REFINITIV

DELTA REPORT

10-Q

ULBI - ULTRALIFE CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	876
CHANGES	209
DELETIONS	339
ADDITIONS	328

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023

March 31, 2024

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: 0-20852

ULTRALIFE CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	16-1387013
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)
2000 Technology Parkway Newark, New York 14513	**(315)** 332-7100
(Address of principal executive offices) (Zip Code)	(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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

Common Stock, $0.10 par value per share	ULBI	NASDAQ
(Title of each class)	(Trading Symbol)	(Name of each exchange on which registered)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data file required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

As of October 23, 2023 April 22, 2024, the registrant had 16,340,113 16,466,594 shares of common stock outstanding.

ULTRALIFE CORPORATION AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

ULTRALIFE CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In Thousands except share amounts)

(Unaudited)

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
ASSETS				
Current assets:				
Cash	$ 9,301	$ 5,713	$ 10,099	$ 10,278
Trade accounts receivable, net of allowance for expected credit losses of $287 and $303, respectively	27,189	27,779		
Trade accounts receivable, net of allowance for expected credit losses of $300 and $300, respectively			35,278	31,761
Inventories, net	46,634	41,192	43,821	42,215
Prepaid expenses and other current assets	6,429	4,304	5,104	5,949
Total current assets	89,553	78,988	94,302	90,203
Property, plant and equipment, net	21,166	21,716	20,670	21,117
Goodwill	37,357	37,428	37,499	37,571
Other intangible assets, net	15,270	15,921	14,867	15,107
Deferred income taxes, net	10,728	12,069	9,873	10,567
Other noncurrent assets	2,035	2,308	3,340	3,711
Total assets	$ 176,109	$ 168,430	$ 180,551	$ 178,276
LIABILITIES AND SHAREHOLDERS' EQUITY				

LIABILITIES AND STOCKHOLDERS' EQUITY			LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:				
Accounts payable	$ 13,470	$ 16,074	$ 13,315	$ 11,336
Current portion of long-term debt	2,000	2,000	2,000	2,000
Accrued compensation and related benefits	2,467	2,890	2,013	3,115
Accrued expenses and other current liabilities	8,449	7,949	6,048	7,279
Total current liabilities	26,386	28,913	23,376	23,730
Long-term debt, net	24,108	19,310		
Long-term debt			23,140	23,624
Deferred income taxes	1,825	1,917	1,675	1,714
Other noncurrent liabilities	2,032	1,887	3,415	3,781
Total liabilities	54,351	52,027	51,606	52,849
Commitments and contingencies (Note 8)				
Shareholders' equity:				
Stockholders' equity:				
Preferred stock – par value $.10 per share; authorized 1,000,000 shares; none issued	-	-	-	-
Common stock – par value $.10 per share; authorized 40,000,000 shares; issued – 20,746,546 shares at September 30, 2023 and 20,570,710 shares at December 31, 2022; outstanding – 16,311,194 shares at September 30, 2023 and 16,135,358 shares at December 31, 2022	2,075	2,057		
Common stock – par value $.10 per share; authorized 40,000,000 shares; issued – 20,887,446 shares at March 31, 2024 and 20,783,607 shares at December 31, 2023; outstanding – 16,451,332 shares at March 31, 2024 and 16,347,493 shares at December 31, 2023			2,089	2,078
Capital in excess of par value	188,852	187,405	189,995	189,160
Accumulated deficit	(43,627)	(47,951)	(37,863)	(40,754)
Accumulated other comprehensive loss	(4,176)	(3,750)	(3,892)	(3,660)
Treasury stock - at cost; 4,435,352 shares at September 30, 2023 and 4,435,352 shares at December 31, 2022	(21,484)	(21,484)		
Treasury stock - at cost; 4,436,114 shares at March 31, 2024 and 4,436,114 shares at December 31, 2023			(21,492)	(21,492)
Total Ultralife Corporation equity	121,640	116,277	128,837	125,332
Non-controlling interest	118	126	108	95
Total shareholders' equity	121,758	116,403		
Total stockholders' equity			128,945	125,427
Total liabilities and shareholders' equity	$ 176,109	$ 168,430		
Total liabilities and stockholders' equity			180,551	$ 178,276

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

ULTRALIFE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(In thousands

ULTRALIFE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

(In Thousands except per share amounts)

(Unaudited)

	Three-month period ended		Nine-month period ended		Three-month period ended	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**	March 31, 2024	March 31, 2023
Revenues	$ 39,488	$ 33,234	$ 114,096	$ 95,733	$ 41,927	$ 31,916
Cost of products sold	29,714	26,519	86,298	74,414	30,457	24,480
Gross profit	9,774	6,715	27,798	21,319	11,470	7,436
Operating expenses:						
Research and development	1,869	1,896	5,679	5,425	1,756	2,032
Selling, general and administrative	5,770	5,405	16,293	15,982	5,651	5,378
Total operating expenses	7,639	7,301	21,972	21,407	7,407	7,410
Operating income (loss)	2,135	(586)	5,826	(88)		
Operating income					4,063	26
Other income (expense):						
Other (expense) income:						
Interest and financing expense	(586)	(272)	(1,450)	(583)	(520)	(424)
Miscellaneous income	200	526	1,628	605		
Total other (expense) income	(386)	254	178	22		
Miscellaneous income (expense)					64	(70)
Total other expense					(456)	(494)
Income (loss) before income taxes	1,749	(332)	6,004	(66)	3,607	(468)
Income tax provision (benefit)	446	(90)	1,688	(171)	703	(133)
Net income (loss)	1,303	(242)	4,316	105	2,904	(335)

Net loss attributable to non-controlling interest	(27)	(3)	(8)	-		
Net income attributable to non-controlling interest					(13)	(11)
Net income (loss) attributable to Ultralife Corporation	1,330	(239)	4,324	105	2,891	(346)
Other comprehensive loss:						
Other comprehensive (loss) income:						
Foreign currency translation adjustments	(330)	(1,691)	(426)	(3,189)	(232)	197
Comprehensive income (loss) attributable to Ultralife Corporation	$ 1,000	$ (1,930)	$ 3,898	$ (3,084)	$ 2,659	$ (149)
Net income (loss) per share attributable to Ultralife common stockholders – basic	$ .08	$ (.01)	$ .27	$ .01	$ .18	$ (.02)
Net income (loss) per share attributable to Ultralife common stockholders – diluted	$ .08	$ (.01)	$ .27	$ .01	$ .18	$ (.02)
Weighted average shares outstanding – basic	16,238	16,133	16,172	16,122	16,396	16,135
Potential common shares	65	-	2	22	122	-
Weighted average shares outstanding - diluted	16,303	16,133	16,174	16,144	16,518	16,135

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

ULTRALIFE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)
(Unaudited)

	Nine-month period ended	
	September 30, 2023	**September 30, 2022**
OPERATING ACTIVITIES:		
Net income	$ 4,316	$ 105
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	2,282	2,450
Amortization of intangible assets	663	969
Amortization of financing fees	48	25
Stock-based compensation	424	552
Deferred income taxes	1,245	(683)
Changes in operating assets and liabilities:		
Accounts receivable	565	(7,433)
Inventories	(5,626)	(8,714)
Prepaid expenses and other assets	(1,972)	(1,004)
Accounts payable and other liabilities	(2,448)	9,906
Net cash used in operating activities	(503)	(3,827)
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(1,547)	(1,396)
Net cash used in investing activities	(1,547)	(1,396)
FINANCING ACTIVITIES:		
Borrowings on revolving credit facility	6,250	3,350
Payments on term loan facility	(1,500)	(1,333)
Proceeds from exercise of stock options	1,041	116
Payment of debt issuance costs	-	(25)
Tax withholdings on stock-based awards	-	(11)
Net cash provided by financing activities	5,791	2,097
Effect of exchange rate changes on cash	(153)	(236)
INCREASE (DECREASE) IN CASH	3,588	(3,362)
Cash, Beginning of period	5,713	8,413
Cash, End of period	$ 9,301	$ 5,051

	Three-month period ended	
	March 31, 2024	March 31, 2023
OPERATING ACTIVITIES:		
Net income (loss)	$ 2,904	$ (335)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	740	762
Amortization of intangible assets	228	209
Amortization of financing fees	16	16
Stock-based compensation	161	139
Deferred income taxes	650	(390)
Changes in operating assets and liabilities:		
Accounts receivable	(3,562)	3,365
Inventories	(1,699)	(6,026)
Prepaid expenses and other assets	1,102	639
Accounts payable and other liabilities	(621)	256
Net cash used in operating activities	(81)	(1,365)
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(372)	(497)
Net cash used in investing activities	(372)	(497)
FINANCING ACTIVITIES:		
Borrowings on revolving credit facility	-	2,300
Payments on term loan facility	(500)	(500)
Proceeds from exercise of stock options	685	-
Net cash provided by financing activities	185	1,800
Effect of exchange rate changes on cash	89	(46)
DECREASE IN CASH	(179)	(108)
Cash, Beginning of period	10,278	5,713
Cash, End of period	$ 10,099	$ 5,605

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

ULTRALIFE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS STOCKHOLDERS' EQUITY

(In thousands Thousands except share amounts)

(Unaudited)

	Common Stock		Capital in Excess	Accumulated Other				
	Number of Shares	Amount	of Par Value	Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock	Non-Controlling Interest	Total
Balance – December 31, 2021	20,522,427	$ 2,052	$ 186,518	$ (1,653)	$ (47,832)	$ (21,469)	$ 127	$ 117,743
Net income					105		-	105
Stock option exercises	39,119	4	112			(7)		109
Stock-based compensation – stock options			538					538
Stock-based compensation - restricted stock			14					14
Vesting of restricted stock	6,664	1	(1)			(4)		(4)
Foreign currency translation adjustments				(3,189)				(3,189)
Balance – September 30, 2022	20,568,210	$ 2,057	$ 187,181	$ (4,842)	$ (47,727)	$ (21,480)	$ 127	$ 115,316
Balance – December 31, 2022	20,570,710	$ 2,057	$ 187,405	$ (3,750)	$ (47,951)	$ (21,484)	$ 126	$ 116,403
Net income					4,324		(8)	4,316
Stock option exercises	175,836	18	1,023			-		1,041
Stock-based compensation – stock options			421					421
Stock-based compensation - restricted stock			3					3

Foreign currency translation adjustments				(426)				(426)
Balance – September 30, 2023	20,746,546	$ 2,075	$ 188,852	$ (4,176)	$ (43,627)	$ (21,484)	$ 118	$ 121,758
Balance – June 30, 2022	20,567,460	$ 2,057	$ 186,999	$ (3,151)	$ (47,488)	$ (21,480)	$ 130	$ 117,067
Net loss					(239)		(3)	(242)
Stock option exercises	750	-	3			-		3
Stock-based compensation – stock options			176					176
Stock-based compensation - restricted stock			3					3
Foreign currency translation adjustments				(1,691)				(1,691)
Balance – September 30, 2022	20,568,210	$ 2,057	$ 187,181	$ (4,842)	$ (47,727)	$ (21,480)	$ 127	$ 115,316
Balance – June 30, 2023	20,586,045	$ 2,059	$ 187,758	$ (3,846)	$ (44,957)	$ (21,484)	$ 145	$ 119,675
Net income					1,330		(27)	1,303
Stock option exercises	160,501	16	963			-		979
Stock-based compensation – stock options			130					130
Stock-based compensation - restricted stock			1					1
Foreign currency translation adjustments				(330)				(330)
Balance – September 30, 2023	20,746,546	$ 2,075	$ 188,852	$ (4,176)	$ (43,627)	$ (21,484)	$ 118	$ 121,758

