classification in the consolidated condensed balance sheets**	**December 31, 2023**	**September 30, 2023**
Assets:	**Assets:**			
Finance lease assets				
Finance lease assets				
Finance lease assets	Finance lease assets	Property, plant and equipment, net	$ 170	$ 202
Operating lease assets	Operating lease assets	Operating lease right-of-use assets, net	14,567	15,167
Total lease assets	Total lease assets		$14,737	$15,369
Current liabilities:	**Current liabilities:**			
Current liabilities:				
Current liabilities:				
Finance lease liabilities				
Finance lease liabilities				
Finance lease liabilities	Finance lease liabilities	Current maturities of long-term debt	$ 64	$ 61

Operating lease liabilities	Operating lease liabilities	Short-term operating lease liabilities	847	792
Non-current liabilities:	**Non-current liabilities:**			
Finance lease liabilities	Finance lease liabilities	Long-term debt, net of current maturities	98	131
Finance lease liabilities				
Finance lease liabilities				
Operating lease liabilities	Operating lease liabilities	Long-term operating lease liabilities, net of short-term	14,203	14,786
Total lease liabilities	Total lease liabilities		$15,212	$15,770

Supplemental cash flow and other information related to leases were as follows:

	June 30, 2023	June 30, 2022
Other Information		
Cash paid for amounts included in measurement of liabilities:		
Operating cash flows from operating leases	$ 1,261	$ 1,285
Operating cash flows from finance leases	6	1
Financing cash flows from finance leases	46	18
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	60	—

	June 30, 2023	September 30, 2022
Weighted-average remaining lease term (years):		
Finance leases	3.1	3.6
Operating leases	12.8	13.5
Weighted-average discount rate:		
Finance leases	4.9 %	4.7 %
Operating leases	5.9 %	5.9 %

	December 31, 2023	December 31, 2022
Other Information		
Cash paid for amounts included in measurement of liabilities:		
	December 31, 2023	September 30, 2023
Operating cash flows from operating leases	$ 424	$ 422
Operating cash flows from finance leases	2	1
Financing cash flows from finance leases	16	12
Weighted-average remaining lease term (years):		
Finance leases	3.1	2.9
Operating leases	12.3	12.5
Weighted-average discount rate:		
Finance leases	5.0 %	5.1 %
Operating leases	5.9 %	5.9 %

Future minimum lease payments under non-cancellable leases at June 30, 2023 December 31, 2023 were as follows:

		Finance Leases	Operating Leases
	Finance Leases	**Finance Leases**	**Operating Leases**
Year ending September 30,	Year ending September 30,		
2023 (excluding the nine months ended June 30, 2023)		$ 18	$ 417
2024		68	1,686
2024 (excluding the three months ended December 31, 2023)			
2024 (excluding the three months ended December 31, 2023)			
2024 (excluding the three months ended December 31, 2023)			
2025	2025	37	1,683
2026	2026	30	1,681
2027	2027	22	1,693
2028			
Thereafter	Thereafter	—	14,297
Total lease payments	Total lease payments	$ 175	$ 21,457
Less: Imputed interest	Less: Imputed interest	(13)	(6,407)
Present value of lease liabilities	Present value of lease liabilities	$ 162	$ 15,050

7. Debt and Subsequent Event

Debt consists of:

		June 30, 2023	September 30, 2022
	December 31, 2023	December 31, 2023	September 30, 2023
Revolving credit agreement	Revolving credit agreement	$14,948	$11,163
Foreign subsidiary borrowings		7,803	7,101
Foreign subsidiary borrowings, net of unamortized debt issuance cost			
Promissory note - related party			
Finance lease obligations	Finance lease obligations	162	192
Other, net of unamortized debt issuance costs $(12) and $(20), respectively		423	594
Less: unamortized debt issuance cost - ($910 is related party)			
Other, net of unamortized debt issuance costs $(6) and $(9), respectively			
Total debt	Total debt	23,336	19,050
Total debt			
Total debt			
Less – current maturities			
Less – current maturities			

Less – current maturities	Less – current maturities	(20,342)	(15,542)
Total long-term debt	Total long-term debt	$ 2,994	$ 3,508

Credit Agreement and Security Agreement

On November 8, 2023, the Company entered into the Eighth Amendment to the Credit Agreement (the "Eighth Amendment") with its Lender. The Eighth Amendment, among other things, reduced the Reserves under the Borrowing Base in the Credit Agreement to $1,500, or such lesser amount, if any, as may be agreed upon in writing by the Lender in its sole discretion.

The Company entered into the Ninth Amendment (the "Ninth Amendment") to the Credit Agreement and the Fourth Amendment (the "Fourth Amendment") to the Export Credit Agreement with its lender on December 21, 2023. The Ninth Amendment amends the Credit Agreement to, among other things, to: (i) reflect the incurrence by borrowers of the Subordinated Loan and the execution and delivery by borrowers, the Lender and Mark J. Silk (Mr. Silk is a member of the Board of Directors of the Company and considered a related party) of the Subordinated Loan Documents, and the receipt by borrowers of $3,000 in immediately available funds on the Ninth Amendment Effective Date; (ii) delay the maturity date from December 31, 2023 to October 4, 2024, or any earlier date on which the Revolving Commitment is reduced to zero or otherwise terminated pursuant to the terms of the Credit Agreement; (iii) reduce the Revolving Commitment to $19,000 from $23,000; (iv) modify the definition of Borrowing Base to mean, at any time, the sum of (a) 85% of Eligible Accounts at such time, plus (b) the lesser of (1) 70% of Eligible Inventory, valued at the lower of cost or market value, determined on a first-in-first-out basis, at such time and (2) the product of 85% multiplied by the NOLV Percentage identified in the most recent inventory appraisal ordered by the Lender multiplied by Eligible Inventory, valued at the lower of cost or market value, determined on a first-in-first-out basis, at such time, minus (c) Reserves of $1,500, increasing on the first day of each month by $250, commencing on May 1, 2024 and continuing until (and including) August 1, 2024, or such lesser amount, if any, as may be agreed upon in writing by the Lender in its sole discretion (which may be by email from the Lender), plus (d) the PP&E Component; (v) modify the Applicable Margin schedule to reflect the following applicable rates: 2.75% (CBFR REVSOFR30), 0.25% (CBFR Spread (CB Floating Rate)), 2.75% (SOFR Spread), and 0.50% (Commitment Fee Rate); and (vi) amend and restate subsection (l) of the Reporting Schedule to require, by the 17th day of every month, the delivery of a rolling 13 week cash flow forecast in form acceptable to Lender, which must include a projected to actual results comparison for the week then ended and on a cumulative basis from the beginning of the cash flow forecast. The Fourth Amendment of the Export Credit Agreement, to, among other things, to: (i) reflect the incurrence by borrowers of the Subordinated Loan and the execution and delivery by borrowers, the Lender and Silk of the Subordinated Loan Documents, and the receipt by borrowers of $3,000 in immediately available funds on the Ninth Amendment Effective Date; and (ii) delay the maturity date to October 4, 2024, or any earlier date on which the Revolving Commitment is reduced to zero or otherwise terminated pursuant to the terms thereof.

The total collateral at December 31, 2023 and September 30, 2023 was $23,065 and $21,089, respectively, and the revolving commitment was $26,000 and $30,000, respectively. Total availability at December 31, 2023 and September 30, 2023 was $5,034 and $2,830, respectively, which exceeds both the collateral and total commitment threshold. The Credit Agreement contains affirmative and negative covenants and events of default. On March 23, 2022, the Company entered into the Sixth Amendment (the "Sixth Amendment") to the Credit Agreement and the Second Amendment (the "Second Amendment") to the Export Credit Agreement with its lender. The total collateral at June 30, 2023 and September 30, 2022 was $19,567 and $22,711, respectively, and the revolving commitment was $35,000 for both periods. Total availability at June 30, 2023 and September 30, 2022 was $2,649 and $9,403, respectively, which exceeds both the collateral and total commitment threshold. Since the availability was greater than 10.0% of exceeded the revolving commitment $1,500 reserve minimum as of September 30, 2022 December 31, 2023 and September 30, 2023, no covenant calculations were required. As of June 30, 2023, the Company was not in compliance with covenant requirements as a result of the Event of Default described below. The Company has a letter of credit balance of $1,970 as of June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023, respectively. The Credit Agreement under the Sixth Ninth Amendment had has a maturity date of February 19, 2024 October 4, 2024. The maturity is modified to December 31, 2023 under the Seventh Amendment (the "Seventh Amendment") to the Credit Agreement, which is discussed in additional detail below.

The Sixth Amendment amended the Credit Agreement to, among other things, (i) revise the fixed charge coverage ratio ("FCCR") to exclude the first $1,500 of unfunded capital expenditures through April 20, 2023, (ii) increase the letter of credit sub-limit from $2,000 to $3,000, (iii) modify the reference rate from the London interbank offered rate ("LIBOR") to the secured overnight financing rate ("SOFR") and (iv) revise the property, plant and equipment component of the borrowing base under the Credit Agreement. The Second Amendment amends the Export Credit Agreement to replace the reference rate from LIBOR to SOFR under the Export Credit Agreement.

The revolving credit agreement (or "revolver"), as amended, has a rate based on SOFR plus a 2.25% 2.75% spread, which was 7.5% 8.2% at June 30, 2023 December 31, 2023 and a rate based on LIBOR SOFR plus a 2.25% spread, which was 4.9% 7.7% at September 30, 2022 September 30, 2023. The Export Credit Agreement as amended has a rate based on SOFR plus a 1.75% 2.25% spread, which was 7.0% 7.7% at June 30, 2023 December 31, 2023 and a rate based on LIBOR SOFR plus a 1.75% spread, which was 4.4% 7.2% at September 30, 2022 September 30, 2023. The Company also has a commitment fee of 0.25% 0.50% under the Credit Agreement as amended to be incurred on the unused balance of the revolver.

Debt issuance costs - revolver

The Company incurred new debt issuance costs of $117 in the first quarter of fiscal 2024 as it pertains to the new amendments entered into, which are included in the consolidated condensed balance sheet as a deferred charge in other current assets, net of amortization of $0 at December 31, 2023. The Company previously had debt issuance costs of $86, which were included in the consolidated condensed balance sheets as a deferred charge in other current assets, net of amortization of $86 and $78 at December 31, 2023 and September 30, 2023, respectively.

