

REFINITIV

# DELTA REPORT

## 10-Q

SRI - STONERIDGE INC

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	991
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■ CHANGES	272
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■ DELETIONS	346
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■ ADDITIONS	373
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q


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

For the quarter ended **June 30, 2023** **September 30, 2023**

or

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

Commission file number: 001-13337

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**STONERIDGE, INC**

(Exact name of registrant as specified in its charter)

Ohio

34-1598949

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

39675 MacKenzie Drive, Suite 400, Novi, Michigan

48377

(Address of principal executive offices)

(Zip Code)

(248) 489-9300

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, without par value	SRI	New York Stock Exchange

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

xYes oNo

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

xYes oNo

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

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

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

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

The number of Common Shares, without par value, outstanding as of **July 28, 2023** **October 27, 2023** was **27,521,833** **27,547,977**.

STONERIDGE, INC. AND SUBSIDIARIES

INDEX	Page
<a href="#">PART I—FINANCIAL INFORMATION</a>	
<a href="#">Item 1.</a>	<a href="#">Financial Statements</a>
	<a href="#">Condensed Consolidated Balance Sheets as of <a href="#">June 30, 2023</a> <a href="#">September 30, 2023</a> (Unaudited) and December 31, 2022</a>
	<a href="#">Condensed Consolidated Statements of Operations (Unaudited) for the Three and Six Nine Months Ended <a href="#">June 30, 2023</a> <a href="#">September 30, 2023</a> and 2022</a>
	<a href="#">Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited) for the Three and Six Nine Months Ended <a href="#">June 30, 2023</a> <a href="#">September 30, 2023</a> and 2022</a>
	<a href="#">Condensed Consolidated Statements of Cash Flows (Unaudited) for the Six Nine Months Ended <a href="#">June 30, 2023</a> <a href="#">September 30, 2023</a> and 2022</a>
	<a href="#">Condensed Consolidated Statements of Shareholders' Equity (Unaudited) for the Three and Six Nine Months Ended <a href="#">June 30, 2023</a> <a href="#">September 30, 2023</a> and 2022</a>
	<a href="#">Notes to Condensed Consolidated Financial Statements (Unaudited)</a>
<a href="#">Item 2.</a>	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>
<a href="#">Item 3.</a>	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>
<a href="#">Item 4.</a>	<a href="#">Controls and Procedures</a>
<a href="#">PART II—OTHER INFORMATION</a>	
<a href="#">Item 1.</a>	<a href="#">Legal Proceedings</a>
<a href="#">Item 1A.</a>	<a href="#">Risk Factors</a>
<a href="#">Item 2.</a>	<a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>
<a href="#">Item 3.</a>	<a href="#">Defaults Upon Senior Securities</a>
<a href="#">Item 4.</a>	<a href="#">Mine Safety Disclosures</a>
<a href="#">Item 5.</a>	<a href="#">Other Information</a>
<a href="#">Item 6.</a>	<a href="#">Exhibits</a>
<a href="#">Signatures</a>	

### Forward-Looking Statements

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

- the ability of our suppliers to supply us with parts and components at competitive prices on a timely basis, including the impact of potential tariffs and trade considerations on their operations and output;
- fluctuations in the cost and availability of key materials (including semiconductors, printed circuit boards, resin, aluminum, steel and copper) and components and our ability to offset cost increases through negotiated price increases with our customers or other cost reduction actions, as necessary;
- global economic trends, competition and geopolitical risks, including impacts from the ongoing [conflict between Russia and Ukraine](#) [global conflicts](#) and the related sanctions and other measures, or an escalation of sanctions, tariffs or other trade tensions between the U.S. and China or other countries;
- our ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions;
- the reduced purchases, loss or bankruptcy of a major customer or supplier;
- the costs and timing of business realignment, facility closures or similar actions;
- a significant change in automotive, commercial, off-highway or agricultural vehicle production;
- competitive market conditions and resulting effects on sales and pricing;
- foreign currency fluctuations and our ability to manage those impacts;
- customer acceptance of new products;
- our ability to successfully launch/produce products for awarded business;
- adverse changes in laws, government regulations or market conditions, including tariffs, affecting our products or our customers' products;
- our ability to protect our intellectual property and successfully defend against assertions made against us;
- liabilities arising from warranty claims, product recall or field actions, product liability and legal proceedings to which we are or may become a party, or the impact of product recall or field actions on our customers;
- labor disruptions at our facilities, or at any of our significant customers [\(including the UAW strike which impacted certain customers\)](#), or suppliers;

- business disruptions due to natural disasters or other disasters outside of our control;
- the ability to refinance our existing revolving Credit Facility on a timely basis prior to its June 5, 2024 maturity;
- the amount of our indebtedness and the restrictive covenants contained in the agreements governing our indebtedness, including our revolving Credit Facility;
- capital availability or costs, including changes in interest rates or market perceptions;
- the failure to achieve the successful integration of any acquired company or business;
- risks related to a failure of our information technology systems and networks, and risks associated with current and emerging technology threats and damage from computer viruses, unauthorized access, cyber-attack and other similar disruptions; and
- the items described in Part I, Item 1A ("Risk Factors") in the Company's 2022 [Form 10-K](#).

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

## PART I – FINANCIAL INFORMATION

### Item 1. Financial Statements

#### STONERIDGE, INC.

#### CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)	(in thousands)	June 30, 2023	December 31, 2022	(in thousands)	September 30, 2023	December 31, 2022
		(Unaudited)			(Unaudited)	
<b>ASSETS</b>	<b>ASSETS</b>			<b>ASSETS</b>		
Current assets:	Current assets:			Current assets:		
Cash and cash equivalents	Cash and cash equivalents	\$ 34,705	\$ 54,798	Cash and cash equivalents	\$ 36,758	\$ 54,798
Accounts receivable, less reserves of \$1,132 and \$962, respectively		185,296	158,155			
Accounts receivable, less reserves of \$956 and \$962, respectively				Accounts receivable, less reserves of \$956 and \$962, respectively	177,202	158,155
Inventories, net	Inventories, net	175,305	152,580	Inventories, net	183,177	152,580
Prepaid expenses and other current assets	Prepaid expenses and other current assets	43,277	44,018	Prepaid expenses and other current assets	39,281	44,018
<b>Total current assets</b>	<b>Total current assets</b>	<b>438,583</b>	<b>409,551</b>	<b>Total current assets</b>	<b>436,418</b>	<b>409,551</b>
Long-term assets:	Long-term assets:			Long-term assets:		
Property, plant and equipment, net	Property, plant and equipment, net	106,227	104,643	Property, plant and equipment, net	106,788	104,643
Intangible assets, net	Intangible assets, net	46,638	45,508	Intangible assets, net	45,180	45,508
Goodwill	Goodwill	34,870	34,225	Goodwill	33,789	34,225
Operating lease right-of-use asset	Operating lease right-of-use asset	12,225	13,762	Operating lease right-of-use asset	11,136	13,762
Investments and other long-term assets, net	Investments and other long-term assets, net	46,954	44,416	Investments and other long-term assets, net	45,463	44,416
<b>Total long-term assets</b>	<b>Total long-term assets</b>	<b>246,914</b>	<b>242,554</b>	<b>Total long-term assets</b>	<b>242,356</b>	<b>242,554</b>
<b>Total assets</b>	<b>Total assets</b>	<b>\$ 685,497</b>	<b>\$ 652,105</b>	<b>Total assets</b>	<b>\$ 678,774</b>	<b>\$ 652,105</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:	Current liabilities:			Current liabilities:		
Revolving credit facility	Revolving credit facility	\$ 171,597	\$ —	Revolving credit facility	\$ 183,918	\$ —

Current portion of debt	Current portion of debt	—	1,450	Current portion of debt	2,055	1,450
Accounts payable	Accounts payable	136,457	110,202	Accounts payable	131,094	110,202
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	75,579	66,040	Accrued expenses and other current liabilities	64,847	66,040
Total current liabilities	Total current liabilities	383,633	177,692	Total current liabilities	381,914	177,692
Long-term liabilities:	Long-term liabilities:			Long-term liabilities:		
Revolving credit facility	Revolving credit facility	—	167,802	Revolving credit facility	—	167,802
Deferred income taxes	Deferred income taxes	7,975	8,498	Deferred income taxes	7,407	8,498
Operating lease long-term liability	Operating lease long-term liability	8,967	10,594	Operating lease long-term liability	8,054	10,594
Other long-term liabilities	Other long-term liabilities	7,284	6,577	Other long-term liabilities	8,057	6,577
Total long-term liabilities	Total long-term liabilities	24,226	193,471	Total long-term liabilities	23,518	193,471
Shareholders' equity:	Shareholders' equity:			Shareholders' equity:		
Preferred Shares, without par value, 5,000 shares authorized, none issued	Preferred Shares, without par value, 5,000 shares authorized, none issued	—	—	Preferred Shares, without par value, 5,000 shares authorized, none issued	—	—
Common Shares, without par value, 60,000 shares authorized, 28,966 and 28,966 shares issued and 27,522 and 27,341 shares outstanding at June 30, 2023 and December 31, 2022, respectively, with no stated value	Common Shares, without par value, 60,000 shares authorized, 28,966 and 28,966 shares issued and 27,522 and 27,341 shares outstanding at June 30, 2023 and December 31, 2022, respectively, with no stated value	—	—	Common Shares, without par value, 60,000 shares authorized, 28,966 and 28,966 shares issued and 27,548 and 27,341 shares outstanding at September 30, 2023 and December 31, 2022, respectively, with no stated value	—	—
Additional paid-in capital	Additional paid-in capital	226,713	232,758	Additional paid-in capital	226,382	232,758
Common Shares held in treasury, 1,444 and 1,625 shares at June 30, 2023 and December 31, 2022, respectively, at cost	Common Shares held in treasury, 1,444 and 1,625 shares at June 30, 2023 and December 31, 2022, respectively, at cost	(44,367)	(50,366)	Common Shares held in treasury, 1,418 and 1,625 shares at September 30, 2023 and December 31, 2022, respectively, at cost	(43,408)	(50,366)
Retained earnings	Retained earnings	191,314	201,692	Retained earnings	193,485	201,692
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(96,022)	(103,142)	Accumulated other comprehensive loss	(103,117)	(103,142)
Total shareholders' equity	Total shareholders' equity	277,638	280,942	Total shareholders' equity	273,342	280,942
Total liabilities and shareholders' equity	Total liabilities and shareholders' equity	\$ 685,497	\$ 652,105	Total liabilities and shareholders' equity	\$ 678,774	\$ 652,105

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

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

(in thousands, except per share data)	(in thousands, except per share data)	Three months ended June 30,		Six months ended June 30,		(in thousands, except per share data)	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022		2023	2022	2023	2022
Net sales	Net sales	\$ 266,814	\$ 220,936	\$ 508,139	\$ 441,994	Net sales	\$ 238,164	\$ 226,757	\$ 746,303	\$ 668,751
Costs and expenses:	Costs and expenses:					Costs and expenses:				
Cost of goods sold	Cost of goods sold	206,326	182,372	404,849	361,987	Cost of goods sold	185,689	177,317	590,538	539,304
Selling, general and administrative	Selling, general and administrative	33,491	28,938	63,354	56,337	Selling, general and administrative	28,111	27,444	91,465	83,781
Design and development	Design and development	22,666	15,554	39,634	32,582	Design and development	17,852	16,133	57,486	48,715
Operating income (loss)	Operating income (loss)	4,331	(5,928)	302	(8,912)	Operating income (loss)	6,512	5,863	6,814	(3,049)
Interest expense, net	Interest expense, net	3,120	1,217	5,866	3,003	Interest expense, net	3,313	1,845	9,179	4,848
Equity in loss of investee		329	377	500	458					
Other expense (income), net		2,387	(596)	3,535	735					
Loss before income taxes		(1,505)	(6,926)	(9,599)	(13,108)					
Equity in loss (earnings) of investee						Equity in loss (earnings) of investee	141	(34)	641	424
Other (income) expense, net						Other (income) expense, net	(1,383)	2,332	2,152	3,067
Income (loss) before income taxes						Income (loss) before income taxes	4,441	1,720	(5,158)	(11,388)
Provision for income taxes	Provision for income taxes	1,487	413	779	1,906	Provision for income taxes	2,270	989	3,049	2,895
Net loss		\$ (2,992)	\$ (7,339)	\$ (10,378)	\$ (15,014)					
Net income (loss)						Net income (loss)	\$ 2,171	\$ 731	\$ (8,207)	\$ (14,283)
Loss per share:										
Income (loss) per share:						Income (loss) per share:				
Basic	Basic	\$ (0.11)	\$ (0.27)	\$ (0.38)	\$ (0.55)	Basic	\$ 0.08	\$ 0.03	\$ (0.30)	\$ (0.52)
Diluted	Diluted	\$ (0.11)	\$ (0.27)	\$ (0.38)	\$ (0.55)	Diluted	\$ 0.08	\$ 0.03	\$ (0.30)	\$ (0.52)
Weighted-average shares outstanding:	Weighted-average shares outstanding:					Weighted-average shares outstanding:				
Basic	Basic	27,452	27,269	27,400	27,234	Basic	27,484	27,281	27,428	27,250
Diluted	Diluted	27,452	27,269	27,400	27,234	Diluted	27,734	27,524	27,428	27,250

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

**STONERIDGE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) LOSS**  
(Unaudited)

(in thousands)	Three months ended		Six months ended	
	2023	June 30, 2022	2023	June 30, 2022
Net loss	\$ (2,992)	\$ (7,339)	\$ (10,378)	\$ (15,014)
Other comprehensive income (loss), net of tax:				
Foreign currency translation <sup>(1)</sup>	2,992	(15,712)	7,064	(11,551)
Unrealized gain (loss) on derivatives <sup>(2)</sup>	288	(53)	56	995
Other comprehensive income (loss), net of tax	3,280	(15,765)	7,120	(10,556)
Comprehensive income (loss)	\$ 288	\$ (23,104)	\$ (3,258)	\$ (25,570)

(in thousands)	Three months ended		Nine months ended	
	2023	September 30, 2022	2023	September 30, 2022
Net income (loss)	\$ 2,171	\$ 731	\$ (8,207)	\$ (14,283)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation <sup>(1)</sup>	(6,969)	(10,348)	95	(21,899)
Unrealized (loss) gain on derivatives <sup>(2)</sup>	(126)	(276)	(70)	719
Other comprehensive (loss) income, net of tax	(7,095)	(10,624)	25	(21,180)
Comprehensive loss	\$ (4,924)	\$ (9,893)	\$ (8,182)	\$ (35,463)

(1) Net of tax benefit of \$411 \$0 and \$267 for the three and six nine months ended June 30, 2022 September 30, 2022, respectively.

