

REFINITIV

# DELTA REPORT

## 10-Q

ALOT - ASTRONOVA, INC.

10-Q - JULY 29, 2023 COMPARED TO 10-Q - APRIL 29, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1384
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CHANGES	131
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DELETIONS	502
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ADDITIONS	751
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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 April 29, 2023

July 29, 2023

OR

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

For the transition period from  
to

Commission file number  
0-13200

AstroNova, Inc.

(Exact name of registrant as specified in its charter)

Rhode Island

(State or other jurisdiction of

incorporation or organization)

05-0318215

(I.R.S. Employer

Identification No.)

600 East Greenwich Avenue, West Warwick,  
Rhode Island

(Address of principal executive offices)

02893

(Zip Code)

(401)

(401) 828-4000

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$.05 Par Value	ALOT	NASDAQ Global Market

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 ☐.

☒ 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, 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 ☒.

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

The number of shares of the registrant’s common stock, \$.05 par value per share, outstanding as of June 2, 2023 September 1, 2023 was 7,417,715.

7,424,660.

ASTRONOVA, INC.

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## Part I. FINANCIAL INFORMATION

### Item 1. Financial Statements

#### Item 1. Financial Statements

#### ASTRONOVA, INC.

#### CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands, Except Share Data)

	April 29, 2023	January 31, 2023
	(Unaudited)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 5,413	\$ 3,946
Accounts Receivable, net	19,285	21,598
Inventories, net	53,126	51,324
Prepaid Expenses and Other Current Assets	2,678	2,894
Total Current Assets	80,502	79,762
Property, Plant and Equipment, net	13,918	14,288
Identifiable Intangibles, net	20,630	21,232
Goodwill	14,760	14,658
Deferred Tax Assets, net	6,907	6,907
Right of Use Asset	858	794
Other Assets	1,621	1,566
<b>TOTAL ASSETS</b>	<b>\$ 139,196</b>	<b>\$ 139,207</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 8,000	\$ 8,479
Accrued Compensation	3,267	2,750
Other Accrued Expenses	3,484	3,308
Revolving Line of Credit	15,900	15,900
Current Portion of Long-Term Debt	2,100	2,100
Current Liability—Royalty Obligation	1,600	1,725
Current Liability—Excess Royalty Payment Due	379	562
Income Taxes Payable	730	786

Deferred Revenue	1,971	1,888
Total Current Liabilities	37,431	37,498
<b>NON-CURRENT LIABILITIES</b>		
Long-Term Debt, net of current portion	11,678	12,040
Royalty Obligation, net of current portion	3,102	3,415
Lease Liabilities, net of current portion	581	555
Income Taxes Payable	491	491
Deferred Revenue	267	674
Deferred Tax Liabilities	172	167
TOTAL LIABILITIES	53,722	54,840
<b>SHAREHOLDERS' EQUITY</b>		
Preferred Stock, \$10 Par Value, Authorized 100,000 shares, None Issued	—	—
Common Stock, \$0.05 Par Value, Authorized 13,000,000 shares; Issued 10,780,934 and 10,676,851 shares at April 29, 2023 and January 31, 2023, respectively	538	534
Additional Paid-in Capital	61,526	61,131
Retained Earnings	60,023	59,175
Treasury Stock, at Cost, 3,368,219 and 3,342,032 shares at April 29, 2023 and January 31, 2023, respectively	(34,585)	(34,235)
Accumulated Other Comprehensive Loss, net of tax	(2,028)	(2,238)
TOTAL SHAREHOLDERS' EQUITY	85,474	84,367
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 139,196	\$ 139,207

	July 29, 2023	January 31, 2023
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,530	\$ 3,946
Accounts Receivable, net	18,005	21,598
Inventories, net	49,081	51,324
Prepaid Expenses and Other Current Assets	2,914	2,894
Total Current Assets	74,530	79,762
Property, Plant and Equipment, net	13,891	14,288
Identifiable Intangibles, net	20,033	21,232
Goodwill	14,760	14,658
Deferred Tax Assets, net	6,909	6,907
Right of Use Asset	735	794
Other Assets	1,692	1,566
TOTAL ASSETS	\$ 132,550	\$ 139,207
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 5,356	\$ 8,479
Accrued Compensation	2,668	2,750
Other Accrued Expenses	4,753	3,308
Revolving Line of Credit	13,900	15,900
Current Portion of Long-Term Debt	2,700	2,100