Subordinated Promissory Note and Guarantee

The Company, in connection with the Ninth Amendment and the Fourth Amendment, incurred a secured subordinated loan from Garnet Holdings, Inc., a California corporation owned and controlled by Mark J. Silk ("GHI") (Mr. Silk is a member of the Board of Directors of the Company and considered a related party), in the original principal amount of $3,000 (the "Subordinated Loan") on the terms and subject to the conditions of a Subordinated Secured Promissory Note (the "Subordinated Promissory Note"). The obligations of borrowers under the Subordinated Loan mature on October 4, 2024. Interest accrues on

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On February 6, 2023, the then-outstanding principal amount at a rate of 14% per annum and shall be paid in kind (and not in cash) by capitalization as additional principal ("PIK Interest") each six-month period after the date hereof in arrears. The Company received agreed to pay to Mr. Silk a Notice of Event of Default fully earned and Reservation of Rights (the “Notice”) from its Lender, with respect non-refundable fee in an amount equal to (i) that certain Credit Agreement dated as of August 8, 2018; $150, which fee shall be due and (ii) that certain Export Credit Agreement dated as of December 17, 2018. The Notice indicated that the Loan Parties payable in full on, and subject to the Credit Agreements have informed Lender of the occurrence of Events of Defaults the Maturity Date or such earlier date on which the Company’s obligations under the Credit Agreements Subordinated Promissory Note are accelerated pursuant to the terms thereof. Borrower’s obligations under the Subordinated Promissory Note are secured by a first priority lien, subject to any liens granted to Lender as a result described in the Subordination Agreement, on all of borrowers’ accounts, deposit accounts, contract rights, documents, equipment, general intangibles, instruments, inventory, investment property, commercial tort claims, all other goods and personal property whether tangible or intangible and wherever located, and all proceeds of the failure foregoing. The Subordinated Promissory note carrying value was $3,150 and $0 at December 31, 2023 and September 30, 2023, respectively. The Subordinated Promissory Note interest rate was 14% and 0% at December 31, 2023 and September 2023, respectively.

The Ninth Amendment, was also subject to deliver including, but not limited to, the required Borrowing Base Certificates thereunder execution and other Events delivery by Mark. J. Silk, a member of Default. The Notice indicated further that Lender is in the process Board of evaluating the Existing Defaults and reserves all Directors of its rights and remedies under the Credit Agreements and any other Loan Documents with respect thereto. The failure by the Company to provide timely borrowing base certificates and monthly financial reports for the periods ("Silk"), of December 2022, January 2023 and February 2023 in accordance with the terms of the Credit Agreements were a result of information access limitations experienced due to the cybersecurity incident that occurred on December 30, 2022. As a secondary default, the Company failed to maintain a FCCR not less than 1.1 to 1.0 for the periods of December 2022, January 2023, February 2023 and March 2023. The secondary default voided the availability spring minimum threshold and triggered the FCCR covenant compliance. See *Note 12, Commitments & Contingencies*.

On April 28, 2023, the Company and its subsidiary guarantors entered into a Forbearance Guaranty Agreement (the "Forbearance Agreement" "Guaranty") with J.P. Morgan Chase Bank, N.A. in respect favor of Lender pursuant to which Silk guarantees the Event obligations of Default borrowers under the Credit Agreement. Pursuant to the Forbearance Agreement, (i) the Reserves under the Borrowing Base in the ABL Credit Agreement are reduced to $2,000; (ii) the aggregate outstanding principal balance of the Revolving Exposure under the ABL Credit Agreement and Export Revolving Loan may not at any time exceed Credit Agreement. The Fee Letter requires the lesser of $19,000 borrowers to pay Silk a fee (the "Guaranty Fee") in consideration for his agreement to execute and deliver the Borrowing Base.

On August 9, 2023, the Company entered into the Seventh Amendment to the Credit Agreement and the Third Amendment (the "Third Amendment") to the Export Credit Agreement with its lender. The Seventh Amendment amends the Credit Agreement to, among other things, (i) reduce the Revolving Credit Agreement to $23,000, thereby reducing the total revolving commitment to $30,000; (ii) advances the loan maturity date to December 31, 2023; (iii) provides a waiver of Existing Defaults and concludes the forbearance period as described under the Forbearance Agreement dated April 28, 2023; (iv) the aggregate outstanding principal balance of the Revolving Exposure under the ABL Credit Agreement and Export Revolving Loan may not at any time exceed the lesser of Revolving Commitment, less the Availability Block, if applicable, the Borrowing Base, and in combination with the Export Revolving Loan under the Export Credit Agreement to $18,000 through September 30, 2023 and $19,000 thereafter; (v) the Reserves under the Borrowing Base in the ABL Credit Agreement are reduced to $1,500 through September 30, 2023 and $2,000 thereafter. The Third Amendment amends the Export Credit Agreement to (i) modify the loan maturity date to December 31, 2023 and (ii) provides waiver of Existing Defaults and concludes the forbearance period as described under the Forbearance Agreement dated April 28, 2023. Lender's agreement is subject to satisfaction of certain post closing deliverables, including: (i) one or more proposed term sheets which provide for the refinancing of all of the Obligations, in each case Guaranty in an amount sufficient equal to repay $760, which was included in the Obligations consolidated condensed balance sheets as a deferred charge in full, by no later than September 19, 2023; (ii) a Confidential Information Memorandum ("CIM"), by no later than September 20, 2023; accrued liabilities. The Guaranty Fee becomes due and (iii) a duly executed term sheet providing for payable on the refinancing of all of the Obligations in an amount sufficient to repay the Obligations in full, by no later than October 8, 2023. maturity date.

The Company has provided to its lender one or more proposed term sheets which provide for the refinancing of all of the Obligations and a CIM as required under the terms of the Seventh Amendment on or before the requisite due dates.

Foreign subsidiary borrowings in USD

Foreign debt consists of:

		June 30, 2023	September 30, 2022
Term loan		$3,616	$ 3,818
December 31, 2023		**December 31, 2023**	**September 30, 2023**
Term loan, net of unamortized debt issuance cost $(89) and $0, respectively			
Short-term borrowings	Short-term borrowings	3,703	2,289
Factor	Factor	484	994
Total debt	Total debt	$7,803	$ 7,101
Less – current maturities	Less – current maturities	(5,120)	(4,078)
Less – current maturities			
Less – current maturities			
Total long-term debt	Total long-term debt	$2,683	$ 3,023
Receivables pledged as collateral	*Receivables pledged as collateral*	$ 256	$ 792
Receivables pledged as collateral			

Receivables pledged as collateral

Interest rates on foreign borrowings are based on Euribor rates, which range from 0.5% to 7.6% 8.0%.

The Company's Maniago, Italy ("Maniago") location obtained borrowings from one lender two separate lending sources in the first nine months quarter of fiscal 2022. 2024. The loan first was a bond for $1,141 $2,208 with repayment terms of six seven years. Under the terms of the borrowing, repayments are made quarterly semi-annually in the amount of $56, $200, beginning on December 31, 2022 June 29, 2024.

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The proceeds from this loan are shown within cash and cash equivalents on the consolidated condensed balance sheets and will be used for capital investment. A second loan with a with a term of 1 year, 6 months was obtained in the amount of $1,104. The proceeds from this loan will be for working capital purposes.

The Company factors receivables from one of its customers. The Company accounts for the pledge of receivables under this agreement as short-term debt and continues to carry the receivables on its consolidated condensed balance sheets.

Debt issuance costs

The Company had debt issuance costs of $86, which are included in the consolidated condensed balance sheets as a deferred charge in other current assets, net of amortization of $67 and $46 at June 30, 2023 and September 30, 2022, respectively.

Other

On April 10, 2020, the Company entered into an unsecured promissory note under the Paycheck Protection Program (the “PPP Loan”). The PPP Loan had an aggregate principal amount of $5,025. The loan proceeds were used for payroll payments and the SBA granted full forgiveness on January 25, 2022. The Company elected to treat the PPP Loan as debt under FASB Topic 470. As such, the Company derecognized the liability in the second quarter of fiscal 2022 when the loan was forgiven. As of June 30, 2023 and September 30, 2022 the PPP loan balance was $0.

8. Income Taxes

For each interim reporting period, the Company makes an estimate of the effective tax rate it expects to be applicable for the full fiscal year for its operations. This estimated effective rate is used in providing for income taxes on a year-to-date basis. The Company’s effective tax rate through the first nine three months of fiscal 2023 2024 was (2.3) (1.5)%, compared with 1% (2.6)% for the same period of fiscal 2022. 2023. The decrease in the effective rate was primarily attributable to changes in jurisdictional mix of income in fiscal 2023 2024 compared with the same period of fiscal 2022. 2023. The effective tax rate differs from the U.S. federal statutory rate due primarily to the valuation allowance against the Company’s U.S. deferred tax assets and income in foreign jurisdictions that are taxed at different rates than the U.S. statutory tax rate.

The Company is subject to income taxes in the U.S. federal jurisdiction, Ireland, Italy, and various state and local jurisdictions.

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9. Retirement Benefit Plans

The Company and certain of its subsidiaries sponsor defined benefit pension plans covering some of its employees. The components of the net periodic benefit cost of the Company’s defined benefit plans are as follows:

	Three Months Ended June 30,	Nine Months Ended June 30,

		Three Months Ended December 31, Three Months Ended December 31, Three Months Ended December 31,					
		2023	2022	2023	2022	2023	2022
Service cost	Service cost	$ 6	$ 10	$ 18	$ 31		
Interest cost	Interest cost	274	178	824	535		
Expected return on plan assets	Expected return on plan assets	(277)	(340)	(831)	(1,021)		
Amortization of net loss	Amortization of net loss	77	119	230	357		
Settlement cost		78	69	78	69		
Amortization of net loss							
Amortization of net loss							
Net periodic pension cost (benefit)	Net periodic pension cost (benefit)	$158	$ 36	$319	$ (29)		
Net periodic pension cost (benefit)							
Net periodic pension cost (benefit)							

During the nine three months ended June 30, 2023 December 31, 2023 and 2022, the Company made $13 $9 and $12 $8 in cash contributions, and $86 and $0 in non-cash contributions utilizing carryover balance, respectively, to its defined benefit pension plans. The Company anticipates making $43 $66 in cash contributions to fund its defined benefit pension plans for the balance of fiscal 2023, 2024, and will use carryover balances from previous periods that have been available for use as a credit to reduce the amount of cash contributions that the Company is required to make to certain defined benefit plans in fiscal 2023. 2024. The Company's ability to elect to use such carryover balance will be determined based on the actual funded status of each defined benefit pension plan relative to the plan's minimum regulatory funding requirements. The Company does not anticipate making cash contributions above the minimum funding requirement to fund its defined benefit pension plans during the balance of fiscal 2023. 2024.

10. Stock-Based Compensation

The Company has outstanding equity awards under the Company's 2007 Long-Term Incentive Plan (the "2007 Plan") and the Company's 2007 Long-Term Incentive Plan (Amended and Restated as of November 16, 2016) (as further amended, the "2016 Plan"), and awards performance and restricted shares under the 2016 Plan.

In the first nine three months of fiscal 2023, 2024, the Company granted 86120 shares under the 2016 Plan to certain key employees. The awards were split into two tranches, comprised of 27 46 performance-based shares and 59 74 time-based restricted shares, with a

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grant date fair value of $2.84 $3.60 per share. The awards vest over three years. There were 3 8 shares forfeited during the nine three month period ended June 30, 2023 December 31, 2023.

In the first nine months of fiscal 2023, the Company granted its non-employee directors 38 restricted shares under the 2016 Plan, with a grant date fair value of $3.48 per share, which vest over one year. One award for 42 restricted shares vested in January 2023.