(2) Net of tax expense (benefit) \$76 benefit of \$34 and \$(15) \$73 for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively. Net of tax (benefit) expense of \$15 \$(19) and \$264 \$191 for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

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

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

Six months ended June 30, (in thousands)		2023	2022	Nine months ended	
September 30, (in thousands)				September 30, (in thousands)	
		2023	2022		
<b>OPERATING ACTIVITIES:</b>	<b>OPERATING ACTIVITIES:</b>			<b>OPERATING ACTIVITIES:</b>	
Net loss	Net loss	\$ (10,378)	\$ (15,014)	Net loss	\$ (8,207) \$ (14,283)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:	Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:			Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:	
Depreciation	Depreciation	13,161	13,618	Depreciation	19,800 20,183

Amortization, including accretion and write-off of deferred financing costs	Amortization, including accretion and write-off of deferred financing costs	4,004	4,323	Amortization, including accretion and write-off of deferred financing costs	6,077	6,187
Deferred income taxes	Deferred income taxes	(3,782)	(1,868)	Deferred income taxes	(2,732)	(2,834)
Loss of equity method investee	Loss of equity method investee	500	458	Loss of equity method investee	641	424
Gain on sale of fixed assets	Gain on sale of fixed assets	(854)	(95)	Gain on sale of fixed assets	(861)	(95)
Share-based compensation expense	Share-based compensation expense	1,271	2,834	Share-based compensation expense	2,272	4,421
Excess tax deficiency related to share-based compensation expense	Excess tax deficiency related to share-based compensation expense	66	259	Excess tax deficiency related to share-based compensation expense	74	266
Gain on settlement of net investment hedge	Gain on settlement of net investment hedge	—	(3,716)	Gain on settlement of net investment hedge	—	(3,716)
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:			Changes in operating assets and liabilities:		
Accounts receivable, net	Accounts receivable, net	(28,100)	(15,481)	Accounts receivable, net	(21,335)	(28,333)
Inventories, net	Inventories, net	(23,142)	(11,864)	Inventories, net	(33,651)	(24,333)
Prepaid expenses and other assets	Prepaid expenses and other assets	3,313	(15,538)	Prepaid expenses and other assets	7,473	(15,510)
Accounts payable	Accounts payable	27,069	16,577	Accounts payable	23,322	18,366
Accrued expenses and other liabilities	Accrued expenses and other liabilities	12,184	7,689	Accrued expenses and other liabilities	1,459	15,119
Net cash used for operating activities	Net cash used for operating activities	(4,688)	(17,818)	Net cash used for operating activities	(5,668)	(24,138)
<b>INVESTING ACTIVITIES:</b>	<b>INVESTING ACTIVITIES:</b>			<b>INVESTING ACTIVITIES:</b>		
Capital expenditures, including intangibles	Capital expenditures, including intangibles	(18,025)	(14,890)	Capital expenditures, including intangibles	(28,584)	(22,877)
Proceeds from sale of fixed assets	Proceeds from sale of fixed assets	1,729	140	Proceeds from sale of fixed assets	1,841	95
Proceeds from settlement of net investment hedge	Proceeds from settlement of net investment hedge	—	3,820	Proceeds from settlement of net investment hedge	—	3,820
Investment in venture capital fund, net	Investment in venture capital fund, net	—	(450)	Investment in venture capital fund, net	(200)	(700)
Net cash used for investing activities	Net cash used for investing activities	(16,296)	(11,380)	Net cash used for investing activities	(26,943)	(19,662)
<b>FINANCING ACTIVITIES:</b>	<b>FINANCING ACTIVITIES:</b>			<b>FINANCING ACTIVITIES:</b>		
Revolving credit facility borrowings	Revolving credit facility borrowings	42,000	11,190	Revolving credit facility borrowings	81,365	21,817
Revolving credit facility payments	Revolving credit facility payments	(38,068)	(16,500)	Revolving credit facility payments	(64,568)	(18,000)
Proceeds from issuance of debt	Proceeds from issuance of debt	16,402	19,163	Proceeds from issuance of debt	27,579	30,513



Repayments of debt	Repayments of debt	(18,086)	(20,358)	Repayments of debt	(27,145)	(32,789)
Earn-out consideration cash payment	Earn-out consideration cash payment	—	(6,276)	Earn-out consideration cash payment	—	(6,276)
Repurchase of Common Shares to satisfy employee tax withholding	Repurchase of Common Shares to satisfy employee tax withholding	(1,325)	(699)	Repurchase of Common Shares to satisfy employee tax withholding	(1,697)	(760)
Net cash provided by (used for) financing activities	Net cash provided by (used for) financing activities	923	(13,480)	Net cash provided by (used for) financing activities	15,534	(5,495)
Effect of exchange rate changes on cash and cash equivalents	Effect of exchange rate changes on cash and cash equivalents	(32)	(2,177)	Effect of exchange rate changes on cash and cash equivalents	(963)	(3,915)
Net change in cash and cash equivalents	Net change in cash and cash equivalents	(20,093)	(44,855)	Net change in cash and cash equivalents	(18,040)	(53,210)
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	54,798	85,547	Cash and cash equivalents at beginning of period	54,798	85,547
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	\$ 34,705	\$ 40,692	Cash and cash equivalents at end of period	\$ 36,758	\$ 32,337
Supplemental disclosure of cash flow information:	Supplemental disclosure of cash flow information:			Supplemental disclosure of cash flow information:		
Cash paid for interest, net	Cash paid for interest, net	\$ 5,622	\$ 3,022	Cash paid for interest, net	\$ 9,248	\$ 4,992
Cash paid for income taxes, net	Cash paid for income taxes, net	\$ 5,927	\$ 3,936	Cash paid for income taxes, net	\$ 8,453	\$ 5,808

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

**STONERIDGE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**(Unaudited)**

		Number of Common Shares	Number of treasury shares	Additional paid-in capital	Common Shares held in treasury	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity			Number of Common Shares	Number of treasury shares	Additional paid-in capital	Common Shares held in treasury	Retained earnings	Accumulated other comprehensive loss	Total shareholders' equity
(in thousands)	(in thousands)	outstanding	shares	capital	in treasury	earnings	loss	equity	(in thousands)	outstanding	shares	capital	in treasury	earnings	loss	equity	
BALANCE DECEMBER 31, 2021	BALANCE DECEMBER 31, 2021	27,191	1,775	\$ 232,490	\$ (55,264)	\$ 215,748	\$ (97,024)	\$ 295,950	BALANCE DECEMBER 31, 2021	27,191	1,775	\$ 232,490	\$ (55,264)	\$ 215,748	\$ (97,024)	\$ 295,950	
Net loss	Net loss	—	—	—	—	(7,675)	—	(7,675)	Net loss	—	—	—	—	(7,675)	—	(7,675)	
Unrealized gain on derivatives, net	Unrealized gain on derivatives, net	—	—	—	—	—	1,048	1,048	Unrealized gain on derivatives, net	—	—	—	—	—	1,048	1,048	
Currency translation adjustments	Currency translation adjustments	—	—	—	—	—	4,161	4,161	Currency translation adjustments	—	—	—	—	—	4,161	4,161	
Issuance of Common Shares	Issuance of Common Shares	161	(161)	—	—	—	—	—	Issuance of Common Shares	161	(161)	—	—	—	—	—	

Repurchased Common Shares for treasury, net	Repurchased Common Shares for treasury, net	(36)	36	—	4,093	—	—	4,093	Repurchased Common Shares for treasury, net	(36)	36	—	4,093	—	—	4,093
Share-based compensation, net	Share-based compensation, net	—	—	(3,653)	—	—	—	(3,653)	Share-based compensation, net	—	—	(3,653)	—	—	—	(3,653)
BALANCE MARCH 31, 2022	BALANCE MARCH 31, 2022	27,316	1,650	\$ 228,837	\$ (51,171)	\$ 208,073	\$ (91,815)	\$ 293,924	BALANCE MARCH 31, 2022	27,316	1,650	\$ 228,837	\$ (51,171)	\$ 208,073	\$ (91,815)	\$ 293,924
Net loss	Net loss	—	—	—	—	(7,339)	—	(7,339)	Net loss	—	—	—	—	(7,339)	—	(7,339)
Unrealized loss on derivatives, net	Unrealized loss on derivatives, net	—	—	—	—	—	(53)	(53)	Unrealized loss on derivatives, net	—	—	—	—	—	(53)	(53)
Currency translation adjustments	Currency translation adjustments	—	—	—	—	—	(15,712)	(15,712)	Currency translation adjustments	—	—	—	—	—	(15,712)	(15,712)
Issuance of Common Shares	Issuance of Common Shares	4	(4)	—	—	—	—	—	Issuance of Common Shares	4	(4)	—	—	—	—	—
Repurchased Common Shares for treasury, net	Repurchased Common Shares for treasury, net	(2)	2	—	90	—	—	90	Repurchased Common Shares for treasury, net	(2)	2	—	90	—	—	90
Share-based compensation, net	Share-based compensation, net	—	—	1,618	—	—	—	1,618	Share-based compensation, net	—	—	1,618	—	—	—	1,618
BALANCE JUNE 30, 2022	BALANCE JUNE 30, 2022	27,318	1,648	\$ 230,455	\$ (51,081)	\$ 200,734	\$ (107,580)	\$ 272,528	BALANCE JUNE 30, 2022	27,318	1,648	\$ 230,455	\$ (51,081)	\$ 200,734	\$ (107,580)	\$ 272,528
Net income	Net income	—	—	—	—	731	—	731	Net income	—	—	—	—	731	—	731
Unrealized loss on derivatives, net	Unrealized loss on derivatives, net	—	—	—	—	—	(276)	(276)	Unrealized loss on derivatives, net	—	—	—	—	—	(276)	(276)
Currency translation adjustments	Currency translation adjustments	—	—	—	—	—	(10,348)	(10,348)	Currency translation adjustments	—	—	—	—	—	(10,348)	(10,348)
Issuance of Common Shares	Issuance of Common Shares	13	(13)	—	—	—	—	—	Issuance of Common Shares	13	(13)	—	—	—	—	—
Repurchased Common Shares for treasury, net	Repurchased Common Shares for treasury, net	(4)	4	—	309	—	—	309	Repurchased Common Shares for treasury, net	(4)	4	—	309	—	—	309
Share-based compensation, net	Share-based compensation, net	—	—	1,220	—	—	—	1,220	Share-based compensation, net	—	—	1,220	—	—	—	1,220
BALANCE SEPTEMBER 30, 2022	BALANCE SEPTEMBER 30, 2022	27,327	1,639	\$ 231,675	\$ (50,772)	\$ 201,465	\$ (118,204)	\$ 264,164	BALANCE SEPTEMBER 30, 2022	27,327	1,639	\$ 231,675	\$ (50,772)	\$ 201,465	\$ (118,204)	\$ 264,164
Net loss	Net loss	—	—	—	—	(7,386)	—	(7,386)	Net loss	—	—	—	—	(7,386)	—	(7,386)
Unrealized loss on derivatives, net	Unrealized loss on derivatives, net	—	—	—	—	—	(232)	(232)	Unrealized loss on derivatives, net	—	—	—	—	—	(232)	(232)
BALANCE DECEMBER 31, 2022	BALANCE DECEMBER 31, 2022	27,341	1,625	\$ 232,758	\$ (50,366)	\$ 201,692	\$ (103,142)	\$ 280,942	BALANCE DECEMBER 31, 2022	27,341	1,625	\$ 232,758	\$ (50,366)	\$ 201,692	\$ (103,142)	\$ 280,942
Net loss	Net loss	—	—	—	—	(7,386)	—	(7,386)	Net loss	—	—	—	—	(7,386)	—	(7,386)
Unrealized loss on derivatives, net	Unrealized loss on derivatives, net	—	—	—	—	—	(232)	(232)	Unrealized loss on derivatives, net	—	—	—	—	—	(232)	(232)

Currency translation adjustments	Currency translation adjustments	—	—	—	—	—	4,072	4,072	Currency translation adjustments	—	—	—	—	—	4,072	4,072
Issuance of Common Shares	Issuance of Common Shares	234	(234)	—	—	—	—	—	Issuance of Common Shares	234	(234)	—	—	—	—	—
Repurchased Common Shares for treasury, net	Repurchased Common Shares for treasury, net	(62)	62	—	5,649	—	—	5,649	Repurchased Common Shares for treasury, net	(62)	62	—	5,649	—	—	5,649
Share-based compensation, net	Share-based compensation, net	—	—	(6,802)	—	—	—	(6,802)	Share-based compensation, net	—	—	(6,802)	—	—	—	(6,802)
BALANCE MARCH 31, 2023	BALANCE MARCH 31, 2023	27,513	1,453	\$ 225,956	\$ (44,717)	\$ 194,306	\$ (99,302)	\$ 276,243	BALANCE MARCH 31, 2023	27,513	1,453	\$ 225,956	\$ (44,717)	\$ 194,306	\$ (99,302)	\$ 276,243
Net loss	Net loss	—	—	—	—	(2,992)	—	(2,992)	Net loss	—	—	—	—	(2,992)	—	(2,992)
Unrealized gain on derivatives, net	Unrealized gain on derivatives, net	—	—	—	—	—	288	288	Unrealized gain on derivatives, net	—	—	—	—	—	288	288
Currency translation adjustments	Currency translation adjustments	—	—	—	—	—	2,992	2,992	Currency translation adjustments	—	—	—	—	—	2,992	2,992
Issuance of Common Shares	Issuance of Common Shares	15	(15)	—	—	—	—	—	Issuance of Common Shares	15	(15)	—	—	—	—	—
Repurchased Common Shares for treasury, net	Repurchased Common Shares for treasury, net	(6)	6	—	350	—	—	350	Repurchased Common Shares for treasury, net	(6)	6	—	350	—	—	350
Share-based compensation, net	Share-based compensation, net	—	—	757	—	—	—	757	Share-based compensation, net	—	—	757	—	—	—	757
BALANCE June 30, 2023	BALANCE June 30, 2023	27,522	1,444	\$ 226,713	\$ (44,367)	\$ 191,314	\$ (96,022)	\$ 277,638	BALANCE June 30, 2023	27,522	1,444	\$ 226,713	\$ (44,367)	\$ 191,314	\$ (96,022)	\$ 277,638
Net income	Net income	—	—	—	—	—	—	—	Net income	—	—	—	—	2,171	—	2,171
Unrealized loss on derivatives, net	Unrealized loss on derivatives, net	—	—	—	—	—	—	—	Unrealized loss on derivatives, net	—	—	—	—	—	(126)	(126)
Currency translation adjustments	Currency translation adjustments	—	—	—	—	—	—	—	Currency translation adjustments	—	—	—	—	—	(6,969)	(6,969)
Issuance of Common Shares	Issuance of Common Shares	45	(45)	—	—	—	—	—	Issuance of Common Shares	45	(45)	—	—	—	—	—
Repurchased Common Shares for treasury, net	Repurchased Common Shares for treasury, net	(19)	19	—	959	—	—	—	Repurchased Common Shares for treasury, net	(19)	19	—	959	—	—	959
Share-based compensation, net	Share-based compensation, net	—	—	(331)	—	—	—	—	Share-based compensation, net	—	—	(331)	—	—	—	(331)
BALANCE SEPTEMBER 30, 2023	BALANCE SEPTEMBER 30, 2023	27,548	1,418	\$ 226,382	\$ (43,408)	\$ 193,485	\$ (103,117)	\$ 273,342	BALANCE SEPTEMBER 30, 2023	27,548	1,418	\$ 226,382	\$ (43,408)	\$ 193,485	\$ (103,117)	\$ 273,342

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

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

**(1) Basis of Presentation**

The accompanying condensed consolidated financial statements have been prepared by Stoneridge, Inc. (the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The information furnished in the condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of such financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted pursuant to the SEC's rules and regulations. The results of operations for the three months ended **June 30, 2023** **September 30, 2023** are not necessarily indicative of the results to be expected for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's 2022 [Form 10-K](#).

**Reclassifications**

Certain prior period amounts have been reclassified to conform to their 2023 presentation in the condensed consolidated financial statements.

**(2) Recently Issued Accounting Standards**

**Accounting Standards Not Yet Adopted**

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The guidance in ASU 2020-04 provides temporary optional expedient and exceptions to the guidance in U.S. GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate ("SOFR") (also known as the "reference rate reform"). The guidance allows companies to elect not to apply certain modification accounting requirements to contracts affected by the reference rate reform, if certain criteria are met. The guidance will also allow companies to elect various optional expedients, which would allow them to continue to apply hedge accounting for hedging relationships affected by the reference rate reform, if certain criteria are met. The new standard was effective upon issuance and generally can be applied to applicable contract modifications through December 31, 2023.

In February 2022, we amended our credit facility to incorporate hardwired mechanics to permit a future replacement of LIBOR as the interest reference rate without lender consent. The Company is applying the guidance to impacted transactions during the transition period. The adoption of this standard does not have a material impact on the Company's condensed consolidated financial statements.

**(3) Revenue**

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

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

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

**Revenue by Reportable Segment**

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

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

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

The following tables disaggregate our revenue by reportable segment and geographical location<sup>(1)</sup> for the three months ended **June 30, 2023**, **September 30, 2023** and 2022:

		Control Devices		Electronics		Stoneridge Brazil		Consolidated			Control Devices		Electronics		Stoneridge Brazil		Consolidated	
Three months ended																		
June 30,		2023	2022	2023	2022	2023	2022	2023	2022									
Three months ended September 30,										Three months ended September 30,	2023	2022	2023	2022	2023	2022	2023	
Net Sales:	Net Sales:									Net Sales:								
North America	North America	\$78,745	\$71,908	\$ 56,845	\$ 37,734	\$ —	\$ —	\$135,590	\$109,642	North America	\$75,565	\$76,055	\$ 50,934	\$ 40,955	\$ —	\$ —	\$126,499	
South America	South America	—	—	—	—	14,908	13,349	14,908	13,349	South America	—	—	—	—	14,168	13,790	14,168	
Europe	Europe	—	—	99,169	83,578	—	—	99,169	83,578	Europe	—	—	82,737	81,007	—	—	82,737	
Asia Pacific	Asia Pacific	13,375	12,658	3,772	1,709	—	—	17,147	14,367	Asia Pacific	13,779	12,846	981	2,104	—	—	14,760	
Total net sales	Total net sales	\$92,120	\$84,566	\$159,786	\$123,021	\$14,908	\$13,349	\$266,814	\$220,936	Total net sales	\$89,344	\$88,901	\$134,652	\$124,066	\$14,168	\$13,790	\$238,164	

The following tables disaggregate our revenue by reportable segment and geographical location<sup>(1)</sup> for the six months ended **June 30, 2023**, **September 30, 2023** and 2022:

		Control Devices		Electronics		Stoneridge Brazil		Consolidated		Control Devices		Electronics		Stoneridge Brazil		Consolidated			
Six months ended June 30,		2023	2022	2023	2022	2023	2022	2023	2022										
Nine months ended September 30,										Nine months ended September 30,		2023	2022	2023	2022	2023	2022		
Net Sales:	Net Sales:									Net Sales:									
North America	North America	\$154,426	\$143,398	\$104,887	\$70,072	\$—	\$—	\$259,313	\$213,470	North America	\$229,990	\$219,453	\$155,823	\$111,027	\$—	\$—	\$385,813		
South America	South America	—	—	—	—	29,164	25,394	29,164	25,394	South America	—	—	—	—	43,332	39,184	43,332		
Europe	Europe	—	—	186,418	175,363	—	—	186,418	175,363	Europe	—	—	269,154	256,370	—	—	269,154		
Asia Pacific	Asia Pacific	23,636	25,228	9,608	2,539	—	—	33,244	27,767	Asia Pacific	37,416	38,074	10,588	4,643	—	—	48,004		
Total net sales	Total net sales	\$178,062	\$168,626	\$300,913	\$247,974	\$29,164	\$25,394	\$508,139	\$441,994	Total net sales	\$267,406	\$257,527	\$435,565	\$372,040	\$43,332	\$39,184	\$746,303		

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

## STONERIDGE, INC.

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

## Performance Obligations

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

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

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

## Contract Balances

The Company had no material contract assets, contract liabilities or capitalized contract acquisition costs as of June 30, 2023 September 30, 2023 and December 31, 2022.