Current Liability—Royalty Obligation	1,600	1,725
Current Liability—Excess Royalty Payment Due	613	562
Income Taxes Payable	—	786
Deferred Revenue	1,858	1,888
Total Current Liabilities	33,448	37,498
NON-CURRENT LIABILITIES		
Long-Term Debt, net of current portion	10,709	12,040
Royalty Obligation, net of current portion	2,789	3,415
Lease Liabilities, net of current portion	530	555
Income Taxes Payable	491	491
Deferred Revenue	—	674
Deferred Tax Liabilities	182	167
TOTAL LIABILITIES	48,149	54,840
SHAREHOLDERS' EQUITY		
Preferred Stock, \$10 Par Value, Authorized 100,000 shares, None Issued	—	—
Common Stock, \$0.05 Par Value, Authorized 13,000,000 shares; Issued 10,792,879 and 10,676,851 shares at July 29, 2023 and January 31, 2023, respectively	540	534
Additional Paid-in Capital	62,004	61,131
Retained Earnings	58,406	59,175
Treasury Stock, at Cost, 3,368,219 and 3,342,032 shares at July 29, 2023 and January 31, 2023, respectively	(34,585)	(34,235)
Accumulated Other Comprehensive Loss, net of tax	(1,964)	(2,238)
TOTAL SHAREHOLDERS' EQUITY	84,401	84,367
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 132,550	\$ 139,207

See Notes to condensed consolidated financial statements (unaudited).

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## ASTRONOVA, INC.

### CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(LOSS)

(In Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended	
	April 29, 2023	April 30, 2022
Revenue	\$ 35,419	\$ 31,010
Cost of Revenue	23,034	20,281
Gross Profit	12,385	10,729
Operating Expenses:		
Selling and Marketing	6,010	5,883
Research and Development	1,788	1,522
General and Administrative	3,126	2,560

Operating Expenses	10,924	9,965
Operating Income	1,461	764
Other Income (Expense)		
Interest Expense	(615)	(175)
Gain (Loss) on Foreign Currency Transaction	186	(135)
Other, net	(5)	31
	(434)	(279)
Income Before Income Taxes	1,027	485
Income Tax Provision	179	60
Net Income	\$ 848	\$ 425
Net Income per Common Share—Basic:	\$ 0.12	\$ 0.06
Net Income per Common Share—Diluted:	\$ 0.11	\$ 0.06
Weighted Average Number of Common Shares Outstanding:		
Basic	7,370	7,263
Diluted	7,450	7,361

	Three Months Ended		Six Months Ended	
	July 29,	July 30,	July 29,	July 30,
	2023	2022	2023	2022
Revenue	\$ 35,524	\$ 32,259	\$ 70,943	\$ 63,269
Cost of Revenue	25,814	20,877	48,847	41,158
Gross Profit	9,710	11,382	22,096	22,111
Operating Expenses:				
Selling and Marketing	6,697	5,981	12,707	11,863
Research and Development	1,557	1,595	3,345	3,118
General and Administrative	2,654	2,571	5,780	5,131
Operating Expenses	10,908	10,147	21,832	20,112
Operating Income (Loss)	(1,198)	1,235	264	1,999
Other Income (Expense), net:				
Interest Expense	(674)	(210)	(1,289)	(385)
Loss on Foreign Currency Transactions	(197)	(242)	(11)	(377)
Other, net	62	21	56	52
	(809)	(431)	(1,244)	(710)
Income (Loss) Before Income Taxes	(2,007)	804	(980)	1,289
Income Tax Provision (Benefit)	(390)	220	(211)	280
Net Income (Loss)	\$ (1,617)	\$ 584	\$ (769)	\$ 1,009
Net Income (Loss) per Common Share—Basic:	\$ (0.22)	\$ 0.08	\$ (0.10)	\$ 0.14
Net Income (Loss) per Common Share—Diluted:	\$ (0.22)	\$ 0.08	\$ (0.10)	\$ 0.14
Weighted Average Number of Common Shares Outstanding:				
Basic	7,420	7,310	7,396	7,287
Diluted	7,420	7,348	7,396	7,355

See Notes to condensed consolidated financial statements (unaudited).



ASTRONOVA, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In Thousands)

(Unaudited)

	Three Months Ended	
	April 29, 2023	April 30, 2022
Net Income	\$ 848	\$ 425
Other Comprehensive Income (Loss), Net of Taxes:		
Foreign Currency Translation Adjustments	210	(933)
Loss from Cash Flow Hedges Reclassified to Income Statement	—	16
Other Comprehensive Income (Loss)	210	(917)
Comprehensive Income (Loss)	\$ 1,058	\$ (492)

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Net Income (Loss)	\$ (1,617)	\$ 584	\$ (769)	\$ 1,009
Other Comprehensive Income (Loss), Net of Taxes:				
Foreign Currency Translation Adjustments	64	(435)	274	(1,368)
Loss from Cash Flow Hedges Reclassified to Income Statement	—	16	—	32
Other Comprehensive Income (Loss)	64	(419)	274	(1,336)
Comprehensive Income (Loss)	\$ (1,553)	\$ 165	\$ (495)	\$ (327)

See Notes to condensed consolidated financial statements (unaudited).

