

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
Form 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

OR

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

FOR THE TRANSITION PERIOD FROM TO  
COMMISSION FILE NUMBER 0-19687



**Ascent Industries Co.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

1400 16th Street Suite 270,

Oak Brook, Illinois

(Address of principal executive offices)

57-0426694

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

60523

(Zip Code)

(630) 884-9181

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of exchange on which registered</u>
Common Stock, par value \$1.00 per share	ACNT	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

Based on the closing price as of June 30, 2023, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was \$ 62.5 million.

The number of shares outstanding of the registrant's common stock as of March 28, 2024 was 10,124,781 .

Documents Incorporated By Reference

Portions of the Proxy Statement for the 2024 annual shareholders' meeting are incorporated by reference into Part III of this Form 10-K.

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**Ascent Industries Co.**  
**Form 10-K**  
**For Period Ended December 31, 2023**  
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## Disclosure Regarding Forward-Looking Statements

This Annual Report on Form 10-K includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and other applicable federal securities laws. All statements that are not historical facts are forward-looking statements. Forward looking statements can be identified through the use of words such as "estimate," "project," "intend," "expect," "believe," "should," "anticipate," "hope," "optimistic," "plan," "outlook," "should," "could," "may" and similar expressions. The forward-looking statements are subject to certain risks and uncertainties, including without limitation those identified below, which could cause actual results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward-looking statements. The following factors could cause actual results to differ materially from historical results or those anticipated: adverse economic conditions, including risks relating to the impact and spread of and the government's response to COVID-19; inability to weather an economic downturn; the impact of competitive products and pricing; product demand and acceptance risks; raw material and other increased costs; raw material availability; financial stability of the Company's customers; customer delays or difficulties in the production of products; loss of consumer or investor confidence; employee relations; ability to maintain workforce by hiring trained employees; labor efficiencies; risks associated with acquisitions; environmental issues; negative or unexpected results from tax law changes; inability to comply with covenants and ratios required by the Company's debt financing arrangements; and other risks detailed in [Item 1A](#), Risk Factors, in this Annual Report on Form 10-K and from time-to-time in Ascent Industries Co.'s Securities and Exchange Commission filings. Ascent Industries Co. assumes no obligation to update any forward-looking information included in this Annual Report on Form 10-K.



## PART I

### Item 1. Business

Ascent Industries Co. is a diverse industrials company focused on the production of stainless steel pipe and tube and specialty chemicals. Ascent Industries Co. was incorporated in 1958 as the successor to a chemical manufacturing business founded in 1945 known as Blackman Uhler Industries Inc. On August 5, 2022, we filed with the Secretary of State of the State of Delaware a Certificate of Amendment to our Certificate of Incorporation to change our corporate name from Synalloy Corporation to Ascent Industries Co., effective August 10, 2022. The Company's executive office is located at 1400 16th Street, Suite 270, Oak Brook, Illinois 60523. Unless indicated otherwise, the terms "Ascent", "Company," "we" "us," and "our" refer to Ascent Industries Co. and its consolidated subsidiaries.

The Company's business is divided into two reportable operating segments, Tubular Products and Specialty Chemicals. The Tubular Products segment serves markets through pipe and tube production and customers in the appliance, architectural, automotive and commercial transportation, brewery, chemical, petrochemical, pulp and paper, mining, power generation (including nuclear), water and waste-water treatment, liquid natural gas ("LNG"), food processing, pharmaceutical, oil and gas and other industries.

The Specialty Chemicals segment produces specialty products for the pulp and paper, coatings, adhesives, sealants and elastomers (CASE), textile, automotive, household, industrial and institutional ("HII"), agricultural, water and waste-water treatment, construction, oil and gas and other industries.

#### General

**Tubular Products** – Tubular Products is comprised of BRISMET, located in Bristol, Tennessee and ASTI, located in Troutman and Statesville, North Carolina.

BRISMET manufactures welded pipe and tube, primarily from stainless steel, duplex, and nickel alloys. Pipe is produced in sizes from 3/8 inch outside diameter to 144 inches outside diameter and wall thickness from 1/4 inch up to 1 and 3/8 inches. Pipe smaller than 18 inches in outside diameter is made on equipment that forms and welds the pipe in a continuous process. Pipe larger than 18 inches in outside diameter is formed on presses or rolls and welded using a batch welding technique. Pipe is normally produced in standard 20-foot lengths, although BRISMET also has capabilities in the production of pipe without circumferential welds in lengths up to 60 feet. BRISMET is one of the few domestic producers capable of making pipe in 48-foot lengths up to 36 inches in diameter.

ASTI is a leading manufacturer of high-end ornamental stainless steel tube, supplying the automotive, commercial transportation, marine, food services, construction, furniture, healthcare, and other industries. ASTI's facilities are located in Troutman and Statesville, North Carolina. ASTI incorporates proprietary finishing capabilities and the highest levels of customer service and technical support to provide the customer with the highest quality ornamental products available in the market. ASTI's product range includes a variety of shapes, including rounds, squares, rectangles and ellipsicals up to 5 inches outside diameter.

The majority of raw materials used by the segment are available from numerous independent suppliers and approximately 54% of total raw material purchases are from its top 5 suppliers. The Company does not anticipate that the loss of a supplier would have a materially adverse effect on the Company as raw materials are readily available from a number of different sources, and the Company anticipates no difficulties in fulfilling its requirements.

**Specialty Chemicals** – Specialty Chemicals consists of the Company's three production facilities located in Cleveland, Tennessee, Fountain Inn, South Carolina and Danville, Virginia.

The segment produces specialty formulations and intermediates for use in a wide variety of applications and industries with primary product lines focusing on the production of defoamers, surfactants, and lubricating agents. End users include companies that supply agrochemical paper, metal working, coatings, water treatment, paint, mining, oil and gas, and janitorial and other applications. The segments sulfation products represent a renewable resource and are alternatives to non-renewable petroleum derivatives.

The segment also provides dedicated contract manufacturing services, as well as operating a multi-purpose plant with the ability to process a variety of difficult to handle materials including flammable solvents, viscous liquids and granular solids. The segment has long-term relationships with a number of leading chemical companies that outsource their manufacturing production to our production facilities allowing those customers to reach their target markets quicker.

The majority of raw materials used by the segment are available from numerous independent suppliers and approximately 32% of total raw material purchases are from its top 5 suppliers. While some raw material needs are met by an individual supplier or only a few suppliers, the Company anticipates no difficulties in fulfilling its raw material requirements.

See [Note 13](#) to the consolidated financial statements, which are included in [Item 8](#) of this Form 10-K, for financial information about the Company's segments.

## Sales

**Tubular Products** – The Tubular Products segment utilizes a sales force comprised of inside sales employees, outside sales employees and independent manufacturers' representatives. The segment's products are sold to various distributors, OEM and end use customers. The Tubular Products segment has one customer that accounted for approximately 17% of the segment's revenues for 2023. There were no customers representing more than 10% of the Tubular Products segment's revenues for 2022.

**Specialty Chemicals** – Specialty chemicals are sold directly to various industries nationwide by sales representatives comprised of outside sales employees and independent manufacturers' representatives. The Specialty Chemicals segment has one customer that accounted for approximately 24% of the segment's revenues for 2023 and 21% of the segment's revenues for 2022.

## Mergers, Acquisitions and Dispositions

The Company is committed to a long-term strategy of reinvesting capital in our current business segments to foster organic growth and completing acquisitions that expand our manufacturing capabilities, product offerings and geographic footprint. The Company may, from time-to-time, divest or close businesses in an effort to better align capital investment within its core operations, increase operational efficiencies and improve profitability.

During the second quarter of 2023, the Company's Board of Directors made the decision to cease operations at BRISMET's Munhall facility. The Company ceased operations at this facility effective August 31, 2023. It is anticipated that the complete exit and disposal of all assets at the Munhall facility will be completed within one year from the date the decision was made to cease operations. The Munhall facility has been classified as a discontinued operation for all periods presented and was formerly a component within the Tubular Products segment.

On December 22, 2023, the Company and its wholly-owned subsidiary Specialty Pipe & Tube, Inc. ("SPT") entered into an Asset Purchase Agreement pursuant to which Ascent and SPT sold substantially all of the assets primarily related to SPT to Specialty Pipe & Tube Operations, LLC, a Delaware limited liability company. The consideration for the transaction was approximately \$55 million of cash proceeds subject to certain closing adjustments. The transaction closed on December 22, 2023. Ascent and Purchaser also entered into a Transition Services Agreement (the "TSA") and an Employee Leasing Agreement (the "ELA") each dated December 22, 2023, pursuant to which Ascent has agreed to provide certain transition services and to lease certain employees to Purchaser immediately after the closing for certain agreed upon transition periods. SPT has been classified as a discontinued operation for all periods presented and was formerly a reporting unit within the Tubular Products segment.

## Environmental

Environmental expenditures that relate to an existing condition caused by past operations and do not contribute to future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or cleanups are probable and the costs of these assessments and/or cleanups can be reasonably estimated. Changes to laws and environmental issues, including climate change, are made or proposed with some frequency and some of the proposals, if adopted, might directly or indirectly result in a material reduction in the operating results of one or more of our operating units. We are presently unable to quantify this risk.

## **Seasonality**

The Company's businesses and products are generally not subject to seasonal impacts that result in significant variations in revenues from one quarter to another.

## **Backlogs**

The backlog of open orders for the Tubular Products segment were \$22.5 million and \$34.4 million at the end of 2023 and 2022, respectively. The backlog of open orders for the Specialty Chemicals segment were \$5.0 million and \$10.4 million at the end of 2023 and 2022, respectively. Our backlog may not be indicative of actual sales and, therefore, should not be used as a direct measure of future revenue.

## **Human Capital**

### *Safety and Wellness*

The health and safety of our workforce is fundamental to the success of our business. We have a long-standing commitment to the safety and health of every employee that works in our facilities. We are working to eliminate all injuries and incidents and our employees are making a daily commitment to follow safe work practices, look out for the safety of co-workers and ensuring safe working conditions for all employees. We provide our employees upfront and ongoing safety training to ensure that safety policies and procedures are effectively communicated and implemented. Personal protective equipment is provided to employees to safely perform their job responsibilities.

### *Talent Management*

Our approach to human capital management is one that seeks to foster an inclusive and respectful work environment where employees are empowered at all levels to implement new ideas, to better serve our customers and continuously improve our processes and operations. Our business results depend on our ability to manage our human capital resources, including attracting, identifying, and retaining key talent. Factors that may affect our ability to attract and retain qualified employees include competition from other employers, availability of qualified individuals and opportunities for employee growth.

As of December 31, 2023, the Company had 517 employees, 514 of which were full-time employees. The Company considers relations with employees to be strong. The number of employees of the Company represented by unions is 214, or 41% of the Company's employees. They are represented by locals affiliated with the United Steelworkers (the "USW") and the United Food and Commercial Workers (the "UFCW"). Collective bargaining contracts for the USW and UFCW locals expire at various dates in 2024.

Our voluntary turnover rate in 2023 was approximately 22%. We monitor employee turnover rates by plant and the Company as a whole. The average employee tenure is approximately 10 years.

### *Total Rewards*

We invest in our workforce by offering a competitive total rewards package that includes a combination of salaries and wages, health and wellness benefits, retirement benefits and educational benefits. We strive to offer competitive total rewards packages and benefits for eligible employees.

### *Diversity and Inclusion*

We are an Equal Opportunity Employer and all qualified applicants for positions with the Company receive consideration for employment without regard to race, color, religion, sex, sexual orientation, gender, identity, national origin, disability, or veteran status. We strive to provide an equitable and inclusive environment for all our employees with representation across all levels of our workforce that reflects the diversity of the communities in which we live and work.

## **Available information**

The Company electronically files with the Securities and Exchange Commission ("SEC") its annual reports on Form 10-K, its quarterly reports on Form 10-Q, its periodic reports on Form 8-K, amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the "1934 Act"), and proxy materials pursuant to Section 14 of the 1934 Act. The SEC maintains a site on the internet at [www.sec.gov](http://www.sec.gov) which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The Company also makes its filings available, free of charge, through its website at [www.ascentco.com](http://www.ascentco.com) as soon as reasonably practical after the electronic filing

of such material with the SEC. The information on the Company's website is not incorporated into this Annual Report on Form 10-K or any other filing the Company makes with the SEC.

## **Item 1A. Risk Factors**

There are inherent risks and uncertainties associated with our business that could adversely affect our operating performance and financial condition. Set forth below are descriptions of those risks and uncertainties that we believe to be material, but the risks and uncertainties described are not the only risks and uncertainties that could affect our business. Reference should be made to "Forward-Looking Statements" above, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in [Item 7](#) and our consolidated financial statements and related notes in [Item 8](#) below.

### **Industry and Segment Risks**

#### ***The demand for our products may be cyclical, creating uncertainty regarding future profitability.***

Various changes in general economic conditions affect (or disproportionately affect) the industries in which our customers operate. These changes include decreases in the rate of consumption or use of our customers' products due to economic downturns. Other factors causing fluctuation in our customers' positions are changes in market demand, capital spending, tariff induced price changes, lower overall pricing due to domestic and international overcapacity, lower priced imports, currency fluctuations, and increases in use or decreases in prices of substitute materials. As a result of these factors, our profitability has been and may in the future be subject to significant fluctuation.

#### ***Domestic competition and excess manufacturing capacity could force lower product pricing and may have an adverse effect on our revenues and profitability.***

From time-to-time, intense competition and excess manufacturing capacity in the commodity stainless steel industry have resulted in reduced selling prices, excluding raw material surcharges, for many of our stainless steel products sold by the Tubular Products segment. In such situations, in order to maintain market share, we would have to lower our prices to match the competition. These factors have had and may in the future have a material adverse impact on our revenues, operating results and financial condition.

#### ***Overcapacity and overproduction by foreign producers in our industry could result in lower domestic prices, which would adversely affect our sales, margins and profitability.***

Our business is susceptible to the import of products from other countries, particularly in our Tubular Products segment. Import levels of various products are affected by, among other things, overall world-wide demand, lower cost of production in other countries, the trade practices of foreign governments, government subsidies to foreign producers, the strengthening of the U.S. dollar, and government-imposed trade restrictions in the United States, such as imposed in 2018 under Section 232 of the Trade Expansion Act of 1962 (section 232 tariffs). Although imports from certain countries have been curtailed by anti-dumping duties, imported products from other countries could significantly reduce prices. Increased imports of certain products, whether illegal dumping or legal imports, could reduce demand for our products or cause us to lower our prices to maintain demand for our products, which could adversely affect our business, financial position, or results of operations.

***A substantial portion of our sales in the Specialty Chemicals segment is dependent upon a limited number of customers.*** The top 15 customers in the Specialty Chemicals segment accounted for approximately 72% of revenues for the year ended December 31, 2023 and 67% for the year ended December 31, 2022 with the top customer accounting for approximately 24% of revenues for 2023 and 21% of revenues for 2022. An adverse change in, or termination of, the relationship with one or more of our top customers could materially and adversely affect our results of operations.

### **Operations and Supply Chain Risks**

#### ***Any interruption in our ability to procure raw materials, or significant volatility in the price of raw materials, could adversely affect our business and results of operations.***

While the Company believes that raw materials for both segments are (in general) readily available from numerous sources, some of our raw material needs are met by a sole supplier or only a few suppliers and many such relationships are terminable by either party. If any key supplier that we rely on for raw materials ceases or limits production, we may incur significant additional costs, including capital costs, in order to find alternate, reliable raw material suppliers. We may also experience significant production delays while locating new supply sources, which could result in our failure to timely deliver products to our customers.

In addition, purchase prices and availability of these critical raw materials are subject to volatility which may negatively impact financial performance due to decreased sales volume and /or decreased profitability. At any given time, we may be

unable to obtain an adequate supply of these critical raw materials on a timely basis, at acceptable prices and other terms, or at all. If suppliers increase the price of critical raw materials, we may not have alternative sources of supply. As well, though we attempt to pass changes in the prices of raw materials along to our customers, we cannot always do so due to market competition, among other reasons, or price increases to customers may occur on a delayed basis. In addition, although raw materials may remain available, volatility in raw material pricing may negatively impact customer ordering patterns.

The loss of or reduced supply from one or more key suppliers in either segment, or any other material change in our current supply channels, could materially affect the Company's ability to meet the demand for its products and adversely affect the Company's business and results of operations. In addition, any limitations (or delay) on our ability to pass through any price increases in raw materials could have an adverse effect on our profitability.

***Loss of a key supplier or lack of product availability from suppliers could adversely affect our sales and earnings .***

Our Specialty Chemicals segment depends on maintaining an immediately available supply of various products to meet customer demand. Many of our relationships with key product suppliers are longstanding but are terminable by either party. The loss of key supplier authorizations, or a substantial decrease in the availability of their products, could put us at a competitive disadvantage and have a material adverse effect on our business or results of operations. Supply interruptions could arise from raw material shortages, inadequate manufacturing capacity or utilization to meet demand, financial difficulties, tariffs and other regulations affecting trade between the U.S. and other countries, labor disputes, weather conditions affecting suppliers' production, transportation disruptions or other reasons beyond our control.

***Our operating results are sensitive to the availability and cost of energy and freight, which are important in the manufacture and transport of our products.***

Our operating costs increase when energy or freight costs rise. During periods of increasing energy and freight costs, we might not be able to fully recover our operating cost increases through price increases without reducing demand for our products. In addition, we are dependent on third party freight carriers to transport many of our products, all of which are dependent on fuel to transport our products. The prices for and availability of electricity, natural gas, oil, diesel fuel and other energy resources are subject to volatile market conditions. These market conditions often are affected by political and economic factors beyond our control. Disruptions in the supply of energy resources could temporarily impair our ability to manufacture products for customers and may result in the decline of freight carrier capacity in our geographic markets, or make freight carriers unavailable or more expensive. Further, increases in energy or freight costs that cannot be passed on to customers, or adverse changes in our costs relative to energy and freight costs paid by competitors, has adversely affected, and may continue to adversely affect, our profitability.

***We are dependent upon the continued operation of our production facilities, which are subject to a number of hazards.***

Our manufacturing processes are dependent upon critical pieces of equipment. This equipment may, on occasion, be out of service as a result of unanticipated failures. We have experienced, and may in the future experience, material plant shutdowns or periods of reduced production as a result of such equipment failures. In addition, our production facilities are subject to hazards associated with the manufacture, handling, storage and transportation of materials and products, including leaks and ruptures, explosions, fires, inclement weather and natural disasters, unscheduled downtime and environmental hazards. As well, some of our production capabilities are highly specialized, which limits our ability to shift production to another facility. The occurrence of incidents in the future may result in production delays, failure to timely fulfill customer orders or otherwise have a material adverse effect on our business, financial condition or results of operations.

***Our operations present significant risk of injury and other liabilities.***

The industrial activities conducted at our facilities present significant risk of serious injury or even death to our employees or other visitors to our operations, notwithstanding our safety precautions, including our material compliance with federal, state and local employee health and safety regulations, and we may be unable to avoid material liabilities for any such incidents. We maintain various forms of insurance, including insurance covering claims related to our properties and risks associated with our operations, but there can be no assurance that the insurance coverage will be applicable and adequate, or will continue to be available on terms acceptable to us, or at all, which could result in material liability to us for any injuries or deaths.

***We may not be able to make the operational and product changes necessary to continue to be an effective competitor.***

We must continue to enhance our existing products, develop and manufacture new products with improved capabilities, and accurately predict future customer needs and preferences in order to continue to be an effective competitor in our business markets. In addition, we must anticipate and respond to changes in industry standards, including government regulations, that affect our products and the needs of our customers. The success of any new or enhanced products will depend on a number of factors, such as technological innovations, increased manufacturing and material costs, customer acceptance, and the performance and quality of the new or enhanced products. We cannot predict the level of market acceptance or the amount of

market share these new or enhanced products may achieve, and we may experience delays or problems in the introduction of new or enhanced products. Any failure in our ability to effectively and efficiently launch new or enhanced products could materially and adversely affect our business, financial condition or results of operation.

### **Government Regulation Risks**

***Our operations expose us to the risk of environmental, health and safety liabilities and obligations, which could have a material adverse effect on our financial condition or results of operations.***

We are subject to numerous federal, state and local environmental protection and health and safety laws governing, among other things:

- the generation, use, storage, treatment, transportation, disposal and management of hazardous substances and wastes;
- emissions or discharges of pollutants or other substances into the environment;
- investigation and remediation of, and damages resulting from, releases of hazardous substances; and
- the health and safety of our employees.

Under certain environmental laws, we can be held strictly liable for hazardous substance contamination of any real property we have ever owned, operated or used as a disposal site. We are also required to maintain various environmental permits and licenses, many of which require periodic modification and renewal. Our operations entail the risk of violations of those laws and regulations, and we may not have been in the past or will be at all times in the future, in compliance with all of these requirements. In addition, these requirements and their enforcement may become more stringent in the future.

We have incurred, and expect to continue to incur, additional capital expenditures (in addition to ordinary or other costs and capital expenditures) to comply with applicable environmental laws. Our failure to comply with applicable environmental laws and permit requirements could result in civil and/or criminal fines or penalties, enforcement actions, and regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, such as the installation of pollution control equipment, which could have a material adverse effect on our financial condition, results of operations or cash flows.

We are currently, and may in the future be, required to investigate, remediate or otherwise address contamination at our current or former facilities. Many of our current and former facilities have a history of industrial usage for which additional investigation, remediation or other obligations could arise in the future and that could materially adversely affect our business, financial condition, results of operations or cash flows. In addition, we are currently, and could in the future be, responsible for costs to address contamination identified at any real property we used as a disposal site.