If all outstanding share awards are ultimately earned and vest at the target number of shares, there are approximately 300 308 shares that remain available for award at June 30, 2023 December 31, 2023. If any of the outstanding share awards are ultimately earned and vest at greater than the target number of shares, up to a maximum of 150% of such target, then a fewer number of shares would be available for award.

Stock-based compensation under the 2016 Plan was $292 $86 and $309 $122 during the first nine three months of fiscal 2023 2024 and 2022, 2023, respectively. As of June 30, 2023 December 31, 2023, there was $348 $573 of total unrecognized compensation cost related to the performance shares and restricted shares awarded under the 2016 Plan. The Company expects to recognize this cost over the next 1.2 1.8 years.

11. Revenue

The Company produces forged components for (i) turbine engines that power commercial, business and regional aircraft as well as military aircraft and other military applications; (ii) airframe applications for a variety of aircraft; (iii) industrial gas and steam turbine engines for power generation units; and (iv) commercial space, semiconductor and other commercial applications.

Revenue is recognized when performance obligations under the terms of the contract with a customer of the Company are satisfied. A portion of the Company's contracts are from purchase orders ("PO's"), which continue to be recognized as of a point in time when products are shipped from the Company's manufacturing facilities or at a later time when control of the products transfers to the customer. Under the revenue standard, the Company recognizes certain revenue over time as it satisfies the performance obligations because the conditions of transfer of control to the applicable customer are as follows:

- Certain military contracts, which relate to the provisions of specialized or unique goods to the U.S. government with no alternative use, include provisions within the contract that are subject to the Federal Acquisition Regulation ("FAR"). The FAR provision allows the customer to unilaterally terminate the contract for convenience and requires

the customer to pay the Company for costs incurred plus reasonable profit margin and take control of any work in process.

- For certain commercial contracts involving customer-specific products with no alternative use, the contract may fall under the FAR clause provisions noted above for military contracts or may include certain provisions within their contract that the customer controls the work in process based on contractual termination clauses or restrictions of the Company's use of the product and the Company possesses a right to payment for work performed to date plus reasonable profit margin.

As a result of control transferring over time for these products, revenue is recognized based on progress toward completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products to be provided. The Company elected to use the cost to cost input method of progress based on costs incurred for these contracts because it best depicts the transfer of goods to the customer based on incurring costs on the contracts. Under this method, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues are recorded proportionally as costs are incurred.

The following table represents a breakout of total revenue by customer type:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2023	2022	2023	2022
Commercial revenue	$ 13,086	$ 11,863	$ 34,629	$ 29,729

Military revenue	8,767	9,591	27,765	35,540
Total	$ 21,853	$ 21,454	$ 62,394	$ 65,269

	Three Months Ended December 31,	
	2023	2022
Commercial revenue	$ 13,240	$ 10,181
Military revenue	7,812	11,118
Total	$ 21,052	$ 21,299

The following table represents revenue by end market:

	Three Months Ended June 30,		Nine Months Ended June 30,	
Net Sales	2023	2022	2023	2022
Aerospace components for:				
Fixed wing aircraft	$ 8,726	$10,351	$28,307	$30,310
Rotorcraft	4,067	4,067	11,960	11,982
Energy components for power generation units	7,005	4,899	16,729	12,902
Commercial product and other revenue	2,055	2,137	5,398	10,075
Total	$21,853	$21,454	$62,394	$65,269

Three Months Ended December 31,
Three Months Ended December 31,
Three Months Ended December 31,

Net Sales	2023	2022
Aerospace components for:		
Fixed wing aircraft		
Fixed wing aircraft		
Fixed wing aircraft		
Rotorcraft		
Energy components for power generation units		
Commercial product and other revenue		
Total		

The following table represents revenue by geographic region based on the Company's selling operation locations:

	Three Months Ended June 30,	Nine Months Ended June 30,

		Three Months Ended December 31, Three Months Ended December 31, Three Months Ended December 31,						
Net Sales	Net Sales	2023	2022	2023	2022	Net Sales	2023	2022
North America	North America	$15,391	$17,051	$47,037	$53,339			
Europe	Europe	6,462	4,403	15,357	11,930			
Total	Total	$21,853	$21,454	$62,394	$65,269			

In addition to the disaggregated revenue information provided above, approximately 47% 41% and 58% 54% of total net sales for the nine three months ended June 30, 2023 December 31, 2023 and 2022, respectively, was recognized on an over-time basis because of the continuous transfer of control to the customer, with the remainder recognized at a point in time.

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Contract Balances

The following table contains a roll forward of contract assets and contract liabilities for the period ended June 30, 2023 December 31, 2023:

Contract assets - Beginning balance, October 1, 2022	$	10,172
Additional revenue recognized over-time		28,955
Less amounts billed to the customers		(30,108)
Contract assets - Ending balance, June 30, 2023	$	9,019

Contract liabilities (included within Accrued liabilities) - Beginning balance, October 1, 2022	$	(807)
Payments received in advance of performance obligations		(1,531)
Performance obligations satisfied		1,435
Contract liabilities (included within Accrued liabilities) - Ending balance, June 30, 2023	$	(903)

		December 31, 2023		December 31, 2022
Contract assets - Beginning balance	$	10,091	$	10,172
Additional revenue recognized over-time		9,184		12,042
Less amounts billed to the customers		(8,326)		(10,692)
Contract assets - Ending balance	$	10,949	$	11,522

		December 31, 2023		December 31, 2022
Contract liabilities (included within Accrued liabilities) - Beginning balance	$	(1,150)	$	(807)
Payments received in advance of performance obligations		(1,753)		(1,401)

Performance obligations satisfied		20		426
Contract liabilities (included within Accrued liabilities) - Ending balance	$	(2,883)	$	(1,782)

Accounts receivable were $16,515 and $15,308 at September 30, 2022 and December 31, 2022, respectively. There were no impairment losses recorded on contract assets as of June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023.

Remaining performance obligations

As of June 30, 2023 December 31, 2023, the Company has $122,826 $103,569 of remaining performance obligations, the majority of which are anticipated to be completed within the next twelve months.

12. Commitments and Contingencies

On December 30, 2022, the Company became aware of a cyber security issue involving unauthorized access to the Company's system (the "Cyber Incident"). The Company immediately began an investigation and engaged cyber security experts to assist with the assessment of the incident and to help determine what data was impacted. The Company's investigation uncovered that the threat actor had gained access to certain areas of the Company's systems on or about December 27, 2022. With the assistance of outside cyber security experts, the Company located and closed the unauthorized access to our systems and identified compromised information, and notified those impacted in accordance with state and federal requirements. The

Company undertook a number of other measures to demonstrate our continued support and commitment to data privacy and protection and coordinated with law enforcement.

The Company maintains $3,000 of cybersecurity insurance coverage to limit our exposure to losses such as those related to the Cyber Incident. The Company recorded costs in a benefit of $1 to selling, general, and administrative expense associated with the Cyber Incident of $232 and a benefit of $50 to other expense (income) due to reversal of insurance deductible accrual during expenses in the three months ended June 30, 2023. The Company December 31, 2023 and recorded costs of $60 $110 to other expense (income), net of $3,000 related to loss on insurance recovery and $1,209 to selling, general and administrative expense in the nine months ended June 30, 2023, resulting in net IT incident costs of $182 and $1,269 in the three and nine months ended June 30, 2023, respectively. The Company received the $3,000 of insurance proceeds on February 20, 2023 December 31, 2022. At June 30, 2023 December 31, 2023 and September 30, 2023, the Company recorded $1,037 $827 and $965, respectively, related to the Cyber Incident in accounts payable on the consolidated condensed balance sheets.

The Company has incurred, and may continue to incur, certain expenses related to this attack, including expenses associated with additional remediation measures. The Company will accrue these costs as incurred.

13. Subsequent Events Related Party Transactions

The Company has evaluated subsequent events through September 28, 2023, the date the financial statements were available to be issued, and has determined that the following subsequent events require disclosure in the financial statements.

On August 9, 2023 December 21, 2023, the Company entered into the Seventh Ninth Amendment and Fourth Amendment with its lender incurring a secured subordinated loan from GHI, in the original principal amount of $3,000. GHI is controlled by Mr. Silk, a member of the Board of Directors of the Company and considered a related party. Additionally, Mr. Silk provided a Guaranty in favor of the Lender pursuant to which Mr. Silk guarantees the obligations of borrowers under the Credit Agreement and Export Credit Agreement. As part of the Third Amendment Guaranty and Promissory Note, the Company will pay GHI fees of $760 and $150, respectively, and has paid $30 of legal costs. The Company has accumulated a total of $940 deferred financing costs related to the Export Credit Agreement with its lender which waived the Event of Default, ended the forbearance period, Guaranty and provided Subordinated Promissory Note. See Note 7, *Debt* for further changes to the agreements. See *Note 7, Debt and Subsequent Event* for more information.

The Company provided to its lender one or more proposed term sheets which provide for the refinancing of all of the Obligations and a CIM as required under the terms of the Seventh Amendment on or before the requisite due dates. See *Note 7, Debt and Subsequent Event* for more information.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations may contain various forward-looking statements and includes assumptions concerning the Company's operations, future results and prospects. The words "will," "may," "designed to," "outlook," "believes," "should," "anticipates," "plans," "expects," "intends," "estimates," "forecasts" and similar expressions identify certain of these forward-looking statements. These forward-looking statements are based on current expectations and are subject to risk and uncertainties. In connection with the "safe harbor" "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company provides this cautionary statement identifying important economic, political and technological factors, among others, the absence or effect of which could cause the actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions. Such factors include the following: (1) the impact on business conditions in general, and on the demand for product in the aerospace and energy (or "A&E") industries in particular, of the global economic outlook, including the continuation of military spending at or near current levels and the availability of capital and liquidity from banks, the financial markets and other providers of credit; (2) the future business environment, including capital and consumer spending; (3) competitive factors, including the ability to replace business that may be lost at comparable margins; (4) metals and commodities price increases and the Company's ability to recover such price increases; (5) successful development and market introduction of new products and services; (6) continued reliance on consumer acceptance of regional and business aircraft powered by more fuel efficient turboprop engines; (7) continued reliance on military spending, in general, and/or several major customers, in particular, for revenues; (8) the impact on future contributions to the Company's defined benefit pension plans due to changes in actuarial assumptions, government regulations and the market value of plan assets; (9) stable governments, business conditions, laws, regulations and taxes in economies where business is conducted; (10) the ability to successfully integrate businesses that may be acquired into the Company's operations; (11) cyber and other security threats or disruptions faced by us, our customers or our suppliers and other partners; (12) our exposure to additional risks as a result of our international business, including risks related to geopolitical and economic factors, suppliers, laws and regulations; (13) the ability to maintain a qualified workforce; (14) the adequacy and availability of our insurance coverage; (15) our ability to develop new products and technologies and maintain technologies, facilities, and equipment to win new competitions and meet the needs of our customers; (16) our ability to realize amounts in our backlog; (17) investigations, claims, disputes, enforcement actions, litigation and/or other legal proceedings; (18) extraordinary or force majeure events affecting the business or operations of our business (19) the continued long term impact of the COVID-19 pandemic and related residual negative impact on the global economy, which may exacerbate the above factors and/or impact our results of operations and financial condition; and (20) in connection with its entry into the Seventh Ninth Amendment (the "Ninth Amendment") to its Credit Agreement and Third Fourth Amendment (the "Fourth Amendment") to its Export Credit Agreement, and as a condition to the consummation by the Company's senior lender of the transactions contemplated thereby: (a) the Company incurred a secured subordinated loan from Garnet Holdings, Inc., a California corporation owned and controlled by Mark J. Silk ("GHI") (Mr. Silk is a member of the Board of Directors of the Company and considered a related party), in the original principal amount of $3.0 million, which subordinated loan is subject to the terms and conditions of an Intercreditor and Subordination Agreement by and among the Company, GHI and the Company's senior lender; and (b) Mr. Silk executed and delivered a personal guaranty in favor of the Company's senior lender of certain Company indebtedness under the Credit Agreement and the Export Credit Agreement. The Company is evaluating available financial alternatives, including obtaining acceptable alternative financing. The Company has obtained lender waiver