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ASTRONOVA, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(\$ In Thousands, Except per Share Data)

(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Shares	Amount					
Balance January 31, 2022	10,566,404	\$ 528	\$ 59,692	\$ 56,514	\$(33,974)	\$ (1,748)	\$ 81,012
Share-Based Compensation	—	—	337	—	—	—	337
Employee Option Exercises	11,164	1	87	—	—	—	88
Restricted Stock Awards	61,513	3	(3)	—	(249)	—	(249)
Net Income	—	—	—	425	—	—	425
Other Comprehensive Loss	—	—	—	—	—	(917)	(917)
Balance April 30, 2022	10,639,081	\$ 532	\$ 60,113	\$ 56,939	\$(34,223)	\$ (2,665)	\$ 80,696
Balance January 31, 2023	10,676,851	\$ 534	\$ 61,131	\$ 59,175	\$(34,235)	\$ (2,238)	\$ 84,367
Share-Based Compensation	—	—	356	—	—	—	356

Employee Option Exercises	4,094	—	43	—	—	—	43
Restricted Stock Awards	99,989	4	(4)	—	(350)	—	(350)
Net Income	—	—	—	848	—	—	848
Other Comprehensive Income	—	—	—	—	—	210	210
Balance April 29, 2023	<u>10,780,934</u>	<u>\$ 538</u>	<u>\$ 61,526</u>	<u>\$ 60,023</u>	<u>\$ (34,585)</u>	<u>\$ (2,028)</u>	<u>\$ 85,474</u>

	Common Stock		Additional Paid-in		Retained	Treasury	Accumulated Other Comprehensive	Total
	Shares	Amount	Capital	Earnings	Stock	Income (Loss)	Shareholders' Equity	
Balance January 31, 2022	10,566,404	\$ 528	\$ 59,692	\$ 56,514	\$ (33,974)	\$ (1,748)	\$ 81,012	
Share-Based Compensation	—	—	337	—	—	—	337	
Employee Option Exercises	11,164	1	87	—	—	—	88	
Restricted Stock Awards Vested	61,513	3	(3)	—	(249)	—	(249)	
Net Income	—	—	—	425	—	—	425	
Other Comprehensive Loss	—	—	—	—	—	(917)	(917)	
Balance April 30, 2022	<u>10,639,081</u>	<u>\$ 532</u>	<u>\$ 60,113</u>	<u>\$ 56,939</u>	<u>\$ (34,223)</u>	<u>\$ (2,665)</u>	<u>\$ 80,696</u>	
Share-Based Compensation	—	—	235	—	—	—	235	
Restricted Stock Awards Vested	20,410	1	(1)	—	—	—	—	
Net Income	—	—	—	584	—	—	584	
Other Comprehensive Loss	—	—	—	—	—	(419)	(419)	
Balance July 30, 2022	<u>10,659,491</u>	<u>\$ 533</u>	<u>\$ 60,347</u>	<u>\$ 57,523</u>	<u>\$ (34,223)</u>	<u>\$ (3,084)</u>	<u>\$ 81,096</u>	
Balance January 31, 2023	10,676,851	\$ 534	\$ 61,131	\$ 59,175	\$ (34,235)	\$ (2,238)	\$ 84,367	
Share-Based Compensation	—	—	356	—	—	—	356	
Employee Option Exercises	4,094	—	43	—	—	—	43	
Restricted Stock Awards Vested	99,989	4	(4)	—	(350)	—	(350)	
Net Income	—	—	—	848	—	—	848	
Other Comprehensive Income	—	—	—	—	—	210	210	
Balance April 29, 2023	<u>10,780,934</u>	<u>\$ 538</u>	<u>\$ 61,526</u>	<u>\$ 60,023</u>	<u>\$ (34,585)</u>	<u>\$ (2,028)</u>	<u>\$ 85,474</u>	
Share-Based Compensation	—	—	398	—	—	—	398	
Employee Option Exercises	7,429	1	81	—	—	—	82	
Restricted Stock Awards Vested	4,516	1	(1)	—	—	—	—	
Net Loss	—	—	—	(1,617)	—	—	(1,617)	
Other Comprehensive Income	—	—	—	—	—	64	64	
Balance July 29, 2023	<u>10,792,879</u>	<u>\$ 540</u>	<u>\$ 62,004</u>	<u>\$ 58,406</u>	<u>\$ (34,585)</u>	<u>\$ (1,964)</u>	<u>\$ 84,401</u>	

See Notes to condensed consolidated financial statements (unaudited).

# CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Unaudited)

	Three Months Ended	
	April 29, 2023	April 30, 2022
Cash Flows from Operating Activities:		
Net Income	\$ 848	\$ 425
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	1,055	912
Amortization of Debt Issuance Costs	6	7
Share-Based Compensation	356	337
Changes in Assets and Liabilities:		
Accounts Receivable	2,324	(1,489)
Other Receivable – Employee Retention Credit Receivable	—	3,135
Inventories	(1,756)	(2,650)
Income Taxes	38	502
Accounts Payable and Accrued Expenses	8	(2,843)
Other	(237)	50
Net Cash Provided (Used) by Operating Activities	2,642	(1,614)
Cash Flows from Investing Activities:		
Additions to Property, Plant and Equipment	(48)	(50)
Net Cash Used for Investing Activities	(48)	(50)
Cash Flows from Financing Activities:		
Net Cash Proceeds from Employee Stock Option Plans	18	69
Net Cash Proceeds from Share Purchases under Employee Stock Purchase Plan	25	19
Net Cash Used for Payment of Taxes Related to Vested Restricted Stock	(350)	(249)
Net Borrowings under Revolving Credit Facility	—	3,000
Payment of Minimum Guarantee Royalty Obligation	(500)	(500)
Principal Payments on Long-Term Debt	(375)	(250)
Net Cash Provided (Used) by Financing Activities	(1,182)	2,089
Effect of Exchange Rate Changes on Cash and Cash Equivalents	55	53
Net Increase in Cash and Cash Equivalents	1,467	478
Cash and Cash Equivalents, Beginning of Period	3,946	5,276
Cash and Cash Equivalents, End of Period	\$ 5,413	\$ 5,754
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for Interest	\$ 538	\$ 53
Cash Paid (Received) During the Period for Income Taxes, Net of Refunds	\$ 235	\$ (440)

	Six Months Ended	
	July 29, 2023	July 30, 2022
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ (769)	\$ 1,009
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	2,144	1,820

Amortization of Debt Issuance Costs	11	13
Share-Based Compensation	754	572
Loss on Disposal of Assets	—	6
Restructuring, non-cash	2,040	—
Changes in Assets and Liabilities:		
Accounts Receivable	3,612	(518)
Other Receivable – Employee Retention Credit Receivable	—	3,135
Inventories	283	(7,516)
Income Taxes	(1,461)	65
Accounts Payable and Accrued Expenses	(2,267)	(2,312)
Other	371	(93)
Net Cash (Used) Provided by Operating Activities	4,718	(3,819)
Cash Flows from Investing Activities:		
Additions to Property, Plant and Equipment	(494)	(163)
Net Cash Used for Investing Activities	(494)	(163)
Cash Flows from Financing Activities:		
Net Cash Proceeds from Employee Stock Option Plans	71	69
Net Cash Proceeds from Share Purchases under Employee Stock Purchase Plan	54	19
Net Cash Used for Payment of Taxes Related to Vested Restricted Stock	(350)	(249)
Borrowings under Revolving Credit Facility	—	4,500
Repayment under Revolving Credit Facility	(2,000)	—
Payment of Minimum Guarantee Royalty Obligation	(875)	(1,000)
Principal Payments of Long-Term Debt	(750)	(250)
Net Cash Provided (Used) for Financing Activities	(3,850)	3,089
Effect of Exchange Rate Changes on Cash and Cash Equivalents	210	(98)
Net Increase (Decrease) in Cash and Cash Equivalents	584	(991)
Cash and Cash Equivalents, Beginning of Period	3,946	5,276
Cash and Cash Equivalents, End of Period	\$ 4,530	\$ 4,285
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for Interest	\$ 1,175	\$ 206
Cash Paid During the Period for Income Taxes, Net of Refunds	\$ 1,264	\$ 126

See Notes to condensed consolidated financial statements (unaudited).

## ASTRONOVA, INC.

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

#### Note 1 – Business and Basis of Presentation

##### Overview

Headquartered in West Warwick, Rhode Island, AstroNova, Inc. leverages its expertise in data visualization technologies to design, develop, manufacture and distribute a broad range of specialty printers and data acquisition and analysis systems. Our products are employed around the world in a wide range of applications in the aerospace, apparel, automotive, avionics, chemical, computer peripherals, communications, distribution, food and beverage, general manufacturing, packaging and transportation industries.

Our business consists of two segments, Product Identification (“PI”) and Test & Measurement (“T&M”). The PI segment includes specialty printing systems and related supplies sold under the QuickLabel®, TrojanLabel® and GetLabels™ brand names. The T&M segment consists of our line of aerospace products, including flight deck printers, networking hardware, and related accessories as well as T&M data acquisition systems sold under the AstroNova® brand name.

On August 4, 2022, we acquired Astro Machine LLC (“Astro Machine”), an Illinois-based manufacturer of printing equipment, including label printers and related accessories, tabbers, conveyors, and envelope feeders. We reported Astro Machine as a part of our PI segment beginning in the third quarter of fiscal 2023.

PI products sold under the QuickLabel, TrojanLabel and GetLabels brands are used in brand owner and commercial applications to provide product packaging, marketing, tracking, branding, and labeling solutions to a wide array of industries. The PI segment offers a variety of digital color label tabletop printers and light commercial label printers, direct-to-package printers, high-volume presses, and specialty original equipment manufacturer (“OEM”) printing systems, as well as a wide range of label, tag and flexible packaging material substrates and other supplies, including ink and toner, allowing customers to mark, track, protect and enhance the appearance of their products. PI products sold under the Astro Machine brand also include a variety of label printers, envelope and packaging printing, and related processing and handling equipment.