Capital Accumulated

	Common Stock		in Excess	Other			Non-	
	Number of Shares	Amount	of Par Value	Comprehensive Income (Loss)	Accumulated Deficit	Treasury Stock	Controlling Interest	Total
Balance – December 31, 2022	20,570,710	$ 2,057	$ 187,405	$ (3,750)	$ (47,951)	$ (21,484)	$ 126	$ 116,403
Net loss					(346)		11	(335)
Stock option exercises								-
Stock-based compensation – stock options			138					138
Stock-based compensation – restricted stock			1					1
Foreign currency translation adjustments adjustments				197				197
Balance – March 31, 2023	20,570,710	$ 2,057	$ 187,544	$ (3,553)	$ (48,297)	$ (21,484)	$ 137	$ 116,404
Balance – December 31, 2023	20,783,607	$ 2,078	$ 189,160	$ (3,660)	$ (40,754)	$ (21,492)	$ 95	$ 125,427
Net income					2,891		13	2,904
Stock option exercises	103,839	11	674					685
Stock-based compensation – stock options			156					156
Stock-based compensation – restricted stock			5					5
Foreign currency translation adjustments adjustments				(232)				(232)
Balance – March 31, 2024	20,887,446	$ 2,089	$ 189,995	$ (3,892)	$ (37,863)	$ (21,492)	$ 108	$ 128,945

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

ULTRALIFE CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands except share and per share amounts)

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Ultralife Corporation and its subsidiaries (the "Company" or "Ultralife") have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information and with the instructions to Rule 8-03 of Regulation S-X. Accordingly, they do not include all the information and notes for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and adjustments) considered necessary for a fair presentation of the consolidated financial statements have been included. Results for interim periods should not be considered indicative of results to be expected for a full year. Reference should be made to the consolidated financial statements and related notes thereto contained in our Form 10-K for the year ended December 31, 2022 December 31, 2023.

The December 31, 2022 December 31, 2023 consolidated balance sheet information referenced herein was derived from audited financial statements but does not include all disclosures required by GAAP.

Certain items previously reported in specific financial statement captions have been reclassified to conform to the current presentation.

Significant Accounting Policies

During the quarter ended June 30, 2023, in consultation with third party experts, the Company completed an analysis to determine and verify its eligibility for the Employee Retention Credit ("ERC"), which is a refundable tax credit against certain employment taxes under Section 2301 of the Coronavirus Aid, Relief, and Economic Security Act of 2020 ("CARES Act") and the American Rescue Plan of 2021, and filed the necessary amended payroll tax forms with the Internal Revenue Service to claim a refund for the credit. The ERC refund receivable of $1,544 is included in prepaid expenses and other current assets on our consolidated balance sheet as of September 30, 2023, and the benefit is recognized as other income on our consolidated statement of income for the nine-month period ended September 30, 2023.

Recently Adopted Accounting Guidance

None.

Recent Accounting Guidance Not Yet Adopted

In June 2016, December 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments", which requires entities 2023-09 "Income Taxes (Topics 740): Improvements to measure all expected credit losses Income Tax Disclosures" to expand the disclosure requirements for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This replaces the existing incurred loss model and is applicable income taxes, specifically related to the measurement of credit losses on financial assets measured at amortized cost. This guidance was rate reconciliation and income taxes paid. ASU 2023-09 is effective for our annual periods beginning January 1, 2025, with early adoption permitted. We are currently evaluating the Company for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022. The adoption of this new accounting potential effect that the updated standard did not will have a material impact on our consolidated financial statements. statement disclosures.

2. DEBT

On December 13, 2021, Ultralife, Southwest Electronic Energy Corporation, a Texas corporation and wholly owned subsidiary of Ultralife ("SWE"), CLB, INC., a Texas corporation and wholly owned subsidiary of SWE ("CLB"), Ultralife Excell Holding Corp., a Delaware corporation and wholly owned subsidiary of Ultralife ("UEHC"), Ultralife Canada Holding Corp., a Delaware corporation and wholly owned subsidiary of UEHC ("UCHC"), and Excell Battery Corporation USA, a Texas corporation and wholly owned subsidiary of UEHC ("Excell USA"), as borrowers, entered into the Second Amendment Agreement with KeyBank National Association ("KeyBank" or the "Bank"), as lender and administrative agent, to amend the Credit and Security Agreement dated May 31, 2017 as amended by the First Amendment Agreement by and among Ultralife, SWE, CLB and KeyBank dated May 1, 2019 (the "Credit Agreement"). On November 28, 2022, Ultralife, SWE, CLB, UEHC, UCHC, Excell USA, and Excell Battery Canada ULC, a British Columbia unlimited liability corporation and wholly owned subsidiary of UCHC ("Excell Canada"), entered into that certain Third Amendment Agreement with KeyBank, to further amend the Credit Agreement to, among other things, facilitate the joinder of Excell Canada as a guarantor under the Credit Agreement and to replace the LIBOR benchmark thereunder with SOFR (the "Third Amendment Agreement", and together with the Second Amendment Agreement and the Credit Agreement, the "Amended Credit Agreement").

The Amended Credit Agreement, among other things, provides for a 5-year, $10,000 senior secured term loan (the "Term Loan Facility") and extends the term of the $30,000 senior secured revolving credit facility (the "Revolving Credit Facility", and together with the Term Loan Facility, the "Amended Credit Facilities") through May 30, 2025. Up to six months prior to May 30, 2025, the Revolving Credit Facility may be increased to $50,000 with the Bank's concurrence.

As of September 30, 2023 March 31, 2024, the Company had $6,667 $5,667 outstanding principal on the Term Loan Facility, $2,000 of which is included in current portion of long-term debt on the balance sheet, and $19,580 outstanding on the Revolving Credit Facility. As of September 30, 2023 March 31, 2024, total unamortized debt issuance costs of $139, $107, including placement, renewal and legal fees associated with the Amended Credit Agreement, are classified as a reduction of long-term debt on the balance sheet. Debt issuance costs are amortized to interest expense over the term of the Amended Credit Facilities.

The remaining availability under the Revolving Credit Facility is subject to certain borrowing base limits based on trade receivables and inventories.

The Company is required to repay the borrowings under the Term Loan Facility in equal consecutive monthly payments commencing on February 1, 2022, in arrears, together with applicable interest. All unpaid principal and accrued and unpaid interest with respect to the Term Loan Facility is due and payable in full on January 1, 2027. All unpaid principal and accrued and unpaid interest with respect to the Revolving Credit Facility is due and payable in full on May 30, 2025. The Company may voluntarily prepay principal amounts outstanding at any time subject to certain restrictions.

In addition to the customary affirmative and negative covenants, the Company must maintain a Consolidated Senior Leverage Ratio, consolidated senior leverage ratio, as defined in the Amended Credit Agreement, of equal to or less than 3.5 to 1.0 for the fiscal quarters ending December 31, 2022 and March 31, 2023, and equal to or less than 3.0 to 1.0 for the fiscal quarters ending June 30, 2023 and thereafter. The Company was in full compliance with its covenants under the Amended Credit Agreement as of September 30, 2023 March 31, 2024.

Borrowings under the Amended Credit Facilities are secured by substantially all the assets of the Company and its subsidiaries.

Upon the effectiveness of the Third Amendment Agreement, interest accrues on outstanding indebtedness under the Amended Credit Facilities at the Daily Simple SOFR Rate, plus an index spread adjustment of 0.10%, plus the applicable margin. The applicable margin ranges from 185 to 215 basis points and is determined based on the Company's senior leverage ratio.

The Company must pay a fee of 0.15% to 0.25% based on the average daily unused availability under the Revolving Credit Facility.

Payments must be made by the Company to the extent borrowings exceed the maximum amount then permitted to be drawn on the Amended Credit Facilities and from the proceeds of certain transactions. Upon the occurrence of an event of default, the outstanding obligations may be accelerated, and the Bank will have other customary remedies including resort to the security interest the Company provided to the Bank.

Future minimum principal repayment obligations on our Amended Credit Facilities as of September 30, 2023 are as follows:

2023	$	500
2024		2,000
2025		21,580
2026		2,000
2027		167
Thereafter		0
Total	$	26,247

3. EARNINGS PER SHARE

Basic earnings (loss) per share ("EPS") is computed by dividing net income (loss) attributable to Ultralife Corporation by the weighted average shares outstanding during the period. Diluted EPS includes the dilutive effect of securities, if any, and is calculated using the treasury stock method.

For the three-month period ended September 30, 2023 March 31, 2024, there were 677,029 539,358 outstanding stock options and 2,500 5,229 unvested restricted stock awards included in the calculation of diluted weighted average shares outstanding, as such securities were dilutive, resulting in 65,275 122,515 potential common shares included in the calculation of diluted EPS. There were 411,583 524,502 outstanding stock options for the three-month period ended September 30, 2023 March 31, 2024 not included in EPS as the effect would be anti-dilutive anti-dilutive.

For the comparable three-month period ended September 30, 2022 March 31, 2023, there no were no outstanding stock awards included in the calculation of diluted weighted average shares outstanding and no potential common shares included in the calculation of diluted EPS, as no securities were dilutive. There were 1,202,076 outstanding stock options and 5,000 unvested restricted stock awards for the three-month period ended September 30, 2022 not included in EPS as the effect would be anti-dilutive.

For the nine-month period ended September 30, 2023, there were 22,165 1,420,611 outstanding stock options and 2,500 unvested restricted stock awards included in the calculation of diluted weighted average shares outstanding, as such securities were dilutive, resulting in 2,441 potential common shares included in the calculation of diluted EPS. There were 1,066,447 outstanding stock options for the nine-month periods ended September 30, 2023 not included in EPS as the effect would be anti-dilutive.

For the comparable nine-month period ended September 30, 2022, there were 128,665 outstanding stock options and 5,000 unvested restricted stock awards included in the calculation of diluted EPS resulting in 22,203 potential common shares included in the calculation of diluted EPS. There were 1,073,411 outstanding stock options for the nine-month three-month period ended September 30, 2022 not included in EPS March 31, 2023, as the effect would be anti-dilutive. antidilutive.

4. SUPPLEMENTAL BALANCE SHEET INFORMATION

Fair Value Measurements and Disclosures

The fair value of financial instruments approximated their carrying values at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. The fair value of cash, accounts receivable, accounts payable, accrued liabilities, and the current portion of long-term debt approximates carrying value due to the short-term nature of these instruments.