## (4) Inventories

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

		June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Raw materials	Raw materials	\$ 133,491	\$ 121,983	Raw materials	\$ 138,374	\$ 121,983
Work-in-progress	Work-in-progress	10,337	7,812	Work-in-progress	11,645	7,812
Finished goods	Finished goods	31,477	22,785	Finished goods	33,158	22,785
Total inventories, net	Total inventories, net	\$ 175,305	\$ 152,580	Total inventories, net	\$ 183,177	\$ 152,580

Inventory valued using the FIFO method was \$161,038 \$170,252 and \$139,996 at June 30, 2023 September 30, 2023 and December 31, 2022, respectively. Inventory valued using the average cost method was \$14,267 \$12,925 and \$12,584 at June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

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

## (5) Financial Instruments and Fair Value Measurements

### Financial Instruments

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

### Derivative Instruments and Hedging Activities

On June 30, 2023 September 30, 2023, the Company had open Mexican peso-denominated foreign currency forward contracts. The Company used foreign currency forward contracts solely for hedging and not for speculative purposes during 2023 and 2022. Management believes that its use of these instruments to reduce risk is in the Company's best interest. The counterparties to these financial instruments are financial institutions with investment grade credit ratings.

### Foreign Currency Exchange Rate Risk

Foreign currency transactions are remeasured into the functional currency using translation rates in effect at the time of the transaction with the resulting adjustments included on the condensed consolidated statements of operations within Other (income) expense, net. These foreign currency transaction (gains) losses, including the impact of hedging activities, were \$(1,359) and \$2,259 for the the three months ended September 30, 2023 and 2022, respectively and \$2,099 and \$6,500 for the nine months ended September 30, 2023 and 2022, respectively.

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

#### Net Investment Hedges

During 2021, the Company entered into two cross-currency swaps, designated as net investment hedges, with notional values of \$25,000 each that were scheduled to mature in August 2026 and August 2028. These swaps hedged a portion of the net investment in a certain euro-denominated subsidiary. As a result of favorable market conditions, on May 5, 2022, the Company unwound the two net investment hedges and recognized a net gain of \$3,716, which was recorded on the Company's condensed consolidated statement of operations as a component of other expense, net for the second quarter ended June 30, 2022. The cash received from the settlement of these swaps of \$3,820 was classified in investing activities in the condensed consolidated statement of cash flows. In the fourth quarter ended December 31, 2022, the Company determined it had incorrectly recognized the net gain in the condensed consolidated statement of operations and reclassified the net gain of \$3,716 to other comprehensive loss, net of tax and accumulated other comprehensive loss. This item would have increased the loss for the three months ended June 30, 2022, six months ended June 30, 2022 and nine months ended September 30, 2022 by \$0.10 per share. The Company recorded the item in the three-months ended December 31, 2022 which resulted in decreased income per share by \$0.10. The Company assessed the materiality of this matter from a qualitative and quantitative perspective and concluded that the impact of the error was not material to the current or previous quarterly results.

The Company elected to assess hedge effectiveness of the net investment hedges under the spot method. Accordingly, periodic changes in the fair value of the derivative instruments attributable to factors other than spot exchange rate variability were excluded from the measurement of hedge ineffectiveness and reported directly in earnings each reporting period. The change in fair value of these derivative instruments was recorded in cumulative translation adjustment, which is a component of accumulated other comprehensive loss in the condensed consolidated balance sheets. The Company had no outstanding net investment hedges at June 30, 2023, September 30, 2023 or December 31, 2022.

#### STONERIDGE, INC.

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

#### Cash Flow Hedges

The Company entered into foreign currency forward contracts to hedge the Mexican peso currency in 2023 and 2022. These forward contracts were executed to hedge forecasted transactions and have been accounted for as cash flow hedges. As such, gains and losses on derivatives qualifying as cash flow hedges are recorded in accumulated other comprehensive loss, to the extent that hedges are effective, until the underlying transactions are recognized in earnings. Unrealized amounts in accumulated other comprehensive loss fluctuate based on changes in the fair value of hedge derivative contracts at each reporting period. The cash flow hedges were highly effective. The effectiveness of the transactions was measured using regression analysis and forecasted future purchases of the currency.

#### STONERIDGE, INC.

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

In certain instances, the foreign currency forward contracts may not qualify for hedge accounting or are not designated as hedges and, therefore, are marked-to-market with gains and losses recognized in the Company's condensed consolidated statements of operations as a component of other (income) expense, (income), net. During 2023 and 2022, all of the Company's foreign currency forward contracts were designated as cash flow hedges.

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

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

The Company holds Mexican peso-denominated foreign currency forward contracts with a notional amount at June 30, 2023, September 30, 2023 of \$7,862, \$22,973 which expire ratably on a monthly basis from July/October 2023 to December 2023, August 2024. The notional amount at December 31, 2022 related to Mexican peso-denominated foreign currency forward contracts was \$0.

The Company evaluated the effectiveness of the Mexican peso and U.S. dollar-denominated forward contracts held as of June 30, 2023, September 30, 2023 and concluded that the hedges were highly effective.

#### Interest Rate Risk

##### *Interest Rate Risk – Cash Flow Hedge*

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

Swap settlements increased reduced interest expense, net by \$80 \$100 for the three months ended June 30, 2022 September 30, 2022. The Interest Rate Swap settlements reduced interest expense, net by \$290 and increased interest expense, net by \$233 \$133 for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

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

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

		Prepaid expenses and other current assets						Prepaid expenses and other current assets			
		Notional amounts <sup>(A)</sup>		Notional amounts <sup>(A)</sup>				Notional amounts <sup>(A)</sup>		Notional amounts <sup>(A)</sup>	
		June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022			September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Derivatives designated as hedging instruments:	Derivatives designated as hedging instruments:					Derivatives designated as hedging instruments:					
Cash flow hedges:	Cash flow hedges:					Cash flow hedges:					
Forward currency contracts	Forward currency contracts	\$ 7,862	\$ —	\$ 365	\$ —	Forward currency contracts	\$ 22,973	\$ —	\$ 205	\$ —	
Interest rate swap	Interest rate swap	\$ —	\$ 50,000	\$ —	\$ 294	Interest rate swap	\$ —	\$ 50,000	\$ —	\$ 294	

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

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

		Gain recorded in other comprehensive loss		Gain reclassified from other comprehensive loss into net income <sup>(A)</sup>	
		2023	2022	2023	2022
Derivatives designated as cash flow hedges:					
Forward currency contracts	\$	67	\$ 97	\$ 227	\$ 496
Interest rate swap	\$	—	\$ 150	\$ —	\$ 100
Derivatives designated as net investment hedges:					
Cross-currency swaps	\$	—	\$ —	\$ —	\$ —

(A) Gains reclassified from other comprehensive loss into net income recognized in selling, general and administrative expenses ("SG&A") in the Company's condensed consolidated statements of operations were \$54 and \$115 for the three months ended September 30, 2023 and 2022, respectively. Gains reclassified from other comprehensive loss into net income recognized in cost of goods sold ("COGS") in the Company's condensed consolidated statements of operations were \$173 and \$381 for the three months ended September 30, 2023 and 2022, respectively. Gains reclassified from other comprehensive loss into net income recognized in interest expense, net in the Company's condensed consolidated statements of operations were \$0 and \$100 for the three months ended September 30, 2023 and 2022, respectively.

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

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

		Gain recorded in other comprehensive income (loss)		Gain (loss) reclassified from other comprehensive income (loss) into net loss <sup>(A)</sup>	
		2023	2022	2023	2022



Derivatives designated as cash flow hedges:					
Forward currency contracts	\$	416	\$	72	\$ 51 \$ 506
Interest rate swap	\$	—	\$	286	\$ — \$ (80)
Derivatives designated as net investment hedges:					
Cross-currency swaps	\$	—	\$	1,641	\$ — \$ 3,598

	Gain (loss) recorded in other comprehensive income (loss)		Gain (loss) reclassified from other comprehensive income (loss) into net loss (A)	
	2023	2022	2023	2022
Derivatives designated as cash flow hedges:				
Forward currency contracts	\$ 483	\$ 1,084	\$ 278	\$ 1,253
Interest rate swap	\$ (4)	\$ 946	\$ 290	\$ (133)
Derivatives designated as net investment hedges:				
Cross-currency swaps	\$ —	\$ 2,328	\$ —	\$ 3,598

(A) Gains reclassified from other comprehensive income (loss) into net loss recognized in selling, general and administrative expenses ("SG&A") in the Company's condensed consolidated statements of operations were \$13 \$66 and \$3,697 \$266 for the three nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. Gains reclassified from other comprehensive income (loss) into net loss recognized in cost of goods sold ("COGS") in the Company's condensed consolidated statements of operations were \$38 \$212 and \$407 \$987 for the three nine months ended June 30, 2023 and 2022, respectively. Gains (losses) reclassified from other comprehensive income (loss) into net loss recognized in interest expense, net in the Company's condensed consolidated statements of operations were \$0 and \$(80) for the three months ended June 30, 2023 and 2022, respectively.

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

	Gain (loss) recorded in other comprehensive income (loss)		Gain (loss) reclassified from other comprehensive income (loss) into net loss (A)	
	2023	2022	2023	2022
Derivatives designated as cash flow hedges:				
Forward currency contracts	\$ 416	\$ 987	\$ 51	\$ 757
Interest rate swap	\$ (4)	\$ 796	\$ 290	\$ (233)
Derivatives designated as net investment hedges:				
Cross-currency swaps	\$ —	\$ 2,328	\$ —	\$ 3,598

(A) Gains reclassified from other comprehensive income (loss) into net loss recognized in selling, general and administrative expenses ("SG&A") in the Company's condensed consolidated statements of operations were \$13 and \$3,748 for the six months ended June 30, 2023 and 2022, respectively. Gains reclassified from other comprehensive income (loss) into net loss recognized in cost of goods sold ("COGS") in the Company's condensed consolidated statements of operations were \$38 and \$607 for the six months ended June 30, 2023 September 30, 2023 and 2022, respectively. Gains (losses) reclassified from other comprehensive income (loss) into net loss recognized in interest expense, net in the Company's condensed consolidated statements of operations were \$290 and \$(233) \$(133) for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. Gains reclassified from other comprehensive (loss) income into net (loss) income recognized in other expense (income), net in the Company's condensed consolidated statements of operations were \$3,598 for the nine months ended September 30, 2022.

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

#### Fair Value Measurements

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

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

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

		June 30, 2023				December 31, 2022			September 30, 2023				December 31, 2022
		Fair values estimated using				Fair value			Fair values estimated using				Fair value
		Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs		Fair value	Fair value	Level 1 inputs	Level 2 inputs	Level 3 inputs	Fair value	
Financial assets carried at fair value:	Financial assets carried at fair value:						Financial assets carried at fair value:						
Forward currency contracts	Forward currency contracts	\$ 365	\$ —	\$ 365	\$ —	\$ —	Forward currency contracts	\$ 205	\$ —	\$ 205	\$ —	\$ —	
Interest rate swap	Interest rate swap	—	—	—	—	294	Interest rate swap	—	—	—	—	294	
Total financial assets carried at fair value	Total financial assets carried at fair value	\$ 365	\$ —	\$ 365	\$ —	\$ 294	Total financial assets carried at fair value	\$ 205	\$ —	\$ 205	\$ —	\$ 294	

#### STONERIDGE, INC.

#### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

(Unaudited)

The following table sets forth a summary of the change in fair value of the Company's Level 3 financial liabilities related to earn-out consideration that are measured at fair value on a recurring basis.

	Stoneridge Brazil
	2022
Balance at January 1	\$ 7,351
Foreign currency adjustments	921
Earn-out consideration cash payment	(8,272)
Balance at June September 30	\$ —

The Company was required to pay the Stoneridge Brazil earn-out consideration based on Stoneridge Brazil's financial performance in 2021. The fair value of the Stoneridge Brazil earn-out consideration was based on earnings before interest, taxes, depreciation and amortization ("EBITDA") in 2021. The Stoneridge Brazil earn-out consideration obligation was recorded within accrued expenses and other current liabilities in the condensed consolidated balance sheets as of December 31, 2021. The earn-out consideration obligation of \$8,272 was paid in April 2022 and recorded in the condensed consolidated statement of cash flows within operating and financing activities in the amounts of \$1,996 and \$6,276, respectively.

The foreign currency impact related to the Stoneridge Brazil earn-out consideration was included in other expense (income), net in the condensed consolidated statements of operations.

There were no transfers in or out of Level 3 from other levels in the fair value hierarchy for the six nine months ended June 30, 2023 September 30, 2023.

#### (6) Share-Based Compensation

Compensation expense for share-based compensation arrangements, which is recognized in the condensed consolidated statements of operations as a component of SG&A expenses, was \$1,202 \$1,001 and \$1,736 \$1,587 for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively. Compensation expense for share-based compensation arrangements was \$1,271 \$2,272 and \$2,834 \$4,421 for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The six nine months ended June 30, 2023 September 30, 2023 included income from the forfeiture of certain grants associated with employee resignations.

#### (7) Debt

Debt consisted of the following at September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022	Interest rates at September 30, 2023	Maturity
Debt				

Revolving Credit Facility	\$ 183,918	\$ 167,802	7.15 %	June 2024
Suzhou short-term credit line	2,055	1,450	3.25 %	August 2024
Total debt	185,973	169,252		
Less: current portion	(185,973)	(1,450)		
Total long-term debt, net	\$ —	\$ 167,802		

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

**(7) Debt**

Debt consisted of the following at June 30, 2023 and December 31, 2022:

	June 30, 2023	December 31, 2022	Interest rates at June 30, 2023	Maturity
<b>Debt</b>				
Revolving Credit Facility	\$ 171,597	\$ 167,802	8.00 %	June 2024
Suzhou short-term credit line	—	1,450		
Total debt	171,597	169,252		
Less: current portion	(171,597)	(1,450)		
Total long-term debt, net	\$ —	\$ 167,802		

**Revolving Credit Facility**

On June 5, 2019, the Company entered into the Fourth Amended and Restated Credit Agreement (the "Credit Facility"). The Credit Facility provided for a \$400,000 senior secured revolving credit facility (which, as described below in the discussion of Amendment No. 3 to the Credit Facility was amended to be a \$300,000 credit commitment) and it replaced and superseded the Third Amended and Restated Credit Agreement that provided for a \$300,000 revolving credit facility. The Credit Facility had an accordion feature that allowed the Company to increase the availability by up to \$150,000 upon the satisfaction of certain conditions and includes a letter of credit subfacility, swing line subfacility and multicurrency subfacility. The Credit Facility has a termination date of June 5, 2024. Borrowings under the Credit Facility bear interest at either the Base Rate or the SOFR rate plus the fallback spread, at the Company's option, plus the applicable margin as set forth in the Credit Facility. The Credit Facility contains certain financial covenants that require the Company to maintain less than a maximum leverage ratio and more than a minimum interest coverage ratio.

Our Revolving Credit Facility matures on June 5, 2024. The Company is actively involved in the advanced stage of refinancing discussions and expects to refinance its Revolving Credit Facility. While there can be no assurance that the Company will refinance the current Revolving Credit Facility the Company anticipates that the refinancing will occur in the near future and, in any event, prior to the issuance of the financial statements for the year ending December 31, 2023. The Company's ability to continue as a going concern is contingent upon its ability to refinance its Revolving Credit Facility. While discussions are ongoing, the Company has not reached an agreement with respect to refinancing its capital structure and there can be no assurances that such an agreement will be reached in the future.

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

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

Due to the ongoing impacts of the COVID-19 pandemic and supply chain disruptions on the Company's end-markets and the resulting financial impacts on the Company, on February 28, 2022, the Company entered into Amendment No. 3 to the Fourth Amended and Restated Credit Agreement ("Amendment No. 3"). Amendment No. 3 reduced the total revolving credit commitments from \$400.0 million to \$300.0 million and the maximum permitted amount of swing loans from \$40.0 million to \$30.0 million. Amendment No. 3 provided for certain financial covenant relief and additional covenant restrictions during the "Specified Period" (the period from February 28, 2022 until the date that the Company delivered a compliance certificate for the quarter ending March 31, 2023 in form and substance satisfactory to the administrative agent). During the Specified Period:

- the maximum net leverage ratio was changed to 4.00 to 1.00 for the year ended December 31, 2021, suspended for the quarters ending March 31, 2022 through September 30, 2022 and could not exceed 4.75 to 1.00 for the quarter ended December 31, 2022 or 3.50 to 1.00 for the quarter ended March 31, 2023;
- the minimum interest coverage ratio of 3.50 was reduced to 2.50 for the quarter ended March 31, 2022, 2.25 for the quarter ended June 30, 2022 and 3.00 for the quarters ended September 30, 2022 and December 31, 2022;
- an additional condition to drawing on the Credit Facility was added that restricted borrowings if the Company's total of 100% of domestic and 65% of foreign cash and cash equivalents exceeded \$70.0 million;
- there were certain additional restrictions on Restricted Payments (as defined); and
- a Permitted Acquisition (as defined) could not be consummated unless the net leverage ratio is below 3.50 to 1.00 during the Specified Period.