In the T&M segment, we have a long history of using our technologies to provide networking systems and high-resolution flight deck and cabin printers for the aerospace market. In addition, the T&M segment includes data acquisition recorders, sold under the AstroNova brand, to enable our customers to acquire and record visual and electronic signal data from local and networked data streams and sensors. The recorded data is processed, analyzed, stored and presented in various visual output formats.

Our PI products are sold by direct field salespersons as well as independent dealers and representatives, while our T&M products are sold predominantly through direct sales and manufacturers’ representatives. In the United States, we have factory-trained direct field salespeople located throughout the country specializing in PI products. We also have direct field sales or service centers in Canada, China, Denmark, France, Germany, Malaysia, Mexico, Singapore, and the United Kingdom staffed by our own employees and dedicated third party contractors. Additionally, we utilize over 100 independent dealers and representatives selling and marketing our products in over 60 countries.

Unless otherwise indicated, references to “AstroNova”, “we,” “our,” and “us” in this Quarterly Report on Form 10-Q refer to AstroNova, Inc. and its consolidated subsidiaries.

#### *Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and reflect all adjustments consisting of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results of the interim periods included herein. These financial statements do not include all disclosures associated with annual financial statements and, accordingly, should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 31, 2023.

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported and disclosed in the condensed consolidated financial statements and

accompanying notes, including those that require consideration of forecasted financial information using information that is reasonably available to us at this time. Some of the more significant estimates relate to revenue recognition, the allowances for doubtful accounts, inventory valuation, income taxes, valuation of long-lived assets, intangible assets and goodwill, share-based compensation, and warranty reserves. Management's estimates are based on the facts and circumstances available at the time estimates are made, historical experience, risk of loss, general economic conditions and trends, and management's assessments of the probable future outcome of these matters, including our expectations at the time regarding the ongoing impact from the COVID-19 pandemic. Consequently, actual results could differ from those estimates.

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Results of operations for the interim periods presented herein are not necessarily indicative of the results that may be expected for the full year.

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

#### *Principles of Consolidation*

The accompanying condensed consolidated financial statements include the accounts of AstroNova, Inc. and its wholly-owned subsidiaries. All significant intercompany accounts and transactions are eliminated in consolidation.

#### **Note 2 – Summary of Significant Accounting Policies Update**

The accounting policies used in preparing the condensed consolidated financial statements in this Form 10-Q are the same as those used in preparing our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023.

#### *Recently Adopted Accounting Pronouncements*

No new accounting pronouncements, issued or effective during the first three months of the current year, have had or are expected to have a material impact on our consolidated financial statements.

#### **Note 3 – Acquisitions**

##### *Astro Machine*

On August 4, 2022, we acquired Astro Machine LLC ("Astro Machine"), an Illinois-based manufacturer of printing equipment, including label printers, tabbers, conveyors, and envelope feeders, for aggregate consideration of \$17.1 million.

The acquisition was accomplished pursuant to an Equity Interest Purchase Agreement dated as of August 4, 2022 (the "Purchase Agreement") by and among us, GSND Holding Corporation ("GSND"), the parent company of Astro Machine, and Astro Machine. Pursuant to the Purchase Agreement, we purchased 100% of the issued and outstanding equity interests of Astro Machine from GSND for a purchase price of \$15.6 million. The acquisition was funded using borrowings under our credit facility. We obtained a representation and warranty insurance policy and placed \$300,000 of the purchase price into an escrow account, which pursuant to the terms and conditions of the Purchase Agreement, are our sole recourse for breaches of representations and warranties by GSND. Upon the closing of the transaction, Astro Machine became a wholly owned subsidiary of AstroNova, Inc.

Concurrently with the signing of the Purchase Agreement, our newly acquired subsidiary, Astro Machine, entered into a Purchase and Sale Agreement with Selak Real Estate Limited Partnership ("SRE"), pursuant to which Astro Machine purchased certain real property

assets of SRE for a purchase price, paid in cash, of ~~\$1.5~~ \$1.5 million. These real estate assets are comprised of a 34,460 square foot industrial manufacturing building (including offices) on 1.26 acres of land, which is Astro Machine's principal place of business.

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This transaction was a business combination and accounted for using the acquisition method of accounting prescribed by ASC 805, "Business Combinations" ("ASC 805"), whereby the results of operations, including the revenues and earnings of Astro Machine, are included in our financial statements from the date of acquisition. The purchase price of Astro Machine was allocated to the tangible and intangible assets acquired and liabilities assumed and recognized at their fair value based on widely accepted valuation techniques in accordance with ASC 820, "Fair Value Measurement," as of the acquisition date. The process for estimating fair values requires the use of significant estimates, assumptions and judgments, including determining the timing and estimates of future cash flows and developing appropriate discount rates. The excess of the purchase price over the fair value of the net identified assets acquired and liabilities assumed was recorded as goodwill. ASC 805 establishes a measurement period to provide companies with a reasonable amount of time to obtain the information necessary to identify and measure various items in a business combination and cannot extend beyond one year from the acquisition date.