Cash

The composition of the Company's cash was as follows:

	September 30, 2023		December 31, 2022		March 31, 2024	December 31, 2023	
Cash	$	9,223	$	5,634	$ 10,099	$	10,196
Restricted cash		78		79	-		82
Total	$	9,301	$	5,713	$ 10,099	$	10,278

As of September 30, 2023 and December 31, 2022December 31, 2023, restricted cash included $78 and $79, respectively, of $82 represented euro-denominated deposits withheld by the Dutch tax authorities and third-party VAT representatives in connection with a previously utilized logistics arrangement in the Netherlands. During the quarter ended March 31, 2024, the deposits were returned to the Company and no longer restricted. As of March 31, 2024, there was no cash classified as restricted cash. Restricted cash as of December 31, 2023 is included as a component of the cash balance for purposes of the consolidated statements of cash flows.

Inventories, Net

Inventories are stated at the lower of cost or net realizable value, net of obsolescence reserves, with cost determined under the first-in, first-out (FIFO) method. The composition of inventories, net was:

	September 30, 2023		December 31, 2022		March 31, 2024	December 31, 2023	
Raw materials	$	31,516	$	29,200	$ 30,168	$	29,098
Work in process		4,342		2,757	3,593		3,187
Finished goods		10,776		9,235	10,060		9,930
Total	$	46,634	$	41,192	$ 43,821	$	42,215

Property, Plant and Equipment, Net

Major classes of property, plant and equipment consisted of the following:

	September 30, 2023		December 31, 2022		March 31, 2024	December 31, 2023	
Land	$	1,273	$	1,273	$ 1,273	$	1,273
Buildings and leasehold improvements		15,934		15,572	16,007		15,998

Machinery and equipment	57,164	63,981	57,427	57,584
Furniture and fixtures	2,822	2,845	2,818	2,845
Computer hardware and software	7,807	7,744	7,770	7,868
Construction in process	1,709	1,245	1,695	2,033
	86,709	92,660	86,990	87,601
Less: Accumulated depreciation	(65,543)	(70,944)	(66,320)	(66,484)
Property, plant and equipment, net	$ 21,166	$ 21,716	$ 20,670	$ 21,117

Depreciation expense for property, plant and equipment was as follows: $740 and $762 for the three-month periods ended March 31, 2024 and March 31, 2023, respectively.

	Three-month period ended		Nine-month period ended	
	September 30, 2023	**September 30, 2022**	**September 30, 2023**	**September 30, 2022**
Depreciation expense	**$ 760**	**$ 815**	**$ 2,282**	**$ 2,450**

Goodwill

The following table summarizes the goodwill activity by segment for the nine-month three-month period ended September 30, 2023 March 31, 2024.

	Battery & Energy Products	**Communications Systems**	**Total**
Balance – December 31, 2022	**$ 25,935**	**$ 11,493**	**$ 37,428**
Effect of foreign currency translation	**(71)**	**-**	**(71**
Balance – September 30, 2023	**$ 25,864**	**$ 11,493**	**$ 37,357**

	Battery & Energy Products	**Communications Systems**	**Total**
Balance – December 31, 2023	**$ 26,078**	**$ 11,493**	**$ 37,571**
Effect of foreign currency translation	**(72)**	**-**	**(72**
Balance – March 31, 2024	**$ 26,006**	**$ 11,493**	**$ 37,499**

Other Intangible Assets, Net

The composition of other intangible assets was:

		at March 31, 2024
	at September 30, 2023	**Accumulated**

	Cost	Accumulated Amortization	Net	Cost	Amortization	Net
Customer relationships	$ 12,989	$ 6,451	$ 6,538	$ 13,072	$ 6,796	$ 6,276
Patents and technology	5,564	5,260	304	5,597	5,344	253
Trade names	4,632	607	4,025	4,645	673	3,972
Trademarks	3,399	-	3,399	3,400	-	3,400
Other	1,500	496	1,004	1,500	534	966
Total other intangible assets	$ 28,084	$ 12,814	$ 15,270	$ 28,214	$ 13,347	$ 14,867

	at December 31, 2022		
	Cost	Accumulated Amortization	Net
Customer relationships	$ 12,970	$ 5,992	$ 6,978
Patents and technology	5,557	5,171	386
Trade names	4,629	522	4,107
Trademarks	3,404	-	3,404
Other	1,500	454	1,046
Total other intangible assets	$ 28,060	$ 12,139	$ 15,921

	at December 31, 2023		
	Cost	Accumulated Amortization	Net
Customer relationships	$ 13,092	$ 6,656	$ 6,436
Patents and technology	5,606	5,322	284
Trade names	4,647	647	4,000
Trademarks	3,402	-	3,402
Other	1,500	515	985
Total other intangible assets	$ 28,247	$ 13,140	$ 15,107

The change in the cost of total intangible assets from December 31, 2022 December 31, 2023 to September 30, 2023 March 31, 2024 is the effect of foreign currency translations.

Amortization expense for other intangible assets was as follows: $228 and $209 for the three-month periods ended March 31, 2024 and March 31, 2023, respectively. Amortization included in selling, general and administrative expenses was $203 and $185 for the three-month periods ended March 31, 2024 and March 31, 2023, respectively. Amortization included in research and development expenses was $25 and $24 for the three-month periods ended March 31, 2024 and March 31, 2023, respectively.

	Three-month period ended		Nine-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Amortization included in:				

Selling, general and administrative	$	203	$	295	$	591	$	895
Research and development		24		23		72		74
Total amortization expense	$	227	$	318	$	663	$	969

5. STOCK-BASED COMPENSATION

We recorded non-cash stock compensation expense in each period as follows:

	Three-month period ended				Nine-month period ended			
	September 30, 2023		September 30, 2022		September 30, 2023		September 30, 2022	
Stock options	$	130	$	176	$	421	$	538
Restricted stock		1		3		3		14
Total	$	131	$	179	$	424	$	552

	Three-month period ended			
	March 31, 2024		March 31, 2023	
Stock options	$	156	$	138
Restricted stock grants		5		1
Total	$	161	$	139

We have stock options outstanding from various stock-based employee compensation plans for which we record compensation cost relating to share-based payment transactions in our financial statements. As of September 30, 2023 March 31, 2024, there was $314 $699 of total unrecognized compensation cost related to outstanding stock options, which is expected to be recognized over a weighted average period of 0.9 1.3 years.

The following table summarizes stock option activity for the nine-month three-month period ended September 30, 2023 March 31, 2024:

	Number of Shares	Weighted Average Exercise Price		Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Val	
Outstanding at January 1, 2023	1,425,693	$	6.72			
Granted	12,500	$	4.07			
Exercised	(204,891)	$	5.71			
Forfeited or expired	(144,690)	$	5.01			
Outstanding at September 30, 2023	1,088,612	$	7.11	3.54	$	2,

Vested and expected to vest at September 30, 2023	1,009,489	$	7.20	3.37	$	2,
Exercisable at September 30, 2023	703,529	$	7.79	2.36	$	1,

	Number of Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)		Aggregate Intrinsic Value
Outstanding at January 1, 2024	1,250,595	$	7.10			
Granted	3,460		6.84			
Exercised	(103,839)		6.60			
Forfeited or expired	(86,356)	$	8.96			
Outstanding at March 31, 2024	1,063,860	$	7.00	4.22	$	2,2
Vested and expected to vest at March 31, 2024	964,552	$	7.07	4.06	$	1,9
Exercisable at March 31, 2024	604,537	$	7.50	2.92	$	1,0

Cash received from stock option exercises under our stock-based compensation plans for the three-month periods ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 was $979 $685 and $3, respectively. Cash received from stock option exercises under our stock-based compensation plans for the nine-month periods ended September 30, 2023 and September 30, 2022 was $1,041 and $116, $0, respectively.

Outstanding restricted shares Restricted stock awards vest in equal annual installments over three three (3) (3) years. Unrecognized compensation cost related to outstanding unvested restricted shares at September 30, 2023 March 31, 2024 and March 31, 2023, respectively, was $0. $31 and $2.

6. INCOME TAXES

Our effective tax rate for the nine-month three-month periods ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 was 28.1% 19.5% and 259.1% 28.4%, respectively. The period-over-period change was primarily attributable to the geographic mix of our operating results and the larger impact of discrete adjustments in the prior year. results.

As of December 31, 2022 December 31, 2023, we have domestic net operating loss ("NOL") carryforwards of $40,952, $27,200, which expire 2025 2031 through 2035, and domestic tax credits of $2,600, $2,900, which expire 2028 through 2042, 2043, available to reduce future taxable income. As of September 30, 2023 March 31, 2024, management has concluded it is more likely than not that these domestic NOL and credit carryforwards will be fully utilized.

As of September 30, 2023 March 31, 2024, for certain past operations in the U.K., we continue to report a valuation allowance for NOL carryforwards of approximately $10,000, $9,800, nearly all of which can be carried forward indefinitely. Utilization of the net operating losses may be limited due to the change in the past U.K. operation and cannot currently be used to reduce taxable income at our other U.K. subsidiary, Accutronics Ltd. There are no other deferred tax assets related to the past U.K. operations.

As of September 30, 2023 March 31, 2024, we have not recognized a valuation allowance against our other foreign deferred tax assets, as realization is considered to be more likely than not.

As of September 30, 2023 March 31, 2024, the Company maintains its assertion that all foreign earnings will be indefinitely reinvested in those operations, other than earnings generated in the U.K.

There were no unrecognized tax benefits related to uncertain tax positions at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

As a result of our operations, we file income tax returns in various jurisdictions including U.S. federal, U.S. state and foreign jurisdictions. We are routinely subject to examination by taxing authorities in these various jurisdictions. Our U.S. tax matters for 2019-2022 2020 thru 2022 remain subject to IRS examination. Our U.S. tax matters for 2001-2002, 2005-2007, 2009, and 2011-2015 also remain subject to IRS examination due to the remaining availability of net operating loss carryforwards generated in those years. Our U.S. tax matters for 2005-2007 and 2011-2022 2013 thru 2022 remain subject to examination by various state and local tax jurisdictions. Our tax matters for the years 2013 through thru 2022 remain subject to examination by the respective foreign tax jurisdiction authorities.

7. *OPERATING LEASES*

The Company has operating leases predominantly for operating facilities. As of September 30, 2023 March 31, 2024, the remaining lease terms on our operating leases range from approximately less than one (1) year to eight (8) years. Lease terms include renewal options reasonably certain of exercise. There is no transfer of title or option to purchase the leased assets upon expiration. There are no residual value guarantees or material restrictive covenants.