Although we cannot predict the ultimate cost of compliance with any of the requirements described above, the costs could be material. Non-compliance could subject us to material liabilities, such as government fines, third-party lawsuits or the suspension of non-compliant operations. We also may be required to make significant site or operational modifications at substantial cost. Future developments also could restrict or eliminate the use of or require us to make modifications to our products, which could have a significant negative impact on our results of operations. At any given time, we are (or may be) involved in claims, litigation, administrative proceedings and investigations of various types involving potential environmental liabilities, including cleanup costs associated with hazardous waste disposal sites at our facilities. We cannot assure you that the resolution of these environmental matters will not have a material adverse effect on our results of operations. The occurrence and ultimate costs and timing of environmental liabilities are difficult to predict. Liability under environmental laws relating to contaminated sites can be imposed retroactively and on a joint and several basis. We could incur significant costs, including cleanup costs, civil or criminal fines and sanctions and third-party claims, as a result of past or future violations of, or liabilities under, environmental laws.

We could be subject to third party claims for property damage, personal injury, nuisance or otherwise as a result of violations of, or liabilities under, environmental, health or safety laws in connection with releases of hazardous or other materials at any current or former facility. We could also be subject to environmental indemnification claims in connection with assets and businesses that we have acquired or divested.

There can be no assurance that any future capital and operating expenditures to maintain compliance with environmental laws, as well as costs incurred to address contamination or environmental claims, will not exceed any current estimates or adversely affect our financial condition and results of operations. In addition, any unanticipated liabilities or obligations arising, for example, out of discovery of previously unknown conditions or changes in laws or regulations, could have an adverse effect on our business, financial condition or results of operations.

***Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing, as well as governmental reviews of such activities could result in delays or eliminate new wells from being started, thus reducing the demand for our pressure vessels and heavy walled pipe and tube.***

Hydraulic fracturing (“fracking”) is currently an essential and common practice to extract oil from dense subsurface rock formations, and this lower cost extraction method is a significant driving force behind the surge of oil exploration and drilling in several locations in the United States. However, the Environmental Protection Agency, U.S. Congress and state legislatures have considered adopting legislation to provide additional regulations and disclosures surrounding this process. In the event that new legal restrictions surrounding the fracking process are adopted in the areas in which our customers operate, we may experience a decrease in revenue, which could have an adverse impact on our results of operations, including profitability.

***Regulations related to “conflict minerals” may force us to incur additional expenses, may make our supply chain more complex and may result in damage to our reputation with customers.***

On August 22, 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), the SEC adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties. These regulations require companies to conduct annual due diligence and disclose whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. Tungsten and tantalum are designated as conflict minerals under the Dodd-Frank Act. These metals are used to varying degrees in our welding materials and are also present in specialty alloy products. These new requirements could adversely affect the sourcing, availability and pricing of minerals used in our products. In addition, we could incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who could require that all of the components of our products are conflict mineral-free.

#### **Human Capital Risks**

***Certain of our employees are covered by collective bargaining agreements, and the failure to renew these agreements could result in labor disruptions and increased labor costs.***

As of December 31, 2023, we had 214 employees represented by unions which is approximately 41% of the aggregate number of Company employees. These employees are represented by local unions affiliated with the USW and the UFCW. Collective bargaining contracts for the USW and UFCW locals expire at various dates in 2024. Although we believe that our present labor relations are strong, our failure to renew these agreements on reasonable terms as the current agreements expire could result in labor disruptions and increased labor costs, which could adversely affect our financial performance.

***Failure to attract and retain key personnel may adversely impact our strategy and execution and financial results.***

Our ability to successfully operate, grow our business and implement our business strategies is largely dependent on the efforts, abilities and services of our employees. The loss of employees or our inability to attract, train and retain additional personnel could reduce the competitiveness of our business or otherwise impair our operations. Our future success will also depend, in part, on our ability to attract and retain qualified personnel who have experience in the application of our products and are knowledgeable about our business, markets and products.

We also face risks associated with the actions taken in response to COVID-19, including those associated with workforce reductions, and may experience difficulties with hiring additional employees or replacing employees following the pandemic, which may be exacerbated by the tight labor market. In addition, COVID-19 has, and may again result in quarantines of our personnel or an inability to access facilities, which could adversely affect our operations.

#### **Financial and Strategic Risks**

***There are risks associated with our outstanding and future indebtedness.***

As of December 31, 2023, we had no outstanding indebtedness, however, we may incur additional indebtedness in the future. We have customary restrictive covenants in our current debt agreements, which may limit our flexibility to operate our business. Failure to comply with this covenant could result in an event of default that, if not cured or waived, could have a material adverse effect on our business, results of operations and financial condition. Additionally, our ability to pay interest and repay the principal for our indebtedness is dependent upon our ability to manage our business operations, generate

sufficient cash flows to service such debt and the other factors discussed in this section. There can be no assurance that we will be able to manage any of these risks successfully.

***We may need new or additional financing in the future to expand our business, and our inability to obtain capital on satisfactory terms or at all may have an adverse impact on our operations and our financial results.***

If we are unable to access capital on satisfactory terms and conditions, we may not be able to expand our business or meet our payment requirements under the Credit Agreement. Our ability to obtain new or additional financing will depend on a variety of factors, many of which are beyond our control. We may not be able to obtain new or additional financing because we may have substantial debt, our current receivable and inventory balances do not support additional debt availability or because we may not have sufficient cash flows to service or repay our existing or future debt. In addition, depending on market conditions and our financial performance, equity financing may not be available on satisfactory terms or at all. If we are unable to access capital on satisfactory terms and conditions, this could have an adverse impact on our operations and our financial results.

***Impairment in the carrying value of our fixed assets or intangible assets could adversely affect our financial condition and consolidated results of operations.***

We evaluate the useful lives of our fixed assets and intangible assets to determine if they are definite or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the lease term, future effects of obsolescence, demand, competition, other economic factors (such as the stability of the industry, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required maintenance expenditures and the expected lives of other related groups of assets. We cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill, fixed assets or intangible assets become impaired, there could be an adverse effect on our financial condition and consolidated results of operations.

**Intellectual Property Risks**

***Our inability to sufficiently or completely protect our intellectual property rights could adversely affect our business, prospects, financial condition and results of operations.***

Our ability to compete effectively in both of our business segments will depend on our ability to maintain the proprietary nature of the intellectual property used in our businesses. These intellectual property rights consist largely of trade-secrets and know-how. We rely on a combination of trade secrets and non-disclosure and other contractual agreements and technical measures to protect our rights in our intellectual property. We also depend upon confidentiality agreements with our officers, employees, consultants and subcontractors, as well as collaborative partners, to maintain the proprietary nature of our intellectual property. These measures may not afford us sufficient or complete protection, and others may independently develop intellectual property similar to ours, otherwise avoid our confidentiality agreements or produce technology that would adversely affect our business, financial condition or results of operations.

**General Risk Factors**

***We encounter significant competition in all areas of our businesses and may be unable to compete effectively, which could result in reduced profitability and loss of market share.***

We actively compete with companies producing the same or similar products and, in some instances, with companies producing different products designed for the same uses. We encounter competition from both domestic and foreign sources in price, delivery, service, performance, product innovation, and product recognition and quality, depending on the product involved. For some of our products, our competitors are larger and have greater financial resources than we do. As a result, these competitors may be better able to withstand a change in conditions within the industries in which we operate, a change in the prices of raw materials or a change in the economy as a whole. Our competitors can be expected to continue to develop and introduce new and enhanced products and more efficient production capabilities, which could cause a decline in market acceptance of our products. Current and future consolidation among our competitors and customers also may cause a loss of market share as well as put downward pressure on pricing. Our competitors could cause a reduction in the prices for some of our products as a result of intensified price competition. Competitive pressures can also result in the loss of major customers. If we cannot compete successfully, our business, financial condition and results of operation could be adversely affected.

***We have identified and may continue to discover material weaknesses in our internal controls over financial reporting, which may adversely affect investor confidence in the accuracy and completeness of our financial reports and consequently the market price of our securities.***

We have identified and may continue to discover material weaknesses in our internal controls over financial reporting, which may adversely affect investor confidence in the accuracy and completeness of our financial reports and consequently the

market price of our securities. As a public company, we are required to design and maintain proper and effective internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and determine the effectiveness of our internal controls over financial reporting and provide a management report on the internal controls over financial reporting, which must be attested to by our independent registered public accounting firm. We have identified material weaknesses in our internal controls over financial reporting, and may not detect errors on a timely basis and our financial statements may be materially misstated.

The process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404 is challenging and costly. In the future, we may not be able to complete our evaluation, testing, and any required remediation in a timely fashion. If we continue to identify material weaknesses in our internal controls over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we continue to be unable to assert that our internal controls over financial reporting are effective, or if our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our securities could be negatively affected, and we could become subject to investigations by the Financial Industry Regulatory Authority, the SEC, or other regulatory authorities, which could require additional financial and management resources.

***Cybersecurity risks and cyber incidents could adversely affect our business and disrupt operations.***

Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. The result of these incidents could include, but are not limited to, disrupted operations, misstated financial data, liability for stolen assets or information, increased cyber security protection costs, litigation and reputational damage adversely affecting customer or investor confidence. We have taken steps to address these concerns and have implemented internal control and security measures to protect our systems and networks from security breaches; however, there can be no assurance that a system or network failure, or security breach, will not impact our business, results of operations and financial condition.

**Item 1B. Unresolved Staff Comments**

None.

**Item 1C. Cybersecurity**

*Cybersecurity Governance*

The Company's Board of Directors (the "Board") recognizes the critical nature of managing risks associated with cybersecurity threats and is responsible for oversight of the Company's information security programs, including risk of cybersecurity threats. The Audit Committee, which supports the Board of Directors in the oversight of the Company's information security program, oversees managements design, implementation and enforcement of our cybersecurity risk management program. The Audit Committee is composed of Board members with diverse expertise, including technology, financial and risk management experience.

The Audit Committee and full Board receive periodic briefings from management on our cyber risk management programs. The Company also has an internal disclosure committee made up of members of management to assist in fulfilling its obligations to maintain disclosure controls and procedures and to coordinate and oversee the process of preparing our periodic securities filings with the SEC. The disclosure committee meets on a quarterly basis to ensure they are appropriately informed of any matters that should be considered in advance of applicable public filings, including cybersecurity and data privacy matters, and to address the proper handling and escalation of information to the Board and Audit Committee as needed.

*Cybersecurity Risk Management and Strategy*

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity and availability of our critical systems and infrastructure. This program includes the implementation of a set of system, network and application level controls to protect our data and systems. These controls are monitored for cybersecurity risks and incidents by internal staff and our third-party service provider and are updated as necessary to protect the Company.

Our overall cybersecurity program includes: security tools, technologies and processes, control reviews and penetration tests; cybersecurity awareness training exercises for our employees, including phishing simulations to raise internal awareness of

manipulated electronic communications; and an annual review of System and Organization reports for critical third-party service providers.

We have not identified known risks, including as a result of prior cybersecurity incidents, that have materially affected us, including our operations, business strategy, results of operations or financial condition. We face certain ongoing risks from cybersecurity threats that, if realized, are reasonably likely to materially affect us, including our operations, business strategy, results of operations or financial condition. See *Item 1A Risk Factors - Cybersecurity risks and cyber incidents could adversely affect our business and disrupt operations*.

## Item 2. Properties

The Company operates the major plants and facilities listed below, all of which are in adequate condition for their current usage and are able to accommodate our capacity needs for the immediate future. Substantially all of the value of the Company's leased plants and facilities relate to the Master Lease with Store Master Funding XII, LLC ("Store"), an affiliate of Store Capital Corporation ("Store Capital") that was entered into in 2016 and amended in 2019 and 2020; see [Note 7](#) to the consolidated financial statements included in [Item 8](#) of this Form 10-K for additional information on the Company's leases.

The following table sets forth certain information concerning our principal properties including which segment's products are supported out of each location:

Location	Principal Operations	Square Feet	Land Acres	Leased or Owned	Segment	
					Tubular Products	Specialty Chemicals
Bristol, TN	Manufacturing stainless steel pipe	275,000	73.1	Leased	✓	
Cleveland, TN	Chemical manufacturing and warehousing	143,000	18.8	Leased		✓
Fountain Inn, SC	Chemical manufacturing and warehousing	136,834	16.9	Leased		✓
Danville, VA	Chemical manufacturing and warehousing	135,811	55.3	Owned		✓
Troutman, NC	Manufacturing ornamental stainless steel tube	106,657	26.5	Leased	✓	
Statesville, NC	Manufacturing ornamental stainless steel tube	83,000	26.8	Leased	✓	

The following table sets forth certain information concerning other properties under the Master Lease in which the Company is the responsible party:

Location	Principal Operations	Square Feet	Land Acres	Leased or Owned
Munhall, PA <sup>1</sup>	Manufacturing stainless steel pipe	284,000	20.0	Leased
Andrews, TX <sup>2</sup>	Liquid storage solutions and separation equipment	122,662	19.6	Leased
Houston, TX <sup>3</sup>	Cutting facility and storage yard for heavy walled pipe	29,821	10.0	Leased
Mineral Ridge, OH <sup>3</sup>	Cutting facility and storage yard for heavy walled pipe	12,000	12.0	Leased

<sup>1</sup>Company ceased operations as of August 31, 2023

<sup>2</sup>Company currently subleases facility to a third party

<sup>3</sup>Company sold substantially all assets of SPT as of December 22, 2023. The Company remains obligated under the terms of the leases for the rent and other costs that may be associated with the lease of the facilities and is reimbursed for facility lease costs under the transition services agreement executed as part of transaction

In addition to the facilities listed above, the Company leases from a third party the Company's executive office located in Oak Brook, Illinois.

## Item 3. Legal Proceedings

For a discussion of legal proceedings, see [Note 15](#) to the Consolidated Financial Statements included in [Item 8](#) of this Form 10-K.

## Item 4. Mine Safety Disclosures

Not applicable.

**PART II****Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Company had 338 common shareholders of record at March 28, 2024. The Company's common stock trades on the NASDAQ Global Market under the trading symbol ACNT. The Company's credit agreement restricts the payment of dividends indirectly through a minimum fixed charge coverage covenant. No dividends were declared or paid in 2023 or 2022.

**Stock Performance Graph**

The Company is a smaller reporting company as defined in Rule 12b-2 of the Exchange Act and is not required to provide this information.

**Issuer Purchases of Equity Securities**

The following table sets forth information with respect to purchase of the Company's common stock made during the fourth quarter of 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs <sup>1</sup>	Number of Shares that May Yet Be Purchased under the Program <sup>1</sup>
October 1, 2023 - October 31, 2023	10,436	\$ 8.34	10,436	573,588
November 1, 2023 - November 30, 2023	11,425	8.29	11,425	562,163
December 1, 2023 - December 31, 2023	25,292	7.96	25,292	536,871
<b>As of December 31, 2023</b>	<b>47,153</b>	<b>\$ 8.12</b>	<b>47,153</b>	<b>536,871</b>

<sup>1</sup>Pursuant to the 790,383 share stock repurchase program re-authorized by the Board of Directors in December 2022. The stock repurchase program expires in February 2025 and there is no guarantee to the exact number of shares that will be repurchased by the Company over that period. See [Note 9](#) for additional information.

**Item 6. Reserved**

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity, and capital resources during the fiscal years ended December 31, 2023 and 2022. Unless otherwise noted, all references herein for the years 2023 and 2022 represent the fiscal years ended December 31, 2023 and 2022, respectively. We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. This discussion should be read in conjunction with our consolidated financial statements and notes to the consolidated financial statements included in this Annual Report that have been prepared in accordance with accounting principles generally accepted in the United States of America. This discussion and analysis is presented in five sections:

- Executive Overview
- Results of Operations and Non-GAAP Financial Measures
- Liquidity and Capital Resources
- Material Cash Requirements from Contractual and Other Obligations
- Critical Accounting Policies and Estimates

### Executive Overview

There have been a number of strategic changes that have occurred throughout 2023, including the permanent cessation of operations and closure of the Munhall facility and the sale of substantially all of assets of Specialty Pipe & Tube, Inc. ("SPT"), which are discussed below. These strategic changes have been implemented to allow the Company to focus on core competencies that drive growth and long-term value creation for our shareholders. As a result of these decisions, Munhall and SPT results have been reclassified from the Tubular Products segment and are reflected as discontinued operations in all periods presented. The discussion and analysis of our results of operations refers to continuing operations only unless noted.

Consolidated net sales decreased 26.3%, or \$68.8 million, compared to 2022 driven by decreases in average selling price and pounds shipped.

Consolidated net loss increased to \$34.2 million in 2023, compared to net income of \$17.6 million in 2022. Diluted loss per share increased to \$3.37 for the full-year 2023 compared to diluted earnings per share of \$1.69 for the full-year 2022.

For 2023, cash flows from operating activities were \$6.6 million, with \$2.9 million used for capital expenditures.

During the year, we also repurchased 143,108 shares for \$1.3 million through our share repurchase program as part of our continued efforts to create sustainable value for our shareholders.

#### *Munhall Closure*

During the second quarter of 2023, the Board of Directors of the Company made the decision to permanently cease operations at Munhall effective on or around August 31, 2023. This strategic decision is part of the Company's ongoing efforts to consolidate manufacturing to drive an increased focus on its core operations and to improve profitability while driving operational efficiencies. As a result of this decision, the Company incurred asset impairment charges of \$8.8 million related to the write down of inventory to net realizable value and the impairment of long-lived assets as well as \$2.8 million in increased reserves on accounts receivable and other current assets at the facility during the year ended December 31, 2023.

#### *Divestiture of Specialty Pipe & Tube, Inc.*

On December 22, 2023, the Company and its wholly-owned subsidiary Specialty Pipe & Tube, Inc. ("SPT") entered into an Asset Purchase Agreement pursuant to which Ascent and SPT sold substantially all of the assets primarily related to SPT to Specialty Pipe & Tube Operations, LLC, a Delaware limited liability company. The consideration for the transaction was approximately \$55 million of cash proceeds subject to certain closing adjustments. The transaction closed on December 22, 2023. The sale of SPT is a tremendous value-creating outcome for Ascent shareholders while greatly reducing the complexity associated with our tubular operations and allowing our tubular leadership and operational teams to focus on core competencies that best position the Company for long-term growth. The transaction also provided the Company the ability to significantly reduce its debt, while providing additional available capital to pursue growth opportunities within our focused businesses. The Company recognized a pre-tax gain on the sale of the SPT assets of \$26.3 million.

### *Goodwill Impairment Review*

During the third quarter of 2023, as described in [Note 1 - Summary of Significant Accounting Policies](#), we tested our goodwill for impairment. The Company determined potential indicators of impairment existed within the Specialty Chemicals reporting unit. Macroeconomic conditions and pressures, increased risks within the broader specialty chemicals business, reporting unit operating losses and a decline in the reporting unit's net sales compared to forecast, collectively, indicated that the reporting unit had experienced a triggering event and the need to perform a quantitative evaluation of goodwill. The Company performed a discounted cash flow analysis and a market multiple analysis for the Specialty Chemicals reporting unit to determine the reporting unit's fair value. The discounted cash flow analysis included management assumptions for expected sales growth, capital expenditures and overall operational forecasts while the market multiple analysis included historical and projected performance, market capitalization, volatility and multiples for industry peers. Determining the fair value of the reporting unit and allocation of that fair value to individual assets and liabilities within the reporting unit to determine the implied fair value of the goodwill is judgmental in nature and requires the use of significant management estimates and assumptions. Any changes in the judgments, estimates, or assumptions could produce significantly different results. As a result of the goodwill impairment evaluation, it was concluded that the estimated fair value of the Specialty Chemicals reporting unit was below its carrying value by 27.6% resulting in a goodwill impairment charge of \$11.4 million for the year ended December 31, 2023.

### *Macroeconomic Events*

We experienced challenges in 2023 related to ongoing economic factors driving volatility in global markets. Inflationary pressures have negatively impacted our revenue, operating margins and net income in 2023, including increased costs of labor, raw materials and freight. During the year, we also experienced reduced demand from inventory management measures being pursued by our customers driving reductions in volume. The ongoing factors driving volatility in global markets that could impact our business' earnings and cash flows include, but are not limited to, the misalignment of supply and demand for labor, energy, raw materials and other inputs, the inflation of (or unavailability of) raw material inputs and transportation and logistics services, currency fluctuations, rising interest rates and extreme weather, the purchasing of commodities and relative commodity prices. The Company continues efforts to offset these inflationary pressures and continues to take action to improve working capital and evaluate other opportunities to maintain and improve financial performance in the short and long term, however, if these inflationary and demand pressures continue, our revenue, gross and operating margins and net income will be impacted in 2024.

In February 2022, the United States announced targeted economic sanctions on Russia in response to the military conflict in Ukraine. This conflict and the associated sanctions have disrupted the global economy, causing heightened cybersecurity risks, supply chain challenges, higher energy costs, and an exacerbation of existing inflationary pressures. As our operations are located in North America, we have no direct exposure to Russia and Ukraine, however, we are actively monitoring the broader economic impact of the crisis, especially the potential impact on commodity and fuel prices, and the potential decreased demand for our products.

## **Results of Operations**

### **Comparison of 2023 to 2022 – Consolidated**

Consolidated net sales for the full-year 2023 decreased \$68.8 million, or 26.3%, over the full-year 2022 to \$193.2 million. The decrease in net sales was primarily driven by a 8.5% decrease in average price coupled with a 18.7% decrease in pounds shipped.