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on Existing Defaults and concluded the forbearance period as described under the Forbearance Agreement dated April 28, 2023. If the Company is unable to find restructure existing debt obligations, obtain capital or enter into a strategic alternative financing as contemplated transaction which provides sufficient funding for the refinancing of its outstanding indebtedness prior to the maturity date of its obligations by the terms of the Seventh Ninth Amendment, the lender under the Credit Agreement may choose to accelerate repayment. The Company cannot provide assurances that it will be able to provide the remaining post closing deliverable as established under the Seventh Amendment of the Credit Agreement or be successful in restructuring of the existing debt obligations, obtaining capital or entering into a strategic alternative transaction which provides sufficient funding for the refinancing of its outstanding indebtedness prior to the maturity date of its obligations under the Credit Agreements.

The Company engages in the production of forgings and machined components primarily for the A&E and commercial space markets. The processes and services provided by the Company include forging, heat-treating, machining, subassembly, and test. The Company operates under one business segment.

The Company endeavors to continue to plan and evaluate its business operations while taking into consideration certain factors including the following: (i) the projected build rate for commercial, business and military aircraft, as well as the engines that power such aircraft; (ii) the projected maintenance, repair and overhaul schedules for commercial, business and military aircraft, as well as the engines that power such aircraft; (iii) the projected build rate and repair for industrial turbines; and (iv) commercial space.

The Company operates within a cost structure that includes a significant fixed component. Therefore, higher net sales volumes are expected to result in greater operating income because such higher volumes allow the business operations to better leverage

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the fixed component of their respective cost structures. Conversely, the opposite effect is expected to occur at lower net sales and related production volumes.

A. Results of Operations

Overview

The Company produces forged components for (i) turbine engines that power commercial, business and regional aircraft as well as military aircraft and other military applications; (ii) airframe applications for a variety of aircraft; (iii) industrial gas and steam turbine engines for power generation units; and (iv) commercial space, semiconductor and other commercial applications.

In fiscal 2023, the Company continued to see an impact on its operations with respect to supply chain lead times and ongoing challenges in the labor market. The Company's domestic operations during this period were also impacted by the Cyber Incident which resulted in production delays and delayed shipments due to information access limitations. The Company has since completed data recovery and restoration from the Cyber Incident. See *Note 12, Commitments and Contingencies.*

In fiscal 2022, the residual impact of the COVID-19 pandemic (including a decrease in commercial air travel) and certain geopolitical factors impacting the availability of energy and raw materials continued to effect the Company's results of operations. While commercial air travel and energy prices began to stabilize beginning in the second quarter of fiscal 2023, the Company continues to monitor these factors and seeks to find ways to mitigate any future impact on its operations.

Backlog of Orders

SIFCO's total backlog at June 30, 2023 December 31, 2023 was $122.8 million $130.1 million, of which $103.6 million are anticipated to be complete within the next 12 months, compared with $69.4 million total backlog of $84.2 million as of June 30, 2022 December 31, 2023. Orders may be subject to modification or cancellation by the customer with limited charges. Recovery in the A&E markets has resulted in increased bookings. Backlog information may not be indicative of future sales.

Nine Three Months Ended June 30, 2023 December 31, 2023 compared with Nine Three Months Ended June 30, 2022 December 31, 2022

Net Sales

Net sales comparative information for the first nine three months of fiscal 2023 2024 and 2022 2023 is as follows:

(Dollars in millions)	(Dollars in millions)	Nine Months Ended June 30,		Increase/ (Decrease)	(Dollars in millions)	Three Months Ended December 31,	Increase/ (Decrease)
Net Sales	**Net Sales**	**2023**	**2022**				
Aerospace components for:	Aerospace components for:						

Aerospace components for:

Aerospace components for:

Fixed wing aircraft

Fixed wing aircraft

Fixed wing aircraft	Fixed wing aircraft	$28.3	$30.3	$	(2.0)
Rotorcraft	Rotorcraft	12.0	12.0		—
Energy components for power generation units	Energy components for power generation units	16.7	12.9		3.8
Commercial product and other revenue	Commercial product and other revenue	5.4	10.1		(4.7)
Total	Total	$62.4	$65.3	$	(2.9)

Net sales for the first nine three months of fiscal 2023 2024 decreased $2.9 million $0.2 million to $62.4 million $21.1 million, compared with $65.3 million $21.3 million in the comparable period of fiscal 2022. 2023. In general, the production of the Company's products have lead times of varying lengths. The cybersecurity incident, due to information access limitations and system constraints, impacted domestic operations and the timing of shipments in the second quarter of fiscal 2023. Year over year, the Cyber Incident and extended raw material lead times have resulted in delayed shipments. The delayed shipments, coupled with demand shift between military and commercial revenue, largely drove the decrease in sales. The Company's foreign operations were not impacted by the Cyber Incident and is reflected in the sales to the power generation market that it primarily serves.

Fixed wing sales decreased $2.0 million $0.8 million compared with the same period last year primarily due to F18 demand reduction and timing of orders on the 767 and other programs. Rotorcraft sales were flat decreased $1.2 million compared with the same period last year. year primarily due to V22 demand reduction. The energy components for power generation units increased by $3.8 million $1.6 million due to growth in the steam turbine markets. Commercial products and other revenue decreased $4.7 million in the first nine months of fiscal 2023 were slightly higher compared to with the same period in fiscal 2022, primarily due to timing of orders related to a munitions program. last year.

Commercial net sales were 55.5% 62.9% of total net sales and military net sales were 44.5% 37.1% of total net sales in the first nine three months of fiscal 2023, 2024, compared with 45.5% 47.8% and 54.5% 52.2%, respectively, in the comparable period in fiscal 2022. 2023. Military net sales decreased by $7.8 million $3.3 million to $27.8 million $7.8 million in the first nine three months of fiscal 2023, 2024, compared with $35.5 million $11.1 million in the comparable period of fiscal 2022, 2023, primarily due to F18 and V22 demand reduction and timing of a munitions program. reduction. Commercial net sales increased $4.9 million $3.0 million to $34.6 million $13.2 million in the first nine three months of fiscal 2023, 2024, compared with $29.7 million $10.2 million in the comparable period of fiscal 2022, 2023, primarily due to an increase in the power generation steam turbine market and commercial space.

Cost of Goods Sold

Cost of goods sold decreased increased by $7.5 million $0.3 million, or 11.8% 1.4%, to $55.9 million $20.3 million, or 89.7% 96.5% of net sales, during the first nine three months of fiscal 2023, 2024, compared with $63.4 million $20.0 million or 97.2% 94.1% of net sales, in the comparable period of fiscal 2022. 2023. The decrease increase is primarily due to lower volume, ERC benefit of $1.5 million, reduction of NRV reserve of $1.4 million primarily resulting from operational improvements and lower idle and product mix, higher labor expense of $0.7 million and $0.2 million, respectively partially offset by higher outside service costs of $0.4 million, outside services $0.3 million. and $0.1 million of hiring costs as the Company increased production to meet customer demands.

Gross Profit

Gross profit increased $4.6 million decreased $0.5 million to $6.5 million $0.7 million in the first nine three months of fiscal 2023, 2024, compared with $1.8 million $1.3 million gross profit in the comparable period of fiscal 2022. 2023. Gross profit percent of sales was 10.3% 3.5% during the first nine three months of fiscal 2023, 2024, compared with 2.8% 5.9% in the comparable period in fiscal 2022. 2023. The increase decrease in gross profit compared to prior fiscal year was primarily due to product mix, ERC benefit of $1.5 million, reduction of NRV reserve $1.4 million primarily resulting from operational improvements and lower idle and higher labor expense of $0.7 million and $0.2 million, respectively partially offset by higher outside service costs of $0.4 million, outside services $0.3 million. and $0.1 million of hiring costs

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $10.5 million $3.6 million, or 16.9% 17.0%, of net sales during the first nine three months of fiscal 2023, 2024, compared with $9.0 million $3.3 million, or 13.8% 15.4%, of net sales in the comparable period of fiscal 2022. 2023. The increase in selling, general and administrative expenses is primarily due to incremental IT higher legal costs of $0.2 million related to the cybersecurity incident of $1.2 million strategic alternatives and professional fees primarily related to the ERC credit of $0.4 million partially offset by ERC benefit of $0.2 million. See *Note 12, Commitments* *higher salaries* *and* *Contingencies* for further discussion.benefits $0.1 million.

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Amortization of Intangibles

Amortization of intangibles was $0.2 million $0.1 million in the first nine three months of fiscal 2023, compared with $0.3 million in the comparable period of 2024 and fiscal 2022. 2023.

Other/General

In the first nine months of fiscal 2022, the Company recognized a gain on extinguishment of debt related to the PPP loan that was forgiven by the SBA for $5.1 million. See Note 5, *Debt and Subsequent Event* for further discussion.

The following table sets forth the weighted average interest rates and weighted average outstanding balances under the Company's debt agreement in the first nine three months of both fiscal 2023 2024 and 2022: 2023:

		Weighted Average Interest Rate Nine Months Ended June 30,		Weighted Average Outstanding Balance Nine Months Ended June 30,			Weighted Average Interest Rate Three Months Ended December 31,				Weighted Average Outstanding Balance Three Months Ended December 31,	
		2023	2022	2023	2022		2023		2022		2023	2022
Revolving credit agreement	Revolving credit agreement	6.6 %	2.0 %	$ 12.6 million	$ 10.4 million	Revolving credit agreement	7.7	%	5.9	%	$ 15.6 million	$ 11.2 million
Foreign term debt	Foreign term debt	4.4 %	2.9 %	$ 7.3 million	$ 6.3 million	Foreign term debt	4.3	%	3.5	%	$ 8.2 million	$ 7.3 million
Other debt	Other debt	1.6 %	0.6 %	$ 0.5 million	$ 2.3 million	Other debt	1.0	%	1.7	%	$ 0.3 million	$ 0.6 million

Income Taxes

The Company's effective tax rate through the first nine three months of fiscal 2023 2024 was (2.3) (1.5)%, compared with 1% (2.6)% for the same period of fiscal 2022. 2023. The decrease in the effective rate was primarily attributable to changes in jurisdictional mix of income in fiscal 2023 2024 compared with the same period of fiscal 2022. 2023. The effective tax rate differs from the U.S. federal statutory rate due primarily to the valuation allowance against the Company's U.S. deferred tax assets and income in foreign jurisdictions that are taxed at different rates than the U.S. statutory tax rate.