The components of lease expense for the current and prior-year comparative periods were as follows:

	Three months ended		Nine months ended		Three-month period ended March 31,	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	2024	2023
Operating lease cost	$ 252	$ 216	$ 732	$ 674	$ 262	$ 241
Variable lease cost	28	22	85	69	28	28
Total lease cost	$ 280	238	$ 817	$ 743	$ 290	$ 269

Supplemental cash flow information related to leases was as follows:

	Nine-month period ended September 30,		Three-month period ended March 31,	
	2023	2022	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows used in operating leases	$ 762	$ 676		
Operating cash flows from operating leases			$ 265	$ 226
Right-of-use assets obtained in exchange for lease liabilities:	$ 310	$ -	$ -	$ -

Supplemental consolidated balance sheet information related to leases was as follows:

	Balance sheet classification	September 30, 2023	December 31, 2022
Assets:			
Operating lease right-of-use asset	Other noncurrent assets	$ 1,914	$ 2,187
Liabilities:			
Current operating lease liability	Accrued expenses and other current liabilities	$ 793	$ 895
Operating lease liability, net of current portion	Other noncurrent liabilities	1,087	1,307
Total operating lease liability		$ 1,880	$ 2,202
Weighted-average remaining lease term (years)		4.5	4.7
Weighted-average discount rate		4.5 %	4.5 %

	Balance sheet classification	March 31, 2024	December 31, 2023
Assets:			
Operating lease right-of-use asset	Other noncurrent assets	$ 3,177	$ 3,589
Liabilities:			
Current operating lease liability	Accrued expenses and other current liabilities	$ 780	$ 894
Operating lease liability, net of current portion	Other noncurrent liabilities	2,350	2,644
Total operating lease liability		$ 3,130	$ 3,538
Weighted-average remaining lease term (years)		5.2	5.3
Weighted-average discount rate		6.3 %	4.5 %

Future minimum lease payments as of September 30, 2023 March 31, 2024 are as follows:

Maturity of operating lease liabilities		
2023	$ 258	
2024	642	$ 620
2025	306	691
2026	241	618
2027	217	639
2028		642
Thereafter	426	458
Total lease payments	2,090	3,668
Less: Imputed interest	(210)	(538)
Present value of remaining lease payments	$ 1,880	$ 3,130

8. *COMMITMENTS AND CONTINGENCIES*

Purchase Commitments

As of September 30, 2023 March 31, 2024, we have made commitments to purchase approximately $925 $330 of production machinery and equipment.

Product Warranties

We estimate future warranty costs to be incurred for product failure rates, material usage and service costs in the development of our warranty obligations. Estimated future costs are based on actual past experience and are generally estimated as a percentage of sales over the warranty period. Changes in our product warranty liability during the first nine three months of 2023 2024 and 2022 2023 were as follows:

	Nine-month period ended September 30,	
	2023	2022
Accrued warranty obligations – beginning	$ 323	$ 133
Accruals for warranties issued	260	247
Settlements made	(98)	(94
Accrued warranty obligations – ending	$ 485	$ 286

	Three-month period ended March 31,	
	2024	2023
Accrued warranty obligations – beginning	$ 547	$ 3
Accruals for warranties issued	141	
Settlements made	(49)	(

Accrued warranty obligations – ending	**$ 639**	**$ 3**

Contingencies and Legal Matters

We are subject to legal proceedings and claims that arise from time to time in the normal course of business. We believe that the final disposition of any such matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows. However, recognizing that legal matters are subject to inherent uncertainties, there exists the possibility that ultimate resolution of these matters could have a material adverse impact on the Company's financial position, results of operations or cash flows. We are not aware of any such situations at this time.

9. REVENUE RECOGNITION

Revenues are generated from the sale of products. Performance obligations are met and revenue is recognized upon transfer of control to the customer, which is generally upon shipment. When contract terms require transfer of control upon delivery at a customer's location, revenue is recognized on the date of delivery. For products shipped under vendor-managed inventory arrangements, revenue is recognized and billed when the product is consumed by the customer, at which point control has transferred and there are no further obligations by the Company. Revenue is measured as the amount of consideration we expect to receive in exchange for shipped product. Sales, value-added and other taxes billed and collected from customers are excluded from revenue. Customers, including distributors, do not have a general right of return.

Separately priced extended warranty contracts are offered on certain Communications Systems products for a duration of up to eight (8) years. Extended warranties are treated as separate performance obligations and recognized to revenue evenly over the term of the respective contract. Revenue not yet recognized on extended warranty contracts is recorded as deferred revenue on the consolidated balance sheet. For the quarter ended March 31, 2024, revenue recognized on extended warranties was $72.

As of September 30, 2023 March 31, 2024, there was deferred revenue on extended warranty contracts of $1,121, $1,335, comprised of $193 $287 expected to be recognized as revenue within one (1) year and classified as accrued expenses and other current liabilities on our consolidated balance sheet, and $928 $1,048 expected to be recognized as revenue over the remaining duration of the respective contracts and classified as other noncurrent liabilities on our consolidated balance sheet.

As of December 31, 2022 December 31, 2023, there was deferred revenue on extended warranty contracts of $682, $1,407, comprised of $119 $287 expected to be recognized as revenue within one (1) year and classified as accrued expenses and other current liabilities on our consolidated balance sheet, and $563 $1,120 expected to be recognized as revenue evenly over the remaining duration of the respective contracts and classified as other noncurrent liabilities on our consolidated balance sheet.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had no other unsatisfied performance obligations for contracts with an original expected duration of greater than one year. Pursuant to Topic 606, we have applied the practical expedient with respect to disclosure of the deferral and future expected timing of revenue recognition for transaction price allocated to remaining performance obligations.

10. BUSINESS SEGMENT INFORMATION

We report our results in two operating segments: Battery & Energy Products and Communications Systems. The Battery & Energy Products segment includes Lithium 9-volt, cylindrical and various other non-rechargeable batteries, in addition to rechargeable batteries, uninterruptable power supplies, charging systems and accessories. The Communications Systems segment includes RF amplifiers, power supplies, cable and connector assemblies, amplified speakers, equipment mounts, case equipment, man-portable systems, integrated communication systems for fixed or vehicle applications and communications and electronics systems design. We believe that reporting performance at the gross profit level is the best indicator of segment performance.

Three-month period ended September 30, 2023 March 31, 2024:

	Battery & Energy Products	Communications Systems	Corporate	Total	Battery & Energy Products	Communications Systems	Corporate	Total
Revenues	$ 31,919	$ 7,569	$ -	$ 39,488	$ 34,989	$ 6,938	$ -	$ 41,927
Segment contribution	7,728	2,046	(7,639)	2,135	8,986	2,484	(7,407)	4,063
Other expense			(386)	(386)			(456)	(456)
Income tax provision			(446)	(446)				
Tax provision							(703)	(703)
Non-controlling interest			27	27			(13)	(13)
Net income attributable to Ultralife				$ 1,330				
Net income attributable to Ultralife Corporation								$ 2,891

Three-month period ended September 30, 2022 March 31, 2023:

	Battery & Energy Products	Communications Systems	Corporate	Total
Revenues	$ 28,583	$ 4,651	$ -	$ 33,234
Segment contribution	5,345	1,370	(7,301)	(586)
Other income			254	254
Income tax benefit			90	90
Non-controlling interest			3	3
Net loss attributable to Ultralife				$ (239)

Nine-month period ended September 30, 2023:

	Battery & Energy Products	Communications Systems	Corporate	Total
Revenues	$ 94,250	$ 19,846	$ -	$ 114,096
Segment contribution	21,783	6,015	(21,972)	5,826

Other income	178	178
Income tax provision	(1,688)	(1,688)
Non-controlling interest	8	8
Net income attributable to Ultralife		$ 4,324

Nine-month period ended September 30, 2022:

	Battery & Energy Products	Communications Systems	Corporate	Total	Battery & Energy Products	Communications Systems	Corporate	Total
Revenues	$ 87,873	$ 7,860	$ -	$ 95,733	$ 28,470	$ 3,446	$ -	$ 31,916
Segment contribution	19,217	2,102	(21,407)	(88)	6,512	924	(7,410)	26
Other income			22	22				
Income tax benefit			171	171				
Other expense							(494)	(494)
Tax benefit							133	133
Non-controlling interest			-	-			(11)	(11)
Net income attributable to Ultralife				$ 105				
Net loss attributable to Ultralife Corporation								$ (346)

The following tables disaggregate our business segment revenues by major source and geography.

Commercial and Government/Defense Revenue Information:

Three-month period ended September 30, 2023 March 31, 2024:

	Total Revenue	Commercial	Government/ Defense	Total Revenue	Commercial	Government/ Defense
Battery & Energy Products	$ 31,919	$ 24,150	$ 7,769	$ 34,989	$ 24,140	$ 10,849
Communications Systems	7,569	-	7,569	6,938	-	6,938
Total	$ 39,488	$ 24,150	$ 15,338	$ 41,927	$ 24,140	$ 17,787
		61 %	39 %		58 %	42 %

Three-month period ended September 30, 2022 March 31, 2023:

	Total Revenue	Commercial	Governmer Defense
Battery & Energy Products	$ 28,583	$ 22,878	$
Communications Systems	4,651	-	
Total	$ 33,234	$ 22,878	$
		69 %	

Nine-month period ended September 30, 2023:

	Total Revenue	Commercial	Governmer Defense
Battery & Energy Products	$ 94,250	$ 73,319	$ [illegible]
Communications Systems	19,846	-	[illegible]
Total	$ 114,096	$ 73,319	$ [illegible]
		64 %	

Nine-month period ended September 30, 2022:

	Total Revenue	Commercial	Governmer Defense
Battery & Energy Products	$ 87,873	$ 70,154	$ [illegible]
Communications Systems	7,860	-	
Total	$ 95,733	$ 70,154	$ [illegible]
		73 %	

	Total Revenue	Commercial	Governmer Defense
Battery & Energy Products	$ 28,470	$ 22,219	$
Communications Systems	3,446	-	
Total	$ 31,916	$ 22,219	$
		70 %	

U.S. and Non-U.S. Revenue Information1:

Three-month period ended September 30, 2023 March 31, 2024:

	Total Revenue	United States	Non-United States	Total Revenue	United States	Non-United States
Battery & Energy Products	$ 31,919	$ 15,926	$ 15,993	$ 34,989	$ 19,603	$ 15,386
Communications Systems	7,569	4,348	3,221	6,938	4,858	2,080
Total	$ 39,488	$ 20,274	$ 19,214	$ 41,927	$ 24,461	$ 17,466
		51 %	49 %		58 %	42 %

Three-month period ended September 30, 2022 March 31, 2023:

	Total Revenue	United States	Non-United St
Battery & Energy Products	$ 28,583	$ 13,433	$ [illegible]
Communications Systems	4,651	3,547	
Total	$ 33,234	$ 16,980	$ [illegible]
		51 %	

Nine-month period ended September 30, 2023:

	Total Revenue	United States	Non-United St
Battery & Energy Products	$ 94,250	$ 47,088	$ 4
Communications Systems	19,846	11,170	
Total	$ 114,096	$ 58,258	$ 5
		51 %	

Nine-month period ended September 30, 2022:

	Total Revenue	United States	Non-United States	Total Revenue	United States	Non-United States
Battery & Energy Products	$ 87,873	$ 41,303	$ 46,570	$ 28,470	$ 13,768	$ 14,702
Communications Systems	7,860	6,609	1,251	3,446	2,877	569
Total	$ 95,733	$ 47,912	$ 47,821	$ 31,916	$ 16,645	$ 15,271
		50 %	50 %		52 %	48 %