Amendment No. 3 changed the leverage based LIBOR pricing grid through the maturity date and also retained a LIBOR floor of 50 basis points on outstanding borrowings excluding any Specified Hedge Borrowings (as defined) which remained subject to a LIBOR floor of 0 basis points.

Amendment No. 3 also incorporated hardwired mechanics to permit a future replacement of LIBOR as the interest reference rate without lender consent.

## STONERIDGE, INC.

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

The Company capitalized \$484 of deferred financing costs as a result of entering into Amendment No. 3. In connection with Amendment No. 3, the Company wrote off a portion of the previously recorded deferred financing costs of \$365 in interest expense, net during the year nine months ended December 31, 2022 September 30, 2022.

Due to continued supply chain disruptions and macroeconomic challenges on the Company's end-markets and the resulting financial impacts on the Company, on March 1, 2023, the Company entered into Amendment No. 4 to the Fourth Amended and Restated Credit Agreement ("Amendment No. 4"). Amendment No. 4 provides for certain financial covenant relief and additional covenant restrictions during the "Amendment No. 4 Specified Period" (the period from March 1, 2023 until the date that the Company delivers a compliance certificate for the quarter ending September 30, 2023 in form and substance satisfactory to the administrative agent). During the Amendment No. 4 Specified Period:

- the maximum net leverage ratio was changed to 4.75 to 1.00 for the quarter ended March 31, 2023 and 4.25 to 1.00 for the quarter ended June 30, 2023;
- the minimum interest coverage ratio of 3.50 was reduced to 3.00 for the quarters ended March 31, 2023 and June 30, 2023;
- drawing on the Credit Facility continues to be restricted if the Company's total of 100% of domestic and 65% of foreign cash and cash equivalents exceeds \$70.0 million;
- there continue to be certain additional restrictions on Restricted Payments (as defined); and
- consistent with Amendment No. 3, a Permitted Acquisition (as defined) may not be consummated unless the net leverage ratio is below 3.50 to 1.00 during the Amendment No. 4 Specified Period.

The Company capitalized \$332 of deferred financing costs as a result of entering into Amendment No. 4 during the nine months ended September 30, 2023.

Borrowings outstanding on the Credit Facility were \$171,597 \$183,918 and \$167,802 at June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

As a result of the amendments, the Company was in compliance with all Credit Facility covenants at June 30, 2023 September 30, 2023 and December 31, 2022.

The Company also has outstanding letters of credit of \$1,626 1,586 at both June 30, 2023 September 30, 2023 and December 31, 2022.

## STONERIDGE, INC.

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

#### Debt

The Company's wholly owned subsidiary located in Stockholm, Sweden, has an overdraft credit line that allows overdrafts on the subsidiary's bank account up to a daily maximum level of 20,000 Swedish krona, or \$1,856 \$1,832 and \$1,922, at June 30, 2023 September 30, 2023 and December 31, 2022, respectively. At June 30, 2023 September 30, 2023 and December 31, 2022, there were no borrowings outstanding on this overdraft credit line. During the six nine months ended June 30, 2023 September 30, 2023, the subsidiary borrowed and repaid 171,891 270,626 Swedish krona, or \$15,948 \$24,783.

The Company's wholly owned subsidiary located in Suzhou, China (the "Suzhou subsidiary"), has lines of credit (the "Suzhou credit line") that allow up to a maximum borrowing level of 20,000 Chinese yuan, or \$2,758 \$2,739 and \$2,900 at June 30, 2023 September 30, 2023 and December 31, 2022, respectively. There were no borrowings outstanding on the Suzhou credit line at June 30, 2023. At September 30, 2023 and December 31, 2022 there was \$2,055 and \$1,450, respectively, in borrowings outstanding on the Suzhou credit line with a weighted-average interest rate of 3.25% and 3.70%, respectively. The Suzhou credit line was included on the condensed consolidated balance sheet within current portion of debt. In addition, the Suzhou subsidiary has a bank acceptance draft line of credit which facilitates the extension of trade payable payment terms by 180 days. The bank acceptance draft line of credit allows up to a maximum borrowing level of 60,000 Chinese yuan, or \$8,274 \$8,218 and \$8,699 at June 30, 2023 September 30, 2023 and December 31, 2022, respectively. There was \$3,905 \$3,686 and \$1,998 utilized on the Suzhou bank acceptance draft line of credit at June 30, 2023 September 30, 2023 and December 31, 2022, respectively. The Suzhou bank acceptance draft line of credit is included on the condensed consolidated balance sheet within accounts payable.

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

**(8) Loss Earnings (Loss) Per Share**

Basic loss earnings (loss) per share was computed by dividing net loss income (loss) by the weighted-average number of Common Shares outstanding for each respective period. Diluted loss per share was calculated by dividing net income by the weighted-average of all potentially dilutive Common Shares that were outstanding during the periods presented. However, for all periods in which the Company recognized a net loss, the Company did not recognize the effect of the potential dilutive securities as their inclusion would be anti-dilutive. Potential dilutive shares of 233,202 238,342 and 225,781 217,711 for the three nine months ended June 30, 2023 and 2022, respectively, were excluded from diluted loss per share because the effect would be anti-dilutive. Potential dilutive shares of 256,514 and 213,235 for the six months ended June 30, 2023 September 30, 2023 and 2022, respectively, were excluded from diluted loss per share because the effect would be anti-dilutive.

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

		Three months ended		Six months ended			Three months ended		Nine months ended	
		June 30,		June 30,			September 30,		September 30,	
		2023	2022	2023	2022		2023	2022	2023	2022
Basic weighted-average	Basic weighted-average					Basic weighted-average				
Common Shares outstanding	Common Shares outstanding	27,451,623	27,268,938	27,400,490	27,233,808	Common Shares outstanding	27,483,709	27,280,883	27,428,249	27,249,500
Effect of dilutive shares	Effect of dilutive shares	—	—	—	—	Effect of dilutive shares	250,400	243,557	—	—
Diluted weighted-average	Diluted weighted-average					Diluted weighted-average				
Common Shares outstanding	Common Shares outstanding	27,451,623	27,268,938	27,400,490	27,233,808	Common Shares outstanding	27,734,109	27,524,440	27,428,249	27,249,500

There were 425,612 and 780,793 770,939 performance-based right to receive Common Shares outstanding at June 30, 2023 September 30, 2023 and 2022, respectively. The right to receive Common Shares are included in the computation of diluted earnings per share based on the number of Common Shares that would be issuable if the end of the quarter were the end of the contingency period.

**(9) Accumulated Other Comprehensive (Loss) Income**

Changes in accumulated other comprehensive loss for the three months ended September 30, 2023 and 2022 were as follows:

	Foreign currency translation	Unrealized gain (loss) on derivatives	Total
Balance at July 1, 2023	\$ (96,310)	\$ 288	\$ (96,022)
Other comprehensive (loss) income before reclassifications	(6,969)	53	(6,916)
Amounts reclassified from accumulated other comprehensive loss	—	(179)	(179)
Net other comprehensive loss, net of tax	(6,969)	(126)	(7,095)
Balance at September 30, 2023	\$ (103,279)	\$ 162	\$ (103,117)
Balance at July 1, 2022	\$ (108,754)	\$ 1,174	\$ (107,580)
Other comprehensive (loss) income before reclassifications	(10,348)	195	(10,153)
Amounts reclassified from accumulated other comprehensive loss	—	(471)	(471)
Net other comprehensive loss, net of tax	(10,348)	(276)	(10,624)
Balance at September 30, 2022	\$ (119,102)	\$ 898	\$ (118,204)

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

## (9) Accumulated Other Comprehensive (Loss) Income

Changes in accumulated other comprehensive (loss) income for the three nine months ended June 30, 2023 September 30, 2023 and 2022 were as follows:

	Foreign currency translation	Unrealized gain (loss) on derivatives	Total
Balance at April 1, 2023	\$ (99,302)	\$ —	\$ (99,302)
Other comprehensive income before reclassifications	2,992	328	3,320
Amounts reclassified from accumulated other comprehensive loss	—	(40)	(40)
Net other comprehensive income, net of tax	2,992	288	3,280
Balance at June 30, 2023	<u>\$ (96,310)</u>	<u>\$ 288</u>	<u>\$ (96,022)</u>
Balance at April 1, 2022	\$ (93,042)	\$ 1,227	\$ (91,815)
Other comprehensive (loss) income before reclassifications	(12,870)	283	(12,587)
Amounts reclassified from accumulated other comprehensive loss	(2,842)	(336)	(3,178)
Net other comprehensive loss, net of tax	(15,712)	(53)	(15,765)
Balance at June 30, 2022	<u>\$ (108,754)</u>	<u>\$ 1,174</u>	<u>\$ (107,580)</u>

Changes in accumulated other comprehensive (loss) income for the six months ended June 30, 2023 and 2022 were as follows:

	Foreign currency translation	Unrealized gain (loss) on derivatives	Total		Foreign currency translation	Unrealized gain (loss) on derivatives	Total
Balance at January 1, 2023	\$ (103,374)	\$ 232	\$ (103,142)	Balance at January 1, 2023	\$ (103,374)	\$ 232	\$ (103,142)
Other comprehensive income before reclassifications	7,064	325	7,389	Other comprehensive income before reclassifications	95	379	474
Amounts reclassified from accumulated other comprehensive loss	—	(269)	(269)	Amounts reclassified from accumulated other comprehensive loss	—	(449)	(449)
Net other comprehensive income, net of tax	7,064	56	7,120	Net other comprehensive income (loss), net of tax	95	(70)	25
Balance at June 30, 2023	<u>\$ (96,310)</u>	<u>\$ 288</u>	<u>\$ (96,022)</u>	Balance at September 30, 2023	<u>\$ (103,279)</u>	<u>\$ 162</u>	<u>\$ (103,117)</u>
Balance at January 1, 2022	\$ (97,203)	\$ 179	\$ (97,024)	Balance at January 1, 2022	\$ (97,203)	\$ 179	\$ (97,024)
Other comprehensive (loss) income before reclassifications	(8,709)	1,409	(7,300)	Other comprehensive (loss) income before reclassifications	(19,057)	1,604	(17,453)
Amounts reclassified from accumulated other comprehensive loss	(2,842)	(414)	(3,256)	Amounts reclassified from accumulated other comprehensive loss	(2,842)	(885)	(3,727)
Net other comprehensive (loss) income, net of tax	(11,551)	995	(10,556)	Net other comprehensive (loss) income, net of tax	(21,899)	719	(21,180)

Balance at June 30, 2022	\$ (108,754)	\$ 1,174	\$ (107,580)				
Balance at September 30, 2022				Balance at September 30, 2022	\$ (119,102)	\$ 898	\$ (118,204)

#### (10) Commitments and Contingencies

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

As a result of environmental studies performed at the Company's former facility located in Sarasota, Florida, the Company became aware of soil and groundwater contamination at the site. The Company engaged an environmental engineering consultant to assess the level of contamination and to develop a remediation and monitoring plan for the site. Soil remediation at the site was completed during the year ended December 31, 2010. A remedial action plan was approved by the Florida Department of Environmental Protection and groundwater remediation began in the fourth quarter of 2015.

#### STONERIDGE, INC.

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

During the three months ended June 30, 2023, September 30, 2023 and 2022, the Company did not recognize any expense related to groundwater remediation. During the six nine months ended June 30, 2023, September 30, 2023 and 2022, the Company recognized expense of \$125 and \$0, respectively, related to groundwater remediation. At June 30, 2023, September 30, 2023 and December 31, 2022, the Company accrued \$278 \$145 and \$246, respectively, related to expected future remediation costs. At June 30, 2023, September 30, 2023 and December 31, 2022, \$271 \$138 and \$132, respectively, were recorded as a component of accrued expenses and other current liabilities in the condensed consolidated balance sheets while the remaining amounts as of June 30, 2023, September 30, 2023 and December 31, 2022 were recorded as a component of other long-term liabilities. Costs associated with the recorded liability will be incurred to complete the groundwater remediation and monitoring. The recorded liability is based on assumptions in the remedial action plan as well as estimates for future remediation activities. Although the Company sold the Sarasota facility and related property in December 2011, the liability to remediate the site contamination remains the responsibility of the Company. Due to the ongoing site remediation, the Company is currently required to maintain a \$1,489 letter of credit for the benefit of the buyer.

The Company's Stoneridge Brazil subsidiary has civil, labor and other tax contingencies (excluding income tax) for which the likelihood of loss is deemed to be reasonably possible, but not probable, by the Company's legal advisors in Brazil. As a result, no provision has been recorded with respect to these contingencies, which amounted to R\$48,497 40,381 (\$10,063) 8,064 and R\$47,820 (\$9,165) at June 30, 2023, September 30, 2023 and December 31, 2022, respectively. An unfavorable outcome on these contingencies could result in significant cost to the Company and adversely affect its results of operations.

On August 12, 2020, the Brazilian Administrative Counsel for Economic Defense ("CADE") issued a ruling against Stoneridge Brazil for abuse of dominance and market foreclosure through its prior use of exclusivity provisions in agreements with its distributors. The CADE tribunal imposed a R\$7,995 (\$1,659) 1,597 fine which is included in the reasonably possible contingencies noted above. The Company is challenging this ruling in Brazilian federal court to reverse this decision by the CADE tribunal.

#### STONERIDGE, INC.

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

#### Long Term Supply Commitment

In 2022, the Company entered into a long term supply agreement with a supplier for the purchase of certain electronic semiconductor components through December 31, 2026. Pursuant to the agreement, the Company paid capacity deposits of \$1,000 in December 2022 and June 2023, respectively. The capacity deposits are recognized in prepaid and other current assets on our condensed consolidated balance sheet. This long term supply agreement requires the Company to purchase minimum annual volumes while requiring the supplier to sell these components at a fixed price. The Company purchased \$2,662 \$1,252 and \$119 \$327 of these components during the three months ended June 30, 2023, September 30, 2023 and 2022, respectively, and \$3,327 \$4,579 and \$188 \$515 during the six nine months ended June 30, 2023, September 30, 2023 and 2022, respectively. The Company is required to purchase \$5,871, \$7,828, \$10,764 and \$10,764 of these components in each of the years 2023 through 2026, respectively.

#### Product Warranty and Recall

Amounts accrued for product warranty and recall claims are established based on the Company's best estimate of the amounts necessary to settle existing and future claims on products sold as of the balance sheet dates. These accruals are based on several factors including past experience, production changes, industry developments and various other considerations. Our estimate is based on historical trends of units sold and claim payment amounts, combined with our current understanding of the status of existing claims, forecasts of the resolution of existing claims, expected future claims on products sold and commercial discussions with our customers. The key factors in our estimate are the warranty period and the customer source. The Company can provide no assurances that it will not experience material claims or that it will not incur significant costs to defend or settle such claims beyond the amounts accrued. The current portion of the product warranty and recall reserve is included as a component of accrued expenses and other current liabilities on the condensed consolidated balance sheets. Product warranty and recall reserve included \$5,589 \$6,018 and \$4,437 of a long-term liability at June 30, 2023, September 30, 2023 and December 31, 2022, respectively, which is included as a component of other long-term liabilities on the condensed consolidated balance sheets.

During the second quarter of 2023, the Company received a notification of arbitration for warranty claims related to past sales of PM sensor products, a product line we exited in 2019. The arbitration notification submitted by one of our customers asserts potential warranty related claims. Based on our review of the technical merits and specific claims submitted in the

notification as well as prior discussions with the customer, we believe these claims are significantly overstated and while no assurances can be made as to the ultimate outcome of this matter or any other future claims, we do not currently believe a material loss is probable.

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

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

Six months ended June 30,			2023	2022
Nine months ended September 30,			2023	2022
Product warranty and recall reserve at beginning of period	Product warranty and recall reserve at beginning of period	\$	13,477	\$ 9,846
Accruals for warranties established during period	Accruals for warranties established during period		7,636	5,951
Aggregate changes in pre-existing liabilities due to claim developments	Aggregate changes in pre-existing liabilities due to claim developments		327	—
Settlements made during the period	Settlements made during the period		(3,784)	(4,503)
Foreign currency translation	Foreign currency translation		(196)	(479)
Product warranty and recall reserve at end of period	Product warranty and recall reserve at end of period	\$	17,460	\$ 10,815
Product warranty and recall reserve at beginning of period	Product warranty and recall reserve at beginning of period	\$	13,477	\$ 9,846
Accruals for warranties established during period	Accruals for warranties established during period		10,521	7,395
Aggregate changes in pre-existing liabilities due to claim developments	Aggregate changes in pre-existing liabilities due to claim developments		579	1,158
Settlements made during the period	Settlements made during the period		(5,519)	(5,762)
Foreign currency translation	Foreign currency translation		(386)	(934)
Product warranty and recall reserve at end of period	Product warranty and recall reserve at end of period	\$	18,672	\$ 11,703

**(11) Business Realignment and Restructuring**

On January 10, 2019, the Company committed to a restructuring plan that resulted in the closure of the Canton, Massachusetts facility ("Canton Facility") on March 31, 2020 and the consolidation of manufacturing operations at that site into other Company locations ("Canton Restructuring"). The costs for the Canton Restructuring included employee severance and termination costs, contract terminations costs, professional fees and other related costs such as moving and set-up costs for equipment and costs to restore the engineering function previously located at the Canton facility. We do not expect to incur additional costs related to the Canton Restructuring.