Net Loss

Net loss was $5.6 million $3.4 million during the first nine three months of fiscal 2023, 2024, compared with net loss of $2.7 million $2.6 million in the comparable period of fiscal 2022. The decrease compared with prior year 2023. Increase in net loss is primarily due to PPP forgiveness in fiscal 2022, lower volume and higher selling, general and administrative expenses partially offset by reduction of NRV reserve $1.4 million primarily resulting from operational improvements and net ERC benefit of $1.4 million.

Three Months Ended June 30, 2023 compared with Three Months Ended June 30, 2022

Net Sales

Net sales for the third quarter of fiscal 2023 increased 1.9% to $21.9 million, compared with $21.4 million in the comparable period of fiscal 2022. Net sales comparative information for the third quarter of fiscal 2023 and 2022 is as follows:

(Dollars in millions)	Three Months Ended June 30,		Increase (Decrease)
Net Sales	**2023**	**2022**	
Aerospace components for:			
Fixed wing aircraft	$ 8.7	$ 10.3	$ (1.6)
Rotorcraft	4.1	4.1	—
Energy components for power generation units	7.0	4.9	2.1
Commercial product and other revenue	2.1	2.1	—
Total	$ 21.9	$ 21.4	$ 0.5

Rotorcraft and commercial product and other revenues sales were flat compared with the same period last year. Fixed wing sales decreased $1.6 million compared with the same period last year primarily due to F18 demand reduction and timing of orders on 737 and 767 programs. This was offset by an increase of $2.1 million in power generation sales driven by growth in the steam turbine market.

Commercial net sales were 59.9% of total net sales and military net sales were 40.1% of total net sales in the third quarter of fiscal 2023, compared with 55.3% and 44.7%, respectively, in the comparable period of fiscal 2022. Military net sales

decreased by $0.8 million to $8.8 million in the third quarter of fiscal 2023, compared with $9.6 million in the comparable period of fiscal 2022, primarily due to F18 demand reduction and timing of certain orders. Commercial net sales increased $1.2 million to $13.1 million in the third quarter of fiscal 2023, compared with $11.9 million in the comparable period of fiscal 2022 primarily due to increase in sales related power generation steam blades.

Cost of Goods Sold

Cost of goods sold was $18.4 million, or 84.1% of net sales, during the third quarter of fiscal 2023, compared with $21.1 million or 98.3% of net sales, in the comparable period of fiscal 2022, primarily due to ERC benefit of $1.5 million, reduction of idle expense $0.3 million and reduction of NRV reserve $0.2 million primarily resulting from operational improvements, partially offset by higher labor costs, of $0.3 million.

Gross Profit

Gross profit outside services and hiring costs as the Company positions itself for increased $3.1 million to $3.5 million during the third quarter of fiscal 2023, compared with $0.4 million in the comparable period of fiscal 2022. Gross margin was 15.9% during the third quarter of fiscal 2023, compared with

1.7% in the comparable period in fiscal 2022. The increase in gross margin was primarily due to ERC benefit of $1.5 million and lower costs incurred as noted above.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $3.4 million, or 15.5% of net sales, during the third quarter of fiscal 2023, compared with $2.8 million, or 13.1% of net sales, in the comparable period of fiscal 2022. The increase is primarily due to IT incident costs of $0.2 million and professional fees primarily related to the ERC credit of $0.4 million partially offset by ERC benefit of $0.2 million.

Amortization of Intangibles

Amortization of intangibles was $0.1 million in the third quarter of fiscal 2023 compared with $0.1 million in the third quarter of fiscal 2022.

Other/General

Included in other expense, net, in the third quarter of fiscal 2023 is $0.2 million reclassification of utility rebates into cost of goods sold and $0.1 million of pension settlement expense.

The following table sets forth the weighted average interest rates and weighted average outstanding balances under the Company's Credit Agreement in the third quarter of both fiscal 2023 and 2022:

	Weighted Average Interest Rate Three Months Ended June 30,		Weighted Average Outstanding Balance Three Months Ended June 30,	
	2023	2022	2023	2022
Revolving credit agreement	7.2 %	2.4 %	$ 14.2 million	$ 11.3 million
Foreign term debt	4.8 %	2.3 %	$ 7.5 million	$ 6.2 million
Other debt	1.6 %	1.8 %	$ 0.4 million	$ 0.7 million

Income Taxes

The Company's effective tax rate in the third quarter of fiscal 2023 was (5.8)%, compared with 0.1% for the same period of fiscal 2022. The decrease in the effective rate was primarily attributable to changes in jurisdictional mix of income during the three months ended June 30, 2023 compared to the same period of fiscal 2022. The effective tax rate differs from the U.S. Federal statutory rate due primarily to the valuation allowance against the Company's U.S. deferred tax assets and income in foreign jurisdictions that are taxed at different rates than the U.S. statutory tax rate.

Net Loss

Net loss was $0.6 million during the third quarter of fiscal 2023, compared with $2.7 million in the comparable period of fiscal 2022. The lower net loss in fiscal 2023 is primarily attributed to the higher volume, net ERC benefit of $1.4 million and lower costs noted above.

demand.

Non-GAAP Financial Measures

Presented below is certain financial information based on the Company's EBITDA and Adjusted EBITDA. References to "EBITDA""EBITDA" mean earnings (losses) from continuing operations before interest, taxes, depreciation and amortization, and references to "Adjusted EBITDA""Adjusted EBITDA" mean EBITDA plus, as applicable for each relevant period, certain adjustments as set forth in the reconciliations of net income to EBITDA and Adjusted EBITDA.

Neither EBITDA nor Adjusted EBITDA is a measurement of financial performance under generally accepted accounting principles in the United States of America (“GAAP” ("GAAP"). The Company presents EBITDA and Adjusted EBITDA because management believes that they are useful indicators for evaluating operating performance and liquidity, including the Company’s ability to incur and service debt and it uses EBITDA to evaluate prospective acquisitions. Although the Company uses EBITDA and Adjusted EBITDA for the reasons noted above, the use of these non-GAAP financial measures as analytical tools has limitations. Therefore, reviewers of the Company’s financial information should not consider them in isolation, or as a substitute for analysis of the Company's results of operations as reported in accordance with GAAP. Some of these limitations include:

- Neither EBITDA nor Adjusted EBITDA reflects the interest expense, or the cash requirements necessary to service interest payments on indebtedness;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and neither EBITDA nor Adjusted EBITDA reflects any cash requirements for such replacements;

- The omission of the amortization expense associated with the Company’s intangible assets further limits the usefulness of EBITDA and Adjusted EBITDA; and
- Neither EBITDA nor Adjusted EBITDA includes the payment of taxes, which is a necessary element of operations.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to the Company to invest in the growth of its businesses. Management compensates for these limitations by not viewing EBITDA or Adjusted EBITDA in isolation and specifically by using other GAAP measures, such as net income (loss), net sales, and operating income (loss), to measure operating performance. Neither EBITDA nor Adjusted EBITDA is a measurement of financial performance under GAAP, and neither should be considered as an alternative to net loss or cash flow from operations determined in accordance with GAAP. The Company’s calculation of EBITDA and Adjusted EBITDA may not be comparable to the calculation of similarly titled measures reported by other companies.

The following table sets forth a reconciliation of net income to EBITDA and Adjusted EBITDA:

Dollars in thousands							
Dollars in thousands							
Dollars in thousands	Dollars in thousands	Three Months Ended June 30,		Nine Months Ended June 30,		Three Months Ended December 31,	
		2023	2022	2023	2022	2023	2022
Net loss	Net loss	$ (634)	$ (2,668)	$ (5,590)	$ (2,720)		
Adjustments:	Adjustments:						
Depreciation and amortization expense	Depreciation and amortization expense	1,623	1,590	4,820	4,800		
Depreciation and amortization expense							
Depreciation and amortization expense							
Interest expense, net	Interest expense, net	305	146	919	453		
Income tax expense (benefit)		35	(3)	128	(29)		
Income tax expense							

EBITDA	EBITDA	1,329	(935)	277	2,504
Adjustments:	Adjustments:				
Foreign currency exchange loss (gain), net (1)	Foreign currency exchange loss (gain), net (1)	1	(7)	11	2
Other expense (income), net (2)		295	(46)	149	(114)
Foreign currency exchange loss (gain), net (1)					
Foreign currency exchange loss (gain), net (1)					
Other expense, net (2)					
Gain on disposal of assets (3)	Gain on disposal of assets (3)	(3)	—	—	(2)
Gain on extinguishment of debt (4)		—	—	—	(5,106)
Equity compensation (5)		85	4	292	309
Pension settlement expense (6)		78	69	78	69
LIFO impact (7)		(73)	202	(272)	586
IT incident costs, net (8)		182	—	1,269	—
Equity compensation (4)					
Strategic alternative expense (9)		29	—	29	—
Equity compensation (4)					
Equity compensation (4)					
LIFO impact (5)					
LIFO impact (5)					
LIFO impact (5)					
IT incident costs, net (6)					
Strategic alternative expense (7)					
Strategic alternative expense (7)					
Strategic alternative expense (7)					
Adjusted EBITDA	Adjusted EBITDA	$ 1,923	$ (713)	$ 1,833	$(1,752)

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(1) Represents the gain or loss from changes in the exchange rates between the functional currency and the foreign currency in which the transaction is denominated.

(2) Represents miscellaneous non-operating income or expense, such as pension costs and foreign energy tax credits. or grant income (prior year included $0.1 million in loss on insurance recovery, separately reclassed to IT incident costs, net line).

(3) Represents the difference between the proceeds from the sale of operating equipment and the carrying value shown on the Company's books or asset impairment of long-lived assets. books.

(4) Represents the gain on extinguishment of debt and interest for the amount forgiven by the SBA as it relates to the PPP loan.

(5) Represents the equity-based compensation expense recognized by the Company under the 2016 Plan due to granting of awards, awards not vesting and/or forfeitures.

(6) Represents expense incurred by its defined benefit pension plans related to settlement of pension obligations.

(7) (5) Represents the change in the reserve for inventories for which cost is determined using the last-in, first-out ("LIFO" ("LIFO") method.

(8) (6) Represents incremental information technology costs as it relates to the cybersecurity incident and loss on insurance recovery. recovery (prior year balance includes reclassed amount of $0.1 million from footnote two above).

(9) (7) Represents expense related to evaluation of strategic alternatives.

B. Liquidity and Capital Resources

The main sources of liquidity for the Company have been cash flows from operations and borrowings under our Credit Agreement. The Company's liquidity could be negatively affected if the Company is unable to find restructure existing debt obligations, obtain capital or enter into a strategic alternative financing transaction which provides sufficient funding for the refinancing of its outstanding indebtedness prior to the expiration maturity date of its obligations under the Credit Agreement, Agreements, by customers

extending payment terms to the Company and/or the decrease in demand for our products. The Company and management will continue to assess and actively manage liquidity needs. See "Results of Operation" for further discussion of the lingering impacts of COVID-19. See *Note 7*, *Debt and Subsequent Event*.