[1] Sales classified to U.S. include shipments to U.S.-based prime contractors which in some cases may serve non-U.S. projects.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. This report contains certain forward-looking statements and information that are based on the beliefs of management as well as assumptions made by and information currently available to management. The statements contained in this report relating to matters that are not historical facts are forward-looking statements that involve risks and uncertainties, including, but not limited to, changes in economic conditions including inflation and supply chain disruptions affecting our business, revenues and earnings adversely; our reliance on certain key customers; reductions or delays in U.S. and foreign military spending; our efforts to develop new products or new commercial applications for our products; potential disruptions in our supply of raw materials and components; breaches in information systems security and other disruptions in our information technology systems; our ability to recruit and retain top management and key personnel; our resources being overwhelmed by our growth; the continued impact of COVID-19, or other pandemics that may arise, causing delays in the manufacture and delivery of our mission critical products to end customers; our reliance on certain key customers; our efforts to develop new commercial applications for our products; reduced U.S. and foreign military spending including the uncertainty associated with government budget approvals; the unique risks associated with our China operations; breaches in information systems security and other disruptions in our information technology systems; potential disruptions in our supply of raw materials and components; fluctuations in the price of oil and the resulting impact on the demand for downhole drilling; our ability to retain top management and key personnel; our resources being overwhelmed by our growth; possible future declines in demand for the products that use our batteries or communications systems; safety risks, including the risk of fire; variability in our quarterly and annual results and the price of our common stock; safety risks, including the risk of fire; rising interest rates increasing the cost of our variable borrowings; purchases by our customers of product quantities not meeting the volume expectations in our supply agreements; potential costs attributable to the warranties we supply with our products and services; our inability to comply with changes to the regulations for the shipment of our products; our ability to utilize our net operating loss carryforwards; our entrance into new end-markets which could lead to additional financial exposure; negative publicity concerning Lithium-ion batteries; our ability to utilize our net operating loss carryforwards; our exposure to foreign currency fluctuations; possible impairments of our goodwill and other intangible assets; our exposure to foreign currency fluctuations; the risk that we are unable to protect our proprietary and intellectual property; rules and procedures regarding contracting with the U.S. and foreign governments; exposure to possible violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act or other anti-corruption laws; known and unknown environmental matters; possible audits of our contracts by the U.S. and foreign governments and their respective defense agencies; our ability to comply with government regulations regarding the use of "conflict minerals"; technological innovations in the non-rechargeable and rechargeable battery industries; and other risks and uncertainties, certain of which are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may differ materially from those forward-looking statements described herein. When used in this report, the words "anticipate," "believe," "estimate," "expect," "seek," "project," "intend," "plan," "may," "will," "should," "would, "foresee," "could," "likely," or words of similar import are intended to identify forward-looking statements. For further discussion of certain of the matters described above and other risks and uncertainties, see Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of developments in the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements contained herein. In addition, even if our results of operations, financial condition and liquidity and the development of the industries in which we operate are consistent with the forward-looking statements contained in this quarterly report, document, those results or developments may not be indicative of results or developments in subsequent periods. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statements that we make herein speak only as of the date of those statements, and we undertake no obligation to update those statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

Undue reliance should not be placed on our forward-looking statements. Except as required by law, we disclaim any obligation to update any risk factors or to publicly announce the results of any revisions to any of the forward looking forward-looking statements in this report to reflect new information or risks, future events or other developments.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the consolidated financial statements and notes thereto in Part I, Item 1 of this Form 10-Q, and the consolidated financial statements and notes thereto and risk factors in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

The financial information in this MD&A is presented in thousands of dollars, except for share and per share amounts, unless otherwise specified.

General

We offer products and services ranging from power solutions to communications and electronics systems to customers across the globe in the government, defense and commercial sectors. With an emphasis on strong engineering and a collaborative approach to problem solving, we design and manufacture power and communications systems including: including rechargeable and non-rechargeable batteries, charging systems, communications and electronics systems and accessories, and custom engineered systems related to those product lines. We continually evaluate ways to grow, including the design, development and sale of new products, expansion of our sales force to penetrate new markets and territories, as well as seeking opportunities to expand through acquisitions.

We sell our products worldwide through a variety of trade channels, including original equipment manufacturers ("OEMs"), industrial and defense supply distributors, and directly to U.S. and foreign defense departments. We enjoy strong name recognition in our markets under our Ultralife®, Ultralife HiRate®, Ultralife Thin Cell®, Ultralife Batteries Inc.®, Lithium Power®, McDowell Research®, AMTITM, ABLETM, ACCUTRONICS™ ACCUTRONICSTM, ACCUPRO™ ACCUPROTM, ENTELLION™ ENTELLIONTM, SWE Southwest Electronic Energy Group™ GroupTM, SWE DRILL-DATA™, SWE SEASAFE™ SEASAFETM, Excell Battery Group™ GroupTM and Criterion Gauge™ brands. GaugeTM brands, among others. We have sales, operations and product development facilities in North America, Europe and Asia.

We report our results in two operating segments: Battery & Energy Products and Communications Systems. The Battery & Energy Products segment includes Lithium 9-volt, cylindrical, thin cell and other non-rechargeable batteries, in addition to rechargeable batteries, uninterruptable power supplies, charging systems and accessories. The Communications Systems segment includes RF amplifiers, power supplies, cable and connector assemblies, amplified speakers, equipment mounts, case equipment, man-portable systems, integrated communication systems for fixed or vehicle applications and communications and electronics systems design. We believe that reporting performance at the gross profit level is the best indicator of segment performance. As such, we report segment performance at the gross profit level and operating expenses as Corporate charges charges. (See Note 10 in the notes to consolidated financial statements. statements in Item 1 of Part 1 of this Form 10-Q.)

Our website address is www.ultralifecorporation.com. We make available free of charge via a hyperlink on our website (see Investor Relations link on the website) our annual reports on Form 10-K, proxy statements, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports and statements as soon as reasonably practicable after such material is electronically filed with or furnished to the Securities and Exchange Commission ("SEC"). We will provide copies of these reports upon written request to the attention of Philip A. Fain, CFO, Treasurer and Secretary, Ultralife Corporation, 2000 Technology Parkway, Newark, New York, 14513. Our filings with the SEC are also available through the SEC website at www.sec.gov or at the SEC Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 or by calling 1-800-SEC-0330.

Overview

Consolidated revenues of $39,488 $41,927 for the three-month period ended September 30, 2023 March 31, 2024, increased by $6,254 $10,011 or 18.8% 31.4%, over $33,234 $31,916 for the three-month period ended September 30, 2022 March 31, 2023, reflecting increases both an increase in government/defense sales of 48.1% 83.4% and commercial sales of 5.6% 8.6%. Sales for our Battery & Energy Products segment increased 11.7% from $28,583 for During the third quarter of 2022 to $31,919 for the third first quarter of 2023, the Company experienced a cybersecurity ransomware attack which impacted our ability to process orders, ship products, provide services to our customers and effectively manage our sales and operating planning process over a several-week period for our Communications Systems segment increased 62.7% from $4,651 Newark, NY location and an even longer period for our Virginia Beach, VA location. Considerable time during the first quarter of 2023 was devoted to $7,569. data restoration, systems recovery, systems security augmentation, and regulatory reporting of the attack. Our resulting cybersecurity insurance claim covering the cost of engaging external cybersecurity experts and the losses incurred due to the interruption of our business remains in review by our insurance carrier.

Gross profit was $9,774, $11,470, or 24.8% 27.4% of revenue, for the three-month period ended September 30, 2023 March 31, 2024, compared to $6,715, $7,436, or 20.2% 23.3% of revenue, for the same quarter a year ago. The 460-basis 410-basis point improvement primarily resulted from higher factory volume leading for both our Battery & Energy Products and Communications Systems businesses, more efficiencies resulting from a concerted effort to greater cost absorption, efficiencies level-load production more evenly across the 2024 quarter and improved price realization. Gross profit for the 2023 period was tempered by the inefficiencies associated with improved level-loading of production the cybersecurity attack, lingering supply chain disruptions and price realization. higher material costs across both business segments.

Operating expenses increased remained essentially flat, decreasing to $7,639 $7,407 for the three-month period ended September 30, 2023 March 31, 2024, compared to $7,301 $7,410 for the three-month period ended September 30, 2022 March 31, 2023. The increase of $338 or 4.6% was primarily attributable to higher variable compensation, including Officer and Executive Team bonuses and salesforce commissions, and insurance costs in the 2023 period. Operating expenses represented 19.3% for the 2024 period were 17.7% of revenues revenue compared to 22.0% 23.2% of revenues revenue for the year-earlier period.

Operating income for the three-month period ended September 30, 2023 March 31, 2024 was $2,135, $4,063, or 5.4% 9.7% of revenues, compared to a loss $26, or 0.1% of $586 revenues, for the year-earlier period. The increase in operating income primarily resulted from the 18.8% 31.4% revenue increase, in revenues leveraged by the 460-basis 410-basis point improvement in gross margin and the 270-basis 550-basis point improvement in operating expenses expense to revenues ratio. leverage.

Net income (loss) attributable to Ultralife Corporation was $1,330 $2,891, or $0.08 per share – basic and diluted on a GAAP basis, compared to a net loss of $239 or $0.01 $0.18 per share – basic and diluted, for the third quarter of 2022. Adjusted EPS was $0.10 - three-month period ended March 31, 2024, compared to ($346) or ($0.02) per share – basic and diluted, for the third quarter of 2023, compared to a loss $0.03 - basic and diluted for the 2022 period. Adjusted EPS excludes the provision for deferred taxes of $357 which primarily represents non-cash charges for U.S. taxes that we expect will be fully offset by net operating loss carryforwards and other tax credits for the foreseeable future. See the section “Adjusted EPS” on Page 24 for a reconciliation of adjusted EPS to EPS. three-month period ended March 31, 2023.

Adjusted EBITDA, defined as net income (loss) attributable to Ultralife Corporation before net interest expense, provision (benefit) for income taxes, depreciation and amortization, and stock-based compensation expense, plus/minus expenses/income that we do not consider reflective of our ongoing operations, amounted to $3,480, $5,243, or 8.8% 12.5% of revenues, for the third first quarter of 2023, 2024, compared to $1,255 $1,155, or 3.8% 3.6% of revenues, for the third first quarter of 2022. 2023. See the section “Adjusted EBITDA” beginning on Page 23 page 19 for a reconciliation of adjusted EBITDA to net income (loss) attributable to Ultralife Corporation.

As we close out 2023 with a strong With the current healthy backlog and new product commercialization, we are well prepared to capture additional organic growth opportunities, while we continue to drive gross margin improvements and invest in further new product development. We are increasingly optimistic that we are positioned to continue sustain profitable growth, and to generate incremental cashflow cash flow to reduce our acquisition pay down debt, and further invest in our businesses, including new product development, strategic capital expenditures and accretive acquisitions.