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

The settlement of liabilities associated with for the Canton Restructuring that relate to the Control Devices reportable segment include the following:

		Accrual as of January 1, 2022				Utilization Non-Cash				Accrual as of June 30, 2022				Accrual as of January 1, 2022				Utilization Non-Cash				Accrual as of September 30, 2022			
		2022 Charge to Expense	Cash	Non-Cash		2022 Charge to Expense	Cash	Non-Cash		2022 Charge to Expense	Cash	Non-Cash		2022 Charge to Expense	Cash	Non-Cash		2022 Charge to Expense	Cash	Non-Cash		2022 Charge to Expense	Cash	Non-Cash	
Employee termination benefits	Employee termination benefits	\$ 93	\$ —	\$ (93)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 93	\$ —	\$ (93)	\$ —	\$ —	\$ —	\$ (93)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Total	Total	\$ 93	\$ —	\$ (93)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 93	\$ —	\$ (93)	\$ —	\$ —	\$ —	\$ (93)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

In addition to specific restructuring activities, the Company regularly evaluates the performance of its businesses and cost structures, including personnel, and makes necessary changes thereto in order to optimize its results. The Company also evaluates the required skill sets of its personnel and periodically makes strategic changes. As a consequence of these actions, the



Company incurs severance related costs that are referred to as business realignment charges. Realignment expense for the three months ended **June 30, 2023** September 30, 2023 was primarily related to the centralization of the product line management, sales and sales engineering functions.

Business realignment charges incurred by reportable segment were as follows:

		Three months ended		Six months ended				Three months ended		Nine months ended	
		June 30,		June 30,				September 30,		September 30,	
		2023	2022	2023	2022			2023	2022	2023	2022
Control Devices	Control Devices					Control Devices					
(A)	(A)	\$ 379	\$ —	\$ 379	\$ —	(A)	\$ 132	\$ —	\$ 511	\$ —	
Electronics (B)	Electronics (B)	1,347	—	1,656	—	Electronics (B)	1,070	—	2,726	—	
Stoneridge Brazil	Stoneridge Brazil					Stoneridge Brazil					
(C)	(C)	—	—	—	34	(C)	—	64	—	98	
Unallocated	Unallocated					Unallocated					
Corporate (D)	Corporate (D)	184	—	1,137	—	Corporate (D)	—	190	1,137	190	
Total business realignment charges	Total business realignment charges	\$ 1,910	\$ —	\$ 3,172	\$ 34	Total business realignment charges	\$ 1,202	\$ 254	\$ 4,374	\$ 288	

- (A) Severance costs for the three and six months ended **June 30, 2023** September 30, 2023 related to SG&A were \$132. Severance costs for the nine months ended September 30, 2023 related to COGS and SG&A were \$369 and \$10, \$142, respectively.
- (B) Severance costs for the three months ended **June 30, 2023** September 30, 2023 related to COGS, and SG&A and D&D were \$82 \$30, \$657 and \$1,265, \$383, respectively. Severance costs for the six nine months ended **June 30, 2023** September 30, 2023 related to COGS, and SG&A and D&D were \$257 \$287, \$2,056 and \$1,399, \$383, respectively.
- (C) Severance costs for the six three and nine months ended **June 30, 2022** September 30, 2022 related to SG&A were \$34, \$64 and \$98, respectively.
- (D) Employee separation related costs for the three and nine months ended September 30, 2023 related to SG&A were \$0 and \$1,122, respectively. Employee separation related costs for the nine months ended September 30, 2023 related to D&D were \$15. Severance costs for both the three and nine months ended September 30, 2022 related to SG&A were \$190.

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Cost of goods sold	\$ 30	\$ —	\$ 656	\$ —
Selling, general and administrative	789	254	3,320	288
Design and development	383	—	398	—
Total business realignment charges	\$ 1,202	\$ 254	\$ 4,374	\$ 288

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

- (D) Employee separation related costs for the three and six months ended June 30, 2023 related to SG&A were \$169 and \$1,122, respectively. Employee separation related costs for the three and six months ended June 30, 2023 related to D&D were \$15.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Cost of goods sold	\$ 451	\$ —	\$ 626	\$ —
Selling, general and administrative	1,444	—	2,531	34
Design and development	15	—	15	—
Total business realignment charges	\$ 1,910	\$ —	\$ 3,172	\$ 34

**(12) Income Taxes**

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

For the three months ended **June 30, 2023** September 30, 2023, income tax expense of **\$1,487** \$2,270 was attributable to the mix of earnings among tax jurisdictions as well as tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions, U.S. taxes on foreign earnings and non-deductible expenses offset by tax credits and incentives. The effective tax rate of 51.1% varies from the statutory rate primarily due to U.S. taxes on foreign earnings, non-deductible expenses and the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions offset by tax credits and incentives.

For the three months ended September 30, 2022, income tax expense of \$989 was attributable to the mix of earnings among tax jurisdictions as well as tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions offset by tax credits and incentives. The effective tax rate of 57.5% varies from the statutory rate primarily due to the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions, U.S. taxes on foreign earnings and non-deductible expenses offset by tax credits and incentives.

For the nine months ended September 30, 2023, income tax expense of \$3,049 was attributable to the mix of earnings among tax jurisdictions and U.S. taxes on foreign earnings offset by tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives. The effective tax rate of (59.1)% varies from the statutory rate primarily due to U.S. taxes on foreign earnings offset by the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives.

For the nine months ended September 30, 2022, income tax expense of \$2,895 was attributable to the mix of earnings among tax jurisdictions as well as tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions. The effective tax rate of (98.8)% varies from the statutory rate primarily due to U.S. taxes on foreign earnings and non-deductible expenses offset by the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives.

For the three months ended June 30, 2022, income tax expense of \$413 was attributable to the mix of earnings among tax jurisdictions as well as tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions. The effective tax rate of (6.0) (25.4)% varies from the statutory rate primarily due to the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions as well as tax credits and incentives offset by foreign rates that differ from the U.S. rate, U.S. taxes on foreign earnings and non-deductible expenses.

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

For the six months ended June 30, 2022, income tax expense of \$1,906 was attributable to the mix of earnings among tax jurisdictions as well as tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions. The effective tax rate of (14.5)% varies from the statutory rate primarily due to the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions as well as tax credits and incentives offset by U.S. taxes on foreign earnings.

On December 15, 2022, the European Union (EU) Member States formally adopted the EU's Pillar Two Directive, which generally provides for a minimum effective tax rate of 15%, as established by the Organization for Economic Co-operation and Development (OECD) Pillar Two Framework. The EU effective dates are January 1, 2024, and January 1, 2025, for different aspects of the directive. A significant number of other countries are also implementing similar legislation. The Company is continuing to evaluate the potential impact on future periods of the Pillar Two Framework.

#### **STONERIDGE, INC.**

#### **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** **(in thousands, except per share data, unless otherwise stated)** **(Unaudited)**

#### **(13) Segment Reporting**

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

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

The accounting policies of the Company's reportable segments are the same as those described in Note 2, "Summary of Significant Accounting Policies" of the Company's 2022 [Form 10-K](#). The Company's management evaluates the performance of its reportable segments based primarily on revenues from external customers, capital expenditures and operating income. Inter-segment sales are accounted for on terms similar to those to third parties and are eliminated upon consolidation.

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

#### **STONERIDGE, INC.**

#### **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS** **(in thousands, except per share data, unless otherwise stated)** **(Unaudited)**

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

		Three months ended		Six months ended		Three months ended		Nine Months Ended	
		June 30,		June 30,		September 30,		September 30,	
		2023	2022	2023	2022	2023	2022	2023	2022
Net Sales:	Net Sales:					Net Sales:			
Control Devices	Control Devices	\$ 92,120	\$ 84,566	\$ 178,062	\$ 168,626	Control Devices	\$ 89,344	\$ 88,901	\$ 267,406
Inter-segment sales	Inter-segment sales	970	451	1,704	1,381	Inter-segment sales	733	474	2,437
Control Devices net sales	Control Devices net sales	93,090	85,017	179,766	170,007	Control Devices net sales	90,077	89,375	269,843
Electronics	Electronics	159,786	123,021	300,913	247,974	Electronics	134,652	124,066	435,565
Inter-segment sales	Inter-segment sales	8,491	7,368	17,007	15,079	Inter-segment sales	8,649	5,948	25,656
Electronics net sales	Electronics net sales	168,277	130,389	317,920	263,053	Electronics net sales	143,301	130,014	461,221
Stoneridge Brazil	Stoneridge Brazil	14,908	13,349	29,164	25,394	Stoneridge Brazil	14,168	13,790	43,332
Inter-segment sales	Inter-segment sales	—	—	—	—	Inter-segment sales	—	22	—
Stoneridge Brazil net sales	Stoneridge Brazil net sales	14,908	13,349	29,164	25,394	Stoneridge Brazil net sales	14,168	13,812	43,332
Eliminations	Eliminations	(9,461)	(7,819)	(18,711)	(16,460)	Eliminations	(9,382)	(6,444)	(28,093)
Total net sales	Total net sales	\$ 266,814	\$ 220,936	\$ 508,139	\$ 441,994	Total net sales	\$ 238,164	\$ 226,757	\$ 746,303
Operating Income (Loss):	Operating Income (Loss):					Operating Income (Loss):			
Control Devices	Control Devices	\$ 5,074	\$ 4,118	\$ 7,161	\$ 10,894	Control Devices	\$ 5,488	\$ 7,522	\$ 12,649
Electronics	Electronics	7,444	(2,524)	8,844	(5,236)	Electronics	7,647	5,416	16,491
Stoneridge Brazil	Stoneridge Brazil	899	970	2,242	1,462	Stoneridge Brazil	1,241	908	3,483
Unallocated Corporate <sup>(A)</sup>	Unallocated Corporate <sup>(A)</sup>	(9,086)	(8,492)	(17,945)	(16,032)	Unallocated Corporate <sup>(A)</sup>	(7,864)	(7,983)	(25,809)
Total operating income (loss)	Total operating income (loss)	\$ 4,331	\$ (5,928)	\$ 302	\$ (8,912)	Total operating income (loss)	\$ 6,512	\$ 5,863	\$ 6,814
Depreciation and Amortization:	Depreciation and Amortization:					Depreciation and Amortization:			
Control Devices	Control Devices	\$ 3,099	\$ 3,405	\$ 6,273	\$ 6,966	Control Devices	\$ 3,100	\$ 3,325	\$ 9,373
Electronics	Electronics	3,503	3,530	6,967	7,123	Electronics	3,521	3,372	10,488
Stoneridge Brazil	Stoneridge Brazil	1,201	1,032	2,286	2,023	Stoneridge Brazil	1,259	968	3,545
Unallocated Corporate	Unallocated Corporate	605	567	1,207	1,128	Unallocated Corporate	593	589	1,800
Total depreciation and amortization <sup>(B)</sup>	Total depreciation and amortization <sup>(B)</sup>	\$ 8,408	\$ 8,534	\$ 16,733	\$ 17,240	Total depreciation and amortization <sup>(B)</sup>	\$ 8,473	\$ 8,254	\$ 25,206
Interest Expense (Income), net:	Interest Expense (Income), net:					Interest Expense (Income), net:			
Control Devices	Control Devices	\$ 65	\$ 18	\$ 83	\$ 43	Control Devices	\$ 37	\$ 30	\$ 120
Electronics	Electronics	511	228	996	301	Electronics	456	279	1,452
Stoneridge Brazil	Stoneridge Brazil	(319)	(533)	(589)	(691)	Stoneridge Brazil	(680)	(298)	(1,269)

Unallocated Corporate	Unallocated Corporate	2,863	1,504	5,376	3,350	Unallocated Corporate	3,500	1,834	8,876	5,184
Total interest expense, net	Total interest expense, net	\$ 3,120	\$ 1,217	\$ 5,866	\$ 3,003	Total interest expense, net	\$ 3,313	\$ 1,845	\$ 9,179	\$ 4,848
Capital Expenditures:	Capital Expenditures:					Capital Expenditures:				
Control Devices	Control Devices	\$ 2,019	\$ 1,916	\$ 3,975	\$ 5,761	Control Devices	\$ 2,986	\$ 3,536	\$ 6,961	\$ 9,297
Electronics	Electronics	2,334	1,926	8,541	4,759	Electronics	4,710	2,293	13,251	7,052
Stoneridge Brazil	Stoneridge Brazil	782	1,258	1,418	1,927	Stoneridge Brazil	889	757	2,307	2,684
Unallocated Corporate(c)	Unallocated Corporate(c)	217	680	329	701	Unallocated Corporate(c)	371	(52)	700	649
Total capital expenditures	Total capital expenditures	\$ 5,352	\$ 5,780	\$ 14,263	\$ 13,148	Total capital expenditures	\$ 8,956	\$ 6,534	\$ 23,219	\$ 19,682

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

		June 30, 2023	December 31, 2022		September 30, 2023	December 31, 2022
Total Assets:	Total Assets:			Total Assets:		
Control Devices	Control Devices	\$ 173,580	\$ 174,535	Control Devices	\$ 174,191	\$ 174,535
Electronics	Electronics	396,649	369,232	Electronics	393,385	369,232
Stoneridge Brazil	Stoneridge Brazil	67,173	60,861	Stoneridge Brazil	65,430	60,861
Corporate (c)	Corporate (c)	418,852	419,469	Corporate (c)	416,377	419,469
Eliminations	Eliminations	(370,757)	(371,992)	Eliminations	(370,609)	(371,992)
Total assets	Total assets	\$ 685,497	\$ 652,105	Total assets	\$ 678,774	\$ 652,105

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

		Three months ended June 30,			Six months ended June 30,			Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022		2023	2022	2023	2022	
Net Sales:	Net Sales:					Net Sales:					
North America	North America	\$ 135,590	\$ 109,642	\$ 259,313	\$ 213,470	North America	\$ 126,499	\$ 117,010	\$ 385,813	\$ 330,480	
South America	South America	14,908	13,349	29,164	25,394	South America	14,168	13,790	43,332	39,184	
Europe and Other	Europe and Other	116,316	97,945	219,662	203,130	Europe and Other	97,497	95,957	317,158	299,087	
Total net sales	Total net sales	\$ 266,814	\$ 220,936	\$ 508,139	\$ 441,994	Total net sales	\$ 238,164	\$ 226,757	\$ 746,303	\$ 668,751	
		June 30, 2023			December 31, 2022			September 30, 2023		December 31, 2022	
Long-term Assets:	Long-term Assets:					Long-term Assets:					
North America	North America	\$ 92,604		\$ 92,149		North America	\$ 91,019		\$ 92,149		
South America	South America	33,850		31,796		South America	32,688		31,796		
Europe and Other	Europe and Other	120,460		118,609		Europe and Other	118,649		118,609		
Total long-term assets	Total long-term assets	\$ 246,914		\$ 242,554		Total long-term assets	\$ 242,356		\$ 242,554		

- (A) Unallocated Corporate expenses include, among other items, accounting/finance, human resources, information technology and legal costs as well as share-based compensation.
- (B) These amounts represent depreciation and amortization on property, plant and equipment and certain intangible assets.
- (C) Assets located at Corporate consist primarily of cash, intercompany loan receivables, fixed assets for the corporate headquarter building, leased assets, information technology assets, equity investments and investments in subsidiaries.

#### (14) Investments

##### **PST Eletrônica Ltda.**

The Company had a 74% controlling interest in Stoneridge Brazil from December 31, 2011 through May 15, 2017. On May 16, 2017, the Company acquired the remaining 26% noncontrolling interest in Stoneridge Brazil. As part of the acquisition agreement, the Company was required to pay additional earn-out consideration based on Stoneridge Brazil's financial performance in 2021. The final earn-out consideration of \$8,272 was paid on April 29, 2022. See Note 5 for the fair value and foreign currency adjustments adjustment of the earn-out consideration in prior periods.