Full-year 2023 consolidated gross profit decreased 96.5% to \$1.5 million, or 0.8% of sales, compared to \$43.3 million, or 16.5% of sales, in the full-year 2022. The decrease in dollars and percentage of sales for the full-year 2023 were attributable to the decrease in pounds shipped and average selling price.

Consolidated selling, general and administrative expense (SG&A) for the full-year 2023 decreased \$0.9 million to \$26.7 million compared to \$27.6 million for the full-year 2022. SG&A as a percentage of sales was 13.8% of sales for 2023 and 10.6% of sales for 2022. The changes in SG&A expense were primarily driven by:

- decrease in incentive bonus driven by lower attainment of performance goals in the current year over the prior year;
- decrease in repair and maintenance expenses; and,

- decreases in other expenses primarily driven by decreases in salaries, wages and benefits, share-based compensation, amortization expense, bad debt expense and utilities

The full-year decreases were partially offset by:

- Increases in professional fees; and,
- Increases and taxes and licenses.

Consolidated operating loss for the full-year 2023 totaled \$37.4 million compared to operating income of \$14.5 million for the full-year 2022. The operating loss increase for the full-year 2023 was primarily driven by aforementioned decrease in pounds shipped and average selling price.

#### Comparison of 2023 to 2022 - Tubular Products

Net sales for the Tubular Products segment totaled \$109.5 million for the full year of 2023, a decrease of 28.9% compared to the full-year 2022. The decrease in net sales was primarily driven by a 21.4% decrease in pounds shipped and a 9.2% decrease in average selling price.

SG&A expense decreased \$0.6 million, or 7.3%, for the full-year 2023 when compared to 2022. SG&A as a percentage of sales was 6.9% of sales for 2023 and 5.3% of sales for 2022. The changes in SG&A expense were primarily driven by decreases in salaries, wages and benefits and lower travel expense partially offset by increases in taxes and licenses expense.

Operating loss for the full-year 2023 totaled \$11.2 million compared to operating income of \$22.2 million for the full-year 2022. The operating loss increase for the full-year 2023 was primarily driven by aforementioned decreases in pounds shipped and lower selling price as well as higher material costs.

The following table summarizes operating results for the two years indicated. Reference should be made to [Note 13](#) to the consolidated financial statements included in [Item 8](#) of this Form 10-K.

(in thousands)	2023		2022	
	Amount	%	Amount	%
Net sales	\$ 109,513	100.0 %	\$ 154,040	100.0 %
Cost of goods sold	113,187	103.4 %	123,726	80.3 %
Gross profit	(3,674)	(3.4)%	30,314	19.7 %
Selling, general and administrative expense	7,536	6.9 %	8,132	5.3 %
Operating (loss) income	<u>\$ (11,210)</u>	<u>(10.2)%</u>	<u>\$ 22,182</u>	<u>14.4 %</u>

#### Comparison of 2023 to 2022 – Specialty Chemicals

Net sales for the Specialty Chemicals segment decreased 22.2%, or \$23.9 million, to \$83.6 million for 2023 compared to \$107.5 million in 2022. The decrease in net sales was primarily driven by a 17.3% decrease in pounds shipped and a 4.3% decrease in average selling prices.

SG&A expense increased by \$0.1 million, or 1.1%, to \$7.0 million in 2023 compared to \$6.9 million in 2022. SG&A as a percentage of sales increased to 8.3% in 2023 from 6.4% in 2022. The changes in SG&A expense were primarily driven by increases in salaries, wages and benefits and professional fees partially offset by lower incentive bonus and amortization expense.

Operating loss for the full-year 2023 totaled \$12.6 million compared to operating income of \$7.0 million for the full-year 2022. The increase in operating loss was primarily driven by aforementioned decreases in pounds shipped and lower selling price

The following tables summarize operating results for the two years indicated. Reference should be made to [Note 13](#) to the consolidated financial statements included in [Item 8](#) of this Form 10-K.

(in thousands)	2023		2022	
	Amount	%	Amount	%
Net sales	\$ 83,616	100.0 %	\$ 107,542	100.0 %
Cost of goods sold	77,807	93.1 %	93,680	87.1 %
Gross profit	5,809	6.9 %	13,862	12.9 %
Selling, general and administrative expense	6,966	8.3 %	6,891	6.4 %
Acquisition costs and other	12	— %	—	— %
Goodwill impairment	11,389	13.6 %	—	— %
Operating (loss) income	<u>\$ (12,558)</u>	<u>(15.0)%</u>	<u>\$ 6,971</u>	<u>6.5 %</u>

#### Comparison of 2023 to 2022 - Corporate

Corporate expenses decreased \$1.1 million to \$12.9 million in 2023 down from \$13.9 million in 2022. The full-year decrease resulted primarily from decreases in salaries, wages and benefit, stock-based compensation, incentive bonuses due to lower attainment of performance goals, as well as decreases in other corporate overhead. The decreases were partially offset by increases in professional fees related to accounting, tax and other advisory related costs, taxes and licenses and insurance expenses.

Interest expense was \$4.2 million and \$2.7 million for the full-years of 2023 and 2022, respectively. The increase was primarily driven by higher interest rates in 2023 compared to 2022. As discussed in [Note 6](#), the Company used the proceeds from the SPT divestiture to prepay in full the term loan in the original principal amount of \$5 million under the Company's credit facility and used the remaining proceeds to prepay in part the revolving loans under the credit facility. The Company has no debt outstanding as of December 31, 2023.

The Company's effective tax rate for 2023 was less than the U.S. statutory rate of 21% primarily driven by tax benefits associated with non-deductible goodwill impairment. The Company's effective tax rate for 2022 was less than the U.S. statutory rate of 21% primarily driven by tax benefits associated with the closure of Palmer and the release of valuation allowances on certain deferred tax assets, partially offset by state taxes.

#### Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with accounting principles generally accepted in the United States ("GAAP"), we use the following non-GAAP financial measures: EBITDA and Adjusted EBITDA. Management believes that these non-GAAP measures are useful because they are key measures used by our management team to evaluate our operating performance, generate future operating plans and make strategic decisions as well as allow readers to compare the financial results between periods. Non-GAAP measures should not be considered as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider the Company's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the Company. Non-GAAP measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the Company's results or financial condition as reported under GAAP.

## EBITDA and Adjusted EBITDA

We define "EBITDA" as earnings before interest, income taxes, depreciation and amortization. We define "Adjusted EBITDA" as EBITDA further adjusted for the impact of non-cash and other items we do not consider in our evaluation of ongoing performance. These items include: goodwill impairment, asset impairment, gain on lease modification, stock-based compensation, non-cash lease cost, acquisition costs and other fees, shelf registration costs, loss on extinguishment of debt, earn-out adjustments, retention costs and restructuring and severance costs from net (loss) income. We caution investors that amounts presented in accordance with our definitions of EBITDA and Adjusted EBITDA may not be comparable to similar measures disclosed by other companies because not all companies calculate EBITDA and Adjusted EBITDA in the same manner. We present EBITDA and Adjusted EBITDA because we consider them to be important supplemental measures of our performance and investors' understanding of our performance is enhanced by including these non-GAAP financial measures as a reasonable basis for comparing our ongoing results of operations.

Consolidated EBITDA and Adjusted EBITDA from continuing operations are as follows:

(\$ in thousands)	Year Ended December 31,	
	2023	2022
<b>Consolidated</b>		
Net (loss) income from continuing operations	\$ (34,151)	\$ 17,578
Adjustments:		
Interest expense	4,238	2,742
Income taxes	(6,924)	(5,568)
Depreciation	6,161	6,421
Amortization	1,505	1,853
EBITDA	(29,171)	23,026
Acquisition costs and other	856	1,104
Shelf registration costs	—	12
Goodwill impairment	11,389	—
Gain on lease modification	—	(2)
Stock-based compensation	594	962
Non-cash lease expense	242	414
Retention expense	26	—
Restructuring and severance costs	130	74
Adjusted EBITDA	\$ (15,934)	\$ 25,590
% sales	(8.2)%	9.8 %

Tubular Products EBITDA and Adjusted EBITDA from continuing operations are as follows:

(\$ in thousands)	Year Ended December 31,	
	2023	2022
<b>Tubular Products</b>		
Net (loss) income from continuing operations	\$ (11,210)	\$ 22,182
Adjustments:		
Depreciation	2,274	2,500
Amortization	871	951
EBITDA	(8,065)	25,633
Stock-based compensation	58	46
Non-cash lease expense	118	—
Retention expense	8	—
Restructuring and severance costs	84	20
Tubular Products Adjusted EBITDA	\$ (7,797)	\$ 25,699
% of segment sales	(7.1)%	16.7 %

Specialty Chemicals EBITDA and Adjusted EBITDA are as follows:

(\$ in thousands)	Year Ended December 31,	
	2023	2022
<b>Specialty Chemicals</b>		
Net (loss) income	\$ (12,619)	\$ 6,935
Adjustments:		
Interest expense	74	36
Depreciation	3,798	3,846
Amortization	634	903
EBITDA	(8,113)	11,720
Acquisition costs and other	12	—
Goodwill impairment	11,389	—
Stock-based compensation	8	41
Non-cash lease expense	88	2
Restructuring and severance costs	40	8
Specialty Chemicals Adjusted EBITDA	\$ 3,424	\$ 11,771
% of segment sales	4.1 %	10.9 %

## Liquidity and Capital Resources

We closely manage our liquidity and capital resources. Our liquidity requirements depend on key variables, including level of investment required to support our business strategies, the performance of our business, capital expenditures, credit facilities and working capital management. Capital expenditures and share repurchases are a component of our cash flow and capital.

### Sources of Liquidity

Funds generated by operating activities supplemented by our available cash and cash equivalents and our credit facilities are our most significant sources of liquidity. As of December 31, 2023, we held \$1.9 million of cash and cash equivalents, as well as \$61.8 million of remaining available capacity on our revolving line of credit. Our existing cash, cash equivalents, and credit facilities balances may fluctuate during 2024. Cash from operations could also be affected by various risks and uncertainties detailed in [Item 1A](#) - Risk Factors of this report. We believe our sources of liquidity will be sufficient to fund operations and anticipated capital expenditures as well as repay our debt obligations as they become due over the next 12 months and beyond.

### Cash Flows

Cash flows from continuing operations were as follows:

(in thousands)	Year ended December 31,	
	2023	2022
Total cash provided by (used in):		
Operating activities	6,644	(5,262)
Investing activities	(2,885)	(3,295)
Financing activities	(73,169)	(374)
Net decrease in cash and cash equivalents	\$ (69,410)	\$ (8,931)

### Operating Activities

The increase in cash provided by operating activities for the year ended December 31, 2023 compared to cash used in operating activities in the year ended December 31, 2022 was primarily driven by changes in working capital. Changes in working capital can vary significantly depending on factors such as the timing of inventory production and purchases, customer payments of accounts receivable and payments to vendors in the regular course of business. Inventory increased operating cash flows for the year ended December 31, 2023 by approximately \$12.2 million compared to a decrease of approximately \$13.7 million for 2022, while accounts payable increased operating cash flows by approximately \$1.6 million for the year ended December 31, 2023 compared to an decrease of approximately \$6.3 million for the year ended December 31, 2022. The increase in operating cash flows from inventory is primarily due to lower inventory turns year over year while the increase in accounts payable is primarily driven by a slight increase in days payables outstanding. Accounts receivable increased operating cash flow by approximately \$6.8 million compared to a decrease of \$0.3 million driven by lower sales in the current year partially offset by slightly higher days sales outstanding. In addition to the working capital changes, changes in income taxes increased cash flows by approximately \$3.1 million compared to cash used in operations of approximately \$7.9 million in 2022. This was driven by the receipt of a cash refund from the Company's 2022 tax return.

### Investing Activities

Net cash used in investing activities primarily consists of transactions related to capital expenditures, proceeds from the disposal of property, plant and equipment and acquisitions. The decrease in cash used in investing activities for the full-year 2023 compared to cash used in investing activities for the full-year 2022 was primarily driven by a decrease in capital expenditures in the current year over the prior year.

### Financing Activities

Net cash used in financing activities primarily consist of transactions related to our long-term debt. The increase in net cash used in financing activities for the full-year 2023 compared to the full-year 2022 was primarily due to the repayment of the Company's asset backed line of credit and delayed draw term loan in the fourth quarter of 2023 driven by the sale of substantially all of the assets of SPT.

### Short-term Debt

The Company has a note payable in the amount of \$0.9 million with an annual interest rate of 3.70% maturing April 1, 2024, associated with the financing of the Company's insurance premium in the current year. As of December 31, 2023, the outstanding balance was \$0.4 million.

### Long-term Debt

During the fourth quarter of 2023, the Company entered into a Limited Consent, Second Amendment to Credit Agreement and Omnibus Amendment to Loan Documents with BMO Bank N.A. and the other lenders under the Company's credit facility (the "Credit Facility Amendment"). The Credit Facility Amendment contained a consent for the SPT divestiture, released the lien on the assets of SPT and removed SPT as a loan party. The Credit Facility Amendment also reduced the maximum revolving loan commitment under the credit facility from \$105 million to \$80 million, and increased the interest rate for the credit facility from SOFR plus an interest rate margin of between 1.60% and 1.70% to SOFR plus an interest rate margin of between 1.85% and 2.10%, depending on average availability under the credit facility and the Company's consolidated fixed charge coverage ratio. As required by the Credit Facility Amendment, the Company used the proceeds from the SPT divestiture to prepay in full the term loan in the original principal amount of \$5 million under the credit facility and used the remaining proceeds to prepay in part the revolving loans under the credit facility.

As of December 31, 2023, the Company had no borrowings outstanding with its lender due to the repayment of the Company's asset backed line of credit and delayed draw term loan in the fourth quarter of 2023 driven by the sale of substantially all of the assets of SPT. As of December 31, 2023, the Company had \$61.8 million of remaining availability under its credit facility.

The Facility contains covenants requiring the maintenance of a minimum consolidated fixed charge coverage ratio if excess availability falls below the greater of (i) \$7.5 million and (ii) 10% of the revolving credit facility (currently \$8.0 million). As of December 31, 2023, the Company was in compliance with all financial debt covenants. See [Note 6](#) in the notes to the consolidated financial statements for additional information on the Company's line of credit.

### Stock Repurchases and Dividends

We may repurchase common stock and pay dividends from time to time pursuant to programs approved by our Board of Directors. The payment of cash dividends is also subject to customary legal and contractual restrictions. Our capital allocation strategy is to first fund operations and investments in growth and then return excess cash over time to shareholders through share repurchases and dividends.

The share repurchase program allows for repurchase of up to 790,383 shares of the Company's outstanding common stock and expires on February 17, 2025. The shares will be purchased from time to time at prevailing market prices, through open market or privately negotiated transactions, depending on market conditions. Under the program, the purchases will be funded from available working capital, and the repurchased shares will be returned to the status of authorized, but unissued shares of common stock or held in treasury. There is no guarantee as to the exact number of shares that will be repurchased by the Company, and the Company may discontinue purchases at any time that management determines additional purchases are not warranted. As of December 31, 2023, the Company has 536,871 shares of its share repurchase authorization remaining.

Shares repurchased for the year ended December 31, 2023 and 2022 were as follows:

	Year ended December 31,	
	2023	2022
Number of shares repurchased	143,108	110,404
Average price per share	\$ 8.97	\$ 12.16
Total cost of shares repurchased	\$ 1,287,416	\$ 1,345,540

At the end of each fiscal year, the Board reviews the financial performance and capital needed to support future growth to determine the amount of cash dividend, if any, which is appropriate. In 2023 and 2022, no dividends were declared or paid by the Company.

### Other Financial Measures

Below are additional financial measures that we believe are important in understanding the Company's liquidity position from year to year. The metrics are defined as:

#### Liquidity Measure:

- Current ratio = current asset divided by current liabilities. The current ratio will be determined by the Company using generally accepted accounting principles, consistently applied.

#### Leverage Measure:

- Debt to capital = Total debt divided by total capital. The debt to capital ratio will be determined by the Company using generally accepted accounting principles, consistently applied.

#### Profitability Ratio:

- Return on average equity ("ROAE") = net (loss) income divided by the trailing 12-month average of equity. The ROAE will be determined by the Company using generally accepted accounting principles, consistently applied.

Results of these additional financial measures are as follows:

	Year ended December 31,	
	2023	2022
Current ratio	3.7	4.6
Debt to capital	—%	49%
Return on average equity	(38.6)%	29.7%

### Material Cash Requirements from Contractual and Other Obligations

As of December 31, 2023, our material cash requirements for our known contractual and other obligations were as follows:

- Operating and Finance Leases* - The Company enters into various lease agreements for real estate and manufacturing equipment used in the normal course of business. Operating and finance lease obligations were \$32.5 million, with \$1.4 million payable within 12 months. See [Note 7](#) for further detail of our lease obligations and the timing of expected future payments.

The Company has no off-balance sheet arrangements that are reasonably likely to have a material current or future effect on the Company's financial position, revenues, results of operations, liquidity, or capital expenditures. We expect capital spending in fiscal 2024 to be as much as \$6.5 million.

### Critical Accounting Policies and Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments based on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our significant accounting policies are described in [Note 1](#) to the consolidated financial statements included herein. We believe the following accounting policies affect the most significant estimates and management judgments used in the preparation of the Company's consolidated financial statements.

### Business Combinations

#### Description

Business combinations are accounted for using the acquisition method of accounting in accordance with GAAP. Under this method, the total consideration transferred to consummate the business combination is allocated to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values as of the closing date of the transaction.

*Judgments and uncertainties involved in the estimate*

The acquisition method of accounting requires extensive use of estimates and judgments to allocate the consideration transferred to the identifiable tangible and intangible assets acquired, if any, and liabilities assumed. Fair value determinations involve significant assumptions about highly subjective variables, including future cash flows, discount rates, and expected business performance. There are also different valuation models and inputs for each component, the selection of which requires considerable judgment. Our estimates and assumptions may be based, in part, on the availability of listed market prices or other transparent market data. These determinations will affect the amount of amortization expense recognized in future periods as well as the allocation of goodwill, if any, attributable to the transaction.

*Effect if actual results differ from assumptions*

We base our fair value estimates on assumptions we believe are reasonable, but recognize the assumptions are inherently uncertain. Depending on the size of the purchase price of a particular acquisition, the mix of intangible assets acquired and expected business performance, the purchase price allocation could be materially impacted by applying a different set of assumptions and estimates. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results.

**Goodwill**

*Description*

Goodwill is the excess of the purchase price over the fair value of identifiable assets acquired, less fair value of liabilities assumed, in a business combination. The Company reviews goodwill for impairment at the reporting unit level, which is the operating segment level or one level below the operating segment level. A reporting unit is an operating segment or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. Goodwill is not amortized but is evaluated for impairment at least annually on October 1 or whenever events or changes in circumstances indicate that it is more likely than not that the carrying amount may not be recoverable. The evaluation begins with a qualitative assessment to determine whether a quantitative impairment test is necessary. If, after assessing qualitative factors, we determine it is more likely than not that the fair value of the reporting unit is less than the carrying amount, then the quantitative goodwill impairment test is performed.

*Judgments and uncertainties involved in the estimate*

We make various estimates and assumptions about our goodwill, including whether any potential impairment events have occurred. Examples of such events or changes in circumstances, many of which are subjective in nature, include the following:

- Significant negative industry or economic trends;
- A significant change in the use of the acquired assets or our strategy;
- A significant divestiture or other disposition activity;
- A significant decrease in the market value of the asset;
- A significant change in legal factors or the business climate that could affect the value of the asset; and
- A change in segment by one or more reporting unit

Additionally, we make estimates and assumptions regarding the inputs used to perform a quantitative assessment of our goodwill, if necessary, and the Company will perform a discounted cash flow analysis and a market multiple analysis. The discounted cash flow analysis includes management assumptions for expected sales growth, capital expenditures and overall operational forecasts. The market multiple analysis includes historical and projected performance, market capitalization, volatility and multiples for industry peers.

*Effect if actual results differ from assumptions*

We have not made any material changes in our methodology used to determine whether potential impairment events have occurred or any material changes in the estimates and assumptions used in our quantitative goodwill impairment testing. In the third quarter of 2023, the Company determined potential indicators of impairment within the Specialty Chemicals segment and performed a quantitative evaluation of goodwill. As a result, it was concluded that the estimated fair value of the Specialty Chemicals reporting unit was below its carrying value by 27.6% resulting in a goodwill impairment charge of \$11.4 million. As of December 31, 2023, the Company's goodwill balance is \$0. See [Note 1](#) for further discussion on the Company's goodwill.

## **Inventory**

### *Description*

Inventory is stated at the lower of cost or net realizable value. Cost is determined by either specific identification or weighted average methods. At the end of each quarter, all facilities review recent sales reports to identify sales price trends that would indicate products or product lines that are being sold below our cost. This would indicate that an adjustment would be required.

We record an obsolete inventory reserve for identified aged inventory items with slow or no sales activity for finished goods or slow or no usage for raw materials for a certain period of time. For those inventory items, a reserve is established for a percentage of the inventory cost less any estimated scrap proceed and is based on our current knowledge with respect to inventory levels, sales trends and historical experience. During 2023, our reserve increased approximately \$2.8 million to \$5.6 million as of December 31, 2023.

We also record an inventory reserve for the estimated shrinkage (quantity losses) between physical inventories. This reserve is based upon the most recent physical inventory results. During 2023, the inventory shrink reserve had a \$0.4 million increase in response to estimated shrinkage rates based on results from previous physical inventories. Our inventory reserve for estimated shrinkage was \$0.5 million as of December 31, 2023.