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The following table sets forth the final purchase price allocation of the Astro Machine acquisition for the estimated fair value of the net assets acquired and liabilities assumed as of the date of acquisition:

(In thousands)		
Cash	\$	91
Accounts Receivable		3,393
Inventory		5,715
Property, Plant and Equipment		4,200
Identifiable Intangible Assets		3,480
Goodwill		2,730
Accounts Payable and Other Current Liabilities		(2,484)
Total Purchase Price	\$	<u>17,125</u>
(In thousands)		
Cash	\$	91
Accounts Receivable		3,393
Inventory		5,715
Property, Plant and Equipment		4,200
Identifiable Intangible Assets		3,480
Goodwill		2,730
Accounts Payable and Other Current Liabilities		<u>(2,484)</u>
Total Purchase Price	\$	<u>\$ 17,125</u>

The fair value of the intangible assets acquired was estimated by applying the income approach. This fair value measurement is based on significant inputs that are not observable in the market and therefore represents a Level 3 measurement as defined in ASC 820, "Fair Value Measurement." Key assumptions in estimating the fair value of the intangibles include (1) remaining useful life of the tradename/trademarks and customer relations (2) royalty rate of ~~0.75%~~ 0.75%, (3) customer attrition rate of ~~18.0%~~ 18.0%, (4) discount rate of 19.0% and (5) a range of revenue and net income projections for fiscal years 2023 through 2026.

The following table sets forth the fair value of the acquired identifiable intangible assets and related estimated useful lives:

	Fair	Useful Life
--	------	-------------

(In thousands)	Value	(years)
Customer Relations	\$ 3,060	5
Trademarks/Tradenames	420	5
Total	<u>\$ 3,480</u>	

  

(In thousands)	Fair Value	Useful Life (years)
Customer Relations	\$ 3,060	5
Trademarks/Tradenames	420	5
Total	<u>\$ 3,480</u>	

The Customer Relations intangible asset represents the relationships that will be maintained with certain historical customers of Astro Machine. The trademark/tradename intangible assets reflect the industry reputation of the Astro Machine name and the registered trademarks held by Astro Machine for the use of several marks and logos.

Goodwill of \$2.73 million, which is not deductible for tax purposes, represents the excess of the purchase price over the estimated fair value assigned to the tangible and identifiable intangible assets acquired and liabilities assumed from Astro Machine. The goodwill recognized under ASC 805 is attributable to synergies which are expected to enhance and expand our overall product portfolio, opportunities in new and existing markets, future technologies that have yet to be determined and Astro Machine's assembled workforce. The carrying amount of the goodwill was allocated to the PI segment.

Total acquisition-related costs of \$0.7 million were included in general and administrative expenses in our consolidated statement of income for the year ended January 31, 2023.

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The amounts of revenue and earnings before taxes attributable to Astro Machine and included in our consolidated statement of income for the quarter three and six months ended April 29, 2023; July 29, 2023 were as follows:

(In thousands)	Three -Months Ended July 29, 2023	Six-Months Ended July 29, 2023
Revenue	\$ 4,897	\$ 9,127
Earnings before Taxes	\$ 704	\$ 1,393

  

(In thousands)	
Revenue	\$ 4,229
Earnings before Taxes	689

Astro Machine results are reported as part of the PI segment. Proforma results are not provided, as disclosure of such amounts was impractical to determine as the acquired business had insufficient financial records and no audit history prior to the transaction.

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#### *Honeywell Asset Purchase and License Agreement*

On June 30, 2022, we entered into an Asset Purchase and License Agreement with Honeywell International Inc. ("New HW Agreement") to acquire an exclusive, perpetual, world-wide license to manufacture Honeywell's flight deck printers for the Boeing 787 aircraft. The New HW Agreement provides for royalty payments to Honeywell based on gross revenues from the sales of the printers, paper and repair services of the licensed products in perpetuity. The royalty rates vary based on the year in which they are paid or earned and as products are sold or as services are provided and range from single-digit to



mid-double-digit percentages of gross revenue. The New HW Agreement includes a provision for guaranteed minimum royalty payments to be paid in the event that the royalties earned by Honeywell do not meet the minimum for the preceding calendar year as follows: \$100,000 in 2024, \$200,000 in 2025, \$233,000 in 2026 and 2027, and \$234,000 in 2028.

This transaction was evaluated under ASC 805, "Business Combinations," and was accounted for as an asset acquisition.

The purchase price was allocated to the customer relationship intangible, which was the only asset acquired as a result of this transaction. This asset will be amortized over the useful life of the intangible. The minimum royalty payment obligation and related customer relationships intangible were recorded at the present value of the minimum royalty payments.