<u>Results of Operations</u>

Three-Month Periods Ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023

Revenues. Consolidated revenues for the three-month period ended September 30, 2023 March 31, 2024 were $39,488, $41,927, an increase of $6,254, $10,011, or 18.8% 31.4%, over $33,234 $31,916 for the three-month period ended September 30, 2022 March 31, 2023. Overall, government/defense sales increased 48.1% 83.4% and commercial sales increased 5.6% 8.6%.

Battery & Energy Products revenues increased $3,336, or 11.7%, from $28,583 for During the three-month period ended September 30, 2022 to $31,919 for the three-month period ended September 30, 2023, reflecting increases of $1,272 or 5.6% in commercial sales and $2,064 or 36.2% in government/defense sales. The increase in commercial sales was driven by a $2,488 or 37.9% increase in medical sales reflecting an increased demand for our batteries used in ventilators, respirators, infusion pumps and other medical devices, partially offset by a $1,216 or 7.5% decrease in industrial and other commercial sales primarily attributable to 9-Volt and our new Thionyl Chloride and thin cell battery cells for which sales are expected to rebound in future periods based on the timing of purchase orders placed by our customers.

Communications Systems sales increased $2,918, or 62.7%, from $4,651 for the three-month period ended September 30, 2022 to $7,569 for the three-month period ended September 30, 2023. The increase was primarily attributable to shipments of vehicle-amplifier adaptor orders to a global defense contractor for the U.S. Army and of integrated systems of amplifiers and radio vehicle mounts to a major international defense contractor for an ongoing allied country government/defense modernization program.

Our total backlog at September 30, 2023 was $101,087 with approximately $35,100 due to ship over the remaining three months of 2023. Total backlog decreased $5,066 or 4.8% compared to the backlog of $106,153 for the same period in 2022 primarily due to the timing of certain expected orders.

Cost of Products Sold / Gross Profit. Cost of products sold totaled $29,714 for the quarter ended September 30, 2023, an increase of $3,195, or 12.0%, from the $26,519 reported for the same three-month period a year ago. Consolidated cost of products sold as a percentage of total revenue decreased from 79.8% for the three-month period ended September 30, 2022 to 75.2% for the three-month period ended September 30, 2023. Correspondingly, consolidated gross margin increased from 20.2% for the three-month period ended September 30, 2022, to 24.8% for the three-month period ended September 30, 2023, primarily reflecting higher factory volume leading to greater cost absorption, efficiencies associated with improved level-loading of production and price realization.

For our Battery & Energy Products segment, gross profit for the third first quarter of 2023, was $7,728, an increase of $2,383 or 44.6% from gross profit of $5,345 for the third quarter of 2022. Battery & Energy Products' gross margin of 24.2% increased by 550-basis points from the 18.7% gross margin for the year-earlier period, primarily reflecting higher factory volume, efficiencies resulting from improved level-lading of production across the quarter and improved price realization.

For our Communications Systems segment, gross profit for the third quarter of 2023 was $2,046 or 27.0% of revenues, compared to gross profit of $1,370 or 29.5% of revenues for the third quarter of 2022. The 250-basis point decrease in gross margin was primarily due to inefficiencies caused by component delivery delays from certain vendors and sales product mix, partially offset by the higher factory volume.

Operating Expense. Overall, operating expenses were 19.3% of revenue for the quarter ended September 30, 2023, compared to 22.0% of revenue for the quarter ended September 30, 2022. Amortization expense associated with intangible assets related to our acquisitions was $227 for the third quarter of 2023 ($203 in selling, general and administrative expenses and $24 in research and development costs), compared with $318 for the third quarter of 2022 ($295 in selling, general, and administrative expenses and $23 in research and development costs). Research and development costs were $1,869 for the three-month period ended September 30, 2023, a decrease of $27 or 1.4%, from $1,896 for the three-months ended September 30, 2022. Selling, general, and administrative expenses were $5,770 for the three-month period ended September 30, 2023, an increase of $365 or 6.8% over the $5,405 for the three-month period ended September 30, 2022, primarily reflecting higher variable compensation, including Officer and Executive Team bonuses and salesforce commissions, and insurance costs.

Other (Expense) Income. Other expense totaled $386 for the three-month period ended September 30, 2023, compared to income totaling $254 for the three-month period ended September 30, 2022. Interest and financing expense increased $314, or 115.4%, from $272 for the third quarter of 2022 to $586 for the comparable period in 2023. The increase is primarily due to the financing of our acquisition of Excell in December 2021, working capital funding resulting from the January 2023 cyberattack and rising interest rates. Miscellaneous income amounted to $200 for the third quarter of 2023 compared to $526 for the third quarter of 2022, primarily attributable to foreign exchange gains due to fluctuations in foreign currency exchange rates.

Income Taxes. The income tax provision for the 2023 third quarter was $446, compared to an income tax benefit of $90 for the third quarter of 2022. Our effective tax rate decreased to 25.5% for the third quarter of 2023 as compared to 27.1% for the third quarter of 2022, primarily attributable to the geographic mix of our operating results. The income tax provision for the third quarter of 2023 is comprised of an $89 current provision for taxes expected to be paid on income primarily in foreign jurisdictions, representing a cash-based effective tax rate of 5.1%, and a $357 deferred tax provision which primarily represents non-cash charges for U.S. taxes that we expect will be fully offset by net operating loss carryforwards and other tax credits for the foreseeable future. For the comparable 2022 period, the income tax benefit was comprised of a $218 current tax provision and a $308 deferred tax benefit. The period over period change in the cash-based current tax provisions is primarily attributable to the geographic mix of our operating results. See Note 6 to the consolidated financial statements in Item 1 of Part I of this Form 10-Q for additional information regarding our income taxes.

Net Income (Loss) Attributable to Ultralife. Net income attributable to Ultralife was $1,330, or $0.08 per share – basic and diluted on a GAAP basis for the three-month period ended September 30, 2023, compared to a net loss of $239, or $0.01 per share – basic and diluted, for the three-month period ended September 30, 2022. Adjusted EPS was $0.10 on a diluted basis for the third quarter of 2023, compared to ($0.03) for the third quarter of 2022. Adjusted EPS excludes the provision (benefit) for deferred taxes of $357 and ($308) for the 2023 and 2022 periods, respectively, which primarily represent non-cash charges (benefits) for U.S. taxes that we expect will be fully offset by net operating loss carryforwards and other tax credits for the foreseeable future. See the section "Adjusted EPS" on Page 24 for a reconciliation of adjusted EPS to EPS.

Weighted average shares outstanding used to compute diluted earnings per share increased from 16,133,069 for the third quarter of 2022 to 16,303,139 for the third quarter of 2023. The increase is attributable to stock option exercises since the third quarter of 2022 and a greater average stock price in the current quarter. Accordingly, dilutive shares of 65,275 were added to basic weighted average shares for the 2023 period compared to none for the 2022 period due to the net loss for that period.

Nine-Month Periods Ended September 30, 2023 and September 30, 2022

Revenues. Consolidated revenues for the nine-month period ended September 30, 2023 were $114,096, an increase of $18,363, or 19.2%, over $95,733 for the nine-month period ended September 30, 2022. Overall, government/defense sales increased $15,198 or 59.4% and commercial sales increased $3,165 or 4.5%. On January 25, 2023, the Company experienced a cybersecurity ransomware cyberattack attack which impacted our ability to process orders, ship products, provide services to our customers and effectively manage our sales and operating planning process over a several week period for our Newark, NY location and an even longer period for our Virginia Beach, VA location. A large portion of our time during the that quarter was devoted to data restoration, systems security augmentation, and regulatory reporting of the cyberattack, attack, all of which were successfully accomplished with no ransom paid. Management continues to work on its cybersecurity insurance claim covering the cost of engaging external cybersecurity experts and the business interruption impact.

Battery & Energy Products revenues increased $6,377, $6,519, or 7.3% 22.9%, from $87,873 $28,470 for the nine-month three-month period ended September 30, 2022 March 31, 2023 to $94,250 $34,989 for the nine-month three-month period ended September 30, 2023 March 31, 2024. The increase revenue growth was primarily attributable to a $3,165 or 4.5% an increase in government/defense sales of 73.6% reflecting strong demand from our U.S.-based global prime, and an increase in commercial sales of 8.6% reflecting medical and a $3,212 or 18.1% increase in government/defense sales. The increase in commercial industrial market sales was driven growth of 54.7% and 2.3%, respectively, partially offset by a $3,428 or 12.4% increase 13.9% decline in oil & gas sales reflecting market sales. The year-over -year comparison was also impacted by the rebound in the energy sector and a $3,085 or 14.2% increase in medical battery sales due to the high demand for our batteries used in ventilators, respirators, infusion pumps and other medical devices. These increases in commercial sales were partially offset by a $3,348 or 16.2% decrease in industrial and other commercial market sales primarily due to timing of demand for 9-Volt and our new Thionyl Chloride and thin cell battery cells which are expected to rebound in future periods. 2023 cybersecurity attack.

Communications Systems revenues sales increased $11,986, $3,492, or 152.5% 101.3%, from $7,860 $3,446 for the nine-month three-month period ended September 30, 2022 March 31, 2023 to $19,846 $6,938 for the nine-month three-month period ended September 30, 2023 March 31, 2024. This The increase was primarily attributable to shipments of vehicle-amplifier adaptor orders EL8000 server cases to a global defense contractor for the U.S. Army and of large multinational information technology company, integrated systems of amplifiers and radio vehicle mounts to a major international defense contractor for under an ongoing allied country government/defense modernization program. program, and power systems to a U.S.-based global prime. The year-over-year comparison was also impacted by the 2023 cybersecurity attack.

Cost of Products Sold / Gross Profit. Cost of products sold totaled $86,298 $30,457 for the nine-month period quarter ended September 30, 2023 March 31, 2024, an increase of $11,884, $5,977, or 16.0% 24.4%, from the $74,414 $24,480 reported for the same nine-month three-month period a year ago. Consolidated cost of products sold as a percentage of total revenue decreased from 77.7% 76.7% for the nine-month three-month period ended September 30, 2022 March 31, 2023 to 75.6% 72.6% for the nine-month three-month period ended September 30, 2023 March 31, 2024. Correspondingly, consolidated gross margin increased from 22.3% 23.3% for the nine-month three-month period ended September 30, 2022 March 31, 2023, to 24.4% 27.4% for the nine-month three-month period ended September 30, 2023 March 31, 2024, primarily reflecting higher factory volume for both our Battery & Energy Products and Communications Systems businesses, favorable sales product mix, more efficiencies resulting from a concerted effort to level-load production more evenly across the 2024 quarter and improved price realization. Gross profit for our Communications Systems segment, the 2023 period was tempered by the inefficiencies experienced at our Newark, NY associated with the cybersecurity attack, lingering supply chain disruptions and Virginia Beach, VA facilities resulting from the January 2023 cyberattack. higher material costs across both business segments.