### *Judgments and uncertainties involved in the estimate*

We do not believe that our inventories are subject to significant risk of obsolescence in the near term and we have the ability to adjust purchasing practices based on anticipated sales trends and general economic conditions. However, changes in demand, product life cycle, cost trends, product pricing or a deterioration in product quality could result in the need for additional reserves. Likewise, changes in the estimated shrink reserve may be necessary, based on the timing and results of physical inventories. We also apply judgment in the determination of levels of obsolete inventory and assumptions about net realizable value.

### *Effect if actual results differ from assumptions*

We have not made any material changes in the methodology used to establish our reserves for obsolete inventory or inventory shrinkage during the past two fiscal years. However, it is possible that actual results could differ from recorded reserves. For instance, a 10% change in the amount of products considered obsolete would have decreased net earnings by \$0.6 million for 2023. A 10% change in the estimated shrinkage rate would not have had a material impact on net earnings for 2023.

## **Income Taxes**

### *Description*

In determining income for financial statement purposes, we must make certain estimates and judgments in the calculation of tax expense, the resultant tax liabilities and the recoverability of deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, deferred tax assets are also recorded with respect to net operating losses and other tax attribute carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when realization of the benefit of deferred tax assets is not deemed to be more likely than not. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We recognize net tax benefits under the recognition and measurement criteria of FASB ASC Topic 740, Income Taxes, which prescribes requirements and other guidance for financial statement recognition and measurement of positions taken or expected to be taken on tax returns. We record interest and penalties, if any, related to uncertain tax positions as a component of income tax expense.

### *Judgments and uncertainties involved in the estimate*

We assess on a tax jurisdictional basis the likelihood that our deferred tax assets can be recovered. If recovery is not more likely than not (a likelihood of less than 50 percent), the provision for taxes must be increased by recording a reserve in the form of a valuation allowance for the deferred tax assets that are estimated not to ultimately be recoverable. In this process, certain relevant criteria are evaluated including: the amount of income or loss in prior years, the existence of deferred tax

liabilities that can be used to absorb deferred tax assets, the taxable income in prior carryback years that can be used to absorb net operating losses and credit carry backs, future expected taxable income and prudent and feasible tax planning strategies. Changes in taxable income, market conditions, tax laws and other factors may change our judgment regarding whether we will be able to realize the deferred tax assets. These changes, if any, may require material adjustments to the net deferred tax assets and an accompanying reduction or increase in income tax expense which will result in a corresponding increase or decrease in net income in the period when such determinations are made. The utilization of certain deferred tax assets is dependent on the amount and timing of taxable income that we will ultimately generate in the future and other factors, such as changes in tax laws.

We also assess the likelihood that our tax reporting positions will ultimately be sustained. To the extent it is determined it is more likely than not (a likelihood of more than 50 percent) that some portion, or all, of a tax reporting position will ultimately not be recognized and sustained, a provision for unrecognized tax benefit is provided by either reducing the applicable deferred tax asset or accruing an income tax liability. Our judgment regarding the sustainability of our tax reporting positions may change in the future due to changes in tax laws and other factors. These changes, if any, may require material adjustments to the related deferred tax assets or accrued income tax liabilities and an accompanying reduction or increase in income tax expense which will result in a corresponding increase or decrease in net income in the period when such determinations are made.

We have provided valuation allowances as of December 31, 2023, aggregating to \$1.6 million, net of federal benefit, against certain state and local net operating loss carryforwards and other deferred tax assets. As of December 31, 2023, the Company has no liability for unrecognized income tax benefits.

*Effect if actual results differ from assumptions*

Although management believes that the estimates and judgments discussed herein are reasonable, actual results could differ, which could result in income tax expense or benefits that could be material.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

The Company is a smaller reporting company as defined in Rule 12b-2 of the Exchange Act and is not required to provide the information required by this Item.

**Item 8. Financial Statements and Supplementary Data**

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## Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors  
Ascent Industries Co.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheet of Ascent Industries Co. (and subsidiaries) (the "Company") as of December 31, 2023, the related consolidated statements of income (loss), shareholders' equity and cash flows for the year ended December 31, 2023, and the related notes and schedule (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2023, and the consolidated results of its operations and its cash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, because of the effect of the material weaknesses identified below on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by COSO.

We also have audited the adjustments to the 2022 financial statements for the retrospective presentation of discontinued operations, as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2022 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements taken as a whole.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting included in Item 9A. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audit of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment in Item 9A:

- *Information Technology* - Management did not design and maintain effective information technology (IT) general controls in the areas of user access, change management, segregation of duties, and cyber-security for systems supporting many of the Company's key financial reporting processes. As a result, IT application controls and business process controls that are dependent on the ineffective IT general controls, or that rely on data produced from systems impacted by the ineffective IT general controls, are also deemed ineffective, which affects substantially all financial statement account balances and disclosures within the Company.
- *Inventory* - Management did not design and maintain effective controls over inventory.
- *Revenue recognition* – Management did not design and maintain effective controls over revenue and accounts receivable.
- *Period-end financial reporting, journal entries, reconciliations, and account analyses* - Management did not design and maintain effective controls to detect potential material misstatements to period-end financial statements through review of account reconciliations and account analyses on a timely basis. Additionally, management did not design and maintain effective controls over the review of journal entries.
- *Complex Accounting* - Management did not design and maintain management review controls at a sufficient level of precision around complex accounting areas such as income taxes.

We considered the material weaknesses in determining the nature, timing, and extent of audit tests applied in our audit of the Company's consolidated financial statements as of and for the year ended December 31, 2023, and our opinion on such consolidated financial statements was not affected.

#### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

## Goodwill Impairment

As described in Note 1 to the consolidated financial statements, the Company tests goodwill for impairment annually as of October 1 or between annual tests if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value. In the third quarter of the year, the Company concluded an interim assessment should be performed and this resulted in a goodwill impairment expense of \$11,389,000. Testing goodwill for impairment involves significant management judgment, requiring an assessment of whether the carrying value of the reporting unit can be supported by its fair value, which is estimated by using valuation techniques, such as the market approach (earnings multiples or transaction multiples for the industry in which the reporting unit operates) or the income approach (discounted cash flow method).

The principal considerations for our determination that the goodwill impairment test is a critical audit matter were that our evaluation of management's valuation methods and assumptions utilized in estimating the fair value of the reporting unit involved significant audit effort, including the use of specialists, as well as especially challenging and subjective auditor judgment when performing audit procedures and evaluating the results of those procedures.

The primary procedures we performed to address this critical audit matter included:

- Testing management's process for determining the fair value estimate of the reporting unit by performing the following procedures:
  - Evaluating the methodologies used by management, including the relative weight assigned to the valuations indicated by the market and income approaches, and assessing management's specialist's knowledge, skill, and ability as well as the specialist's relationship to the Company.
  - Testing the completeness, accuracy, and reliability of underlying data used in the valuation model, including the mathematical accuracy of the analysis.
  - Evaluating the reasonableness of the guidelines companies and market multiples used by management.
  - Evaluating the reasonableness of significant assumptions used by management, including projected revenue, projected operating margin, discount rate, including performing arithmetic analysis to replicate management's model, and sensitivity analysis.
  - Utilizing valuation specialists to assist in evaluating the appropriateness of methods used and reasonableness of significant assumptions applied in the valuation model.

/s/ Moss Adams LLP

Irvine, California

April 1, 2024

We have served as the Company's auditor since 2023.



## **Report of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors  
Ascent Industries Co.  
Oak Brook, Illinois

### **Opinion on the Consolidated Financial Statements**

We have audited, before the effects of the adjustments to retrospectively apply the change in accounting described in Note 2, the accompanying consolidated balance sheet of Ascent Industries Co. (the "Company") as of December 31, 2022, and the related consolidated statements of income (loss), shareholders' equity, cash flows, and financial statement schedule for the year then ended (the 2022 consolidated financial statements before the effects of the adjustments discussed in Note 2 are not presented herein). In our opinion, the 2022 consolidated financial statements, before the effects of the adjustments to retrospectively apply the change in accounting in Note 2, present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the adjustments to retrospectively apply the change in accounting described in Note 2 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by Moss Adams, LLP.

### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ BDO USA, P.C.

We served as the Company's auditor from 2021 to 2023.

Chicago, Illinois  
March 31, 2023



**Ascent Industries Co.**  
**Consolidated Balance Sheets**  
**As of December 31, 2023 and 2022**  
(in thousands, except par value and share data)

	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,851	\$ 1,440
Accounts receivable, net	26,604	33,202
Inventories		
Raw materials	21,020	33,405
Work-in-process	13,711	10,811
Finished goods	17,575	23,455
Total inventories	52,306	67,671
Prepaid expenses and other current assets	4,879	7,770
Assets held for sale	2,912	380
Current assets of discontinued operations	861	59,912
Total current assets	89,413	170,375
Property, plant and equipment, net	29,755	35,534
Right-of-use assets, operating leases, net	27,784	29,142
Goodwill	—	11,389
Intangible assets, net	8,496	10,001
Deferred income taxes	5,808	1,353
Deferred charges, net	104	203
Other non-current assets	1,935	1,862
Long-term assets of discontinued operations	—	9,184
Total assets	\$ 163,295	\$ 269,043
<b>Liabilities and Shareholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 16,416	\$ 14,114
Accrued expenses and other current liabilities	5,108	5,509
Current portion of note payable	360	387
Current portion of long-term debt	—	2,464
Current portion of operating lease liabilities	1,140	1,015
Current portion of finance lease liabilities	292	280
Current liabilities of discontinued operations	1,473	9,709
Total current liabilities	24,789	33,478
Long-term debt	—	69,085
Long-term portion of operating lease liabilities	29,729	30,869
Long-term portion of finance lease liabilities	1,307	1,242
Other long-term liabilities	60	68
Long-term liabilities of discontinued operations	—	42
Total liabilities	\$ 55,885	\$ 134,784
Commitments and contingencies – see Note 15		
Shareholders' equity:		
Common stock - \$ 1 par value: 24,000,000 shares authorized; 11,085,103 and 10,094,821 shares issued and outstanding, respectively	\$ 11,085	\$ 11,085
Capital in excess of par value	47,333	47,021
Retained earnings	58,517	85,146
	116,935	143,252
Less cost of common stock in treasury - 990,282 and 924,504 shares, respectively	( 9,525 )	( 8,993 )
Total shareholders' equity	107,410	134,259
Total liabilities and shareholders' equity	\$ 163,295	\$ 269,043

See accompanying notes to consolidated financial statements.

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**Ascent Industries Co.**  
**Consolidated Statements of Income (Loss)**  
**For the years ended December 31, 2023 and 2022**  
(in thousands, except per share data)

	2023	2022
Net sales	\$ 193,179	\$ 261,993
Cost of sales	191,653	218,706
Gross profit	1,526	43,287
Selling, general and administrative expense	26,712	27,640
Acquisition costs and other	855	1,104
Goodwill impairment	11,389	—
Operating (loss) income from continuing operations	( 37,430 )	14,543
Other (income) and expense		
Interest expense	4,238	2,742
Other, net	( 593 )	( 209 )
(Loss) income from continuing operations before income taxes	( 41,075 )	12,010
Income tax benefit	( 6,924 )	( 5,568 )
(Loss) income from continuing operations	\$ ( 34,151 )	\$ 17,578
Income from discontinued operations, net of tax	7,522	4,488
Net (loss) income	\$ ( 26,629 )	\$ 22,066
Net (loss) income per common share from continuing operations		
Basic	\$ ( 3.37 )	\$ 1.72
Diluted	\$ ( 3.37 )	\$ 1.69
Net income per common share from discontinued operations		
Basic	\$ 0.74	\$ 0.44
Diluted	\$ 0.74	\$ 0.43
Net (loss) income per common share		
Basic	\$ ( 2.63 )	\$ 2.16
Diluted	\$ ( 2.63 )	\$ 2.12
Weighted average number of common shares outstanding:		
Basic	10,140	10,230
Diluted	10,140	10,410

See accompanying notes to consolidated financial statements.

**Ascent Industries Co.**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2023 and 2022**  
(in thousands)

	2023	2022
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ ( 26,629 )	\$ 22,066
Income from discontinued operations, net of tax	7,522	4,488
Net (loss) income from continuing operations	( 34,151 )	17,578
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation expense	6,161	6,421
Amortization expense	1,505	1,853
Amortization of debt issuance costs	99	99
Goodwill impairment	11,389	—
Deferred income taxes	( 6,924 )	( 5,568 )
Payments of earn-out liabilities in excess of acquisition date fair value	—	( 372 )
(Reduction of) provision for losses on accounts receivable	( 180 )	478
Provision for losses on inventories	3,318	2,615
Loss (gain) on disposal of property, plant and equipment	246	( 18 )
Non-cash lease expense	242	414
Issuance of treasury stock for director fees	—	364
Share-based compensation expense	1,023	1,355
Changes in operating assets and liabilities:		
Accounts receivable	6,778	( 264 )
Inventories	12,245	( 13,685 )
Other assets and liabilities	515	( 211 )
Accounts payable	1,650	( 6,269 )
Accounts payable - related parties	—	( 2 )
Accrued expenses	( 401 )	( 2,127 )
Accrued income taxes	3,129	( 7,923 )
Net cash provided by (used in) operating activities - continuing operations	6,644	( 5,262 )
Net cash provided by operating activities - discontinued operations	16,434	10,839
<b>Net cash provided by operating activities</b>	<b>23,078</b>	<b>5,577</b>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	( 2,885 )	( 3,394 )
Proceeds from disposal of property, plant and equipment	—	99
Net cash used in investing activities - continuing operations	( 2,885 )	( 3,295 )
Net cash provided by (used in) investing activities - discontinued operations	53,386	( 1,680 )
<b>Net cash provided by (used in) investing activities</b>	<b>50,501</b>	<b>( 4,975 )</b>
<b>Cash flows from financing activities:</b>		
Borrowings from long-term debt	256,606	443,363
Proceeds from note payable	900	967
Proceeds from exercise of stock options	—	175
Payments on long-term debt	( 328,155 )	( 442,206 )
Payments on note payable	( 928 )	( 580 )
Principal payments on finance lease obligations	( 305 )	( 266 )
Payments on earn-out liabilities	—	( 484 )
Repurchase of common stock	( 1,287 )	( 1,343 )
Net cash used in financing activities - continuing operations	( 73,169 )	( 374 )
Net cash used in financing activities - discontinued operations	—	( 808 )
<b>Net cash used in financing activities</b>	<b>( 73,169 )</b>	<b>( 1,182 )</b>
Increase (decrease) in cash and cash equivalents	410	( 580 )
Less: Cash and cash equivalents of discontinued operations	—	4
<b>Cash and cash equivalents, beginning of period</b>	<b>1,441</b>	<b>2,017</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,851</b>	<b>\$ 1,441</b>



**Ascent Industries Co.**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2023 and 2022**  
(in thousands)

Supplemental Disclosure of Cash Flow Information	Year Ended December 31,	
	2023	2022
Cash paid for:		
Interest	\$ 4,175	\$ 2,230
Income taxes	864	7,859
<b>Noncash Investing Activities:</b>		
Capital expenditures, not yet paid	\$ 653	\$ 751

See accompanying notes to consolidated financial statements.



**Ascent Industries Co.**  
**Consolidated Statements of Shareholders' Equity**  
**For the years ended December 31, 2023 and 2022**  
(in thousands, except share and per share data)

	Common Stock				Capital in Excess of Par Value	Retained Earnings	Treasury Stock		
	Shares	Amount					Shares	Amount	Total
<b>Balance December 31, 2021</b>	<b>11,085</b>	<b>\$ 11,085</b>	<b>\$</b>	<b>\$</b>	<b>46,058</b>	<b>\$ 63,080</b>	<b>918</b>	<b>\$ ( 8,633 )</b>	<b>\$ 111,590</b>
Net income	—	—			—	22,066	—	—	22,066
Issuance of 86,274 shares of common stock from treasury	—	—			( 449 )	—	( 86 )	813	364
Exercise of stock options for 18,098 shares, net	—	—			5	—	( 18 )	170	175
Share-based compensation	—	—			1,407	—	—	—	1,407
Repurchase of 110,404 shares of common stock	—	—			—	—	110	( 1,343 )	( 1,343 )
<b>Balance December 31, 2022</b>	<b>11,085</b>	<b>\$ 11,085</b>	<b>\$</b>	<b>\$</b>	<b>47,021</b>	<b>\$ 85,146</b>	<b>924</b>	<b>\$ ( 8,993 )</b>	<b>\$ 134,259</b>
Net loss	—	—			—	( 26,629 )	—	—	( 26,629 )
Issuance of 77,330 shares of common stock from treasury	—	—			( 751 )	—	( 77 )	751	—
Share-based compensation	—	—			1,063	—	—	—	1,063
Repurchase of 143,108 shares of common stock	—	—			—	—	143	( 1,283 )	( 1,283 )
<b>Balance December 31, 2023</b>	<b>11,085</b>	<b>\$ 11,085</b>	<b>\$</b>	<b>\$</b>	<b>47,333</b>	<b>\$ 58,517</b>	<b>990</b>	<b>\$ ( 9,525 )</b>	<b>\$ 107,410</b>

See accompanying notes to consolidated financial statements.



## Notes to Consolidated Financial Statements

### Note 1: Summary of Significant Accounting Policies

Ascent Industries Co. is an industrials company focused on the production of stainless steel pipe and tube and specialty chemicals. Ascent Industries Co. was incorporated in 1958 as the successor to a chemical manufacturing business founded in 1945 known as Blackman Uhler Industries Inc. On August 5, 2022, we filed with the Secretary of State of the State of Delaware a Certificate of Amendment to our Certificate of Incorporation to change our corporate name from Synalloy Corporation to Ascent Industries Co., effective August 10, 2022. The Company's executive office is located at 1400 16th Street, Suite 270, Oak Brook, Illinois 60523. Unless indicated otherwise, the terms "Ascent", "Company," "we" "us," and "our" refer to Ascent Industries Co. and its consolidated subsidiaries.

The Company's business is divided into two reportable operating segments, Tubular Products and Specialty Chemicals. The Tubular Products segment serves markets through pipe and tube and customers in the appliance, architectural, automotive and commercial transportation, brewery, chemical, petrochemical, pulp and paper, mining, power generation (including nuclear), water and waste-water treatment, liquid natural gas ("LNG"), food processing, pharmaceutical, oil and gas and other industries.

The Specialty Chemicals segment produces specialty products for the pulp and paper, coatings, adhesives, sealants and elastomers (CASE), textile, automotive, household, industrial and institutional ("HII"), agricultural, water and waste-water treatment, construction, oil and gas and other industries.

Below are those accounting policies considered by the Company to be significant.

**Principles of Consolidation** - The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Intercompany transactions and balances have been eliminated.

**Use of Estimates** - The preparation of the Company's financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosures of contingent assets and liabilities. Significant items subject to such estimates and assumptions include the carrying value of property, plant and equipment; intangible assets; the fair value of assets or liabilities acquired in a business combination; valuation allowances for receivables, inventories and deferred income tax assets and liabilities; environmental liabilities; liabilities for potential tax deficiencies; and, potential litigation claims and settlements. The Company bases these estimates on historical results and various other assumptions believed to be reasonable, all of which form the basis for making estimates concerning the carrying value of assets and liabilities that are readily available from other sources. Actual results may differ from these estimates.

**Cash and Cash Equivalents** - The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains cash levels in bank accounts that, at times, may exceed federally-insured limits.

**Accounts Receivable** - Accounts receivable from the sale of products are recorded at net realizable value and the Company generally grants credit to customers on an unsecured basis. Substantially all of the Company's accounts receivable are due from companies located throughout the United States. The Company provides an allowance for credit losses for expected uncollectible amounts. The allowance is based upon an analysis of accounts receivable balances with similar risk characteristics on a collective basis, considering factors such as the aging of receivables balances, historical loss experience, current information, and future expectations. Each reporting period, the Company reassesses whether any accounts receivable no longer share similar risk characteristics and should instead be evaluated as part of another pool or on an individual basis. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Receivables are generally due within 30 to 60 days. Delinquent receivables are written off based on individual credit evaluations and specific circumstances of the customer.

The opening and closing balances of our accounts receivables from continuing operations are as follows (in thousands):

<i>(in thousands)</i>	January 1, 2022	December 31, 2022	December 31, 2023
Accounts receivables, net	\$ 33,417	\$ 33,202	\$ 26,604

**Ascent Industries Co.**  
Notes to Consolidated Financial Statements

Activity in the allowance for credit losses from continuing operations were as follows:

<i>(in thousands)</i>	<b>2023</b>	<b>2022</b>
Balance at beginning of period	\$ 643	\$ 164
Current period provision for expected credit losses	953	820
Deductions from allowance	( 1,133 )	( 341 )
Balance at end of period	<u>\$ 463</u>	<u>\$ 643</u>

**Inventories** - Inventory is stated at the lower of cost or net realizable value ("LCNRV"). Cost is determined by either specific identification or weighted average methods.

At the end of each quarter, all facilities review recent sales reports to identify sales price trends that would indicate products or product lines that are being sold below our cost. This would indicate that an adjustment would be required. An LCNRV adjustment is recorded when the Company's inventory cost, based upon a historical price, is greater than the current selling price of that product. During the year ended December 31, 2023, LCNRV adjustments of \$0.6 million required by our Specialty Chemicals segment. During the year ended December 31, 2022, no significant LCNRV adjustments were required by our Specialty Chemicals segment.