#### **STONERIDGE, INC.**

##### **NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

(Unaudited)

#### **Other Investments**

In December 2018, the Company entered into an agreement to make a \$10,000 investment in a fund ("Autotech Fund II") managed by Autotech Ventures ("Autotech"), a venture capital firm focused on ground transportation technology which is accounted for under the equity method of accounting. The Company's \$10,000 investment in the Autotech Fund II will be contributed over the expected ten-year life of the fund. The Company has contributed \$8,050 \$8,250 to the Autotech Fund II as of June 30, 2023. The Company did not contribute to, or receive distributions from, Autotech Fund II during the six months ended June 30, 2023 September 30, 2023. The Company contributed \$450 \$200 and \$250 to Autotech Fund II during the six three months ended June 30, 2022, September 30, 2023 and 2022, respectively. The Company contributed \$200 and \$700 to Autotech Fund II during the nine months ended September 30, 2023 and 2022, respectively. The Company has a 6.6% interest in Autotech Fund II. The Company recognized losses (losses) earnings of \$329 \$(141) and \$377 \$34 during the three months ended June 30, 2023 September 30, 2023 and 2022, respectively. The Company recognized losses of \$500 \$641 and \$458 \$424 during the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The Autotech Fund II investment recorded in investments and other long-term assets in the condensed consolidated balance sheets was \$8,144 \$8,203 and \$8,644 as of June 30, 2023 September 30, 2023 and December 31, 2022, respectively.

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

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

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

### **Segments**

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

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

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

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

### **Second Third Quarter Overview**

During the second third quarter of 2023, we benefited from both increased volumes in our North American and European commercial and North American automotive vehicle markets, compared to the prior year quarter, due to improvements in end market demand and material availability. We benefited continued to benefit from incremental previously negotiated pricing actions agreed to with the majority of our commercial vehicle customers, which offset a portion of the incremental material, supply chain and other input costs we have historically incurred and continued to incur. The Company is also executing on initiatives to reduce total material costs, including supply chain strategies and improve working capital and more specifically, inventory balances. In the second quarter of 2023, we continued to experience moderation of certain commercial and operational challenges including material availability, material cost and customer production schedule volatility, incurred.

The Company had net loss income of \$(3.0) million, \$2.2 million, or \$(0.11) \$0.08 per diluted share, for the three months ended June 30, 2023 September 30, 2023.

Net loss income for the quarter ended June 30, 2023 decreased September 30, 2023 increased by \$4.3 \$1.4 million, or \$0.16 \$0.05 per diluted share, from net loss income of \$(7.3) million, \$0.7 million, or \$(0.27) \$0.03 per diluted share, for the three months ended June 30, 2022 September 30, 2022. Net loss decreased income increased primarily due to additional contribution from

higher sales levels, including the benefit of previously negotiated price increases and favorable foreign exchange fluctuations offset by higher business realignment, D&D expense spending and interest costs. Net sales increased by \$45.9 \$11.4 million, or 20.8% 5.0%, primarily from higher volumes in our served markets and the impact of previously negotiated price increases including the benefit of retroactive pricing adjustments, offset by lower required electronic component spot buy purchases and adverse foreign currency movements in our Electronics segment.

Our Control Devices segment net sales increased by 8.9% 0.5% compared to the second third quarter of 2022 primarily as a result of higher an increase in China automotive and commercial vehicle markets as well as negotiated price increases. These increases were offset by a decrease in our North American automotive volumes including production ramp-up of new products and negotiated price increases, commercial vehicle markets. Segment gross margin remained consistent with the prior year, as a percentage of sales decreased due to higher direct material costs from inflation and troubled supplier support costs. Segment operating income increased decreased due to lower gross margin and higher contribution from higher sales slightly offset by higher SG&A and D&D spending.

Our Electronics segment net sales increased by 29.9% 8.5% compared to the second third quarter of 2022 primarily due to increased sales volumes in our European and North American commercial vehicle markets, including the continued ramp-up launch of a next generation tachograph for our European markets, and the impact of previously launched new products and negotiated price increases offset by lower required electronic component spot buy purchases. Segment gross margin as a percent of sales increased primarily due to higher contribution from higher sales levels, negotiated price increases, lower material costs including the adverse favorable effect of foreign currency and lower required electronic component spot buy purchases offset by an increase in labor and overhead costs. Operating income for the segment increased compared to the second third quarter of 2022 primarily due to higher gross margin offset by higher SG&A and D&D spending, caused by lower customer reimbursements, including support for new product launches and business realignment expense of \$1.1 million.

Our Stoneridge Brazil segment net sales increased by 11.7% 2.7% compared to the second third quarter of 2022 primarily due to favorable foreign currency translation and higher sales of our OEM products and tracking devices aftermarket products offset by lower sales demand for our other product lines. Segment gross margin increased due to increased contribution margin from higher sales, sales and favorable foreign currency fluctuations. Operating income decreased increased due to higher gross margin offset by an increase in SG&A costs from unfavorable net adjustments for Brazilian indirect taxes, spending.

In the second third quarter of 2023, SG&A expenses increased by \$4.6 million \$0.7 million compared to the second third quarter of 2022 primarily due to higher current quarter business realignment costs of \$1.4 \$0.5 million, and higher professional service fees and IT related spend offset by lower incentive compensation due to achievement of financial targets, and unfavorable net adjustments for Brazilian indirect tax credits, compensation.

In the second third quarter of 2023, D&D costs increased by \$7.1 \$1.7 million compared to the prior year second third quarter mostly due to lower customer reimbursements and incremental engineering costs spending primarily related to expected product launches and software, higher business realignment expense and lower customer reimbursements offset by increased capitalized software development costs for our Electronics segment costs.

At June 30, 2023 September 30, 2023 and December 31, 2022, we had cash and cash equivalents balances of \$34.7 million \$36.8 million and \$54.8 million, respectively, and we had \$171.6 million \$183.9 million and \$167.8 million, respectively, in borrowings outstanding on our Credit Facility. The 2023 decrease in cash and cash equivalents was mostly due to capital expenditures for new product launches and relatively higher working capital to support higher sales and production levels.

## Outlook

The Company believes that focusing on products that address industry megatrends will have a positive effect on both our top-line growth and underlying margins. For example, the Company is aligned with platforms likely to perform well against overall market dynamics including our content on electrified vehicle platforms light-trucks, SUVs and crossover vehicles and our continued focus on safety-based products, safety, vehicle intelligence and connectivity based products, such as the recent release of our next generation tachograph for our European markets and future launches of our MirrorEye programs in North America and Europe.

Since the first quarter of 2021, we have been experiencing supply chain related disruptions, due to a worldwide semiconductor shortage, as well as other material availability constraints, which continue and have resulted in longer lead-times, higher costs and delays in procuring other component parts and raw materials. In addition, global Global inflation has increased significantly since 2021. Rising costs of materials, labor and other inputs used to manufacture and sell our products, including freight and logistics costs, have impacted, and may continue to impact, our results. While incremental material and production costs have started to moderate, we expect material and production continued cost inflation to persist throughout 2023 into 2024 which will continue to put pressure on margins. In order to minimize the impact of these incremental costs, we have taken several actions, including negotiated negotiating price increases and cost recoveries with the majority of our customers. Additionally, we continued to focus on improving manufacturing performance and optimizing our global cost structure to both reduce costs and improve operational efficiency. This resulted in significant operating margin improvement in the quarter We expect these actions will benefit our current and provides a foundation to drive continued operating performance as we continue to grow, future financial performance.

Based on IHS Market production forecast, forecasts, the North American automotive market is expected to increase to 15.4 million 15.2 million units in 2023 and then to 16.4 million units in 2024 from 14.3 million units in 2022 as this market continues to recover from supply chain disruptions and economic headwinds. The Company expects continued pressure on sales volumes in our Control Devices segment in the fourth quarter due to increase from 2022 based the UAW strike impact on US OEM production forecasts volumes and market conditions as well as incremental revenue from high-demand powertrain actuation program launches, reduced production expectations for electrified vehicle platforms with some of our key customers. We continue to focus on improved manufacturing and functional execution, supply chain strategy, and material cost improvement actions and enterprise-wide cost improvement plans and will continue to react to changes in our end-markets as needed to drive sustained profitable growth, maintain and continue to improve our margins. During the third quarter of 2023, our Control Devices segment incurred \$0.7 million of support costs for a troubled supplier and expect to continue to incur these costs at a reduced rate in the future. We will continue to focus on growing our core product portfolio aligned with powertrain electrification industry megatrends by investing in our actuation and electrification focused system-level sensor businesses as we anticipate greater opportunities as powertrains become increasingly electrified, electrified and efficient.

In the third quarter of 2023, the collective bargaining agreements of our certain North American automotive customers and the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) in the United States and Unifor in Canada will expire, expired, which could create volatility resulted in work stoppages at certain of our



customers' facilities. These work stoppages had an immaterial impact on our financial performance during the third quarter of 2023. In late October 2023, our customers' production schedules potentially creating an adverse and labor unions have reached tentative agreements which are subject to ratification by union membership however, despite the fact that the UAW and certain customers have announced tentative agreements, we expect that labor stoppages prior to the agreements and the ramp back up of impacted customer facilities will have a negative impact to our customers on sales and as a result, impact our financial performance, operating performance, in the fourth quarter of 2023.

For In the fourth quarter of 2023, we expect an increase overall softening in our commercial vehicle end markets. In 2024, our European and North American commercial vehicle end market volumes are forecasted to decrease 15.3% and 13.3%, respectively, however, we expect our Electronics' segment sales compared to 2022 primarily outperform forecasted volumes due to strong demand for our existing products in our commercial vehicle end markets and the ramp-up of new product launches. In addition, we expect increased sales from the continued roll out of recently launched programs, including our next generation tachograph and first North American OEM MirrorEye camera-based vision systems, program, as well as expected program launches, including our next MirrorEye program launch in Europe in 2024. Customer recoveries related to spot buys of materials purchased for our customers increased net sales by \$58.4 million for the full year 2022 and \$13.5 million \$14.4 million for the first half of 2023, nine months ended September 30, 2023. Spot buy material purchasing activity, which is recognized as revenue and material costs, was mostly passed through to the customer and was driven by electronic component shortages. The Company expects spot buy activity to continue to moderate but persist in 2023. In addition, completed customer negotiated price increases will favorably impact sales decline as supply chains continue to normalize and mitigate the impact of cost pressure on margin in 2023. material availability continues to improve.

In 2022 and through the first half of 2023, our gross D&D spend increased to support near term launches of awarded business in both our Electronics and Control Devices segments. In the second half fourth quarter of 2023, we expect our net D&D spend to continue to decline primarily driven by lower engineering expense and costs as a result of the timing of customer reimbursements, to return to more normalized levels. We continue to align our reduced launch activities and the realignment of global engineering resources to maximize capacity and capabilities in order to develop advanced technologies and systems within our portfolio of products, while controlling costs.

Our 2022 2023 Stoneridge Brazil segment revenues increased compared to the prior year due to higher sales in our OEM products and tracking devices offset by lower sales demand for our other product lines, devices. In April October 2023, the International Monetary Fund forecasted the Brazil gross domestic product to grow 0.9% 3.1% in 2023. We expect our served market channels to remain relatively stable in for the remainder of 2023 based on current market conditions. Stoneridge Brazil will focus on continuing to grow our OEM capabilities in-region to better support our global customers. This will drive steady future growth and provide a platform to continue to rotate our local portfolio to more closely align with our global business. Our financial performance in our Stoneridge Brazil segment is also subject to uncertainty from movements in the Brazilian Real and Argentina Peso foreign currencies.

We remain focused on improving cash generation and the reduction of debt through strong efficient operating performance and targeted actions to reduce net working capital, particularly our inventory levels, as supply chains normalize and material availability improves.

We expect higher interest expense in 2023 driven by higher benchmark rates on our Credit Facility.

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

#### Other Matters

A significant portion of our sales are outside of the United States. These sales are generated by our non-U.S. based operations, and therefore, movements in foreign currency exchange rates can have a significant effect on our results of operations, which are presented in U.S. dollars. A significant portion of our raw materials purchased by our Electronics and Stoneridge Brazil segments are denominated in U.S. dollars, and therefore movements in foreign currency exchange rates can also have a significant effect on our results of operations. The U.S. Dollar strengthened against the Argentine peso, Chinese yuan and the Swedish krona in 2023 and the euro, Swedish krona, Chinese yuan and Argentine peso in 2023 and 2022, unfavorably impacting our reported results.

We regularly evaluate the performance of our businesses and their cost structures, including personnel, and make necessary changes thereto in order to optimize our results. We also evaluate the required skill sets of our personnel and periodically make strategic changes. As a consequence of these actions, we incur severance and resignation related costs that we refer to as business realignment charges. Business realignment costs of \$1.9 million \$1.2 million and \$0.0 million \$0.3 million were incurred during the three months ended June 30, 2023 September 30, 2023 and 2022, respectively. Realignment expense for the three months ended September 30, 2023 was primarily related to the centralization of the product line management, sales and engineering functions.

#### Three Months Ended June 30, 2023 September 30, 2023 Compared to Three Months Ended June 30, 2022 September 30, 2022

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

Condensed consolidated statements of operations as a percentage of net sales are presented in the following table (in thousands):															
Three months ended June 30,		2023		2022		Dollar increase (decrease)									
Three months ended September 30,								Three months ended September 30,		2023		2022		Dollar increase (decrease)	
Net sales	Net sales	\$ 266,814	100.0 %	\$ 220,936	100.0 %	\$ 45,878		Net sales	\$ 238,164	100.0 %	\$ 226,757	100.0 %	\$ 11,407		
Costs and expenses:	Costs and expenses:							Costs and expenses:							
Cost of goods sold	Cost of goods sold	206,326	77.3	182,372	82.5	23,954		Cost of goods sold	185,689	78.0	177,317	78.2	8,372		
Selling, general and administrative	Selling, general and administrative	33,491	12.6	28,938	13.1	4,553		Selling, general and administrative	28,111	11.8	27,444	12.1	667		

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

Our Control Devices segment net sales increased \$7.6 million due to an increase in our North American automotive market of \$3.6 million and an increase in China automotive and other commercial vehicle markets of \$0.8 million and \$0.8 million, respectively, as well as negotiated price increases of \$3.1 million. This increase was offset by a decrease in our North American automotive and commercial vehicle markets of \$1.3 million and \$0.6 million, respectively. In addition, second third quarter of 2023 net sales were adversely impacted by an increase in unfavorable foreign currency translation of \$0.7 million.

Our Electronics segment net sales increased ~~\$36.8~~ ~~\$10.6~~ million due to higher sales volumes, including sales related to the launch of a next generation tachograph for our European markets, in our ~~European~~ ~~North American~~ and ~~North American~~ ~~European~~ commercial vehicle markets of ~~\$28.7 million~~ ~~\$13.2 million~~ and ~~\$17.9 million~~ ~~\$10.4 million~~, respectively, as well as negotiated price increases of ~~\$6.2 million~~ ~~\$1.9 million~~. These increases were offset by the impact of lower required electronic component spot buy purchases and resulting decreased customer reimbursement of ~~\$11.6 million in the third quarter of~~ ~~\$10.0 million~~ 2023 compared to the ~~second~~ third quarter of 2022. In addition, we experienced lower sales volumes in our European and North American off-highway vehicle markets of ~~\$2.1 million~~ ~~\$5.1 million~~ and ~~\$1.1 million~~ ~~\$1.2 million~~, respectively, and unfavorable respectively. Third quarter of 2023 net sales were favorably impacted by euro and Swedish krona foreign currency translation of ~~\$2.1 million~~ ~~\$2.5 million~~ compared to the prior year quarter.

Our Stoneridge Brazil segment net sales increased \$0.4 million due to favorable foreign currency translation and higher sales in our OEM products and tracking devices aftermarket products offset by lower sales demand for our other product lines.

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



Three months ended June 30,						Dollar increase	Percent increase								
2023						2022									
Three months ended September 30,								Three months ended September 30,		2023		2022		Dollar increase	Percent increase
North America	North America	\$ 135,590	50.8 %	\$ 109,642	49.6 %	\$ 25,948	23.7 %	North America	\$ 126,499	53.1 %	\$ 117,010	51.6 %	\$ 9,489	8.1 %	
South America	South America	14,908	5.6	13,349	6.0	1,559	11.7 %	South America	14,168	6.0	13,790	6.1	378	2.7 %	
Europe and Other	Europe and Other	116,316	43.6	97,945	44.4	18,371	18.8 %	Europe and Other	97,497	40.9	95,957	42.3	1,540	1.6 %	
Total net sales	Total net sales	\$ 266,814	100.0 %	\$ 220,936	100.0 %	\$ 45,878	20.8 %	Total net sales	\$ 238,164	100.0 %	\$ 226,757	100.0 %	\$ 11,407	5.0 %	

The increase in North American net sales was mostly attributable to an increase in sales volume in our commercial vehicle market of \$17.8 million \$12.5 million and in our automotive market of \$3.9 million as well as negotiated price increases and higher of \$1.8 million. These increases were offset by lower required customer recoveries of electronic component spot buys of \$5.7 million \$2.6 million and \$0.4 million, respectively. These increases were offset by a sales volume decrease in agricultural our automotive market of \$1.1 million \$1.5 million.

The increase in net sales in South America was primarily due to favorable foreign currency translation and higher sales in our OEM products and tracking devices aftermarket products offset by lower sales demand for our other Stoneridge Brazil product lines.