Cash and cash equivalents was $0.6 million $3.2 million at June 30, 2023 December 31, 2023 and $1.2 million $0.4 million at September 30, 2022 September 30, 2023. At June 30, 2023 December 31, 2023, the majority of the Company's cash and cash equivalents were in the possession of its non-U.S. subsidiaries. See Note 7, *Debt - Foreign subsidiary borrowings in USD.* Distributions from the Company's non-U.S. subsidiaries to the Company may be subject to adverse tax consequences.

Operating Activities

The Company's operating activities used $2.3 million $2.1 million of cash in the first nine three months of fiscal 2023, 2024, primarily due to net operating results and an increase in accounts receivable loss of $3.2 million $3.4 million partially offset by depreciation and amortization of $1.6 million and change in inventory valuation accounts of $0.4 million and LIFO effect of $0.3 million. The uses of cash from working capital of $1.0 million was primarily due to increase in inventory of $4.0 million, contract asset of $0.9 million and inventory other assets/prepaids of $0.7 million, partially offset by accounts receivable reductions of $1.2 million $2.2 million and $0.9 million, respectively. The increase in accounts receivable is primarily driven by timing of shipments and accrual of ERC refund of $0.5 million accrued liabilities $2.4 million. The decrease increase in inventory is primarily driven by timing increase in work in process to meet heightened customer demand. The increase in accrued liabilities is primarily driven by increases in deferred revenue of raw material receipts. $1.7 million and legal and professional fess.

The Company's operating activities provided $0.7 million of cash in for the first nine three months of fiscal 2022, 2023 provided $0.3 million of cash, generated primarily due to operating results, a decrease by decreases in accounts receivable of $2.7 million $1.6 million and inventory reserves $0.8

million, partially offset by increases an increase in inventory $1.4 million $1.5 million.

Investing Activities

Cash used for investing activities was $1.9 million $0.5 million in the first nine three months of fiscal 2024 and fiscal 2023, compared with $2.5 million in the first nine months of fiscal 2022. respectively. Capital commitments as of June 30, 2023 December 31, 2023 were $1.1 million $0.5 million. The Company anticipates that the remaining total fiscal 2023 2024 capital expenditures will be within the range of $0.5 million $3.5 million to $1.0 million $4.0 million and will relate principally to the further enhancement of production and product offering capabilities and drive operating cost reductions.

Financing Activities

Cash provided by financing activities was $3.5 million $5.5 million in the first nine three months of fiscal 2023, 2024, compared with $1.6 million $0.1 million in the first nine three months of fiscal 2022. 2023.

As discussed in Note 7, *Debt, and Subsequent Event,* the Company's Maniago location obtained borrowings from a lender two separate lending sources during the first nine three months of fiscal 2022 2024. The first was a bond for approximately $2.2 million with a seven year term. The proceeds from this loan are shown within cash and cash equivalents on the consolidated condensed balance sheets and will be used for capital investment. A second loan for approximately $1.1 million with a six year term. The proceeds term of this loan were to eighteen months, will be used for working capital purposes. purposes, of which only $0.8 million has been received. The Company had $0.5 million $1.2 million of net short-term debt borrowings in the first nine three months of fiscal 2023 2024 compared with nominal net short-term debt borrowings of $0.1 million repayments in the first nine three months of fiscal 2022. 2023.

The Company had net borrowings repayments to the revolver under the Credit Agreement of $3.8 million $0.2 million in the first nine three months of fiscal 2023 2024 compared with net borrowings of $1.2 million $0.4 million in the first nine three months of fiscal 2022.
2023. Under the Company's Credit Agreement, the Company is subject to certain customary loan covenants regarding availability as discussed in Note 7, availability. *Debt and Subsequent Event.* The availability at June 30, 2023 December 31, 2023 was $2.6 million $5.0 million, which exceeds both the collateral and total commitment reserve minimum threshold as of June 30, 2023. December 31, 2023, as such, no covenant calculations were required.

As noted in Note 7, *Debt, and Subsequent Event,* on March 23, 2022 November 8, 2023, the Company entered into the Eighth Amendment to the Credit Agreement with its Sixth Lender. The Eighth Amendment, which amends among other things, reduced the Reserves under the Borrowing Base in the Credit Agreement to among other things, (i) revise the fixed coverage ratio to exclude the first $1.5 million of unfunded capital expenditures through April 20, 2023, (ii) increase the letter of credit sub-limit from $2.0 million to $3.0 million, (iii) modify the reference rate from the London interbank offered rate ("LIBOR") to the secured overnight financing rate ("SOFR") under the Credit Agreement, and (iv) revise the property, plant and equipment component of the borrowing base under the Credit Agreement. Additionally, the Export Credit Agreement was amended or such lesser amount, if any, as may be agreed upon in writing by the Second Amendment, which replaces the reference rate from LIBOR to SOFR Lender in the Export Credit Agreement. its sole discretion.

As noted in Note 7, *Debt, and Subsequent Event* on February 6, 2023, the Company received a Notice from its Lender, with respect to (i) that certain Credit Agreement dated as of August 8, 2018; and (ii) that certain Export Credit Agreement dated as of December 17, 2018. The Notice indicated that the Loan Parties to the Credit Agreements have informed Lender of the occurrence of Events of Defaults under the Credit Agreements as a result of the failure to deliver the required Borrowing Base Certificates thereunder and other Events of Default. The Notice indicated further that Lender is in the process of evaluating the Existing Defaults and reserves all of its rights and remedies under the Credit Agreements and any other Loan Documents with respect thereto. The failure by the Company to provide timely borrowing base certificates and monthly financial reports for the periods of December 2022, January 2023 and February 2023 in accordance with the terms of the Credit Agreements were a result of information access limitations experienced due to the cybersecurity incident that occurred on December 30, 2022. As a secondary default, the Company failed to maintain a FCCR not less than 1.1 to 1.0 for the periods of December 2022, January 2023, February 2023 and March 2023. The secondary default voided the availability spring minimum threshold and triggered the FCCR covenant compliance. See *Note 12, Commitments & Contingencies*.

As noted in Note 7, *Debt and Subsequent Event* on April 28, 2023, the Company and its subsidiary guarantors entered into a Forbearance Agreement with J.P. Morgan Chase Bank, N.A. in respect to the Event of Default under the Credit Agreement. Pursuant to the Forbearance Agreement, during the forbearance period defined therein: (i) the Reserves under the Borrowing Base in the ABL Credit Agreement are reduced to $2.0 million; (ii) the aggregate outstanding principal balance of the Revolving Exposure under the ABL Credit Agreement and Export Revolving Loan may not at any time exceed the lesser of $19.0 million and the Borrowing Base.

As noted in Note 7, *Debt and Subsequent Event,* on August 9, 2023 December 21, 2023, the Company entered into the Seventh Ninth Amendment to the Credit Agreement and the Third Fourth Amendment to the Export Credit Agreement with its lender. The Seventh Ninth Amendment amends the Credit Agreement to, among other things, to: (i) reflect the incurrence by borrowers of the Subordinated Loan and the execution and delivery by borrowers, the Lender and Silk (Mr. Silk is a member of the Board of Directors of the Company and considered a related party) of the Subordinated Loan Documents, and the receipt by borrowers of $3.0 million in immediately available funds on the Ninth Amendment Effective Date; (ii) delay the maturity date from December 31, 2023 to October 4, 2024, or any earlier date on which the Revolving Commitment is reduced to zero or otherwise terminated pursuant to the terms of the Credit Agreement; (iii) reduce the Revolving Credit Agreement Commitment to $19.0 million from $23.0 million, thereby reducing the total revolving commitment to $30.0 million; (ii) modifies the loan maturity date to December 31, 2023; (iii) provides waiver of Existing Defaults and concludes the forbearance period as described under the Forbearance Agreement dated April 28, 2023; (iv) modify the aggregate outstanding principal balance definition of the Revolving Exposure under the ABL Credit Agreement and Export Revolving Loan may not Borrowing Base to mean, at any time, exceed the sum of (a) 85% of Eligible Accounts at such time, plus (b) the lesser of Revolving Commitment, less (1) 70% of Eligible Inventory,

valued at the Availability Block, lower of cost or market value, determined on a first-in-first-out basis, at such time and (2) the product of 85% multiplied by the NOLV Percentage identified in the most recent inventory appraisal ordered by the Lender multiplied by Eligible Inventory, valued at the lower of cost or market value, determined on a first-in-first-out basis, at such time, minus (c) Reserves of $1.5 million, increasing on the first day of each month by $0.3 million, commencing on May 1, 2024 and continuing until (and including) August 1, 2024, or such lesser amount, if any, as may be agreed upon in writing by the Lender in its sole discretion (which may be by email from the Lender), plus (d) the PP&E Component; (v) modify the Applicable Margin schedule to reflect the following applicable rates: 2.75% (CBFR REVSOFR30), 0.25% (CBFR Spread (CB Floating Rate)), 2.75% (SOFR Spread), and 0.50% (Commitment Fee Rate); and (vi) amend and restate subsection (l) of the Borrowing Base, Reporting Schedule to require, by the 17th day of every month, the delivery of a rolling 13 week cash flow forecast in form acceptable to Lender, which must include a projected to actual results comparison for the week then ended and in combination with on a cumulative basis from the Export Revolving Loan under beginning of the Export Credit Agreement $19.0 million. cash flow forecast. The Second Fourth Amendment amends of the Export Credit Agreement, to, among other things, to: (i) modify reflect the loan incurrence by borrowers of the Subordinated Loan and the execution and delivery by borrowers, the Lender and Silk of the Subordinated Loan Documents, and the receipt by borrowers of $3.0 million in immediately available funds on the Ninth Amendment Effective Date; and (ii) delay the maturity date to December 31, 2023 and (ii) provides waiver of Existing Defaults and concludes October 4, 2024, or any earlier date on which the forbearance period as described under the Forbearance Agreement dated April 28, 2023.

As noted in Note 7, *Debt and Subsequent Event,* the Company provided Revolving Commitment is reduced to its lender one zero or more proposed term sheets which provide for the refinancing of all of the Obligations and a CIM on or before the requisite due dates as required under otherwise terminated pursuant to the terms of the Seventh Amendment. thereof.

Future cash flows from the Company's operations may be used to pay down amounts outstanding under the Credit Agreement and its foreign related debts. The Company believes it has adequate cash/liquidity available to finance its operations from the combination of (i) the Company's expected cash flows from operations and (ii) funds available under the Credit Agreement for its domestic locations. In fiscal year 2022, 2024, the Company was able to obtain new financing at its Maniago location to provide Maniago with sufficient liquidity.