Stainless steel, both in its raw material (coil or plate) or finished goods (pipe and tube) state is purchased/sold using a base price plus an additional surcharge which is dependent on current nickel prices. As raw materials are purchased, it is priced to the Company based upon the surcharge at that date. When the selling price of the finished pipe is set for the customer, approximately three months later, the then-current nickel surcharge is used to determine the proper selling prices. An LCNRV adjustment is recorded when the Company's inventory cost, based upon a historical nickel price, is greater than the current selling price of that product due to a reduction in the nickel surcharge. LCNRV adjustments of \$0.6 million and \$0.3 million were required by our Tubular Products segment's continuing operations during the years ended December 31, 2023 and 2022, respectively.

In addition, the Company establishes inventory reserves for:

- *Estimated obsolete or unmarketable inventory* - The Company identifies aged inventory items with slow or no sales activity for finished goods or slow or no usage for raw materials for a certain period of time. For those inventory items, a reserve is established for a percentage of the inventory cost less any estimated scrap proceed and is based on our current knowledge with respect to inventory levels, sales trends and historical experience. The Company reserved \$5.6 million and \$2.8 million for continuing operations as of December 31, 2023 and 2022, respectively.
- *Estimated quantity losses* - The Company performs an annual physical count of inventory during the fourth quarter each year for all facilities. A reserve is established for the potential quantity losses that could occur subsequent to their physical inventory. This reserve is based upon the most recent physical inventory results. The Company had \$0.5 million and \$0.2 million reserved for physical inventory quantity losses for continuing operations as of December 31, 2023 and 2022, respectively.

**Property, Plant and Equipment** - Property, plant and equipment are stated at cost. Depreciation is determined based on the straight-line method over the estimated useful life of the assets. Substantially all depreciation is recorded within cost of goods sold on the consolidated statements of income (loss). Leasehold improvements are depreciated over the shorter of their useful lives or the remaining non-cancellable lease term, buildings are depreciated over a range of 10 years to 40 years, and machinery, fixtures and equipment are depreciated over a range of three years to 20 years. The costs of software licenses are amortized over five years using the straight-line method. The Company continually reviews the recoverability of the carrying value of long-lived assets. The Company also reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. When the future undiscounted cash flows of the operation to which the assets relate do not exceed the carrying value of the asset, the assets are written down to fair value.

**Business Combinations** - Business combinations are accounted for using the acquisition method of accounting. Under this method, the total consideration transferred to consummate the business combination is allocated to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values as of the closing date of the transaction. The acquisition method of accounting requires extensive use of estimates and judgments to allocate the consideration transferred to the identifiable tangible and intangible assets acquired, if any, and liabilities assumed.

**Goodwill** - Goodwill is the excess of the purchase price over the fair value of identifiable assets acquired, less fair value of liabilities assumed, in a business combination. The Company reviews goodwill for impairment at the reporting unit level, which is the operating segment level or one level below the operating segment level. Goodwill is not amortized but is evaluated for impairment at least annually on October 1 or whenever events or changes in circumstances indicate that it is more likely than not that the carrying amount may not be recoverable. The evaluation begins with a qualitative assessment to determine whether a quantitative impairment test is necessary. If, after assessing qualitative factors, we determine it is more likely than not that the fair value of the reporting unit is less than the carrying amount, then the quantitative goodwill impairment test is performed.

The quantitative goodwill impairment test used to identify potential impairment compares the fair value of a reporting unit with its carrying amount, including goodwill. Fair value represents the price a market participant would be willing to pay in a potential sale of the reporting unit and is based on a combination of an income approach, based on discounted future cash flows, and a market approach, based on market multiples applied to free cash flow. If the fair value exceeds the carrying value, then no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. Any impairment identified is included within "goodwill impairment" in the consolidated statements of income (loss).

A reporting unit is an operating segment or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. During 2023 and 2022, goodwill was allocated to the Specialty Chemicals reporting unit.

The changes in the carrying amount of goodwill for the years ended December 31, 2023 and 2022 were as follows:

<i>(in thousands)</i>	<b>Specialty Chemicals</b>
Balance December 31, 2021	\$ 12,637
Purchase Price Allocation Revision	( 1,248 )
Balance December 31, 2022	11,389
Goodwill Impairment	( 11,389 )
Balance December 31, 2023	\$ —

During the third quarter of 2023, the Company determined potential indicators of impairment within the Specialty Chemicals reporting unit, with an associated goodwill balance of \$ 11.4 million existed. Macroeconomic conditions and pressures, increased risks within the broader specialty chemicals business, reporting unit operating losses and a decline in the reporting unit's net sales compared to forecast, collectively, indicated that the reporting unit had experienced a triggering event and the need to perform a quantitative evaluation of goodwill. The Company performed a discounted cash flow analysis and a market multiple analysis for the Specialty Chemicals reporting unit to determine the reporting unit's fair value. The discounted cash flow analysis included management assumptions for expected sales growth, capital expenditures and overall operational forecasts while the market multiple analysis included historical and projected performance, market capitalization, volatility and multiples for industry peers. Determining the fair value of the reporting unit and allocation of that fair value to individual assets and liabilities within the reporting unit to determine the implied fair value of the goodwill is judgmental in nature and requires the use of significant management estimates and assumptions. Any changes in the judgments, estimates, or assumptions could produce significantly different results. As a result of the goodwill impairment evaluation, it was concluded that the estimated fair value of the Specialty Chemicals reporting unit was below its carrying value by 27.6 % resulting in a goodwill impairment charge of \$ 11.4 million for the year ended December 31, 2023.

**Intangible Assets** - Intangible assets consists of customer relationships, trademarks and trade names, and represents the fair value of intellectual, non-physical assets resulting from business acquisitions and are amortized over their estimated useful lives using either an accelerated or straight-line method over a period of 15 years. Amortization expense is recorded in selling, general and administrative expense on the consolidated statements of income (loss).

**Ascent Industries Co.**  
Notes to Consolidated Financial Statements

The gross carrying amount and accumulated amortization of intangible assets from continuing operations consist of the following:

	2023		2022	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
<i>(in thousands)</i>				
<b>Definite-lived intangible assets:</b>				
Customer related	\$ 14,604	\$ ( 6,685 )	\$ 14,604	\$ ( 5,201 )
Trademarks and trade names	150	( 17 )	150	( 12 )
Other	500	( 56 )	500	( 40 )
<b>Total definite-lived intangible assets</b>	<b>\$ 15,254</b>	<b>\$ ( 6,758 )</b>	<b>\$ 15,254</b>	<b>\$ ( 5,253 )</b>

The Company recorded amortization expense related to intangible assets from continuing operations of \$ 1.5 million and \$ 1.9 million for 2023 and 2022, respectively.

Estimated amortization expense for the next five fiscal years based on existing intangible assets is as follows:

<i>(in thousands)</i>	
2024	\$ 1,487
2025	1,324
2026	1,102
2027	930
2028	786
Thereafter	2,867
Total	<b>\$ 8,496</b>

**Deferred Charges** - Deferred charges represent debt issuance costs and are amortized over their estimated useful lives using the straight-line method over a period of four years and is recorded in interest expense on the consolidated statements of income (loss).

Deferred charges totaled \$ 0.4 million as of December 31, 2023 and 2022, respectively. Accumulated amortization of deferred charges as of December 31, 2023 and 2022 totaled \$ 0.3 million and \$ 0.2 million, respectively.

The Company recorded amortization expense related to deferred charges of \$ 0.1 million for 2023 and 2022.

**Long-Lived Asset Impairment** - The carrying amounts of long-lived assets are reviewed whenever certain events or changes in circumstances indicate that the carrying amounts may not be recoverable. A potential impairment has occurred for long-lived assets held-for-use if projected future undiscounted cash flows expected to result from the use and eventual disposition of the assets are less than the carrying amounts of the assets. An impairment loss is recorded for long-lived assets held-for-use when the carrying amount of the asset is not recoverable and exceeds its fair value.

Long-lived assets that are expected to be sold within the next 12 months and meet the other relevant held-for-sale criteria are classified as long-lived assets held-for-sale. An impairment loss is recorded for long-lived assets held-for-sale when the carrying amount of the asset exceeds its fair value less cost to sell. A long-lived asset is not depreciated while its classified as held-for-sale.

For long-lived assets to be abandoned, the Company considers the asset to be disposed of when it ceases to be used. Until it ceases to be used, the Company continues to classify the asset as held-for-use and test for potential impairment accordingly. If the Company commits to a plan to abandon a long-lived asset before the end of its previously estimated useful life, its depreciable life is re-evaluated.

Gains and losses on the disposal of assets are recorded as the difference between the net proceeds received, if any, and net carrying values of the assets disposed and are included in loss on disposal of assets and adjustments to assets held for sale, net in the consolidated statements of comprehensive (loss) income.

Fair value measurements associated with long-lived asset impairments are included in [Note 4](#) of the notes to the consolidated financial statements.

**Discontinued Operations** - The Company accounts for and classifies a business as a discontinued operation when the following criteria are met: the disposal group is a component of an entity, the component of the entity meets the held for sale criteria in accordance with our policy described above and the component of the entity represents a strategic shift in the entity's operating and financial results. See [Note 2](#) for discussion on the Company's discontinued operations.

**Assets Held for Sale** - The Company classifies long-lived assets or disposal groups as held for sale in the period when all of the following conditions have been met:

- the Board of Directors have approved and committed to a plan to sell the assets or disposal group;
- the asset or disposal group is available for immediate sale in its present condition;
- an active program to locate a buyer and other actions required to complete the sale have been initiated;
- the sale of the asset or disposal group is probable and expected to be completed within one year;
- the asset or disposal group is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and,
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

We initially measure a long-lived asset or disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell and recognize any loss in the period in which the held for sale criteria are met. Gains are not recognized until the date of sale. We cease depreciation and amortization of a long-lived asset, or assets within a disposal group, upon their designation as held for sale and subsequently assess fair value less any costs to sell at each reporting period until the asset or disposal group is no longer classified as held for sale. See [Note 4](#) for discussion on the Company's assets held for sale.

**Leases** - The Company determines whether an arrangement is a lease at contract inception. For leases in which the Company is the lessee, the Company recognizes a right-of-use asset and corresponding lease liability on the consolidated balance sheets equal to the present value of the fixed lease payments over the lease term. Lease liabilities represent an obligation to make lease payments arising from a lease while right-of-use assets represent a right to use an underlying asset during the lease term. The Company does not separate lease and non-lease components for its underlying assets. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets.

If readily determinable, the rate implicit in the lease is used to discount lease payments to present value; however, the Company's leases generally do not provide a readily determinable implicit rate. When the implicit rate is not determinable, the Company's estimated incremental borrowing rate is utilized, determined on a fully collateralized and fully amortizing basis, to discount lease payments based on information available at lease commencement. The Company determines the appropriate incremental borrowing rate by identifying a reference rate and making adjustments that take into consideration financing options and certain lease-specific circumstances. Such adjustments include assuming the Store Capital lease would require two lenders with the secondary lender being secured on a second lien requiring mezzanine rates. Lease costs are recognized on a straight-line basis over the lease term.

Right-of-use assets and operating lease liabilities are remeasured upon certain modifications to leases using the present value of the remaining lease payments and estimated incremental borrowing rate upon lease modification. The difference between the remeasured right-of-use asset and the operating lease liabilities are recognized as a gain or loss within operating expenses. The Company reviews any changes to its lease agreements for potential modifications and/or indicators of impairment of the respective right-of-use asset. Operating leases are included in right-of-use assets, current portion of operating lease liabilities and long-term portion of operating lease liabilities on the accompanying consolidated balance sheets. Finance leases are included in property, plant and equipment, current portion of finance lease liabilities and long-term portion of finance lease liabilities. See [Note 7](#) for additional information on the Company's leases.

The Company subleases portions of certain properties that are not used in its operations. Sublease income was \$ 0.4 million for 2023. Sublease income was \$ 0.2 million for 2022.

**Revenue Recognition** - Revenues are recognized when control of the promised goods or services is transferred to our customers upon shipment, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. The Company's revenues are derived from contracts with customers where performance obligations are satisfied

at a point-in-time or over-time. For certain contracts under which the Company produces product with no alternative use and for which the Company has an enforceable right to payment during the production cycle, product in which the material is customer owned or in which the customer simultaneously consumes the benefits throughout the production cycle, progress toward satisfying the performance obligation is measured using an output method of units produced. Certain customer arrangements consist of bill-and-hold characteristics under which transfer of control has been met (including the passing of title and significant risk and reward of ownership to the customers). Therefore, the customers can direct the use of the bill-and-hold inventory while we retain physical possession of the product until it is shipped to a customer at a point in time in the future.

Our contracts with customers may include multiple performance obligations. For such arrangements, revenue for each performance obligation is based on its standalone selling price and revenue is recognized as each performance obligation is satisfied. The Company generally determines standalone selling prices based on the prices charged to customers using the adjusted market assessment approach or expected cost plus margin. Deferred revenues are recorded when cash payments are received in advance of satisfying the performance obligation, including amounts which are refundable. See [Note 3](#) for additional information on the Company's revenue.

**Shipping Costs** - Shipping costs are treated as fulfillment activities at the time control and title of the promised good and services rendered are transferred to the customer. Shipping costs from continuing operations of approximately \$ 3.4 million and \$ 4.3 million in 2023 and 2022, respectively, are recorded in cost of goods sold on the consolidated statements of income (loss).

**Share-Based Compensation** - Share-based payments to employees, including grants of employee stock options, are recognized in the consolidated statements of income (loss) as compensation expense (based on their estimated fair values at grant date) generally over the vesting period of the awards using the straight-line method. Any forfeitures of share-based awards are recorded as they occur. See [Note 10](#) for additional information on the Company's accounting for share-based payments.

**Income Taxes** - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing accounts and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

Additionally, the Company maintains reserves for uncertain tax provisions, if necessary. See [Note 11](#) for additional information on the Company's income taxes.

**Earnings Per Share** - Earnings per share of common stock are computed based on the weighted average number of basic and diluted shares outstanding during each period. See [Note 12](#) for additional information on the Company's earnings per share.

**Concentrations of Credit Risk** - Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash deposits and trade accounts receivable. The Company monitors the financial institutions where it invests its cash and cash equivalents as well as performs credit reviews of potential customers when extending credit to purchase and periodic reviews of existing customers to mitigate exposure and risk. The Tubular Products segment has one customer that accounted for approximately 17 % of the segment's revenues for 2023. There were no customers representing more than 10% of the Tubular Products segment's revenues for 2022. The Specialty Chemicals segment has one customer that accounted for approximately 24 % of the segment's revenues for 2023 and 21 % of the segment's revenues for 2022.

**Accounting Pronouncements Recently Adopted** - On March 31, 2023, the Company adopted ASU 2020-04 *Reference Rate Reform (Topic 848): Facilitation of Effects of Reference Rate Reform on Financial Reporting*. The ASU, and subsequent clarifications, provide practical expedients for contract modification accounting related to the transition away from the London Interbank Offered Rate (LIBOR) and other interbank offering rates to alternative reference rates. The expedients are applicable to contract modifications made and hedging relationships entered into on or before December 31, 2024. The Company intends to use the expedients where needed for reference rate transition. The adoption of this standard by the Company did not have a material effect on the consolidated financial statements or footnote disclosures..

**Accounting Pronouncements Not Yet Adopted** - In November 2023, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. All disclosure requirements under ASU 2023-07 are also required for public entities with a single reportable segment. The ASU is effective for the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024, and subsequent interim periods, with early adoption permitted. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and footnote disclosures.

In December 2023, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU requires consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. The amendments also require that all entities disclose more detailed information about income taxes paid, including by jurisdiction; pretax income (or loss) from continuing operations; and income tax expense (or benefit). The ASU is effective for the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2024, and subsequent interim periods, with early adoption permitted. The Company is currently evaluating the impact of adopting this ASU on its consolidated financial statements and footnote disclosures.

Recent accounting pronouncements pending adoption not discussed in this Form 10-K are either not applicable to the Company or are not expected to have a material impact on the Company.

## **Note 2: Discontinued Operations**

### *Munhall Closure*

During the fourth quarter of 2022, the Company began a strategic reassessment of certain operations to drive an increased focus on its core operations and to continue to improve overall performance and operating profitability. As a result of this reassessment, management and the Board of Directors decided to pursue an exit of the Company's galvanized pipe and tube operations at its Munhall facility ("Munhall").

During the second quarter of 2023, the Board of Directors of the Company made the decision to permanently cease operations at Munhall. The Company ceased operations effective August 31, 2023. It is anticipated that the complete exit and disposal of all assets at Munhall will be completed within one year from the date the decision was made to permanently cease operations. The strategic decision to cease operations at Munhall is part of the Company's ongoing efforts to consolidate manufacturing to drive an increased focus on its core operations and to improve profitability while driving operational efficiencies.

As a result of this decision, during the second quarter of 2023, the Company incurred asset impairment charges of \$ 6.4 million related to the write down of inventory and long-lived assets as well as \$ 1.4 million in increased reserves on accounts receivable at the facility. During the third quarter of 2023, the Company incurred additional asset impairment charges of \$ 2.4 million related to the write down of inventory to net realizable value. Certain assets of Munhall were also classified as held for sale and the results of operations previously reported under the Tubular Products segment have been classified as discontinued operations for all periods presented. See [Note 4](#) for further discussion of the assets held for sale and related fair value measurements.

### *Divestiture of Specialty Pipe & Tube, Inc.*

On December 22, 2023, the Company and its wholly-owned subsidiary Specialty Pipe & Tube, Inc. ("SPT") entered into an Asset Purchase Agreement pursuant to which Ascent and SPT sold substantially all of the assets primarily related to SPT to Specialty Pipe & Tube Operations, LLC, a Delaware limited liability company. The consideration for the transaction was approximately \$ 55 million of cash proceeds subject to certain closing adjustments. The transaction closed on December 22, 2023. Ascent and Purchaser also entered into a Transition Services Agreement (the "TSA") and an Employee Leasing Agreement (the "ELA") each dated December 22, 2023, pursuant to which Ascent has agreed to provide certain transition services and to lease certain employees to Purchaser immediately after the closing for certain agreed upon transition periods. As result of the sale, SPT results of operations are classified under discontinued operations for all periods presented. Prior to the divestiture, SPT was reported under the Company's Tubular Products segment.

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Notes to Consolidated Financial Statements

The following table presents the aggregate carrying amounts of the classes of assets and liabilities of the Company's discontinued operations:

<i>(in thousands)</i>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Carrying amounts of assets included as part of discontinued operations:		
Cash and cash equivalents	\$ —	\$ 1
Accounts receivable, net	778	11,918
Inventories	—	46,781
Prepaid expenses and other current assets	83	1,212
Current assets classified as discontinued operations	861	59,912
Property, plant and equipment, net	—	6,812
Right-of-use assets, operating leases, net	—	82
Intangible assets, net	—	386
Other non-current assets, net	—	1,904
Long-term assets classified as discontinued operations	—	9,184
Total assets classified as discontinued operations	<u>\$ 861</u>	<u>\$ 69,096</u>
Carrying amounts of current liabilities included as part of discontinued operations:		
Accounts payable	\$ 107	\$ 8,617
Accrued expenses and other current liabilities	1,366	1,051
Current portion of operating lease liabilities	—	41
Total current liabilities classified as discontinued operations	<u>\$ 1,473</u>	<u>\$ 9,709</u>
Carrying amounts of long-term liabilities included as part of discontinued operations:		
Long-term portion of operating lease liabilities	\$ —	\$ 42
Total liabilities classified as discontinued operations	<u>\$ 1,473</u>	<u>\$ 9,751</u>

In May of 2023, the Company was named as a defendant in a lawsuit filed in the U.S. District Court for the Western District of Pennsylvania, asserting various claims for breach of contracts resulting in losses to the plaintiff and seeking damages in the amount of \$ 0.8 million plus prejudgment interest and attorney's fees. Although we continue to defend ourselves against the claims, we believe we may incur a material loss in this matter and that our financial statements could be materially affected by an adverse decision regarding the assessment of damages incurred by the plaintiff. Accordingly, the Company has an estimated liability of \$ 1.0 million for expected losses related to this lawsuit as of December 31, 2023.

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The financial results of the Company's discontinued operations are presented as income from discontinued operations, net of tax on the consolidated statements of income (loss). The following table summarizes the results of the Company's discontinued operations:

(in thousands)	(Unaudited)			
	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
Net sales	\$ 7,214	\$ 27,381	\$ 64,760	\$ 152,154
Cost of sales	8,115	30,674	64,507	138,909
Gross profit	( 901 )	( 3,293 )	253	13,245
Selling, general and administrative expense	1,261	2,088	7,587	7,311
Acquisition costs and other	355	96	568	96
Gain on sale of assets	( 26,348 )	—	( 26,348 )	—
Asset impairments	—	—	8,720	—
Earnout adjustments	—	—	—	( 7 )
Operating income (loss) of discontinued operations	23,831	( 5,477 )	9,726	5,845
Loss on classification as held for sale	—	—	83	—
Income (loss) from discontinued operations before income taxes	23,831	( 5,477 )	9,643	5,845
Income tax provision (benefit)	5,157	( 1,102 )	2,121	1,357
Net income (loss) from discontinued operations	\$ 18,674	\$ ( 4,375 )	\$ 7,522	\$ 4,488

**Note 3: Revenue Recognition**

Revenue is generated primarily from contracts to produce, ship and deliver steel and specialty chemical products. The Company's performance obligations are satisfied and revenue is recognized when control and title of the contract promised goods or services is transferred to our customers for product shipped or services rendered. Sales tax and other taxes we collect with revenue-producing activities are excluded from revenue. Shipping costs charged to customers are treated as fulfillment activities and are recorded in both revenue and cost of sales at the time control is transferred to the customer. Costs related to obtaining sales contracts are incidental and are expensed when incurred. Because customers are invoiced at the time title transfers and the Company's right to consideration is unconditional at that time, the Company does not maintain contract asset balances. Additionally, the Company does not maintain material contract liability balances, as performance obligations for substantially all contracts are satisfied prior to customer payment for product. The Company offers industry standard payment terms.