The increase in net sales in Europe and Other was due to an increase in our European commercial vehicle market of \$28.7 million \$10.4 million and negotiated price increases of \$3.6 million \$0.8 million. These increases were offset by decreased customer recoveries of electronic component spot buys of \$10.4 million. In addition, we experienced \$9.0 million and decreases in our European off-highway market of \$2.1 million as well as unfavorable \$5.1 million. Third quarter of 2023 net sales were favorably impacted by a favorable foreign currency translation of \$2.9 million \$1.8 million.

*Cost of Goods Sold and Gross Margin.* Cost of goods sold increased compared to the second third quarter of 2022 and our gross margin increased from 17.5% 21.8% in the second third quarter of 2022 to 22.7% 22.0% in the second third quarter of 2023. Our material cost as a percentage of net sales decreased to 58.3% 58.1% in the second third quarter of 2023 from 59.863.5% % in the second third quarter of 2022 from lower 2022. The decrease in material cost variances resulting from adverse foreign exchange fluctuations and inflation in 2022. Cost of goods sold also increased by \$4.4 million, or 1.6% of net sales, and \$15.3 million, or 6.9% of sales, for the second quarter of 2023 and 2022, respectively, from percentage was mostly due to the impact of required electronic component spot buy purchases which that were offset by customer recoveries. The impact of these spot buy purchases increased cost of goods sold by \$0.9 million, or 0.4% of net sales, and \$12.8 million, or 5.6% of net sales, for the third quarter of 2023 and 2022, respectively, which reduced gross margin percent by 0.4% 0.1% in the second third quarter of 2023 compared to 1.4% 1.3% in 2022. Overhead as a percentage of net sales was 14.1% 14.9% and 14.5% 13.8% for the second third quarter of 2023 and 2022, respectively. The decline increase in overhead as a percentage of sales was attributable to the leverage of fixed costs from higher sales levels. indirect wage inflation and warranty costs.

Our Control Devices segment gross margin increased decreased primarily due to increased contribution from higher sales including negotiated pricing.

direct material costs.

Our Electronics segment gross margin increased due to the contribution from higher sales levels including negotiated price increases, the reduction of the adverse effect of required electronic component spot buy purchases, net of customer recoveries and lower material cost variances resulting from adverse foreign exchange fluctuations and inflation offset by higher labor and overhead costs.

Our Stoneridge Brazil segment gross margin increased primarily due to increased contribution from higher sales sales and lower direct material costs from favorable foreign exchange rate fluctuations.

*Selling, General and Administrative.* SG&A expenses increased by \$4.6 million \$0.7 million primarily due to increased business realignment costs of \$1.4 \$0.5 million, and higher professional service and legal fees offset by lower incentive compensation due to achievement of financial targets and unfavorable net adjustments for Brazilian indirect tax credits. compensation.

*Design and Development.* D&D costs increased by \$7.1 \$1.7 million due to incremental engineering spending in all segments primarily related to product launches and software, higher business realignment expense and lower customer reimbursements and higher costs related to product launch preparation offset by increases in increased capitalized software development costs for our Electronics segment. Control Devices D&D spend also increased by \$0.4 million and was attributable to product launch activities. costs.

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

Three months ended June 30,		2023	2022	Dollar increase (decrease)	Percent increase (decrease)					
Three months ended September 30,						Three months ended September 30,	2023	2022	Dollar increase (decrease)	Percent increase (decrease)
Control Devices	Control Devices	\$ 5,074	\$ 4,118	\$ 956	23.2 %	Control Devices	\$ 5,488	\$ 7,522	\$ (2,034)	(27.0) %
Electronics	Electronics	7,444	(2,524)	9,968	394.9	Electronics	7,647	5,416	2,231	41.2
Stoneridge Brazil	Stoneridge Brazil	899	970	(71)	(7.3)	Stoneridge Brazil	1,241	908	333	36.7
Unallocated corporate	Unallocated corporate	(9,086)	(8,492)	(594)	(7.0)	Unallocated corporate	(7,864)	(7,983)	119	1.5
Operating income (loss)		\$ 4,331	\$ (5,928)	\$ 10,259	173.1 %					
Operating income						Operating income	\$ 6,512	\$ 5,863	\$ 649	11.1 %

Our Control Devices segment operating income increased due to higher contribution from direct material costs and higher sales, including negotiated pricing, slightly offset by higher SG&A and D&D spending.

Our Electronics segment operating income increased primarily due to higher contribution from higher sales, including previously negotiated pricing, and lower material costs offset by higher labor costs as well as adverse foreign exchange fluctuations. SG&A and D&D spending including business realignment expense of \$1.1 million.

Our Stoneridge Brazil segment operating income decreased due to higher contribution from higher sales and lower material costs from favorable foreign exchange rate fluctuations offset by higher SG&A costs from unfavorable net adjustments for Brazilian indirect tax credits which were mostly offset by higher contribution from higher sales.

Our unallocated corporate operating loss increased primarily slightly from higher advanced development spend mostly offset by lower SG&A incentive compensation expense and higher business realignment costs associated with employee separation related costs of \$0.2 million, compensation.

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

Three months ended June 30,		2023	2022	Dollar increase (decrease)	Percent increase (decrease)					
Three months ended September 30,						Three months ended September 30,	2023	2022	Dollar increase (decrease)	Percent increase (decrease)
North America	North America	\$ (489)	\$ (2,845)	\$ 2,356	82.8 %	North America	\$ (3,951)	\$ (43)	\$ (3,908)	(9,088.4) %
South America	South America	899	970	(71)	(7.3)	South America	1,241	908	333	36.7
Europe and Other	Europe and Other	3,921	(4,053)	7,974	196.7	Europe and Other	9,222	4,998	4,224	84.5
Operating income (loss)		\$ 4,331	\$ (5,928)	\$ 10,259	173.1 %					
Operating income						Operating income	\$ 6,512	\$ 5,863	\$ 649	11.1 %

Our North American operating loss decreased due to higher direct material costs and SG&A and D&D spending. Operating income in South America increased due to contribution from higher sales levels. Operating income in South America decreased due to higher SG&A costs offsetting contribution from higher sales levels, levels and lower direct material costs. Our operating results in Europe and Other increased primarily due to contribution from higher sales levels offset by higher SG&A and D&D. &D spending including business realignment expense of \$1.1 million.

*Interest Expense, net.* Interest expense, net was \$3.1 million \$3.3 million and \$1.2 million \$1.8 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively. The increase for the quarter ended June 30, 2023 September 30, 2023, was the result of higher benchmark rates affecting the company's floating rate Credit Facility debt.

*Equity in Loss (Earnings) of Investee.* Equity loss for Autotech Fund II was \$0.3 million \$0.1 million and \$0.4 million \$0.0 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively.

*Other (Income) Expense, net.* We record certain foreign currency transaction losses (gains) as a component of other expense, net on the condensed consolidated statement of operations. Other expense, income, net of **\$2.4 million** **\$1.4 million** increased by **\$3.0** **\$3.7** million compared to the **Second** **third** quarter of 2022 due to foreign currency transaction **losses** **gains** in our Electronics and Control Devices and Stoneridge Brazil segments from the **strengthening** **weakening** of the U.S. dollar. In the second quarter of 2022 foreign currency transaction losses of \$3.1 million were offset by the recognition of the settlement of the net investment hedge of \$3.7 million as income (see Note 5, Financial Instruments and Fair Value Measurements).

*Provision for Income Taxes.* For the three months ended **June 30, 2023** **September 30, 2023**, income tax expense of **\$1.5 million** **\$2.3 million** was attributable to the mix of earnings among tax jurisdictions as well as tax losses for which no benefit is recognized due to valuation allowances in certain **jurisdictions**, **jurisdictions**, U.S. taxes on foreign earnings and non-deductible expenses offset by tax credits and incentives. The effective tax rate of **(98.8)%** **51.1%** varies from the statutory tax rate primarily due to U.S. taxes on foreign earnings, and non-deductible expenses offset by and the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and offset by tax credits and incentives.

For the three months ended **June 30, 2022** **September 30, 2022**, income tax expense of **\$0.4 million** **\$1.0 million** was attributable to the mix of earnings among tax jurisdictions as well as tax losses for which no benefit is recognized due to valuation allowances in certain **jurisdictions**, **jurisdictions offset by tax credits and incentives**. The effective tax rate of **(6.0)%** **57.5%** varies from the statutory tax rate primarily due to the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions, as well as tax credits and incentives offset by foreign rates that differ from the U.S. rate, U.S. taxes on foreign earnings and non-deductible expenses, expenses offset by tax credits and incentives.

**Six Nine Months Ended June 30, 2023 September 30, 2023 Compared to Six Nine Months Ended June 30, 2022 September 30, 2022**

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

Condensed consolidated statements of operations as a percentage of net sales are presented in the following table (in thousands):												
						Dollar increase / (decrease)						
Six months ended June 30,						2023		2022				
Nine months ended September 30,								Nine months ended September 30,		Dollar increase / (decrease)		
								2023		2022		
Net sales	Net sales	\$ 508,139	100.0 %	\$ 441,994	100.0 %	\$ 66,145	Net sales	\$ 746,303	100.0 %	\$ 668,751	100.0 %	\$ 77,552
Costs and expenses:	Costs and expenses:						Costs and expenses:					
Cost of goods sold	Cost of goods sold	404,849	79.7	361,987	81.9	42,862	Cost of goods sold	590,538	79.1	539,304	80.6	51,234
Selling, general and administrative	Selling, general and administrative	63,354	12.5	56,337	12.7	7,017	Selling, general and administrative	91,465	12.3	83,781	12.5	7,684
Design and development	Design and development	39,634	7.8	32,582	7.4	7,052	Design and development	57,486	7.7	48,715	7.3	8,771
Operating income (loss)	Operating income (loss)	302	—	(8,912)	(2.0)	9,214	Operating income (loss)	6,814	0.9	(3,049)	(0.4)	9,863
Interest expense, net	Interest expense, net	5,866	1.2	3,003	0.7	2,863	Interest expense, net	9,179	1.2	4,848	0.7	4,331
Equity in loss (earnings) of investee		500	0.1	458	0.1	42						
Equity in loss of investee							Equity in loss of investee	641	0.1	424	0.1	217
Other expense, net	Other expense, net	3,535	0.8	735	0.3	2,800	Other expense, net	2,152	0.4	3,067	0.6	(915)
(Loss) income before income taxes		(9,599)	(2.1)	(13,108)	(3.1)	3,509						
Loss before income taxes							Loss before income taxes	(5,158)	(0.8)	(11,388)	(1.8)	6,230
Provision for income taxes	Provision for income taxes	779	0.2	1,906	0.4	(1,127)	Provision for income taxes	3,049	0.4	2,895	0.4	154
Net loss	Net loss	\$ (10,378)	(2.3) %	\$ (15,014)	(3.5) %	\$ 4,636	Net loss	\$ (8,207)	(1.2) %	\$ (14,283)	(2.2) %	\$ 6,076



**Cost of Goods Sold and Gross Margin.** Cost of goods sold increased compared to the first half of 2022 nine months ended September 30, 2022 and our gross margin increased from 18.1% 19.4% in the first half nine months of 2022 to 20.3% 20.9% in the first half nine months of 2023. Our material cost as a percentage of net sales decreased from 62.9% 61.8% in the first half nine months of 2022 to 60.3% 59.6% in the first half nine months of 2023 from higher 2023. The decrease in material costs resulting from adverse foreign exchange fluctuations and material inflation in 2022, negotiated price increases and a reduction in required electronic component spot buy purchases, net of customer recoveries in 2023. Cost of goods sold increased by \$13.5 million, or 2.7% of net sales, and \$39.7 million, or 9.0% of sales, for the first half of 2023 and 2022, respectively, from cost percentage was mostly due to the impact of required electronic component spot buy purchases which that were offset by customer recoveries. The impact of these spot buy purchases increased cost of goods sold by \$14.4 million, or 1.9% of net sales, and \$52.4 million, or 7.8% of sales, for the first nine months of 2023 and 2022, respectively, which reduced gross margin percent by 0.6% 0.4% and 1.7% 1.6% in the first half of 2023 and 2022, respectively. Overhead as a percentage of net sales was 14.4% 14.6% and 14.5% 14.2% for the first half nine months of 2023 and 2022, respectively, as higher contribution margin from higher sales levels was offset by higher labor and overhead costs including wages and warranty expense.

Our Control Devices segment gross margin decreased primarily due to higher material costs associated with inflation and an unfavorable sales mix.

Our Electronics segment gross margin increased due to the contribution from higher sales levels, including negotiated pricing, price increases, and the reduction of the adverse effect of required electronic component spot buy purchases, net of customer recoveries offset by higher material labor and labor costs, overhead costs including wages and warranty expense.

Our Stoneridge Brazil segment gross margin increased primarily due to increased contribution from higher sales, sales and favorable foreign currency fluctuations.

**Selling, General and Administrative.** SG&A expenses increased by \$7.0 \$7.7 million primarily due to higher business realignment costs of \$2.5 \$3.0 million, higher incentive compensation due to achievement of financial targets, consulting and professional service fees and travel related costs and unfavorable net adjustments for Brazilian indirect tax credits, costs. In addition, our Control Devices segment recognized 2022 favorable legal settlements offset by a 2023 gain on the sale of fixed assets of an idled sensor production line.

**Design and Development.** D&D costs increased by \$7.1 \$8.8 million due to lower customer reimbursements and higher costs related to product launch preparations offset by increases in capitalized software development costs for our Electronics segment. All other segments also incurred slightly higher spending attributable to product launch activities.

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

				Dollar increase / (decrease)	Percent increase / (decrease)					Dollar increase / (decrease)	Percent increase / (decrease)
Six months ended June 30,		2023	2022			Nine months ended September 30,		2023	2022		
Control Devices	Control Devices	\$ 7,161	\$ 10,894	\$ (3,733)	(34.3) %	Control Devices	\$ 12,649	\$ 18,416	\$ (5,767)	(31.3) %	
Electronics	Electronics	8,844	(5,236)	14,080	268.9 %	Electronics	16,491	180	16,311	9,061.7 %	
Stoneridge Brazil	Stoneridge Brazil	2,242	1,462	780	53.4 %	Stoneridge Brazil	3,483	2,370	1,113	47.0 %	
Unallocated corporate	Unallocated corporate	(17,945)	(16,032)	(1,913)	(11.9) %	Unallocated corporate	(25,809)	(24,015)	(1,794)	(7.5) %	
Operating income (loss)	Operating income (loss)	\$ 302	\$ (8,912)	\$ 9,214	(103.4) %	Operating income (loss)	\$ 6,814	\$ (3,049)	\$ 9,863	323.5 %	

Our Control Devices segment operating income decreased due to lower gross margin primarily resulting from higher material costs, from inflation and troubled supplier support costs, unfavorable sales mix and a 2022 favorable legal settlement offset by a 2023 gain on disposal of fixed assets.

Our Electronics segment operating income increased primarily due to higher contribution from higher sales and negotiated pricing offset by higher material labor and labor overhead costs as well as higher SG&A and D&D expense, spending including business realignment costs.

Our Stoneridge Brazil segment operating income increased due to contribution from higher sales levels offset by higher SG&A costs from unfavorable net adjustments for Brazilian indirect tax credits, and D&D spending.

Our unallocated corporate operating loss increased primarily from higher business realignment costs associated with employee separation related costs of \$1.1 \$0.9 million and higher incentive compensation due to achievement of financial targets.

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

				Dollar increase (decrease)	Percent increase (decrease)
Six months ended June 30,		2023	2022		

Nine months ended September 30,						Nine months ended September 30,		2023		2022	Dollar increase (decrease)	Percent increase (decrease)
North America	North America	\$ (7,359)	\$ (3,597)	\$ (3,762)	104.6 %	North America	\$ (11,310)	\$ (3,640)	\$ (7,670)	(210.7) %		
South America	South America	2,242	1,462	780	53.4 %	South America	3,483	2,370	1,113	47.0 %		
Europe and Other	Europe and Other	5,419	(6,777)	12,196	(180.0) %	Europe and Other	14,641	(1,779)	16,420	923.0 %		
Operating income (loss)	Operating income (loss)	\$ 302	\$ (8,912)	\$ 9,214	(103.4) %	Operating income (loss)	\$ 6,814	\$ (3,049)	\$ 9,863	323.5 %		

Our North American operating loss increased due to higher material and labor costs, higher business realignment, costs higher incentive compensation and a 2022 favorable legal settlement offset by a 2023 gain on disposal of fixed assets. Operating income in South America increased due to higher sales levels offset by higher SG&A costs from unfavorable net adjustments for Brazilian indirect tax credits, and D&D spending. Our operating results in Europe and Other increased primarily due to contribution from higher sales levels offset by higher D&D expense.

*Interest Expense, net.* Interest expense, net was \$5.9 \$9.2 million and \$3.0 \$4.8 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The increase was the result of higher benchmark rates affecting the company's floating rate Credit Facility debt.