Additionally, the credit and capital markets saw significant volatility during the course of the pandemic. Tightening of the credit market and standards, as well as capital market volatility, caused by various factors, including the continued long term effects of COVID-19 and/or ongoing geopolitical tensions, could negatively impact our ability to obtain additional debt financing on terms equivalent to our existing Credit Agreement, in the event the Company seeks additional liquidity sources. Agreement. Capital market uncertainty and volatility, together with the Company's market capitalization and status as a smaller reporting company, could also negatively impact our ability to obtain equity financing.

C. Recent Accounting Standards Not Yet Adopted

For recent accounting standards adopted and not yet adopted refer to Note 1, *Summary of Significant Accounting Policies - Recent Accounting Standards Adopted* and *Recent Accounting Standards Not Yet Adopted* for further detail. Additionally, the Company's significant accounting policies and procedures are explained in the Management's Discussion and Analysis section of the Company's Annual Report on Form 10-K for the year ended September 30, 2022 September 30, 2023.

Item 4. Controls and Procedures

As defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act” "Exchange Act"), disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported on a timely basis, and that such information is accumulated and communicated to management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Company’s disclosure controls and procedures include components of the Company’s internal control over financial reporting. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Management of the Company, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(e) as of June 30, 2023 December 31, 2023 (the “Evaluation Date” "Evaluation Date"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, the Company’s disclosure controls and procedures were not effective, as a result of the continuing existence of the material weakness in the Company's internal controls over financial reporting described in Item 9A of the Company's Annual Report.

In the first quarter of fiscal 2023, the Company identified the following material weakness:

- On December 30, 2022, the Company experienced a cybersecurity incident that led to a disruption of its domestic operations. As a result of the cyber incident and its residual effects, the Company identified deficiencies in its oversight and backup and recovery controls that represent a material weakness in internal control over financial reporting. See *Note 12, Commitments and Contingencies*.

The Company is in the process of designing and implementing improved controls to remediate the material weakness that continued to exist as of June 30, 2023 December 31, 2023.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

Management and the Company's Board of Directors are committed to improving the Company's overall system of internal controls over financial reporting.

To address

In response to the material weakness identified in our control environment, the Company is taking has made progress in executing our remediation action plan, including the following actions: following:

With respect • Implemented additional control activities to cybersecurity enhance backup and recovery controls, the Company has redeployed enhanced and increased oversight of information technology systems, with emphasis on endpoint protection and detection tools, implemented new back-up protocols as well as monitoring backups.

- Further engaged with outside specialist resources to assist with our ongoing assessment of existing policies and increased oversight on its information technology systems. procedures.

The actions we are taking are subject to ongoing senior management review as well as oversight by the Audit Committee of the Board of Directors. Although we plan to complete this remediation as quickly as possible, we cannot, at this time, estimate how long it will take.

Changes in Internal Control over Financial Reporting

Except for the remediation items described in Item 4 related to prior quarter findings, there have been no changes in the Company's internal controls over financial reporting during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Part II. Other Information

Items 1, 1A, 2, 3, 4 and 5 are not applicable or the answer to such items is negative; therefore, the items have been omitted and no reference is required in this Quarterly Report.

Item 1A. Risk Factors

The Company is subject to various risks and uncertainties, including those described in Part I, Item 1A, "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended September 30, 2022. Except as set forth below, there have been no material changes to our risk factors since the Company's Annual Report on Form 10-K for the year ended September 30, 2022. Investors should consider the risks described below and all of the other information set forth in this Quarterly Report on Form

10-Q, including our unaudited condensed consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in evaluating our business and prospects. If any of the risks described herein occurs, our business, financial condition or results of operations could be negatively affected. Additional risks and uncertainties, including risks not currently known or that are currently deemed immaterial may also adversely affect our business financial conditions or results of operations.

The price and availability of oil and other energy sources worldwide could adversely impact our results of operations. Unexpected pricing of fuel or a shortage of, or disruption in, the supply of fuel or other energy sources could have a material adverse effect on our and our customers' business, results of operations and financial condition.

Our results of operations can be directly affected, positively and negatively, by volatility in the cost and availability of energy, which is subject to global supply and demand and other factors beyond our control. The ongoing conflict between Russia and Ukraine has impacted global energy markets, particularly in Europe, leading to high volatility and increasing prices for crude oil, natural gas and other energy supplies. Our customers' businesses are significantly impacted by the availability and pricing of fuel. Weather-related events, natural disasters, terrorism, wars, political disruption or instability involving oil-producing countries, changes in governmental or cartel policy concerning crude oil or aircraft fuel production, labor strikes, cyberattacks or other events affecting refinery production, transportation, taxes, marketing, environmental concerns, market manipulation, price speculation and other unpredictable events may drive actual or perceived fuel supply shortages. In particular, the recent conflict between Russia and Ukraine has caused shortages in the availability of fuel. In the event that the supply of natural gas from Russia stops or is significantly reduced, there may be supply disruptions, increased prices, shutdowns of manufacturing facilities, or further rationing of energy supply within countries where we and/or our customers do business, which could have a material adverse impact on our and our customers' business or results of operations in those countries.

SIFCO relies on our suppliers to meet the quality and delivery expectations of our customers.

The ability to deliver SIFCO's products on schedule is dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, internal and supplier produced parts and structures, conversion of raw materials into parts and assemblies, and performance of suppliers and others. We rely on numerous third-party suppliers for raw materials and a large proportion of the components used in our production process. Certain of these raw materials and components are available only from single sources or a limited number of suppliers, or similarly, customers' specifications may require SIFCO to obtain raw materials and/or components from a single source or certain suppliers. Many of our suppliers are small companies with limited financial resources and manufacturing capabilities. We do not currently have the ability to manufacture these components ourselves. Consequently, we risk disruptions in our supply of key products and components if our suppliers fail or are unable to perform because of shortages in raw materials, operational problems, strikes, natural disasters, health crises (such as the COVID-19 or other pandemics) or other factors. We have and may continue to experience delays in the delivery of such products as a result of increased demands and pressures on the supply chain, customs, labor issues, geopolitical pressures, disruptions associated with the COVID-19 or other pandemics, changes in political, economic, and social conditions, weather, laws and regulations. Unfavorable fluctuations in price, international trade policies, quality, delivery, and availability of these products could continue to adversely affect the Company's ability to meet demands of customers and cause negative impacts to the Company's cost structure, profitability and its cash flow. It is unclear how our supply chain could be further impacted by COVID-19, including the spread of new variants, and there are many unknowns including how long we will be impacted, the severity of the impacts and the probability of a recurrence of COVID-19 or similar regional or global pandemics. If we were unsuccessful in obtaining those products from other sources or at comparable cost, a disruption in our supply chain could adversely affect our sales, earnings, financial condition, and liquidity.

We may have disputes with our vendors arising from, among other things, the quality of products and services or customer concerns about the vendor. If any of our vendors fail to timely meet their contractual obligations or have regulatory compliance or other problems, our ability to fulfill our obligations may be jeopardized. Economic downturns can adversely affect a vendor's ability to manufacture or deliver products. Further, vendors may also be enjoined from manufacturing and distributing products to us as a result of litigation filed by third parties, including intellectual property litigation. If SIFCO were to experience difficulty in obtaining certain products, there could be an adverse effect on its results of operations and on its customer relationships and our reputation. Additionally, our key vendors could also increase pricing of their products, which could negatively affect our ability to win contracts by offering competitive prices.

Any material supply disruptions could adversely affect our ability to perform our obligations under our contracts and could result in cancellation of contracts or purchase orders, penalties, delays in realizing revenues, and payment delays, as well as adversely affect our ongoing product cost structure.

Cybersecurity incidents could disrupt business operations, result in the loss of critical and confidential information, and adversely impact results of operations and financial condition.

Although we continue to review and enhance our systems and cybersecurity controls, SIFCO has experienced and expects to continue to experience cybersecurity threats, including threats to our information technology infrastructure and attempts to gain access to the Company's sensitive information, as do our customers, suppliers and subcontractors. Although we maintain information security policies and procedures to prevent, detect, and mitigate these threats, information system disruptions, equipment failures or cybersecurity attacks, such as unauthorized access, malicious software and other intrusions, could still occur and may lead to potential data corruption, exposure of proprietary and confidential information. Further, while SIFCO works cooperatively with its customers, suppliers and subcontractors to seek to minimize the impacts of cyber threats, other security threats or business disruptions, in addition to our internal processes, procedures and systems, it must also rely on the safeguards put in place by those entities.

Any intrusion, disruption, breach or similar event may cause operational stoppages, fines, penalties, diminished competitive advantages through reputational damages and increased operational costs. The costs related to cyber or other security threats or disruptions may not be fully mitigated by insurance or other means.

If the Company's backups are not up-to-date or the Company is unable to recover and restore backups in a timely manner, this may result in an adverse effect on results of operations and financial condition.

If the Company fails to secure alternative financing, it may not be able to support operations.

In connection with its entry into the Seventh Amendment to its Credit Agreement and Third Amendment to its Export Credit Agreement, the Company is evaluating available financial alternatives, including obtaining acceptable alternative financing. Through the referenced amendments, the Company has obtained a lender waiver on Existing Defaults and concluded the forbearance period as described under the Forbearance Agreement dated April 28, 2023. If the Company is unable to find alternative financing in accordance with the Seventh Amendment, the lender of the Credit Agreement may choose to accelerate repayment. The Company cannot provide assurances that it will be able to provide the post closing deliverables as established under the Seventh Amendment of the Credit Agreement or be successful in restructuring of existing debt obligations, obtaining capital or entering into a strategic alternative transaction which provides sufficient funding for the refinancing of its outstanding indebtedness prior to the maturity date of its obligations under the Credit Agreements.

Item 6. (a) Exhibits

The following exhibits are filed with this report or are incorporated herein by reference to a prior filing in accordance with Rule 12b-32 under the Securities and Exchange Act of 1934 (Asterisk denotes exhibits filed with this report.).