The following table presents the Company's revenues, disaggregated by product group from continuing operations:

(in thousands)	2023	2022
Fiberglass and steel liquid storage tanks and separation equipment	\$ 50	\$ 411
Stainless steel pipe and tube	109,513	154,040
Specialty chemicals	83,616	107,542
<b>Net sales</b>	<b>\$ 193,179</b>	<b>\$ 261,993</b>

The Company's revenues are derived from contracts with customers where performance obligations are satisfied at a point-in-time or over-time. Performance obligations are supported by contracts with customers, providing a framework for the nature of the distinct goods, services or bundle of goods and services. The timing of satisfying the performance obligation is typically indicated by the terms of the contract. The following table represents the Company's revenue recognized at a point- in-time and over-time.

(in thousands)	2023	2022
Point-in-time	\$ 175,280	\$ 235,344
Over-time	\$ 17,899	\$ 26,649

#### **Note 4: Fair Value of Financial Instruments**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, we use a three-tier valuation hierarchy based upon observable and non-observable inputs:

*Level 1* - Unadjusted quoted prices that are available in active markets for identical assets or liabilities at the measurement date.

*Level 2* - Significant other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

*Level 3* - Significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using model-based techniques, including option pricing models, discounted cash flow models, probability weighted models, and Monte Carlo simulations.

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, notes payable, earn-out liabilities, revolving line of credit, and long-term debt.

#### **Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis**

For the fiscal year ended December 31, 2023 and 2022, the Company's only significant measurements of assets and liabilities at fair value on a non-recurring basis subsequent to their initial recognition were certain long-lived assets, certain assets held for sale and goodwill (see [Note 1](#) to the consolidated financial statements for additional information regarding this Level 3 fair value measurement).

##### *Long-lived assets*

The Company reviews the carrying amounts of long-lived assets whenever certain events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company assesses performance quarterly against historical patterns, projections of future profitability, and whether it is more likely than not that the assets will be disposed of significantly prior to the end of their estimated useful life for evidence of possible impairment. An impairment loss is recognized when the carrying amount of the asset (disposal) group is not recoverable and exceeds fair value. The Company estimates the fair values of assets subject to long-lived asset impairment based on the Company's own judgments about the assumptions market participants would use in pricing the assets and observable market data, when available.

During the fourth quarter of 2022, the Company began a strategic reassessment of certain operations to drive an increased focus on its core operations and to continue to improve overall performance and operating profitability. As a result of this reassessment, management and the Board of Directors decided to pursue an exit of the Company's galvanized pipe and tube operations at its Munhall facility ("Munhall"). During the first quarter of 2023, it was determined that a continued change in the use of the assets of the Munhall facility had occurred before the end of their previous useful lives, and therefore, had experienced a triggering event and were evaluated for recoverability. Based on this evaluation of the Munhall assets, it was determined the assets were recoverable and no impairment was recorded during the first quarter.

During the second quarter of 2023, the Board of Directors of the Company made the decision to permanently cease operations at the Munhall facility. The Company ceased operations effective August 31, 2023. As a result of this decision, it was determined to be more likely than not that the assets of Munhall would be sold or otherwise disposed of significantly before the end of their previously estimated useful lives, and therefore, experienced a triggering event and were evaluated for recoverability. Based on this evaluation, inventory at Munhall was written down to its net realizable value of \$ 16.0 million and certain long-lived assets, including intangible assets, were written down to their estimated fair value of \$ 2.6 million, resulting in asset impairment charges of \$ 6.4 million in the second quarter of 2023.

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During the third quarter of 2023, the remaining inventory at Munhall was written down to its net realizable value of \$ 4.0 million resulting in asset impairment charges of \$ 2.4 million in the third quarter of 2023. See [Note 2](#) for further information on the Company's discontinued operations.

**Assets Held-for-Sale**

As a result of the Company's decision to cease operations and exit Munhall, during the year end December 31, 2023, certain assets of Munhall were classified as held for sale and classified as Level 2 fair value measurements. The Company remains obligated under the terms of the leases for the rent and other costs that may be associated with the lease of the Munhall facility through 2036. The Company is actively pursuing a sublease for the facility.

Munhall assets classified as held for sale as are as follows:

<i>(in thousands)</i>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Property, plant and equipment, net	2,374	—
Other assets, net	538	—
Assets held for sale	<u>\$ 2,912</u>	<u>\$ —</u>

On February 17, 2021 the Board of Directors authorized the permanent cessation of operations at Palmer and the subleasing of the Palmer facility. As of December 31, 2021, the Company permanently ceased operations at the Palmer facility and determined that the remaining asset group met the criteria to be classified as held for sale, and therefore classified the related assets as held for sale on the consolidated balance sheets. The Company determined that the exit from this business did not represent a strategic shift that had a major effect on its consolidated results of operations, and therefore this business was not classified as discontinued operations. As of December 31, 2023, the remaining Palmer assets continue to be classified as held for sale with the remaining assets to be disposed of in the first quarter of 2023. The results of operations for this business are included within the Tubular Products segment for all periods presented in this annual report. The Company uses observable inputs, such as prices of comparable assets in active markets to determine the fair value of the remaining assets. The Company classifies these fair value measurements as Level 2.

Palmer assets classified as held for sale as of December 31, 2023 and 2022 are as follows:

<i>(in thousands)</i>	<b>2023</b>	<b>2022</b>
Inventory, net	\$ —	\$ 198
Property, plant and equipment, net	—	182
Assets held for sale	<u>\$ —</u>	<u>\$ 380</u>

The Company remains obligated under the terms of the leases for the rent and other costs that may be associated with the lease of the facility through 2036. During the fourth quarter of 2022, the Company entered into an amended sublease agreement with a third party to sublease the entirety of the Palmer facility. The sublease agreement amends the previous sublease agreement entered into in the fourth quarter of 2021 and continues through the remaining term of the Master Lease Agreement. The sublease will expire on September 30, 2036, unless terminated in accordance with the amended sublease agreement. The sublease provides for an annual base rent of approximately \$ 0.4 million in the first year, which increases on an annual basis by 2.0 %. The sublessee is responsible for its pro rata share of certain costs, taxes and operating expenses related to the subleased space. The sublease includes an initial security deposit of \$ 0.1 million.

**Fair Value of Financial Instruments**

The fair values of cash and cash equivalents, accounts receivable, accounts payable and the Company's note payable approximated their carrying value because of the short-term nature of these instruments. The Company's revolving line of credit and long-term debt, which is based on a variable interest rate, are also reflected in the financial statements at carrying value which approximates fair value as of December 31, 2023. The carrying amount of cash and cash equivalents are considered Level 1 measurements. The carrying amounts of accounts receivable, accounts payable, note payable, revolving line of credit and long-term debt are considered Level 2 measurements. See [Note 6](#) for further information on the Company's debt.

**Note 5: Property, Plant and Equipment**

Property, plant and equipment consist of the following:

<i>(in thousands)</i>	<b>2023</b>	<b>2022</b>
Land	\$ 723	\$ 723
Leasehold improvements	3,079	3,495
Buildings	1,534	1,534
Machinery, fixtures and equipment	93,758	98,225
Construction-in-progress	1,330	1,657
	100,424	105,634
Less accumulated depreciation and amortization	( 70,669 )	( 70,100 )
Property, plant and equipment, net	<u>\$ 29,755</u>	<u>\$ 35,534</u>

The following table sets forth depreciation expense related to property, plant and equipment:

<i>(in thousands)</i>	<b>2023</b>	<b>2022</b>
Cost of sales	\$ 5,918	\$ 6,196
Selling, general and administrative	243	225
Total depreciation	<u>\$ 6,161</u>	<u>\$ 6,421</u>

**Note 6: Debt**

**Short-term debt**

On June 13, 2023, the Company entered into a note payable in the amount of \$ 0.9 million with an interest rate of 3.70 % maturing April 1, 2024. The agreement is associated with the financing of the Company's insurance premium in the current year. As of December 31, 2023, the outstanding balance was \$ 0.4 million.

**Credit Facilities**

<i>(in thousands)</i>	<b>2023</b>	<b>2022</b>
Revolving line of credit, due January 15, 2025	\$ —	\$ 67,442
Term loan, due January 15, 2025	—	4,107
Total long-term debt	—	71,549
Less: Current portion of long-term debt	—	( 2,464 )
Long-term debt, less current portion	<u>\$ —</u>	<u>\$ 69,085</u>

During the first quarter of 2023, the Company entered into an Amended and Restated Credit Agreement with BMO Harris Bank, N.A. ("BMO") to replace LIBOR with the Secured Overnight Funding Rate ("SOFR").

During the fourth quarter of 2023, the Company entered into a Limited Consent, Second Amendment to Credit Agreement and Omnibus Amendment to Loan Documents with BMO Bank N.A. and the other lenders under the Company's credit facility (the "Credit Facility Amendment"). The Credit Facility Amendment contains a consent for the SPT divestiture, released the lien on the assets of SPT and removed SPT as a loan party. The Credit Facility Amendment also reduced the maximum revolving loan commitment under the credit facility from \$ 105 million to \$ 80 million, and increased the interest rate for the credit facility from SOFR plus an interest rate margin of between 1.60 % and 1.70 % to SOFR plus an interest rate margin of between 1.85 % and 2.10 %, depending on average availability under the credit facility and the Company's consolidated fixed charge coverage ratio. As required by the Credit Facility Amendment, the Company used the proceeds from the SPT divestiture to prepay in full the term loan in the original principal amount of \$ 5 million under the credit facility and used the remaining proceeds to prepay in part the revolving loans under the credit facility.

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The borrowing capacity under the credit facility totals \$ 80.0 million consisting of a \$ 80.0 million revolving line of credit which includes a \$ 17.5 million machinery and equipment sub-limit.

We have pledged all of our accounts receivable, inventory, and certain machinery and equipment as collateral for the Credit Agreement. Availability under the Credit Agreement is subject to the amount of eligible collateral as determined by the lenders' borrowing base calculations. Amounts outstanding under the revolving line of credit currently bear interest at (a) the Base Rate (as defined in the Credit Agreement) plus 0.75 % or (b) SOFR plus 1.85 %. The Credit Agreement also provides an unused commitment fee based on the daily used portion of the credit facility.

The revolving line of credit interest rate was 6.20 % and 5.18 % as of December 31, 2023 and 2022, respectively. Average borrowings under the revolving line of credit during 2023 and 2022 were \$ 55.6 million and \$ 71.0 million with a weighted average interest rate of 7.22 % and 3.67 %, respectively.

The term loan interest rate was 6.38 % as of December 31, 2022.

The Company made interest payments on all credit facilities of \$ 4.0 million and 2.6 million in 2023 and 2022, respectively.

As of December 31, 2023, the Company has no principal payments outstanding on long-term debt.

Pursuant to the Credit Agreement, the Company was required to pledge all of its tangible and intangible properties, including the stock and membership interests of its subsidiaries. The Credit Agreement contains covenants requiring the maintenance of a minimum consolidated fixed charge coverage ratio if excess availability falls below the greater of (i) \$ 7.5 million and (ii) 10 % of the revolving credit facility (currently \$ 8.0 million). As of December 31, 2023, the Company was in compliance with all financial debt covenants.

As of December 31, 2023, the Company had \$ 61.8 million of remaining availability under its credit facility.

#### **Note 7: Leases**

The Company's portfolio of leases contains both finance and operating leases that relate to real estate and manufacturing equipment. Substantially all of the value of the Company's lease portfolio relates to the Master Lease with Store Master Funding XII, LLC ("Store"), an affiliate of Store Capital Corporation ("Store Capital") that was entered into in 2016 and amended with the American Stainless acquisition in 2019 as well as the sale of land at the Munhall facility in 2020. As of December 31, 2023, operating lease liabilities related to the master lease agreement with Store Capital totaled \$ 30.6 million, or 94 % of the total lease liabilities on the consolidated balance sheet.

During the year ended December 31, 2023, the Company entered into new operating lease agreements resulting in an additional \$ 0.5 million of right-of-use assets and lease liabilities.

#### **Balance Sheet Presentation**

Operating and finance lease amounts from continuing operations are as follows (in thousands):

Classification	Financial Statement Line Item	Year Ended December 31,	
		2023	2022
Operating lease assets	Right-of-use assets, operating leases	\$ 27,784	\$ 29,142
Finance lease assets	Property, plant and equipment, net	1,543	1,494
Current liabilities	Current portion of lease liabilities, operating leases	1,140	1,015
Current liabilities	Current portion of lease liabilities, finance leases	292	280
Non-current liabilities	Non-current portion of lease liabilities, operating leases	29,729	30,869
Non-current liabilities	Non-current portion of lease liabilities, finance leases	\$ 1,307	\$ 1,242

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Notes to Consolidated Financial Statements

**Total Lease Cost**

Individual components of the total lease cost incurred by the Company are as follows:

(in thousands)	Year Ended December 31,	
	2023	2022
Operating lease cost <sup>1</sup>	\$ 3,945	\$ 4,108
Finance lease cost:		
Reduction in carrying amount of right-of-use assets	334	273
Interest on finance lease liabilities	85	36
Sublease income	( 394 )	( 187 )
<b>Total lease cost</b>	<b>\$ 3,970</b>	<b>\$ 4,230</b>

<sup>1</sup>Includes short term leases, which are immaterial

Reduction in carrying amounts of right-of-use assets held under finance leases is included in depreciation expense. Minimum rental payments under operating leases are recognized on a straight-line method over the term of the lease including any periods of free rent and are included in selling, general, and administrative expense on the consolidated statements of income (loss).

**Maturity of Leases**

The amounts of undiscounted future minimum lease payments under leases as of December 31, 2023 are as follows:

(in thousands)	Operating	Finance
2024	\$ 3,651	\$ 367
2025	3,671	361
2026	3,691	361
2027	3,765	361
2028	3,840	303
Thereafter	32,312	85
<b>Total undiscounted minimum future lease payments</b>	<b>50,930</b>	<b>1,838</b>
Imputed Interest	( 20,061 )	( 239 )
<b>Total lease liabilities</b>	<b>\$ 30,869</b>	<b>\$ 1,599</b>

**Lease Term and Discount Rate**

	Year Ended December 31,	
	2023	2022
Weighted-average discount rate		
Operating leases	8.33 %	8.27 %
Finance leases	5.92 %	2.32 %
Weighted-average remaining lease term		
Operating leases	12.67 years	13.59 years
Finance leases	5.07 years	6.06 years

**Note 8: Accrued Expenses**

Accrued expenses for continuing operations consist of the following:

<i>(in thousands)</i>	<b>2023</b>	<b>2022</b>
Salaries, wages, and commissions	\$ 1,706	\$ 1,989
Taxes, other than income taxes	359	844
Advances from customers	62	98
Insurance	1,129	553
Professional fees	694	482
Warranty reserve	4	29
Benefit plans	427	383
Customer rebate liability	243	194
Other accrued items	484	937
Total accrued expenses	<u>\$ 5,108</u>	<u>\$ 5,509</u>

**Note 9: Shareholders' Equity**

Authorized shares of common stock were \$ 24.0 million (\$ 1.00 par value) at December 31, 2023 and 2022.

**Share Repurchase Program**

The share repurchase program allows for repurchase of up to 790,383 shares of the Company's outstanding common stock and expires on February 17, 2025. The shares will be purchased from time to time at prevailing market prices, through open market or privately negotiated transactions, depending on market conditions. Under the program, the purchases will be funded from available working capital, and the repurchased shares will be returned to the status of authorized, but unissued shares of common stock or held in treasury. There is no guarantee as to the exact number of shares that will be repurchased by the Company, and the Company may discontinue purchases at any time that management determines additional purchases are not warranted. As of December 31, 2023, the Company has 536,871 shares of its share repurchase authorization remaining.

Shares repurchased for the year ended December 31, 2023 and 2022 were as follows:

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
Number of shares repurchased	143,108	110,404
Average price per share	\$ 8.97	\$ 12.16
Total cost of shares repurchased <sup>1</sup>	\$ 1,287,416	\$ 1,345,540

<sup>1</sup>Includes broker fees incurred as part of repurchase transactions

**Dividends**

At the end of each fiscal year the Board reviews the financial performance and capital needed to support future growth to determine the amount of cash dividend, if any, which is appropriate. In 2023 and 2022, no dividends were declared or paid by the Company.

## Note 10: Accounting for Share-Based Payments

### Overview of Share-Based Payment Plans

The Company has a number of active and inactive equity incentive plans (the "Incentive Plans") under which the Company has been authorized to grant share-based awards to key employees and non-employee directors. A total of 0.8 million shares have been authorized for grant to key employees and non-employee directors under the Company's currently active Incentive Plans. As of December 31, 2023, there were 0.4 million shares remaining available for grants under the currently active equity Incentive Plans.

The Company recognized share-based compensation expense within SG&A expense on the consolidated statements of income (loss) of \$ 1.1 million and \$ 1.4 million in 2023 and 2022, respectively.

Total unrecognized share-based payment expense for all share-based payment plans was \$ 0.8 million at December 31, 2023, of which \$ 0.6 million is expected to be recognized in 2024, \$ 0.1 million in 2025, and \$ 0.1 million thereafter. This results in these amounts being recognized over a weighted-average period of 1.57 years.

### Stock Options

Stock options have terms of 10 years and vest in 20 % or 33 % increments annually on a cumulative basis, beginning one year after the date of grant, and are assigned an exercise price equal to the average of the high and low common stock price on the day prior to the date of grant. Options are expensed on a straight-line basis over the grant vesting period, which is considered to be the requisite service period. There was no compensation expense charged against income for options in 2023. Compensation expense charged against income for options was insignificant for 2022.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. When determining expected volatility, the Company considers the historical volatility of the Company's stock price. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant, based on the options' expected term. The Company granted no new options in 2023 or 2022.

Transactions related to stock options for the year ended December 31, 2023 are summarized as follows:

	Weighted Average Exercise Price	Options Outstanding	Weighted Average Contractual Term (in years)	Intrinsic Value of Options
Outstanding at December 31, 2022	\$ 13.66	118,142	5.2	\$ —
Exercised	—	—		
Canceled, forfeited, or expired	13.70	( 11,945 )		
Outstanding at December 31, 2023	\$ 13.65	106,197	4.8	\$ —
Vested and expected to vest at December 31, 2023 <sup>1</sup>	\$ —	—	—	\$ —
Exercisable options	\$ 13.65	106,197	4.8	\$ —

<sup>1</sup>Includes outstanding vested and nonvested options

### Restricted Stock Awards

Restricted stock awards are valued based on the average of the high and low common stock price on the day prior to the date of grant. In general, these awards vest in either 20 % or 33 % increments annually on a cumulative basis, beginning one year after the date of grant. Certain of these awards vest 100 % at the end of a three-year period from the date of grant. In order for the awards to vest, the employee must be in the continuous employment of the Company since the date of the award. Except for death, disability, or qualifying retirement, any portion of an award that has not vested is forfeited upon termination of employment. An employee is not entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable.

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All awards are expensed on a straight-line basis over the grant vesting period, which is considered to be the requisite service period. The weighted average period over which the restricted stock awards compensation expense is expected to be recognized is 1.54 years.

Transactions related to restricted stock awards for the year ended December 31, 2023 are summarized as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2022	79,103	\$ 17.31
Granted	47,158	9.74
Vested	( 47,875 )	15.74
Forfeited	( 10,179 )	15.56
Nonvested at December 31, 2023	68,207	\$ 12.57

**Performance Stock Units**

The Company issues performance stock units classified as equity awards which contain market conditions that must be satisfied for an employee to earn the right to benefit from the award. Performance stock units vest upon the achievement of specific thirty-day volume-weighted average price targets of a share of the Company's common stock over a period of three years . In order for the awards to vest, the employee must be in the continuous employment of the Company since the date of the award. Except for death, disability, or qualifying retirement, any portion of an award that has not vested is forfeited upon termination of employment. An employee is not entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable.

The performance stock units are divided into tranches, each one vesting on the date the thirty-day volume-weighted average price of the Company's common stock meets or exceeds the price target as set forth in the table below:

	Shares	Volume Weighted Average Price Target
Tranche I	4,902	\$ 13.00
Tranche II	52,566	15.00
Tranche III	4,902	16.00
Tranche IV	2,566	17.50
Tranche V	4,902	19.00
Tranche VI	52,567	20.00
Tranche VII	2,230	22.50
Tranche VIII	100,000	25.00
Tranche IX	40,000	27.50
Tranche X	30,000	30.00
Tranche XI	30,000	\$ 35.00

The fair value of the performance stock units granted with a market performance condition are determined using a Monte Carlo simulation considering historical performance of the Company's stock as well as the probability of attaining the market performance condition determined on the date of grant. Expense is recognized on a straight-line method over the requisite service period. Performance stock units do not have dividend rights. The weighted average period over which the performance stock units compensation expense is expected to be recognized is 1.71 years.

The weighted-average grant-date fair value per unit of performance stock units granted was \$ 0.64 and \$ 3.92 in 2023 and 2022, respectively. There were no performance stock units vesting in 2023 and 2022.