*Equity in Loss of Investee.* Equity loss for Autotech Fund II was \$0.5 \$0.6 million and \$0.4 million for both the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

*Other Expense, net.* We record certain foreign currency transaction losses (gains) as a component of other expense, net on the condensed consolidated statement of operations. Other expense, net of \$3.5 \$2.2 million increased decreased by \$2.8 \$0.9 million compared to the first half nine months of 2022 due to the impact of favorable foreign currency transaction losses movements in our Electronics and Control Devices and Stoneridge Brazil segments from the moderated strengthening of the U.S. dollar. In the second quarter of 2022 foreign currency transaction losses of \$3.1 million were dollar offset by the recognition of the settlement of the net investment hedge of \$3.7 million as income (see Note 5, Financial Instruments and Fair Value Measurements).

*Provision for Income Taxes.* For the six nine months ended June 30, 2023 September 30, 2023, income tax expense of \$0.8 \$3.0 million was attributable to the mix of earnings among tax jurisdictions and U.S. taxes on foreign earnings offset by tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives. The effective tax rate of (59.1%) varies from the statutory tax rate primarily due to U.S. taxes on foreign earnings offset by the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives.

For the nine months ended September 30, 2022, income tax expense of \$2.9 million was attributable to the mix of earnings among tax jurisdictions as well as tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions. The effective tax rate of (8.1%) varies from the statutory tax rate primarily due to U.S. taxes on foreign earnings and non-deductible expenses offset by the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions and tax credits and incentives.

For the six months ended June 30, 2022, income tax expense of \$1.9 million was attributable to the mix of earnings among tax jurisdictions as well as tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions. The effective tax rate of (14.5) (25.4)% varies from the statutory tax rate primarily due to the impact of tax losses for which no benefit is recognized due to valuation allowances in certain jurisdictions as well as tax credits and incentives offset by U.S. taxes on foreign earnings, jurisdictions.

## Liquidity and Capital Resources

### Summary of Cash Flows:

Six months ended June 30,						2023		2022	
Nine months ended September 30,						2023		2022	
Net cash provided by (used for):	Net cash provided by (used for):								
Operating activities	Operating activities	\$ (4,688)	\$ (17,818)			\$ (5,668)	\$ (24,138)		
Investing activities	Investing activities	(16,296)	(11,380)			(26,943)	(19,662)		
Financing activities	Financing activities	923	(13,480)			15,534	(5,495)		

Effect of exchange rate changes on cash and cash equivalents	Effect of exchange rate changes on cash and cash equivalents	(32)	(2,177)	Effect of exchange rate changes on cash and cash equivalents	(963)	(3,915)
Net change in cash and cash equivalents	Net change in cash and cash equivalents	\$ (20,093)	\$ (44,855)	Net change in cash and cash equivalents	\$ (18,040)	\$ (53,210)

Cash used for operating activities decreased compared to 2022 primarily due to a reduction in cash used for **assets customer funded tooling and engineering projects, activity** related to customer recoveries of electronic component spot buys and **customer funded tooling and higher lower** net loss. Cash used for accounts receivables **increased from higher sales levels decreased** however our **receivable terms and** collections rates **have remained consistent between periods presented, were adversely impacted by delays in collections of non-recurring retroactive pricing invoices.** Our inventory levels for both periods presented remain elevated compared to historical balances due to a combination of new product launches and the **continued impact of historical** supply chain disruptions.

Net cash used for investing activities increased compared to 2022 due to higher capital expenditures and capitalized software development costs and cash proceeds from the 2022 settlement of the net investment hedge offset by increased proceeds from the disposal of fixed assets.

Net cash provided by (used for) financing activities increased compared to the first **half nine months** of 2022 due to higher Credit Facility borrowings, net and the 2022 cash payment of the Stoneridge Brazil earn-out consideration.

As outlined in Note 7 to our condensed consolidated financial statements, the Credit Facility permits borrowing up to a maximum level of \$300.0 million. This variable rate facility provides the flexibility to refinance other outstanding debt or finance acquisitions through June 2024. The Credit Facility contains certain financial covenants that require the Company to maintain less than a maximum leverage ratio and more than a minimum interest coverage ratio. The Credit Facility also contains affirmative and negative covenants and events of default that are customary for credit arrangements of this type including covenants that place restrictions and/or limitations on the Company's ability to borrow money, make capital expenditures and pay dividends. The Credit Facility had an outstanding balance of **\$171.6 million \$183.9 million at June 30, 2023 September 30, 2023.**

Our Revolving Credit Facility matures on June 5, 2024. The Company is **actively involved in the advanced stage of refinancing discussions and expects to refinance** its Revolving Credit Facility. **While there can be no assurance that the Company will refinance the current Revolving Credit Facility the Company anticipates that the refinancing will occur in the near future and, in any event,** prior to the issuance of the financial statements for the year ending December 31, 2023. To the extent the Company is not able to refinance its Revolving Credit Facility prior to the issuance of the financial statements for the year ended December 31, 2023, our independent auditors may issue an audit opinion including an explanatory paragraph that indicates there is substantial doubt about our ability to continue as a going concern which would breach a covenant under our Revolving Credit Facility which, unless cured, would constitute an event of default thereunder. In such a case, the Company would not expect that it would have sufficient liquidity to repay all of its outstanding indebtedness at such time. **While refinancing discussions are ongoing, the Company has not reached an agreement with respect to such a transaction for refinancing its capital structure and there can be no assurances that such an agreement will be reached in the future.**

Due to the ongoing impacts of the COVID-19 pandemic and supply chain disruptions on the Company's end-markets and the resulting financial impacts on the Company, on February 28, 2022, the Company entered into Amendment No. 3 to the Fourth Amended and Restated Credit Agreement ("Amendment No. 3"). Amendment No. 3 reduced the total revolving credit commitments from \$400.0 million to \$300.0 million and the maximum permitted amount of swing loans from \$40.0 million to \$30.0 million. Amendment No. 3 provided for certain financial covenant relief and additional covenant restrictions during the "Specified Period" (the period from February 28, 2022 until the date that the Company delivered a compliance certificate for the quarter ending March 31, 2023 in form and substance satisfactory to the administrative agent). During the Specified Period:

- the maximum net leverage ratio was changed to 4.00 to 1.00 for the year ended December 31, 2021, suspended for the quarters ending March 31, 2022 through September 30, 2022 and could not exceed 4.75 to 1.00 for the quarter ended December 31, 2022 or 3.50 to 1.00 for the quarter ended March 31, 2023;
- the minimum interest coverage ratio of 3.50 was reduced to 2.50 for the quarter ended March 31, 2022, 2.25 for the quarter ended June 30, 2022 and 3.00 for the quarters ended September 30, 2022 and December 31, 2022;
- an additional condition to drawing on the Credit Facility was added that restricted borrowings if the Company's total of 100% of domestic and 65% of foreign cash and cash equivalents exceeded \$70.0 million;
- there were certain additional restrictions on Restricted Payments (as defined); and
- a Permitted Acquisition (as defined) could not be consummated unless the net leverage ratio is below 3.50 to 1.00 during the Specified Period.

Amendment No. 3 changed the leverage based LIBOR pricing grid through the maturity date and also retained a LIBOR floor of 50 basis points on outstanding borrowings excluding any Specified Hedge Borrowings (as defined) which remained subject to a LIBOR floor of 0 basis points.

Amendment No. 3 also incorporated hardwired mechanics to permit a future replacement of LIBOR as the interest reference rate without lender consent.

Due to continued supply chain disruptions and macroeconomic challenges on the Company's end-markets and the resulting financial impacts on the Company, on March 1, 2023, the Company entered into Amendment No. 4 to the Fourth Amended and Restated Credit Agreement ("Amendment No. 4"). Amendment No. 4 provides for certain financial covenant relief and additional covenant restrictions during the "Amendment No. 4 Specified Period" (the period from March 1, 2023 until the date that the Company delivers a compliance certificate for the quarter ending September 30, 2023 in form and substance satisfactory to the administrative agent). During the Amendment No. 4 Specified Period:

- the maximum net leverage ratio was changed to 4.75 to 1.00 for the quarter ended March 31, 2023 and 4.25 to 1.00 for the quarter ended June 30, 2023;
- the minimum interest coverage ratio of 3.50 was reduced to 3.00 for the quarters ended March 31, 2023 and June 30, 2023;
- drawing on the Credit Facility continues to be restricted if the Company's total of 100% of domestic and 65% of foreign cash and cash equivalents exceeds \$70.0 million;



- there continue to be certain additional restrictions on Restricted Payments (as defined); and
- consistent with Amendment No. 3, a Permitted Acquisition (as defined) may not be consummated unless the net leverage ratio is below 3.50 to 1.00 during the Amendment No. 4 Specified Period.

As a result of the amendments, the Company was in compliance with all covenants at [June 30, 2023](#), [September 30, 2023](#) and December 31, 2022. The Company has not experienced a violation that would limit the Company's ability to borrow under the Credit Facility, as amended and does not expect that the covenants under it will restrict the Company's financing flexibility. However, it is possible that future borrowing flexibility under the Credit Facility may be limited as a result of lower than expected financial performance due to the adverse impact of macroeconomic conditions and supply chain disruptions on the Company's markets and general global demand. The Company expects to make additional repayments on the Credit Facility when cash exceeds the amount needed for operations and to remain in compliance with all covenants.

The Company's wholly owned subsidiary located in Stockholm, Sweden, has an overdraft credit line that allows overdrafts on the subsidiary's bank account up to a daily maximum level of 20.0 million Swedish krona, or [\\$1.8 million](#) and [\\$1.9 million](#) at [both June 30, 2023](#), [September 30, 2023](#) and December 31, 2022, respectively. At [June 30, 2023](#), [September 30, 2023](#) and December 31, 2022 there were no borrowings outstanding on this overdraft credit line. During the [six](#) nine months ended [June 30, 2023](#), [September 30, 2023](#), the subsidiary borrowed and repaid [171.9 million](#) [270.6 million](#) Swedish krona, or [\\$15.9 million](#) [\\$24.8 million](#).

The Company's wholly owned subsidiary located in Suzhou, China, has lines of credit that allow up to a maximum borrowing level of 20.0 million Chinese yuan, or [\\$2.8 million](#) [\\$2.7 million](#) at [June 30, 2023](#), [September 30, 2023](#) and [\\$2.9 million](#) at December 31, 2022. [There were no borrowings outstanding at June 30, 2023](#). At [September 30, 2023](#) and at December 31, 2022 there was [\\$2.1 million](#) and [\\$1.5 million](#), respectively, in borrowings outstanding on the Suzhou credit line with a weighted-average interest rate of [3.25%](#) and [3.70%](#), respectively. The Suzhou credit line is included on the condensed consolidated balance sheet within current portion of debt. In addition, the Suzhou subsidiary has a bank acceptance draft line of credit which facilitates the extension of trade payable payment terms by 180 days. The bank acceptance draft line of credit allows up to a maximum borrowing level of 60.0 million Chinese yuan, or [\\$8.3 million](#) [\\$8.2 million](#) and [\\$8.7 million](#) at [June 30, 2023](#), [September 30, 2023](#) and December 31, 2022, respectively. There was [\\$3.9 million](#) [\\$3.7 million](#) and [\\$2.0 million](#) utilized on the Suzhou bank acceptance draft line of credit at [June 30, 2023](#), [September 30, 2023](#) and December 31, 2022, respectively. The Suzhou bank acceptance draft line of credit is included on the condensed consolidated balance sheet within accounts payable.

In December 2018, the Company entered into an agreement to make a \$10.0 million investment in Autotech Fund II managed by Autotech, a venture capital firm focused on ground transportation technology. The Company's \$10.0 million investment in the Autotech Fund II will be contributed over the expected ten-year life of the fund. As of [June 30, 2023](#), [September 30, 2023](#), the Company's cumulative investment in the Autotech Fund II was [\\$8.1 million](#) [\\$8.3 million](#). The Company [did not contribute](#) contributed [\\$0.2 million](#) and [\\$0.7 million](#) to or receive distributions from Autotech Fund II during the [six](#) nine months ended [June 30, 2023](#) or [2022](#), [September 30, 2023](#) and [2022](#), respectively.

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

At [June 30, 2023](#), [September 30, 2023](#), we had a cash and cash equivalents balance of approximately [\\$34.7 million](#) [\\$36.8 million](#), of which [90.9%](#) [94.5%](#) was held in foreign locations. The Company has approximately [\\$128.4 million](#) [\\$116.1 million](#) of undrawn commitments under the Credit Facility as of [June 30, 2023](#), [September 30, 2023](#), which results in total undrawn commitments and cash balances of more than [\\$163.1 million](#) [\\$152.8 million](#). However, it is possible that future borrowing flexibility under our Credit Facility may be limited as a result of our financial performance.

#### **Commitments and Contingencies**

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

#### **Seasonality**

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

#### **Critical Accounting Policies and Estimates**

The Company's critical accounting policies, which include management's best estimates and judgments, are included in Part II, Item 7, to the consolidated financial statements of the Company's 2022 [Form 10-K](#). These accounting policies are considered critical as disclosed in the Critical Accounting Policies and Estimates section of Management's Discussion and Analysis of the Company's 2022 [Form 10-K](#) because of the potential for a significant impact on the financial statements due to the inherent uncertainty in such estimates. There have been no material changes in our significant accounting policies or critical accounting estimates during the [second third](#) quarter of 2023.

Information regarding other significant accounting policies is included in Note 2 to our consolidated financial statements in Item 8 of Part II of the Company's 2022 [Form 10-K](#).

#### **Inflation and International Presence**

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

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



There have been no material changes to the quantitative and qualitative information about the Company's market risk from those previously presented within Part II, Item 7A of the Company's 2022 [Form 10-K](#).

#### Item 4. Controls and Procedures

##### Evaluation of Disclosure Controls and Procedures

As of [June 30, 2023](#) [September 30, 2023](#), an evaluation was performed under the supervision and with the participation of the Company's management, including the principal executive officer ("PEO") and principal financial officer ("PFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Company's management, including the PEO and PFO, concluded that the Company's disclosure controls and procedures were effective as of [June 30, 2023](#) [September 30, 2023](#).

##### Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the three months ended [June 30, 2023](#) [September 30, 2023](#) that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

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

### Item 1A. Risk Factors

There have been no material changes with respect to risk factors previously disclosed in the Company's 2022 [Form 10-K](#).

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

The following table presents information with respect to repurchases of Common Shares made by us during the three months ended [June 30, 2023](#) [September 30, 2023](#). There were [5,622](#) [18,751](#) Common Shares delivered to us by employees as payment for withholding taxes due upon vesting of performance share awards and share unit awards.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
4/1/23-4/30/23	1,180 \$	18.70	N/A	N/A
5/1/23-5/31/23	— \$	—	N/A	N/A
6/1/23-6/30/23	4,442 \$	17.77	N/A	N/A
Total	5,622			

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
7/1/23-7/31/23	17,378 \$	19.94	N/A	N/A
8/1/23-8/31/23	— \$	—	N/A	N/A
9/1/23-9/30/23	1,373 \$	18.67	N/A	N/A
Total	18,751			

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

None.

### Item 5. Other Information

During the three months ended **June 30, 2023** **September 30, 2023**, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

### Item 6. Exhibits

Exhibit Number	Exhibit
10.1	<a href="#">Employment Agreement, dated April 13, 2023, between the Company and James Zizelman (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed on April 18, 2023).</a>
10.2	<a href="#">Indemnification Agreement, dated April 13, 2023, between the Company and James Zizelman (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K/A filed on April 18, 2023).</a>
10.3	<a href="#">Form of 2023 Phantom Share Grant Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 22, 2023).</a>
31.1	<a href="#">Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</a>
31.2	<a href="#">Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.</a>
32.1	<a href="#">Chief Executive Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.</a>
32.2	<a href="#">Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.</a>
101	<b>XBRL Exhibits:</b>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
104	The cover page from our Quarterly Report on Form 10-Q for the period ended <b>June 30, 2023</b> <b>September 30, 2023</b> , filed with the Securities and Exchange Commission on <b>August 2, 2023</b> <b>November 1, 2023</b> , is formatted in Inline Extensible Business Reporting Language ("iXBRL")

### SIGNATURES

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

STONERIDGE, INC.

Date: August 2, 2023 November 1, 2023

/s/ James Zizelman

James Zizelman

President, Chief Executive Officer and Director  
(Principal Executive Officer)

Date: August 2, 2023 November 1, 2023

/s/ Matthew R. Horvath

Matthew R. Horvath

Chief Financial Officer and Treasurer  
(Principal Financial Officer)

41

EXHIBIT 31.1

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

I, James Zizelman certify that:

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

/s/ James Zizelman

James Zizelman, President and Chief Executive Officer

August 2, November 1, 2023

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

I, Matthew R. Horvath, certify that:

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

/s/ Matthew R. Horvath

Matthew R. Horvath  
Chief Financial Officer and Treasurer

August 2, November 1, 2023

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

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

- (1) the Quarterly Report on Form 10-Q of the Company for the three months ended June 30, 2023 September 30, 2023 ("the Report") which this certification accompanies fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James Zizelman

James Zizelman, President and Chief Executive Officer

August 2, November 1, 2023

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

**EXHIBIT 32.2**

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

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

(1) the Quarterly Report on Form 10-Q of the Company for the three months ended June 30, 2023 September 30, 2023 ("the Report") which this certification accompanies fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

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

/s/ Matthew R. Horvath

Matthew R. Horvath

Chief Financial Officer and Treasurer

August 2, November 1, 2023

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

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