For our Battery & Energy Products segment, gross profit for the first nine months quarter of 2023 2024 was $21,783 $8,986, an increase of $2,566 $2,474 or 13.4% over 38.0% from gross profit of $19,217 $6,512 for the comparable 2022 period. first quarter of 2023. Battery & Energy Products' gross margin of 23.1% 25.7% increased by 120 basis 280-basis points from the 21.9% 22.9% gross margin for the year-earlier period, primarily reflecting due to higher factory volume, cost absorption and more level-loaded efficiencies resulting from a concerted effort to level-load production driving utilization and more evenly across the 2024 quarter, as well as improved price realization, partially offset realization. The 2023 period was impacted by inefficiencies resulting from the cybersecurity attack as well as lingering supply chain disruptions, inefficiencies resulting from the January 2023 cyberattack, disposition of certain non-conforming materials higher material and continued investments in the transition of new products to high volume production. logistics costs.

For our Communications Systems segment, gross profit for the first nine months quarter of 2023 2024 was $6,015 $2,484 or 30.3% 35.8% of revenues, compared to gross profit of $2,102 $924 or 26.7% 26.8% of revenues for the comparable 2022 period. first quarter of 2023. The 900-basis point increase in gross margin was primarily due to higher factory volume and favorable sales product mix compared to last year's nine-month in the first quarter of 2024, and the impact of the cybersecurity attack on the year-earlier period.

Operating Expenses. Operating expenses for the nine-month three-month period ended September 30, 2023 March 31, 2024 were $21,972, an increase $7,407, a decrease of $565 or 2.6% $3 from the $21,407 $7,410 for the nine-month three-month period ended September 30, 2022 March 31, 2023. The increase decrease is primarily attributable to increased the timing of new product development investments, costs as well as the impact of recording of the $100 deductible on our cybersecurity cyber insurance policy for expenses incurred associated with during the January 2023 cyberattack and higher variable compensation, including Officer and Executive Team bonuses and salesforce commissions, and insurance costs. first quarter. Both periods reflected continued tight control over discretionary spending.

Overall, operating expenses as a percentage were 17.7% of revenues were 19.3% revenue for the nine-month period quarter ended September 30, 2023, March 31, 2024 compared to 22.4% 23.2% of revenue for the nine-month period quarter ended September 30, 2022 March 31, 2023. Amortization expense associated with intangible assets related to our acquisitions was $663 $228 for the first nine months quarter of 2023 2024 ($591 203 in selling, general and administrative expenses and $72 $25 in research and development costs), compared with $969 $209 for the first nine months quarter of 2022 2023 ($895 185 in selling, general, and administrative expenses and $74 $24 in research and development costs). Research and development costs were $5,679 $1,756 for the nine-month three-month period ended September 30, 2023 March 31, 2024, an increase a decrease of $254 $276 or 4.7% 13.6%, from $5,425 $2,032 for the nine-months three-month period ended September 30, 2022 March 31, 2023. The increase decrease is largely attributable to an increase in the timing of new product development in both of our Communications Systems business to businesses as we aggressively pursue both government/defense major programs and commercial opportunities. Selling, general, and administrative expenses were $16,293 $5,651 for the 2023 nine-month three-month period ended March 31, 2024, an increase of $311 $273 or 1.9% over the $15,982 5.1% from $5,378 for the year-earlier first quarter of 2023. The period over period increase was primarily reflecting attributable to higher executive variable compensation including Officer and Executive Team bonuses and salesforce commissions, and costs accrued in the first quarter 2024, partially offset by the $100 deductible cost incurred on our cyber insurance costs. policy during the 2023 first quarter.

Other Income (Expense). Expense. Other income expense totaled $178 $456 for the nine-month three-month period ended September 30, 2023, March 31, 2024 compared to other income of $22 $494 for the nine-month three-month period ended September 30, 2022 March 31, 2023. Other income for the 2023 period includes an Employee Retention Credit for $1,544 under Section 2301 of the Coronavirus Aid, Relief and Economic Security Act which was filed with the Internal Revenue Service during the second quarter of 2023. Interest and financing expense increased $867, $96, or 148.7% 22.6%, from $583 $424 for the first nine months quarter of 2022 2023 to $1,450 $520 for the comparable period in 2023. 2024. The increase is primarily due to the financing of additional draws on our acquisition of Excell in December 2021, working capital funding revolver resulting from our January the 2023 cyberattack cybersecurity attack and rising interest rates. Excluding the ERC gain in the 2023 period, miscellaneous income Miscellaneous (income) expense amounted to $84 ($64) for the 2023 period first quarter of 2024 compared to $605 $70 for the 2022 period, first quarter of 2023, primarily attributable to foreign exchange gains and loss due to fluctuations in foreign currency exchange rates.

Income Taxes. The For the three-month period ended March 31, 2024, Ultralife recognized an income tax provision for the 2023 nine-month period was $1,688, compared to an income tax benefit of $171 for the 2022 nine-month period. Our effective tax rate decreased to 28.1% for the 2023 period as compared to 259.1% for the 2022 period, primarily attributable to the magnitude of our income reported in the first nine-months of 2023, including the Employee Retention Credit, and the geographic mix of our operating results. The income tax provision for the first nine months of 2023 is $703, comprised of a $443 current provision for taxes of $53 expected to be paid on income primarily in foreign jurisdictions representing and a cash-based effective tax rate of 7.4%, and an $1,245 deferred tax provision of $650 which primarily represents non-cash charges for U.S. taxes that we expect will be fully offset by net operating loss carryforwards and other tax credits for the foreseeable future. For the comparable 2022 period, the income tax This compares to a benefit was of $133 comprised of a $512 current provision of $257 and deferred benefit of $390 for the three-month period ended March 31, 2023. Our effective tax provision and a $683 deferred tax benefit. The period over period change in rate was 19.5% for the cash-based taxes is first quarter of 2024 as compared to 28.4% for the first quarter of 2023, primarily attributable to the geographic mix of our operating results. See Note 6 to the consolidated financial statements in Item 1 of Part I of this Form 10-Q for additional information regarding our income taxes.

Net Income (Loss) Attributable to Ultralife. Ultralife Corporation. Net income (loss) attributable to Ultralife Corporation was $4,324, $2,891, or $0.27 per share – basic and diluted on a GAAP basis for the nine-month period ended September 30, 2023, compared to $105, or $0.01 $0.18 per share – basic and diluted, for the nine-month three-month period ended September 30, 2022 March 31, 2024, compared to ($346), or ($0.02) per share – basic and diluted, for the three-month period ended March 31, 2023. Adjusted EPS was $0.34 $0.21 per share on a diluted basis for the 2023 period, first quarter of 2024, compared to an adjusted ($0.04) 0.05) per share for the 2022 2023 period. Adjusted EPS for 2024 excludes the provision (benefit) for deferred income taxes of $1,245 and ($683) for the 2023 and 2022 periods, respectively, $650 which primarily represents non-cash charges (benefits) primarily for U.S. income taxes that we expect will be fully offset by net operating loss carryforwards and other tax credits for the foreseeable future. Adjusted EPS for 2023 excludes the benefit for deferred income taxes of $390 which represents a non-cash benefit primarily for U.S. net operating losses and temporary tax differences which are expected to offset future U.S. taxable income. See the section “Adjusted EPS” Earnings Per Share” on Page 24 page 21 for a reconciliation of adjusted EPS to EPS.

Weighted average shares outstanding used to compute diluted earnings per share decreased increased from 16,144,165 16,135,358 for the first nine-months quarter of 2022 2023 to 16,174,341 16,518,389 for the first nine-months quarter of 2023. 2024. The increase is attributable to the exercise of stock option exercises options and the vesting of restricted stock since the third first quarter of 2022. Accordingly diluted shares 2023. There was no dilutive effect of 2,441 were added to basic weighted average shares in 2023 compared to 22,203 outstanding stock awards for the 2022 first quarter of 2023 due to the net loss recognized for this period.

Adjusted EBITDA

In evaluating our business, we consider and use adjusted EBITDA, a non-GAAP financial measure, as a supplemental measure of our operating performance. We define adjusted EBITDA as net income (loss) attributable to Ultralife Corporation before interest expense, provision (benefit) for income taxes, depreciation and amortization, and stock-based compensation expense, plus/minus expense/income that we do not consider reflective of our ongoing continuing operations. We also use adjusted EBITDA as a supplemental measure to review and assess our operating performance and to enhance comparability between periods. We believe the use of adjusted EBITDA facilitates investors' understanding of operating performance from period to period by backing out potential differences caused by variations in such items as capital structures (affecting relative interest expense and stock-based compensation expense), the amortization of intangible assets acquired through our business acquisitions (affecting relative amortization expense and provision (benefit) for income taxes), the age and book value of facilities and equipment (affecting relative depreciation expense) and one-time charges/benefits relating to income taxes. We also present adjusted EBITDA from operations because we believe it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance. We reconcile adjusted EBITDA to net income (loss) attributable to Ultralife Corporation, the most comparable financial measure under GAAP.

We use adjusted EBITDA in our decision-making processes relating to the operation of our business together with GAAP financial measures such as operating income (loss). We believe that adjusted EBITDA permits a comparative assessment of our operating performance, relative to our performance based on our GAAP results, while eliminating the effects of depreciation and amortization, which may vary from period to period without any correlation to underlying operating performance, and of stock-based compensation, which is a non-cash expense that varies widely among companies. We believe that by presenting adjusted EBITDA, we assist investors in gaining a better understanding of our business on a going forward basis. We provide information relating to our adjusted EBITDA so that securities analysts, investors and other interested parties have the same data that we employ in assessing our overall operations. We believe that trends in our adjusted EBITDA are a valuable indicator of our operating performance on a consolidated basis and of our ability to produce operating cash flows to fund working capital needs, to service debt obligations and to fund capital expenditures.

The term adjusted EBITDA is not defined under GAAP and is not a measure of operating income (loss), operating performance or liquidity presented in accordance with GAAP. Our adjusted EBITDA has limitations as an analytical tool, and when assessing our operating performance, adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) attributable to Ultralife Corporation or other consolidated statement of operations data prepared in accordance with GAAP. Some of these limitations include, but are not limited to, the following:

- **Adjusted EBITDA does not reflect (1) our cash expenditures or future requirements for capital expenditures or contractual commitments; (2) changes in, or cash requirements for, our working capital needs; (3) the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt; (4) income taxes or the cash requirements for any tax payments; and (5) all of the costs associated with operating our business;**

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and adjusted EBITDA from continuing operations does not reflect any cash requirements for such replacements;

- While stock-based compensation is a component of cost of products sold and operating expenses, the impact on our consolidated financial statements compared to other companies can vary significantly due to such factors as assumed life of the stock-based awards and assumed volatility of our common stock; and

- Other companies may calculate adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

We compensate for these limitations by relying primarily on our GAAP results and using adjusted EBITDA only on a supplemental basis. Neither current nor potential investors in our securities should rely on adjusted EBITDA as a substitute for any GAAP measures and we encourage investors to review the following reconciliation of adjusted EBITDA to net loss attributable to Ultralife Corporation.