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Transactions related to performance stock units for the year ended December 31, 2023 were as follows:

	Units	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2022	159,663	\$ 3.92
Granted	172,405	0.64
Forfeited	( 7,433 )	4.73
Outstanding at December 31, 2023	324,635	\$ 2.16

#### Inducement Awards

The Company has previously granted stock-based awards to incoming executive officers as incentives to enter into an at-will employment agreement with the Company. These inducement awards were approved by the Compensation Committee of the Board of Directors and did not require shareholder approval in accordance with NASDAQ Rule 5635(c)(4). In accordance with the rule, the only persons eligible to receive incentive awards are individuals not previously an employee or director of the Company.

In general, 50 % of the inducement awards vest based on the achievement of thirty-day volume weighted average price targets of a Company share of stock and 50 % vest on the third anniversary of the grant date. The fair value of the market based portion of inducement awards are determined using a Monte Carlo simulation considering historical performance of the Company's stock as well as the probability of attaining the market condition determined on the date of grant. The fair value of the time based portion of inducement awards are determined based on the average of the high and low common stock price on the day prior to the date of grant. Transactions related to inducement stock awards as of December 31, 2023 were as follows:

	Units	Weighted-Average Grant Date Fair Value
Outstanding December 31, 2022	21,686	\$ 10.61
Vested	—	—
Forfeited/Canceled	( 16,784 )	\$ 10.72
Outstanding December 31, 2023	4,902	\$ 10.21

There were no inducement awards that vested in 2023. The total fair value of inducement awards vesting was approximately \$ 0.2 million in 2022. The weighted average period over which inducement award compensation cost is expected to be recognized is 0.51 years.

#### Non-Employee Director Compensation Plan

Non-employee directors are paid an annual retainer of \$ 115,000. Each non-employee director appointed to serve as a chairperson of a standing board committee receives the following annual retainer: Audit Committee: \$ 10,000; Compensation Committee: \$ 7,500; Nominating and Corporate Governance Committee: \$ 6,000. The committee chairperson retainer is in addition to the board retainer. Each director has the opportunity to elect to receive 100 % of the retainer in restricted stock with a minimum of \$ 30,000 of the retainer in restricted stock. The amount of the retainer elected to be paid in restricted stock vests quarterly over a one year period. The number of restricted shares is determined by the average of the high and low sale price of the Company's stock on the day prior to the Annual Meeting of Shareholders. In 2023, the Company issued an aggregate of 27,432 shares of restricted stock to non-employee directors in lieu of \$ 0.3 million of their annual cash retainer fees. The weighted average period over which the non-employee director award compensation expense is expected to be recognized is 1.23 years.



**Note 11: Income Taxes**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities from continuing operations are as follows at the respective year ends:

<i>(in thousands)</i>	<b>2023</b>	<b>2022</b>
Deferred income tax assets:		
Inventory valuation reserves	\$ 1,829	\$ 963
Inventory capitalization	360	907
Accrued bonus	127	150
State net operating loss carryforwards	2,239	1,572
Federal net operating loss carryforwards	2,209	1,088
Lease liabilities	7,415	7,744
Interest Limitation Carryforwards	1,396	555
Intangible asset basis differences	2,564	3,262
Other	1,932	1,192
Total deferred income tax assets	20,071	17,433
State valuation allowance	( 1,641 )	( 1,371 )
Total net deferred income tax assets	18,430	16,062
Deferred income tax liabilities:		
Fixed asset basis differences	5,478	7,184
Prepaid expenses	445	418
Lease assets	6,699	7,107
Total deferred income tax liabilities	12,622	14,709
Deferred income taxes, net	\$ 5,808	\$ 1,353

Significant components of the provision for income taxes are as follows:

<i>(in thousands)</i>	<b>2023</b>	<b>2022</b>
Current:		
Federal	\$ ( 561 )	\$ ( 189 )
State	191	137
Total current	( 370 )	( 52 )
Deferred:		
Federal	( 5,965 )	( 4,903 )
State	( 589 )	( 613 )
Total deferred	( 6,554 )	( 5,516 )
Total	\$ ( 6,924 )	\$ ( 5,568 )

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The reconciliation of income tax computed at the U. S. federal statutory tax rates to income tax expense is:

(in thousands)	2023		2022	
	Amount	%	Amount	%
Tax at U.S. statutory rates	\$ ( 8,616 )	21.0 %	\$ 2,522	21.0 %
State income taxes, net of federal tax benefit	( 585 )	1.4 %	184	1.5 %
Federal and State valuation allowance	270	( 0.7 )%	( 2,366 )	( 19.7 )%
Stock option compensation	87	( 0.2 )%	( 173 )	( 1.4 )%
Tax Benefits Associated with Palmer Closure	—	— %	( 5,707 )	( 47.5 )%
Other nondeductible expenses	33	( 0.1 )%	51	0.4 %
Goodwill impairment	2,049	( 5.0 )%	—	— %
Other, net	( 162 )	0.5 %	( 79 )	( 0.7 )%
<b>Total</b>	<b>\$ ( 6,924 )</b>	<b>16.9 %</b>	<b>\$ ( 5,568 )</b>	<b>( 46.4 )%</b>

The Company's effective tax rate for 2023 was less than the U.S. statutory rate of 21% primarily driven by tax benefits associated with non-deductible goodwill impairment. The Company's effective tax rate for 2022 was less than the U.S. statutory rate of 21% primarily driven by tax benefits associated with the closure of Palmer and the release of valuation allowances on certain deferred tax assets, partially offset by state taxes.

The Company made income tax payments of \$ 0.9 million and \$ 7.8 million in 2023 and 2022, respectively. The Company has \$ 10.5 million of U.S. Federal net operating loss carryforwards and \$ 6.6 million of interest limitation carryforwards at the end of 2023 compared to \$ 5.2 million of U.S. Federal net operating loss carryforwards and \$ 2.6 million interest limitation carryforwards at the end of 2022. The Company believes that these carryforwards are more likely than not to be utilized in future periods. The majority of these carryforwards are not subject to expiration.

In addition, on a gross basis the Company had state net operating loss carryforwards of \$ 49.0 million and \$ 37.2 million at the end of 2023 and 2022, respectively. As of the end of 2023, the Company had recognized a state valuation allowance of \$ 1.6 million. This represents a \$ 0.3 million increase year-over-year primarily driven by losses in jurisdictions for which we believe it is not more likely than not to be utilized in future periods. The majority of these losses will expire between the years of 2023 and 2043, while certain losses are not subject to expiration.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company is no longer subject to U.S. federal examinations for years before 2020 or state examinations for years before 2019.

The Company had no uncertain tax position activity during 2023 or 2022. The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in the provision for income taxes. The Company had no accruals for uncertain tax positions including interest and penalties at the end of 2023.

**Note 12: Earnings Per Share**

The following table sets forth the computation of basic and diluted earnings per share:

<i>(in thousands, except per share data)</i>	<b>2023</b>	<b>2022</b>
<b>Numerator:</b>		
Net (loss) income from continuing operations	\$ ( 34,151 )	\$ 17,578
Net income from discontinued operations	7,522	4,488
Net (loss) income	( 26,629 )	22,066
<b>Denominator:</b>		
Weighted average common shares outstanding	10,140	10,230
<b>Effect of dilutive securities:</b>		
Employee stock options and stock grants	—	180
Denominator for diluted earnings per share - weighted average shares	10,140	10,410
<b>Net (loss) income per share from continuing operations:</b>		
Basic	\$ ( 3.37 )	\$ 1.72
Diluted	\$ ( 3.37 )	\$ 1.69
<b>Net income per share from discontinued operations:</b>		
Basic	\$ 0.74	\$ 0.44
Diluted	\$ 0.74	\$ 0.43
<b>Net (loss) income per share:</b>		
Basic	\$ ( 2.63 )	\$ 2.16
Diluted	\$ ( 2.63 )	\$ 2.12

The diluted earnings per share calculations exclude the effect of potentially dilutive shares when the inclusion of those shares in the calculation would have an anti-dilutive effect. The Company had an \$ 0.1 million shares of common stock that were anti-dilutive in 2023. The Company had 0.2 million shares of common stock that were anti-dilutive in 2022 .

**Note 13: Industry Segments**

Ascent Industries Co. has two reportable segments: Tubular Products and Specialty Chemicals. The Tubular Products segment includes the operating results of the Company's plants involved in the production of stainless steel pipe and tube. The Tubular Products segment serves markets through pipe and tube and customers in the appliance, architectural, automotive and commercial transportation, brewery, chemical, petrochemical, pulp and paper, mining, power generation (including nuclear), water and waste-water treatment, liquid natural gas ("LNG"), food processing, pharmaceutical, oil and gas and other industries.

On January 1, 2023, the Company changed the grouping of certain immaterial revenue and expenses associated with the ceased Palmer operations. As a result, certain prior period Tubular Products segment results have been reclassified to All Other to be comparable to the current period's presentation. During the second quarter of 2023, the Board of Directors made the decision to permanently cease operations at the Company's Munhall facility, which was effective August 31, 2023. As a result, certain prior period Tubular Products segment results have been reclassified to remove Munhall's results from continuing operations to discontinued operations. On December 22, 2023, the Company and its wholly-owned subsidiary Specialty Pipe & Tube, Inc. ("SPT") entered into an Asset Purchase Agreement pursuant to which Ascent and SPT sold substantially all of the assets primarily related to SPT to Specialty Pipe & Tube Operations, LLC, a Delaware limited liability company. The transaction closed on December 22, 2023. As a result, prior period Tubular Products segment results have been reclassified to remove SPT's results from continuing operations to discontinued operations.

The Specialty Chemicals segment includes the operating results of the Company's plants involved in the production of specialty chemicals. The Specialty Chemicals segment produces products for the pulp and paper, coatings, adhesives, sealants and elastomers (CASE), textile, automotive, household, industrial and institutional ("HII"), agricultural, water and waste-water treatment, construction, oil and gas and other industries.

The chief operating decision maker evaluates performance and determines resource allocations based on a number of factors, the primary measures being operating income and Adjusted earnings (loss) before interest, income taxes, depreciation and amortization. Adjusted earnings (loss) before interest, income taxes, depreciation and amortization excludes certain items that management believes are not indicative of future results.

The accounting principles applied at the operating segment level are the same as those applied at the consolidated financial statement level. Intersegment sales and transfers are eliminated at the corporate consolidation level.

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The following table summarizes certain information regarding segments of the Company's continuing operations:

<i>(in thousands)</i>	<b>2023</b>	<b>2022</b>
<b>Net sales</b>		
Tubular Products	\$ 109,513	\$ 154,040
Specialty Chemicals	83,616	107,542
All Other	50	411
	<u>\$ 193,179</u>	<u>\$ 261,993</u>
<b>Operating (loss) income</b>		
Tubular Products	\$ ( 11,210 )	\$ 22,182
Specialty Chemicals	( 12,558 )	6,971
All Other	( 801 )	( 509 )
	<u>( 24,569 )</u>	<u>28,644</u>
<b>Corporate</b>		
Unallocated corporate expenses	( 12,018 )	( 12,997 )
Acquisition costs and other	( 843 )	( 1,104 )
Total Corporate	<u>( 12,861 )</u>	<u>( 14,101 )</u>
Operating (loss) income	( 37,430 )	14,543
Interest expense	4,238	2,742
Other income, net	( 593 )	( 209 )
<b>(Loss) income before income taxes</b>	<u>\$ ( 41,075 )</u>	<u>\$ 12,010</u>
<b>Identifiable assets</b>		
Tubular Products	\$ 70,548	\$ 89,050
Specialty Chemicals	49,547	72,990
Corporate & Other	42,339	37,907
	<u>\$ 162,434</u>	<u>\$ 199,947</u>
<b>Depreciation and amortization</b>		
Tubular Products	\$ 3,145	\$ 3,451
Specialty Chemicals	4,432	4,749
Corporate & Other	89	74
	<u>\$ 7,666</u>	<u>\$ 8,274</u>
<b>Capital expenditures</b>		
Tubular Products	\$ 1,104	\$ 2,076
Specialty Chemicals	1,519	1,140
Corporate & Other	262	178
	<u>\$ 2,885</u>	<u>\$ 3,394</u>
<b>Sales by product group</b>		
Fiberglass and steel liquid storage tanks and separation equipment	\$ 50	\$ 411
Stainless steel pipe and tube	109,513	154,040
Specialty chemicals	83,616	107,542
	<u>\$ 193,179</u>	<u>\$ 261,993</u>
<b>Geographic sales</b>		
United States	\$ 188,241	\$ 253,693
Elsewhere	4,938	8,300
	<u>\$ 193,179</u>	<u>\$ 261,993</u>

**Note 14: Benefit Plans and Collective Bargaining Agreements**

The Company has a 401(k) Employee Stock Ownership Plan (the "401(k)/ESOP Plan") covering all non-union employees. Beginning January 1, 2023 the plan was extended to include all non-union and union employees at the Company's Virginia facility. Employees can contribute to the 401(k)/ESOP Plan up to 100 % of their wages with a maximum of \$ 22,500 for 2023. Under the Economic Growth and Tax Relief Reconciliation Act, employees who are age 50 or older could contribute an additional \$ 7,500 per year for a maximum of \$ 30,000 for 2023. Contributions by the employees are invested in one or more funds at the direction of the employee; however, employee contributions cannot be invested in Company stock. Contributions by the Company are made in accordance with the investment elections made by each participant for his or her deferral contributions. The Company contributes on behalf of each eligible participant a matching contribution equal to a percentage determined each year by the Board of Directors. For 2023 and 2022 the maximum was 100 % of employee contributions up to a maximum of 4 % of their eligible compensation. The matching contribution is applied to the employee accounts after each payroll. Matching contributions of approximately \$ 1.0 million were made for 2023 and \$ 0.7 million for 2022. The Company may also make a discretionary contribution, which if made, would be distributed to all eligible participants regardless of whether they contribute to the 401(k)/ESOP Plan. No discretionary contributions were made to the 401(k)/ESOP Plan in 2023 or 2022.

The Company has a 401(k) and Profit Sharing Plan (the "Bristol Plan") covering all employees as part of the United Steel Workers of America, Local Union 4586 Collective Bargaining Agreement (the "Bristol CBA"). Employees can contribute to the Bristol Plan up to 60 % of pretax annual compensation, as defined in the Bristol Plan, with a maximum of \$ 22,500 for 2023. Under the Economic Growth and Tax Relief Reconciliation Act, employees who are age 50 or older could contribute an additional 7,500 per year for a maximum of 30,000 for 2023. During 2023 and 2022, the Company contributed 4 % of a participant's eligible compensation regardless of whether the participants contribute to the Bristol Plan. The Company's contributions were \$ 0.3 million for both 2023 and 2022. Additional profit sharing amounts may also be contributed at the option of the Company's Board of Directors, which if made, would be allocated to participants based on the ratio of the participant's compensation to the total compensation of all participants eligible to participate in the Bristol Plan. No discretionary contributions were made to the Bristol Plan in 2023 or 2022.

During 2022, the Company also maintained a 401(k) Plan (the "Virginia Plan") covering substantially all employees at the Virginia facility. The Company contributed on behalf of each eligible participant a matching contribution equal to a percentage determined each year by the Board of Directors. For 2022 the maximum was 100 % of employee contributions up to the first 3 % of their eligible compensation and 50 % for employee contributions from 3 % to 6 %. Matching contributions of \$ 0.4 million were made under the Virginia Plan for 2022. The Company also maintains a Collective Bargaining Agreement (the "Virginia CBA") with the United Food and Commercial Workers, Local Union 400 (the "Virginia Union"), which represents employees at the Virginia facility and is required to make additional quarterly contributions for hourly employees who had a hire date prior to June 1, 2013. Additional quarterly matching contributions of approximately \$ 34,734 were made for 2023 and \$ 37,743 for 2022.

The Company maintains a Collective Bargaining Agreement (the "Mineral Ridge CBA") with the United Steel Workers of America, Local Union 4564-07, which represents employees at the Mineral Ridge facility. In connection with the Mineral Ridge CBA, the Company contributes to union-sponsored defined contribution retirement plans. Contributions relating to these plans were \$ 37,818 and \$ 40,835 for 2023 and 2022, respectively. The employees at this facility are covered under the Employee Leasing Services Agreement entered into as part of the sale of Specialty Pipe & Tube, Inc which closed December 22, 2023.

**Note 15: Commitments and Contingencies**

In October 2021, the Company acquired DanChem Technologies, Inc. ("DanChem"), a specialty chemical manufacturer based in Virginia. In June of 2020, DanChem received a demand letter from Henkel US Operations Corporation ("Henkel"), a former customer, asserting various claims for breach of contract alleging that product supplied by DanChem under four (4) purchase orders in 2018 and 2019 were defective and/or non-conforming and seeking approximately \$ 315,000 in damages. DanChem responded in August 2020 disputing the claims and denying wrongdoing. Henkel was silent almost two years and then, in August 2022, sent another demand letter to DanChem asserting similar, if not identical claims, but now seeking alleged damages of approximately \$ 3 million (with the main difference between the two demands being Henkel's new claims for lost profits and other consequential damages). Henkel filed a lawsuit against DanChem in Connecticut state court in October 2022 seeking its newly alleged damages of approximately \$ 3 million. The Company settled the lawsuit with Henkel during the third quarter of 2023.

In addition, from time to time, we are involved in various other legal proceedings arising from the normal course of business activities. We are not presently a party to any other such litigation the outcome of which, we believe, if determined adversely to us, would individually, or taken together, have a material adverse effect on our business, operating results, cash flows, or financial condition. Defending such proceedings is costly and can impose a significant burden on management and employees. We may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained.



**Note 16: Supplemental Financial Information (unaudited)**

The following tables present certain unaudited consolidated quarterly financial information for each of the eight quarters ended December 31, 2023. This quarterly information has been prepared on the same basis as the consolidated financial statements and includes all adjustments necessary to state fairly the information for the periods presented.

*Unaudited, in thousands, except per share data*

<b>2023</b>	<b>Quarter Ended</b>			
	<b>March 31</b>	<b>June 30</b>	<b>September 30</b>	<b>December 31</b>
Net sales	\$ 54,861	\$ 50,355	\$ 46,747	\$ 41,216
Gross profit	1,466	( 776 )	2,984	( 2,148 )
Loss from continuing operations	( 5,788 )	( 6,150 )	( 14,678 )	( 7,535 )
Income (loss) from discontinued operations, net of tax	588	( 8,486 )	( 3,254 )	18,674
Net (loss) income	( 5,200 )	( 14,636 )	( 17,932 )	11,139
Net loss per share from continuing operations:				
Basic	( 0.57 )	( 0.60 )	( 1.45 )	( 0.75 )
Diluted	( 0.57 )	( 0.60 )	( 1.45 )	( 0.73 )
Net income (loss) per share from discontinued operations:				
Basic	0.06	( 0.83 )	( 0.32 )	1.85
Diluted	0.06	( 0.83 )	( 0.32 )	1.80
Net (loss) income per share:				
Basic	( 0.51 )	( 1.44 )	( 1.77 )	1.10
Diluted	( 0.51 )	( 1.44 )	( 1.77 )	1.07
Weighted-average shares:				
Basic	10,148	10,170	10,135	10,107
Diluted	10,148	10,170	10,135	10,374

*Unaudited, in thousands, except per share data*

<b>2022</b>	<b>Quarter Ended</b>			
	<b>March 31</b>	<b>June 30</b>	<b>September 30</b>	<b>December 31</b>
Net sales	\$ 71,238	\$ 72,443	\$ 64,132	\$ 54,180
Gross profit	15,791	14,350	8,257	4,889
Income (loss) from continuing operations	6,488	7,189	( 600 )	4,501
Income (loss) from discontinued operations, net of tax	3,770	3,868	1,224	( 4,374 )
Net income	10,258	11,057	624	127
Net income (loss) per share from continuing operations:				
Basic	0.64	0.70	( 0.06 )	0.44
Diluted	0.63	0.69	( 0.06 )	0.43
Net income (loss) per share from discontinued operations:				
Basic	0.37	0.38	0.12	( 0.43 )
Diluted	0.37	0.37	0.12	( 0.42 )
Net income per share:				
Basic	1.00	1.08	0.06	0.01
Diluted	0.99	1.06	0.06	0.01
Weighted-average shares:				
Basic	10,209	10,244	10,253	10,213
Diluted	10,320	10,431	10,465	10,416

**Note 17: Subsequent Events**

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the financial statements were available to be issued. Based upon this review, the Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.



## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

### Item 9A. Controls and Procedures

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

The Company conducted an evaluation, under the supervision and with the participation of its management, of the effectiveness of the design and operation of its disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended ("Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, the Company's principal executive and principal financial officers concluded as of December 31, 2023 that its disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses in its internal control over financial reporting discussed below.

#### **(b) Management's Report on Internal Control Over Financial Reporting.**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed by, or under the supervision of, its CEO and CFO, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (GAAP). The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 *Internal Control-Integrated Framework*. Based on its evaluation, management has concluded that the Company's internal control over financial reporting was not effective at the reasonable assurance level as of December 31, 2023.

#### *Material Weaknesses in Internal Control over Financial Reporting*

A material weakness, as defined in the standards established by the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

We previously identified material weaknesses in our internal control over financial reporting that continue to exist as of December 31, 2023:

- *Information Technology* - Management did not design and maintain effective information technology (IT) general controls in the areas of user access, change management, segregation of duties, and cyber-security for systems supporting many of the Company's key financial reporting processes. As a result, IT application controls and business process controls that are dependent on the ineffective IT general controls, or that rely on data produced from systems impacted by the ineffective IT general controls, are also deemed ineffective, which affects substantially all financial statement account balances and disclosures within the Company.