The acquired identifiable intangible asset is as follows:

(In thousands)	Fair	Useful Life
	Value	(Years)
Customer Contract Relationships	\$ 530	20

  

(In thousands)	Fair	Useful Life
	Value	(Years)
Customer Contract Relationships	\$ 530	20

The minimum royalty payment due was discounted based on the payment schedule and applicable discount rate, resulting in an outstanding royalty obligation of \$0.5 million as of January 31, 2023, including \$0.1 million recorded as a current liability. As of April 29, 2023, the current outstanding royalty obligation remains \$0.5 million, including \$0.1 million recorded as a current liability in the accompanying balance sheet.

Additional royalties based on sales activity will be recorded in the period that the associated revenue is earned. During the second quarter of the current year, we incurred an additional \$0.1 million in excess royalties payable to Honeywell. As of July 29, 2023, the current outstanding royalty obligation is \$0.6 million, including \$0.2 million recorded as a current liability in the accompanying balance sheet.

During fiscal 2023, we incurred \$0.1 million in excess royalty expense, which was recorded as a current liability in our consolidated balance sheet at January 31, 2023 and was paid in the first quarter of the current fiscal year.

#### Note 4 – Revenue Recognition

We derive revenue from the sale of (i) hardware, including digital color label printers and specialty OEM printing systems, portable data acquisition systems and airborne printers and networking hardware used in the flight deck and cabin of military, commercial and business aircraft, (ii) related supplies required in the operation of the hardware, (iii) repairs and maintenance of hardware and (iv) service agreements.

**Revenues disaggregated by primary geographic markets and major product types are as follows:**

*Primary geographical markets:*

(In thousands)	Three Months Ended	
	April 29, 2023	April 30, 2022
United States	\$ 22,834	\$ 19,651
Europe	7,964	7,419
Canada	1,825	1,854
Asia	1,294	937
Central and South America	1,199	888
Other	303	261

Total Revenue	\$ 35,419	\$ 31,010
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## markets

(In thousands)	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
United States	\$ 22,342	\$ 19,044	\$ 45,176	\$ 38,695
Europe	7,836	7,883	15,801	15,301
Canada	2,224	2,225	4,049	4,080
Asia	1,724	1,789	3,018	2,726
Central and South America	1,024	1,023	2,223	1,911
Other	374	295	676	556
Total Revenue	\$ 35,524	\$ 32,259	\$ 70,943	\$ 63,269

## Major product types: types

(In thousands)	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Hardware	\$ 11,268	\$ 8,637	\$ 22,934	\$ 17,937
Supplies	19,700	19,166	38,772	37,111
Service and Other	4,556	4,456	9,237	8,221
Total Revenue	\$ 35,524	\$ 32,259	\$ 70,943	\$ 63,269

(In thousands)	Three Months Ended	
	April 29, 2023	April 30, 2022
Hardware	11,667	\$ 9,301
Supplies	19,070	17,944
Service and Other	4,682	3,765
Total Revenue	\$ 35,419	\$ 31,010

In December 2022, we entered into an amended contract with one of our T&M customers that provided for a total payment of \$3.25 million to us as a result of our claims allowable under French law relating to additional component costs we have incurred and will continue to incur in order to supply aerospace printers under the contract for the period beginning in April 2022 and continuing through 2025. Revenue from this arrangement will be recognized in proportion to the total estimated shipments through the end of the contract period. As of January 31, 2023, we have recognized \$1.1million in revenue and the remainder \$2.15million balance was recorded as deferred revenue. During the first quarter three and six months of fiscal 2024, we recognized an additional \$0.4 0.3million and \$0.6 million, respectively, included in revenue which is included in the condensed consolidated statement of income (loss) for the quarter periods ended April 29, 2023 July 29, 2023, and there is a balance of \$1.5 million in the deferred revenue at July 29, 2023. The remaining revenue to be recognized will be based on our shipments of the printers during the remainder of fiscal years 2024 and 2025.

## Contract Assets and Liabilities

We normally do not have contract assets, which are primarily unbilled accounts receivable that are conditional on something other than the passage of time.

Our contract liabilities, which represent billings in excess of revenue recognized, are related to advanced billings for purchased service agreements and extended warranties. Contract liabilities were \$443,000 \$329,000 and \$412,000 \$412,000 at April 29, 2023 July 29, 2023 and January 31, 2023, respectively, and are recorded as deferred revenue in the accompanying condensed consolidated balance

*The amount of revenue recognized for the period was partially offset by cash payments received in advance of satisfying performance obligations.*

### Note 5 – Net Income (Loss) Per Common Share

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Weighted Average Common Shares Outstanding – Basic	7,420,135	7,309,716	7,396,200	7,286,735
Effect of Dilutive Options, Restricted Stock Awards and Restricted Stock Units	- *	38,230	- *	67,972
Weighted Average Common Shares Outstanding – Diluted	7,420,135	7,347,946	7,396,200	7,354,707
		Three Months Ended		
		April 29, 2023	April 30, 2022	
Weighted Average Common Shares Outstanding – Basic		7,369,930	7,262,797	
Effect of Dilutive Options, Restricted Stock Awards and Restricted Stock Units		80,122	97,713	
Weighted Average Common Shares Outstanding – Diluted		7,450,052	7,360,510	

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For the three and six months ended July 29, 2023, the diluted per share amounts do not reflect weighted average common equivalent shares outstanding of 656,554 and 226,457, respectively, because 376,468, respectively. For the three and six months ended July 30, 2022, the diluted per share amounts do not reflect weighted average common equivalent shares outstanding of 612,116 and 586,084, respectively. These outstanding common equivalent shares were not included due to their anti-dilutive effect.