Adjusted EBITDA is calculated as follows for the periods presented:

	Three-Month Period Ended		Nine-Month Period Ended		Three-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	March 31, 2024	March 31, 2023
Net income (loss) attributable to Ultralife Corporation	$ 1,330	$ (239)	$ 4,324	$ 105	$ 2,891	$ (346)
Adjustments:						
Interest expense	586	272	1,450	583	520	424
Income tax provision (benefit)	446	(90)	1,688	(171)	703	(133)
Depreciation expense	760	815	2,282	2,450	740	762
Amortization expense	227	318	663	969		
Amortization of intangible assets					228	209
Stock-based compensation expense	131	179	424	552	161	139
Cybersecurity insurance policy deductible	-	-	100	-		
Non-cash purchase accounting adjustments	-	-	-	55		
Cyber insurance deductible					-	100
Adjusted EBITDA	$ 3,480	$ 1,255	$ 10,931	$ 4,543	$ 5,243	$ 1,155

<u>Adjusted Earnings Per Share</u>

In evaluating our business, we consider and use adjusted EPS, earnings per share ("EPS"), a non-GAAP financial measure, as a supplemental measure of our business performance. We define adjusted EPS as net income (loss) attributable to Ultralife Corporation excluding the provision (benefit) for deferred income taxes divided by our weighted average shares outstanding on both a basic and diluted basis. We believe that this information is useful in providing period-to-period comparisons of our results by reflecting the portion of our tax provision that will be predominantly offset by our U.S. net operating loss carryforwards and other tax credits for the foreseeable future. We reconcile adjusted EPS to EPS, the most comparable financial measure under GAAP. Neither current nor potential investors in our securities should rely on adjusted EPS as a substitute for any GAAP measures and we encourage investors to review the following reconciliation of adjusted EPS to EPS and net income (loss) attributable to Ultralife Corporation.

Adjusted EPS is calculated as follows for the periods presented:

	Three-Month Period Ended					
	September 30, 2023			September 30, 2022		
	Amount	Per Basic Share	Per Diluted Share	Amount	Per Basic Share	Per Diluted Share
Net income (loss) attributable to Ultralife Corporation	$ 1,330	$ .08	$ .08	$ (239)	$ (.01)	$ (.01)
Deferred tax provision	357	.02	.02	(308)	(.02)	(.02)
Adjusted net income (loss)	$ 1,687	$ .10	$ .10	$ (547)	$ (.03)	$ (.03)
Weighted average shares outstanding		16,238	16,303		16,133	16,133

	Nine-Month Period Ended						Three-month period ended					
	September 30, 2023			September 30, 2022			March 31, 2024			March 31, 2023		
	Amount	Per Basic Share	Per Diluted Share	Amount	Per Basic Share	Per Diluted Share	Amount	Per basic share	Per diluted share	Amount	Per basic share	Per diluted share
Net income attributable to Ultralife Corporation	$ 4,324	$ .27	$ .27	$ 105	$ .01	$ .01						
Net income (loss) attributable to Ultralife Corporation							$ 2,891	$ .18	$ .18	$ (346)	$ (.02)	$ (.02)
Deferred tax provision (benefit)	1,245	.07	.07	(683)	(.05)	(.05)	650	.04	.03	(390)	(.03)	(.03)
Adjusted net income (loss)	$ 5,569	$ .34	$ .34	$ (578)	$ (.04)	$ (.04)	$ 3,541	$ .22	$ .21	$ (736)	$ (.05)	$ (.05)

Weighted average shares outstanding	16,172	16,174	16,122	16,144	16,396	16,518	16,135	16,135

Liquidity and Capital Resources

As of September 30, 2023 March 31, 2024, cash totaled $9,301 (including restricted cash $10,099, a decrease of $78), an increase of $3,588 $179 as compared to $5,713 $10,278 of cash held at December 31, 2022, primarily attributable to draws on our credit facility and net income generated during the period. December 31, 2023.

During the nine-month three-month period ended September 30, 2023 March 31, 2024, cash used in our operations was $503, $81, as compared to $3,827 $1,365 cash used in operations for the nine-month three-month period ended September 30, 2022 March 31, 2023. For the 2023 2024 period, cash provided by used in our operations was comprised attributable to $4,780 used for working capital, driven by $3,562 for accounts receivable due to the timing of shipments and cash collections from our customers, and $1,699 for inventory purchases to secure key components to service our order backlog on a timely basis. The increase in working capital was largely offset by net income of $4,316 $2,904 plus non-cash items totaling $4,662 $1,795 for depreciation, amortization, stock-based compensation, and deferred taxes, largely offset by a $9,481 increase in net working capital. The increase in working capital was driven by the procurement of inventory to proactively manage our supply chain, reduce lead times and the impact of potential cost increases on components and raw materials, and enhance our position to service customer orders, as well as the effects of the January 2023 cyberattack. taxes.

Cash used in investing activities for the nine three months ended September 30, 2023 March 31, 2024 was $1,547 $372 for capital expenditures, primarily reflecting investments in equipment for new products transitioning to high-volume manufacturing.

Cash provided by financing activities for the nine three months ended September 30, 2023 March 31, 2024 was $5,791, largely attributable to draws $185, driven by cash proceeds of $685 on our credit facility primarily attributable to advance purchases of certain critical raw materials, stock option exercises during the quarter, partially offset by $500 of principle payments on our term loan during the period, plus cash proceeds of $1,041 on stock option exercises under our stock-based compensation plans. loan.

We continue to have significant U.S. net operating loss carryforwards available to utilize as an offset to future taxable income. See Note 6 to the consolidated financial statements in Item 1 of Part 1 of this Form 10-Q for additional information.

Going forward, we expect positive operating cash flow and the availability of borrowings under our Revolving Credit Facility will be sufficient to meet our general funding requirements for the foreseeable future.

To provide flexibility in accessing the capital market, markets, on March 30, 2021, the Company filed a shelf registration statement on Form S-3 (File No. 333-254846) (the "Prior Registration Statement") registering securities in an aggregate amount of $100,000,000. None of the $100,000,000 of registered securities were sold under the Prior Registration Statement (the "Unsold Securities"). Under the rules of the Securities and Exchange Commission (the "SEC") the Prior Registration Statement was set to expire on March 30, 2021 April 2, 2024. Therefore, on March 29, 2024, which was declared effective the Company filed a new shelf registration statement on Form S-3 (File No. 333-278360) (the "New Registration Statement") to replace the Prior Registration Statement. The New Registration Statement includes all $100,000,000 of the Unsold Securities registered on the Prior Registration Statement. During the grace period afforded by Rule 415(a)(5) under the Securities Act of 1933, as amended (the "Securities Act"), we may offer and sell the Unsold Securities under the Prior Registration Statement until the SEC on April 2, 2021. Under this registration statement, upon declares the New Registration Statement effective. Pursuant to Rule 415(a)(6) under the Securities Act, the offering of the Unsold Securities under the Prior Registration Statement will be deemed terminated as of the date of effectiveness of the New Registration Statement. Upon the filing of an appropriate supplemental prospectus supplement or supplements under either the Prior Registration Statement, or upon its effectiveness the New Registration Statement, we may offer and sell certain of our securities from time to time in one or more offerings, at our discretion, of up to an aggregate offering price of $100 million. discretion. We intend to use the net proceeds resulting from any sales of our these securities for general corporate purposes which may include, but are not limited to, potential acquisitions of complementary businesses or technologies, strategic capital expenditures to expand and protect our competitive position, and investments in the development of transformational, competitively-differentiated competitively differentiated products for attractive growth markets.

Commitments

As of September 30, 2023 March 31, 2024, the Company had $19,580 outstanding borrowings on the Revolving Credit Facility and $6,667 $5,667 on the Term Loan Facility. The Company was in full compliance with all covenants under the Credit Facilities as of September 30, 2023 March 31, 2024.

As of September 30, 2023 March 31, 2024, we had made commitments to purchase approximately $925 $330 of production machinery and equipment.

Critical Accounting Policies

Management exercises judgment in making important decisions pertaining to choosing and applying accounting policies and methodologies in many areas. Not only are these decisions necessary to comply with GAAP, but they also reflect management's view of the most appropriate manner in which to record and report our overall financial performance. All accounting policies are important, and all policies described in Note 1 to the consolidated financial statements in our 2022 2023 Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q should be reviewed for a greater understanding of how our financial performance is recorded and reported.

During the first nine months quarter of 2023, 2024, there were no significant changes in the manner in which our significant accounting policies were applied or in which related assumptions and estimates were developed, other than as described in Note 1 to the consolidated financial statements in Item 1 of Part I of this Form 10-Q. developed.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our President and Chief Executive Officer (Principal Executive Officer) and our Chief Financial Officer and Treasurer (Principal Financial Officer) have evaluated our disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e)) as of the end of the period covered by this quarterly report. Based on this evaluation, our President and Chief Executive Officer and Chief Financial Officer and Treasurer concluded that our disclosure controls and procedures were effective as of such date.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Securities Exchange Act Rule 13a-15(f)) that occurred during the fiscal quarter covered by this quarterly report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 6. Exhibits

Exhibit Index	Exhibit Description	Incorporated by Reference from
31.1	Rule 13a-14(a) / 15d-14(a) CEO Certifications	Filed herewith
31.2	Rule 13a-14(a) / 15d-14(a) CFO Certifications	Filed herewith
32	Section 1350 Certifications	Furnished herewith
101.INS	Inline XBRL Instance Document	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Filed herewith

Attached as Exhibit 101 to this report are the following formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, (ii) Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, (iii) Consolidated Statements of Cash Flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, (iv) Consolidated Statements of Changes in Shareholders' Stockholders' Equity for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, and (v) Notes to Consolidated Financial Statements.

SIGNATURES

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

ULTRALIFE CORPORATION

(Registrant)

Date: October 26, 2023 April 25, 2024	By:	/s/ Michael E. Manna
		Michael E. Manna President and Chief Executive Officer (Principal Executive Officer)
Date: October 26, 2023 April 25, 2024	By:	/s/ Philip A. Fain
		Philip A. Fain Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

I, Michael E. Manna, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ultralife Corporation;

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

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

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

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: October 26, 2023 April 25, 2024	By:	/s/ Michael E. Manna
	Michael E. Manna President and Chief Executive Officer	

Exhibit 31.2

I, Philip A. Fain, certify that:

1. **I have reviewed this quarterly report on Form 10-Q of Ultralife Corporation;**

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

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

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

    a) **Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):**

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

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

Date: October 26, 2023 April 25, 2024 By: /s/ Philip A. Fain

Philip A. Fain

Chief Financial Officer and Treasurer

Exhibit 32

Section 1350 Certification

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), Michael E. Manna and Philip A. Fain, the President and Chief Executive Officer and Chief Financial Officer and Treasurer, respectively, of Ultralife Corporation, certify that (i) the Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of Ultralife Corporation.

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

Date: October 26, 2023 April 25, 2024 By: /s/ Michael E. Manna

Michael E. Manna

President and Chief Executive Officer

Date: October 26, 2023 April 25, 2024 By: /s/ Philip A. Fain

Philip A. Fain

Chief Financial Officer and Treasurer

DISCLAIMER