- *Inventory* - Management did not appropriately design and maintain effective controls over inventory.
- *Revenue recognition* – Management did not design and maintain effective controls over revenue and accounts receivable.
- *Period-end financial reporting, journal entries, reconciliations, and account analyses* - Management did not design and maintain effective controls to detect potential material misstatements to period-end financial statements through review of account reconciliations and account analyses on a timely basis. Additionally, management did not design and maintain effective controls over the review of journal entries.
- *Complex Accounting* - Management did not design and maintain management review controls at a sufficient level of precision around complex accounting areas such as income taxes.

While there were no material misstatements in 2023, these material weaknesses, individually or in the aggregate, could result in misstatements of accounts or disclosures in the consolidated financial statements that would not be prevented or detected on a timely basis. Accordingly, management has concluded that these control deficiencies constitute material weaknesses.

#### *Management's Plan to Remediate the Remaining Material Weakness*

In response to the identified deficiencies that aggregated to the aforementioned material weaknesses, management, with oversight from the Company's Audit Committee, is in the process of developing and executing a detailed plan for remediation. This plan includes engaging an external advisor to assist with enhancing, designing, and implementing general information technology controls, including user access provisioning, cyber-security, and segregation of duties. As the Company continues to evaluate the control deficiencies that gave rise to the material weaknesses, the Company may determine additional remediation measures are necessary.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. A control system, no matter how well designed and operated can provide only reasonable, but not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their cost.

#### *Remediation of Previously Reported Material Weaknesses*

Three material weaknesses reported in the prior year were remediated in 2023. These material weaknesses were as follows:

- *Entity Level Activities* – Management did not maintain appropriately designed entity-level controls impacting the control environment and effective monitoring activities to prevent or detect potential material misstatements to the financial statements. These deficiencies were attributed to:
  - Management did not have an appropriate structure and assignment of responsibility, including an insufficient number of qualified resources due to significant turnover in key personnel leading to insufficient oversight and accountability over the performance of controls.
  - Management had an insufficient evaluation and determination as to whether the components of internal control were present and functioning based upon evidence maintained for certain management review controls and activity level controls across a significant portion of the Company's financial statement areas.
- *Complex Accounting* – Management did not appropriately design and implement management review controls at a sufficient level of precision around complex accounting areas including goodwill impairment and long-lived assets.

To respond to these material weaknesses, we have provided relevant training on internal controls over financial reporting to control owners and control preparers. We have also engaged third-party consultants and advisors to assist us in designing and implementing controls necessary to remediate these material weaknesses, including thorough review and rationalization of our existing control and the completion of a robust risk assessment. The new measures have been determined to have operated effectively for a sufficient period of time to conclude that the material weaknesses previously identified have been remediated as of December 31, 2023.

**c) Changes in Internal Control over Financial Reporting**

Other than the material weaknesses described above, there were no changes in the Company's internal controls over financial reporting during the fiscal quarter ended December 31, 2023 that materially affected, or are reasonably likely to have a materially affect, on our internal control over financial reporting.

Moss Adams, LLP, our independent registered public accounting firm, has issued their report on our internal control over financial reporting as of December 31, 2023, which is included in [Item 8](#) under the heading "Report of Independent Registered Public Accounting Firm."

**Item 9B. Other Information**

Our directors and officers (as defined in Section 16 of the Exchange Act ("Section 16")) may from time to time enter into plans for the purchase or sale of Ascent stock that are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

Any 10b5-1 trading arrangements adopted are precleared in accordance with Ascent's Insider Trading Policy and actual purchase or sale transactions made pursuant to such trading arrangements will be publicly disclosed in future Section 16 filings with the SEC.

No director or officer adopted, modified and/or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" as defined in Item 408 under Regulation S-K of the Exchange Act, during the last fiscal quarter.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.



## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

In accordance with General Instruction G(3), information called for by Part III, Item 10, is incorporated herein by reference from the information appearing under the caption "Proposal 1 - Election of Directors," "Executive Officers," and "Section 16(a) Beneficial Ownership Reporting Compliance" in the definitive Proxy Statement for the 2024 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

**Code of Conduct.** The Company's Board of Directors has adopted a Code of Conduct that applies to the Company's Chief Executive Officer, Chief Financial Officer and corporate and divisional controllers. The Code of Conduct is available on the Company's website at [www.ascentco.com](http://www.ascentco.com). Any amendment to, or waiver from, this Code of Conduct will be posted on the Company's website.

**Audit Committee.** The Company has a separately designated standing Audit Committee of the Board of Directors established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee are Henry L. Guy, Aldo J. Mazzaferro, Jr. and John P. Schauerman.

**Audit Committee Financial Expert.** The Company's Board of Directors has determined that the Company has at least one "audit committee financial expert," as that term is defined by Item 407(d)(5) of Regulation S-K promulgated by the Securities and Exchange Commission, serving on its Audit Committee. Mr. John P. Schauerman meets the terms of the definition and is independent, as independence is defined for audit committee members in the rules of the NASDAQ Global Market. Pursuant to the terms of Item 407(d) of Regulation S-K, a person who is determined to be an "audit committee financial expert" will not be deemed an expert for any purpose as a result of being designated or identified as an "audit committee financial expert" pursuant to Item 407(d), and such designation or identification does not impose on such person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on such person as a member of the Audit Committee and Board of Directors in the absence of such designation or identification. Further, the designation or identification of a person as an "audit committee financial expert" pursuant to Item 407(d) does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

### Item 11. Executive Compensation

In accordance with General Instruction G(3), information called for by Part III, Item 11, is incorporated herein by reference from the information appearing under the caption "Board of Directors and Committees - Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Discussion of Executive Compensation" and "Compensation Committee Report" in the definitive Proxy Statement for the 2024 Annual Meeting of Stockholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

In accordance with General Instruction G(3), information called for by Part III, Item 12, is incorporated by reference from the information appearing under the caption "Beneficial Owners of More Than Five Percent of the Company's Common Stock" and "Security Ownership of Certain Beneficial Owners and Management" in the definitive Proxy Statement for the 2023 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.



Equity Compensation Plan Information. The following table sets forth aggregated information as of December 31, 2023 about all of the Company's equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>1</sup> (c)
Equity compensation plans approved by security holders	106,197	\$ 13.65	421,528
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>106,197</b>	<b>\$ 13.65</b>	<b>421,528</b>

<sup>1</sup>Represents shares remaining available for issuance under the 2022 Omnibus Equity Incentive Plan

Non-employee directors are paid an annual retainer of \$115,000. Each non-employee director appointed to serve as a chairperson of a standing board committee receives the following annual retainer: Audit Committee: \$10,000; Compensation Committee: \$7,500; Nominating and Corporate Governance Committee: \$6,000. The committee chairperson retainer is in addition to the board retainer. Each director has the opportunity to elect to receive 100% of the retainer in restricted stock with a minimum of \$30,000 of the retainer in restricted stock. The amount of the retainer elected to be paid in restricted stock vests quarterly over a one year period. The number of restricted shares is determined by the average of the high and low sale price of the Company's stock on the day prior to the Annual Meeting of Shareholders. In 2023, the Company issued an aggregate of 27,432 shares of restricted stock to non-employee directors in lieu of \$0.3 million of their annual cash retainer fees.

#### Item 13. Certain Relationships and Related Transactions, and Director Independence

In accordance with General Instruction G(3), information called for by Part III, Item 13, is incorporated by reference from the information appearing under the caption "Board of Directors and Committees – Related Party Transactions" and "– Director Independence" in the definitive Proxy Statement for the 2024 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

#### Item 14. Principal Accounting Fees and Services

In accordance with General Instruction G(3), information called for by Part III, Item 14, is incorporated by reference from the information appearing under the caption "Independent Registered Public Accounting Firm - Fees Paid to Independent Registered Public Accounting Firm" and "– Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm" in the definitive Proxy Statement for the 2024 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

### PART IV

#### Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of this report:

1. Financial Statements: The following consolidated financial statements of Ascent Industries Co. are included in Part II, Item 8:

[Consolidated Balance Sheets as of December 31, 2023 and 2022](#)

[Consolidated Statements of Income \(Loss\) for the years ended December 31, 2023 and 2022](#)

[Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022](#)

[Consolidated Statements of Shareholders' Equity for the years ended December 31, 2023 and 2022](#)



Notes to Consolidated Financial Statements

2. Financial Statements Schedule: The following consolidated financial statements schedule of Ascent Industries Co. is included in Item 15:

[Schedule II - Valuation and Qualifying Accounts](#)

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

3. Listing of Exhibits:

See "Exhibit Index"

**2. Financial Statement Schedule**

**Schedule II Valuation and Qualifying Accounts**

<i>(in thousands)</i>	Balance at Beginning of Period	Charged to (Reduction of) Cost and Expenses	Deductions	Balance at End of Period
Year ended December 31, 2023				
Deducted from asset account:				
Inventory reserves	\$ 2,970	\$ 3,318	\$ ( 169 )	\$ 6,119
Year ended December 31, 2022				
Deducted from asset account:				
Inventory reserves	\$ 943	\$ 2,615	\$ ( 588 )	\$ 2,970



### 3. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
<a href="#">2.1</a>	<a href="#">Stock Purchase Agreement, dated as of October 22, 2021, by and between the Company and DanChem Holdings, LLC.†</a>	8-K	001-05200	2.1	October 25, 2021
<a href="#">2.2</a>	<a href="#">Asset Purchase Agreement by and among Specialty Pipe &amp; Tube Operations LLC, Specialty Pipe &amp; Tube, Inc., and Ascent Industries Co., as the sole shareholder of Specialty Pipe &amp; Tube, Inc. dated as of December 22, 2023</a>	8-K	001-05200	2.1	December 29, 2023
<a href="#">3.1</a>	<a href="#">Amended and Restated Certificate of Incorporation of Registrant</a>	8-K	001-05200	3.1	August 10, 2022
<a href="#">3.2</a>	<a href="#">Amended and Restated Bylaws of Registrant</a>	8-K	001-05200	3.2	August 10, 2022
<a href="#">4.1</a>	<a href="#">Description of Common Stock</a>	10-K	001-05200	4.2	March 29, 2022
<a href="#">10.1</a>	<a href="#">Amended and Restated Synalloy Corporation 2015 Stock Awards Plan**</a>	10-Q	001-05200	10.2	August 9, 2021
<a href="#">10.2</a>	<a href="#">2011 Long-Term Incentive Stock Option Plan**</a>	DEF 14A	000-19687	A	March 25, 2011
<a href="#">10.3</a>	<a href="#">2022 Omnibus Equity Incentive Plan**</a>	DEF 14A	001-05200	A	April 27, 2022
<a href="#">10.4</a>	<a href="#">Agreement between Registrant's Bristol Metals, LLC subsidiary and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union Local 5852-22, dated March 12, 2018, but effective January 6, 2018</a>	10-K	000-19687	10.11	March 13, 2018
<a href="#">10.5</a>	<a href="#">Agreement between Registrant's Bristol Metals, LLC subsidiary and the United Steelworkers of America Local 4586, dated August 1, 2019</a>	10-K	000-19687	10.31	March 6, 2020
<a href="#">10.6</a>	<a href="#">Agreement between Registrant's Specialty Pipe &amp; Tube, Inc. subsidiary and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union Local 1375-18, dated July 1, 2020</a>	10-K	001-05200	10.9	March 9, 2021
<a href="#">10.7</a>	<a href="#">Credit Agreement, dated as of January 15, 2021, between Registrant and BMO Harris Bank N.A.</a>	8-K	001-05200	99.1	January 19, 2021
<a href="#">10.8</a>	<a href="#">Joinder Agreement, dated November 5, 2021, between Registrant and BMO Harris Bank N.A.</a>	10-Q	001-05200	10.1	November 9, 2021

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
<a href="#">10.9</a>	<a href="#">Limited Consent, Second Amendment to Credit Agreement and Omnibus Amendment to Loan Documents with BMO Bank N.A. and the other lenders party thereto dated as of December 22, 2023</a>	8-K	001-05200	2.1	December 29, 2023
<a href="#">10.10</a>	<a href="#">Employment Agreement between Registrant and Christopher G. Hutter</a>	8-K	001-05200	99.3	October 28, 2020
<a href="#">10.11</a>	<a href="#">Third Amended and Restated Master Lease Agreement, dated as of September 10, 2020, between Registrant and Store Master Funding XII, LLC</a>	10-Q	001-05200	10.1	November 9, 2020
<a href="#">10.12</a>	<a href="#">Transition Services Agreement between Specialty Pipe &amp; Tube Operations LLC and Ascent Industries Co. dated as of December 22, 2023</a>	8-K	001-05200	2.1	December 29, 2023
<a href="#">10.13</a>	<a href="#">Employee Leasing Transition Services Agreement between Specialty Pipe &amp; Tube Operations LLC and Ascent Industries Co. dated as of December 22, 2023</a>	8-K	001-05200	2.1	December 29, 2023
<a href="#">21</a>	<a href="#">Subsidiaries of the Registrant</a>				
<a href="#">23.1</a>	<a href="#">Consent of Moss Adams LLP, independent registered public accounting firm</a>				
<a href="#">23.2</a>	<a href="#">Consent of BDO USA, P.C., independent registered public accounting firm</a>				
<a href="#">31.1</a>	<a href="#">Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer</a>				
<a href="#">31.2</a>	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer</a>				
<a href="#">32.1</a>	<a href="#">Certifications Pursuant to 18 U.S.C. Section 1350</a>				
<a href="#">97.1</a>	<a href="#">Ascent Industries Co. Clawback Policy</a>				
101.INS*	XBRL Instance Document				
101.SCH*	XBRL Taxonomy Extension Schema				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase				
101.LAB*	XBRL Taxonomy Extension Label Linkbase				
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase				
101.DEF*	XBRL Taxonomy Extension Definition Linkbase				

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
104	Cover Page Interactive Data File (formatted as Inline XBRL document and included in Exhibit 101*)				
	* In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Annual Report on Form 10-K shall be deemed "furnished" and not "filed."				
	** Constitutes management contract or compensatory plans				
	† Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.				

#### Item 16. Form 10-K Summary

None.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

### ASCENT INDUSTRIES CO.

By: /s/ J. Bryan Kitchen

J. Bryan Kitchen  
President, Chief Executive Officer and Director  
(principal executive officer)

April 1, 2024

Date

By: /s/ Ryan Kavalauskas

Ryan Kavalauskas  
Chief Financial Officer  
(principal accounting and financial officer)

April 1, 2024

Date

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Benjamin Rosenzweig

Benjamin Rosenzweig  
Executive Chairman of the Board

April 1, 2024

Date

/s/ Christopher G. Hutter

Christopher G. Hutter  
Director

April 1, 2024

Date

/s/ Henry L. Guy

Henry L. Guy  
Director

April 1, 2024

Date

/s/ John P. Schauerman

John P. Schauerman  
Director

April 1, 2024

Date

/s/ Aldo J. Mazzaferro, Jr.

Aldo J. Mazzaferro, Jr.  
Director

April 1, 2024

Date



**Ascent Industries Co.**

**Exhibit 21 Subsidiaries of the Registrant**

All of the Company's subsidiaries are wholly owned. All subsidiaries are included in the Company's consolidated financial statements. The subsidiaries are as follows:

Synalloy Metals, Inc., a Tennessee corporation

Bristol Metals, LLC, a Tennessee limited liability corporation

Manufacturers Soap and Chemicals Company, a Tennessee corporation

Manufacturers Chemicals, LLC, a Tennessee limited liability corporation

Synalloy Fabrication, LLC, a South Carolina limited liability corporation

Palmer of Texas Tanks, LLC., a Texas limited liability corporation (formerly Lee-Var, Inc.)

CRI Tolling, LLC, a South Carolina limited liability corporation

American Stainless Tubing, LLC, a North Carolina limited liability corporation

DanChem Technologies, Inc., a Delaware corporation

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-268780) and Form S-8 (No. 333-268781) of Ascent Industries Co. (the "Company"), of our report dated April 1, 2024, relating to the 2023 consolidated financial statements and schedule of the Company and the adjustments to the 2022 consolidated financial statements to retrospectively reflect the impact of discontinued operations and the effectiveness of internal control over financial reporting of the Company (which report expresses an unqualified opinion on the consolidated financial statements and an adverse opinion on the effectiveness of internal control over financial reporting due to material weaknesses), appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2023.

/s/ Moss Adams LLP

Irvine, California

April 1, 2024

**Consent of Independent Registered Public Accounting Firm**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-268780) and Form S-8 (No. 333-268781) of Ascent Industries Co. of our report dated March 31, 2023, relating to the consolidated financial statements and financial statement schedule, which appears in this Annual Report on Form 10-K.

/s/ BDO USA, P.C.  
Chicago, Illinois

April 1, 2024

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**Exhibit 31.1**

**CERTIFICATIONS**

I, J. Bryan Kitchen, certify that:

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

Date: April 1, 2024      /s/ J. Bryan Kitchen  
J. Bryan Kitchen  
Chief Executive Officer

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## Exhibit 31.2

### CERTIFICATIONS

I, Ryan Kavalauskas, certify that:

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

Date: April 1, 2024      /s/ Ryan Kavalauskas  
Ryan Kavalauskas  
Chief Financial Officer

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**Certifications Pursuant to 18 U.S.C. Section 1350**

The undersigned, who are the chief executive officer, the chief financial officer and the principal accounting officer of Ascent Industries Co., each hereby certifies that, to the best of his knowledge, the accompanying Form 10-K of the issuer fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Date:        April 1, 2024        /s/ J. Bryan Kitchen  
J. Bryan Kitchen  
Chief Executive Officer

April 1, 2024        /s/ Ryan Kavalauskas  
Ryan Kavalauskas  
Chief Financial Officer

**Clawback Recovery Policy  
of  
Ascent Industries Co.**

1. The Company will comply with this Policy for all Incentive-Based Compensation that is Received by Executive Officers on or after the Effective Date that results from attainment of a Financial Reporting Measure based on or derived from financial information for any fiscal period ending on or after the Effective Date.
2. The Company will recover Reasonably Promptly the amount of erroneously awarded Incentive-Based Compensation in the event that the Company is required to prepare an Accounting Restatement.
3. This Policy applies to all Incentive-Based Compensation received by a person:
  - (a) After beginning service as an Executive Officer;
  - (b) Who served as an Executive Officer at any time during the performance period for that Incentive-Based Compensation;
  - (c) While the Company has a class of securities listed on a national securities exchange or a national securities association; and
  - (d) During the three completed fiscal years immediately preceding the date that the Company is required to prepare an Accounting Restatement. In addition to these last three completed fiscal years, the Policy also applies to any transition period as described in the Nasdaq Rule. The Company's obligation to recover Erroneously Awarded Compensation is not dependent on if or when the restated financial statements are filed.
4. For purposes of determining the relevant recovery period, the date that the Company is required to prepare an Accounting Restatement is the earlier to occur of:
  - (a) The date the board of directors, a committee of the board of directors, or the officer or officers of the Company authorized to take such action if board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; or
  - (b) The date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.
5. The amount of Incentive-Based Compensation that is subject to this Policy ("Erroneously Awarded Compensation") is the amount of Incentive-Based Compensation received that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated amounts, and must be computed without regard to any taxes paid. For Incentive-Based Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement:
  - (a) The amount must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total shareholder return upon which the Incentive-Based Compensation was received; and
  - (b) The Company will maintain documentation of the determination of that reasonable estimate and provide such documentation to Nasdaq.

6. The Company must recover Erroneously Awarded Compensation in compliance with this Policy except to the extent that the following conditions in one of the following bullets are met, and the Company's Compensation Committee has made a determination that recovery would be impracticable:
  - The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to Nasdaq.
  - Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the registrant, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.
  - Any other condition specified in the Nasdaq Rule.
7. The Company is prohibited from indemnifying any Executive Officer or former Executive Officer against the loss of Erroneously Awarded Compensation.
8. The Company must file all disclosures with respect to this Policy in accordance with the requirements of the Federal securities laws, including the disclosures required by the SEC.
9. The Board of Directors of the Company may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange on which the Company's securities are listed.
10. The Board intends that this Policy shall be applied to the fullest extent of the law. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under applicable law or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company. Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, shall limit any claims, damages or other legal remedies the Company or any of its affiliates may have against a Covered Executive arising out of or resulting from any actions or omissions by the Covered Executive.

#### **Definitions**

11. "Accounting Restatement" means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.
12. "Erroneously Awarded Compensation" is defined in Paragraph 5 above.
13. "Executive Officer" is defined in Rule 10D-1(d).
14. "Financial Reporting Measures" are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and total shareholder return are also Financial Reporting Measures. A financial reporting measure need not be presented within the financial statements or included in a filing with the SEC.
15. "Incentive-Based Compensation" is any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measures.

16. "Reasonably Promptly" means that the Company and its directors and officers must comply with the requirement to recover Erroneously Awarded Compensation in a manner that is consistent with the exercise of their fiduciary duty to safeguard the assets of the Company (including the time value of any potentially recoverable compensation). The obligation to recover erroneously awarded Incentive-Based Compensation reasonably promptly will be assessed on a holistic basis with respect to each such Accounting Restatement prepared by the Company. In evaluating whether the Company is recovering erroneously awarded Incentive-Based Compensation reasonably promptly, Nasdaq will consider whether the Company is pursuing an appropriate balance of cost and speed in determining the appropriate means to seek recovery, and whether the Company is securing recovery through means that are appropriate based on the particular facts and circumstances of each Executive Officer that owes a recoverable amount.
17. "Received" means an Incentive-Based Compensation Received in the Company's fiscal period during which the financial reporting measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period.