Exhibit No.	Description
2.1	Stock Purchase Agreement between Riello Investimenti Partners SGR S.p.A., Giorgio Visentini, Giorgio Frassini, Giancarlo Sclabi and Matteo Talmassons and SIFCO Italy Holdings S.R.L (a wholly-owned subsidiary of SIFCO Industries Inc.) dated March 16, 2015 filed as Exhibit 2.1 to the Company's Form 8-K dated July 2, 2015, and incorporated herein by reference
2.2	Amendment to the Stock Purchase Agreement Riello Investimenti Partners SGR S.p.A., Giorgio Visentini, Giorgio Frassini, Giancarlo Sclabi and Matteo Talmassons and SIFCO Italy Holdings S.R.L (a wholly-owned subsidiary of SIFCO Industries Inc.) dated June 30, 2015 filed as Exhibit 2.2 to the Company's Form 8-K dated July 2, 2015, and incorporated herein by reference
3.1	Third Amended Articles of Incorporation of SIFCO Industries, Inc., filed as Exhibit 3(a) of the Company's Form 10-Q dated March 31, 2002, and incorporated herein by reference
3.2	SIFCO Industries, Inc. Amended and Restated Code of Regulations dated January 28, 2016, filed as Exhibit 3.2 of the Company's Form 10-K dated September 30, 2015, and incorporated herein by reference
9.1	Voting Trust Agreement dated January 31, 2013, filed as Exhibit 9.1 to the Company's Form 10-Q dated February 11, 2013 and incorporated herein by reference
9.2	Voting Trust Extension Agreement dated January 15, 2015, filed as Exhibit 9.2 to the Company's Form 10-Q dated February 3, 2015 and incorporated herein by reference
9.3	Voting Trust Agreement dated January 31, 2017, filed as Exhibit 9.3 to the Company's Form 10-Q dated December 31, 2016 and incorporated herein by reference
9.4	Voting Trust Extension Agreement dated January 18, 2019, filed as Exhibit 9.4 to the Company's Form 10-Q dated February 14, 2019, and incorporated herein by reference
9.5	Voting Trust Extension Agreement dated January 27, 2021, filed as Exhibit 9.5 to the Company's Form 10-Q dated February 5, 2021, and incorporated herein by reference
10.1	SIFCO Industries, Inc. 2007 Long-Term Incentive Plan, filed as Exhibit A of the Company's Proxy and Notice of 2008 Annual Meeting to Shareholders dated December 14, 2007, and incorporated herein by reference
10.2	Letter Agreement between the Company and Jeffrey P. Gotschall, dated August 12, 2009 filed as Exhibit 10.1 of the Company's Form 8-K dated August 12, 2009 and incorporated herein by reference

10.3	Amendment No. 1 to the SIFCO Industries, Inc. 2007 Long-Term Incentive Plan, filed as Exhibit A of the Company's Proxy and Notice of 2011 Annual Meeting to Shareholders dated December 15, 2010, and incorporated herein by reference
10.4	Change in control Agreement and Separation Agreement between the Company and Peter W. Knapper, effective June 29, 2022, filed as Exhibit 10.1 to the Company's Form 8-K dated June 29, 2022 and incorporated herein by reference.
10.5	Form of SIFCO Industries, Inc. Long-term incentive plan performance share award, filed as Exhibit 10.6 to the Company's Form 10-Q dated May 16, 2016, and incorporated herein by reference
10.6	Form of SIFCO Industries, Inc. Long-term incentive plan restricted share award, filed as Exhibit 10.7 to the Company's Form 10-Q dated May 16, 2016, and incorporated herein by reference
10.7	Credit Agreement, dated August 8, 2018, by and among SIFCO Industries, Inc. and Lender named therein and J.P. Morgan Chase Bank, N.A., filed as Exhibit 10.12 to the Company's Form 10-Q dated August 9, 2018, and incorporated herein by reference
10.8	Amendment and Restatement to the SIFCO Industries, Inc. 2007 Long-Term Incentive Plan, filed as Exhibit A of the Company's Proxy and Notice of 2017 Annual Meeting to Shareholders dated December 6, 2016, and incorporated herein by reference
10.9	Form of SIFCO Industries, Inc. Long-term incentive plan performance share award, filed as Exhibit 10.14 to the Company's Form 10-Q dated January 31, 2017, and incorporated herein by reference
10.10	Form of SIFCO Industries, Inc. Long-term incentive plan restricted share award, filed as Exhibit 10.15 to the Company's Form 10-Q dated January 31, 2017, and incorporated herein by reference
10.11	Form of SIFCO Industries, Inc. Long-term incentive plan restricted share award, filed as Exhibit 10.16 to the Company's Form 10-Q dated January 31, 2017, and incorporated herein by reference

10.12	Change in Control Agreement and Separation Agreement between the Company and Thomas R. Kubera, effective June 29, 2019, filed as Exhibit 10.2 to the Company's Form 8-K dated July 1, 2019 and incorporated herein by reference
10.13	First Amendment to Credit Agreement, dated November 5, 2018, by and among SIFCO Industries, Inc., T&W Forge, LLC., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.1 to the Company's Form 8-K dated November 8, 2018, and incorporated herein by reference
10.14	Economic Development Administration Title IX Loan Agreement, dated November 8, 2018, by and between the City of Cleveland and SIFCO Industries, Inc., filed as exhibit 10.2 to the Company's Form 8-K dated November 8, 2018, and incorporated herein by reference
10.15	Second Amendment to Credit Agreement, dated December 17, 2018, by and among SIFCO Industries, Inc., T&W Forge, LLC., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.2 to the Company's Form 8-K dated December 19, 2018, and incorporated herein by reference
10.16	Export Credit Agreement, dated December 17, 2018, by and among SIFCO Industries, Inc., T & W Forge, LLC, Quality Aluminum Forge, LLC, and JPMorgan Chase Bank, N.A., a national banking association filed as Exhibit 10.1 to the Company's Form 8-K dated December 19, 2018 and incorporated herein by reference
10.17	Third Amendment to Credit Agreement, dated March 29, 2019, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.19 to the Company's Form 10-Q dated May 10, 2019
10.18	Fourth Amendment to Credit Agreement, dated September 20, 2019, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.1 to the Company's Form 8-K dated September 24, 2019, and incorporated herein by reference.
10.19	First Amendment to the SIFCO Industries, Inc. 2007 Long-Term Incentive Plan (Amended and Restated as of November 16, 2016) filed as Exhibit A of the Company's Definitive Proxy Statement dated December 16, 2019, and incorporated herein by reference.
10.20	Promissory Note, dated April 10, 2020, by and between SIFCO Industries, Inc. and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.1 to the Company's Form 8-K dated April 13, 2020, and incorporated herein by reference.
10.21	Form of SIFCO Industries, Inc. Long-term incentive plan restricted share award, filed as Exhibit 10.21 to the Company's Form 10-K dated December 23, 2020, and incorporated herein by reference
10.22	Fifth Amendment to Credit Agreement, dated February 19, 2021, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.1 to the Company's Form 8-K dated February 22, 2021, and incorporated herein by reference.
10.23	First Amendment to Export Credit Agreement, dated February 19, 2021, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC, and JPMorgan Chase Bank, N.A., a national banking association filed as Exhibit 10.2 to the Company's Form 8-K dated February 22, 2021, and incorporated herein by reference

10.24	Sixth Amendment to the Credit Agreement, dated March 23, 2022, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC, and JPMorgan Chase Bank, N.A., a national banking association filed as Exhibit 10.1 to the Company's Form 8-K dated March 24, 2022, and incorporated herein by reference
10.25	Second Amendment to the Export Credit Agreement, dated March 23, 2022, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC, and JPMorgan Chase Bank, N.A., a national banking association filed as Exhibit 10.2 to the Company's Form 8-K dated March 24, 2022, and incorporated herein by reference
10.26	Forbearance Agreement, dated April 28, 2023, by and among JPMorgan Chase Bank, N.A., SIFCO Industries, Inc., T&W Forge LLC, and Quality Aluminum Forge, LLC.
10.27	Seventh Amendment to Credit Agreement, dated August 9, 2023, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.1 to the Company's Form 8-K dated August 10, 2023, and incorporated herein by reference.
10.28	Third Amendment to Export Credit Agreement, dated August 9, 2023, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.2 to the Company's Form 8-K dated August 10, 2023, and incorporated herein by reference.
10.29	Eighth Amendment to Credit Agreement, dated November 8, 2023, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.1 to the Company's Form 8-K dated November 13, 2023, and incorporated herein by reference.
10.30	Ninth Amendment to Credit Agreement, dated December 21, 2023, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.1 to the Company's Form 8-K dated December 28, 2023, and incorporated herein by reference.
10.31	Fourth Amendment to Export Credit Agreement, dated December 21, 2023, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.2 to the Company's Form 8-K dated December 28, 2023, and incorporated herein by reference.
10.32	Subordinated Promissory Note - Garnet Holdings (M. Silk), dated December 21, 2023, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.2 to the Company's Form 8-K dated December 28, 2023, and incorporated herein by reference.
10.33	Silk Subordination and Intercreditor Agreement, dated December 21, 2023, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.2 to the Company's Form 8-K dated December 28, 2023, and incorporated herein by reference.
10.34	Side Letter - MS Guaranty, dated December 21, 2023, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.2 to the Company's Form 8-K dated December 28, 2023, and incorporated herein by reference.
14.1	Code of Ethics, filed as Exhibit 14.1 of the Company's Form 8-K dated February 6, 2018, and incorporated herein by reference
*31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) / 15d-14(a)
*31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) / 15d-14(a)
*32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
*32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

*97.1	Policy for the Recovery of Erroneously Awarded Compensation

Compensation

*101 The following financial information from SIFCO Industries, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 December 31, 2023 filed with the SEC on September 28, 2023 February 14, 2024, formatted in XBRL includes: (i) Consolidated Condensed Statements of Operations for the fiscal periods ended June 30, 2023 December 31, 2023 and 2022, (ii) Consolidated Condensed Statements of Comprehensive Income for the fiscal periods ended June 30, 2023 December 31, 2023 and 2022, (iii) Consolidated Condensed Balance Sheets at June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023, (iv) Consolidated Condensed Statements of Cash Flow for the fiscal periods ended June 30, 2023 December

31, 2023 and 2022, (iv) Consolidated Condensed Statements of Shareholders' Equity for the periods June 30, 2023 December 31, 2023 and 2022, and (v) the Notes to the Consolidated Condensed Financial Statements.

*104	Cover Page Interactive Data File: the cover page XBRL tags are embedded within the Inline XBRL document and are contained with Exhibit 101

SIGNATURES

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

SIFCO Industries, Inc.
(Registrant)

Date: September 28, 2023 February 14, 2024	/s/ Peter W. Knapper
	Peter W. Knapper President and Chief Executive Officer (Principal Executive Officer)
Date: September 28, 2023 February 14, 2024	/s/ Thomas R. Kubera
	Thomas R. Kubera Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION
OF THE CHIEF EXECUTIVE OFFICER
RULE 13A-14(A) / 15D-14(A)

I, Peter W. Knapper, certify that:

1. I have read this Quarterly Report on Form 10-Q of SIFCO Industries, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation;

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 28, 2023 February 14, 2024

/s/ Peter W. Knapper

Peter W. Knapper
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION
OF THE CHIEF FINANCIAL OFFICER
RULE 13A-14(A) / 15D-14(A)

I, Thomas R. Kubera, certify that:

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

Date: September 28, 2023 February 14, 2024

/s/ Thomas R. Kubera
Thomas R. Kubera
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of SIFCO Industries, Inc. (“Company”) on Form 10-Q for the quarter ended June 30, 2023 December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (“Report”), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: September 28, 2023 February 14, 2024

/s/ Peter W. Knapper
Peter W. Knapper
President and Chief Executive Officer

This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by SIFCO Industries, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that SIFCO Industries, Inc. specifically incorporates it by reference.

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

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report of SIFCO Industries, Inc. (“Company”) on Form 10-Q for the quarter ended June 30, 2023 December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (“Report”), the undersigned officer of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: September 28, 2023 February 14, 2024

/s/ Thomas R. Kubera
Thomas R. Kubera
Chief Financial Officer

This certification accompanies this Report on Form 10-Q pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by SIFCO Industries, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the

"Exchange Act"). Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that SIFCO Industries, Inc. specifically incorporates it by reference.

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

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.