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## Note 6 – Intangible Assets

Intangible assets are as follows:

	July 29, 2023				January 31, 2023			
	Gross Carrying Amount	Accumulated Amortization	Currency Translation Adjustment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Currency Translation Adjustment	Net Carrying Amount
(In thousands)								
Miltope:								
Customer Contract Relationships	\$ 3,100	\$ (2,938)	\$ —	\$ 162	\$ 3,100	\$ (2,777)	\$ —	\$ 323
RITEC:								
Customer Contract Relationships	2,830	(1,656)	—	1,174	2,830	(1,623)	—	1,207
TrojanLabel:								
Existing Technology	2,327	(2,255)	96	168	2,327	(2,087)	94	334
Distributor Relations	937	(640)	37	334	937	(588)	27	376
Honeywell:								
Customer Contract Relationships	27,773	(12,362)	—	15,411	27,773	(11,913)	—	15,860
Astro Machine:								
Customer Contract Relationships	3,060	(612)	—	2,448	3,060	(306)	—	2,754
Trademarks	420	(84)	—	336	420	(42)	—	378
Intangible Assets, net	\$ 40,447	\$ (20,547)	\$ 133	\$ 20,033	\$ 40,447	\$ (19,336)	\$ 121	\$ 21,232

  

	April 29, 2023				January 31, 2023			
	Gross Carrying Amount	Accumulated Amortization	Currency Translation Adjustment	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Currency Translation Adjustment	Net Carrying Amount
(In thousands)								
Miltope:								
Customer Contract Relationships	\$ 3,100	\$ (2,857)	\$ —	\$ 243	\$ 3,100	\$ (2,777)	\$ —	\$ 323
RITEC:								
Customer Contract Relationships	2,830	(1,639)	—	1,191	2,830	(1,623)	—	1,207
TrojanLabel:								
Existing Technology	2,327	(2,171)	97	253	2,327	(2,087)	94	334
Distributor Relations	937	(616)	36	357	937	(588)	27	376
Honeywell:								
Customer Contract Relationships	27,773	(12,145)	—	15,628	27,773	(11,913)	—	15,860
Astro Machine:								

Customer Contract Relationships	3,060	(459)	—	2,601	3,060	(306)	—	2,754
Trademarks	420	(63)	—	357	420	(42)	—	378
Intangible Assets, net	<u>\$ 40,447</u>	<u>\$ (19,950)</u>	<u>\$ 133</u>	<u>\$ 20,630</u>	<u>\$ 40,447</u>	<u>\$ (19,336)</u>	<u>\$ 121</u>	<u>\$ 21,232</u>

There were no impairments to intangible assets during the periods ended **April 29, 2023** **July 29, 2023** and **April 30, 2022** **July 30, 2022**.

With respect to the acquired intangibles included in the table above, amortization expense of \$ 0.6million and \$ 0.4million has been included in the condensed consolidated statements of income (loss) for each of the three months ended **April 29, 2023** **July 29, 2023**, and **April 30, 2022** **July 30, 2022**, respectively. Amortization expense of \$ 1.2 million and \$ 0.8 million related to the above-acquired intangibles has been included in the accompanying condensed consolidated statement of income (loss) for the six months ended **July 29, 2023** and **July 30, 2022**, respectively.

Estimated amortization expense for the next five fiscal years is as follows:

(In thousands)	Remaining				
	2024	2025	2026	2027	2028
Estimated amortization expense	\$ 1,192	\$ 1,724	\$ 1,724	\$ 1,724	\$ 1,281

  

(In thousands)	Remaining				
	2024	2025	2026	2027	2028
Estimated amortization expense	\$ 1,786	\$ 1,723	\$ 1,723	\$ 1,723	\$ 1,281

## Note 7 – Inventories

Inventories are stated at the lower of cost (standard and average methods) or net realizable value and include material, labor and manufacturing overhead. The components of inventories are as follows:

(In thousands)	July 29, 2023	January 31, 2023
Materials and Supplies	\$ 37,806	\$ 38,387
Work-In-Process	1,328	1,146
Finished Goods	19,092	23,221
	58,226	62,754
Inventory Reserve	(9,145)	(11,430)
	<u>\$ 49,081</u>	<u>\$ 51,324</u>

  

(In thousands)	April 29, 2023	January 31, 2023
Materials and Supplies	\$ 40,624	\$ 38,387
Work-In-Process	1,485	1,146
Finished Goods	22,221	23,221
	64,330	62,754
Inventory Reserve	(11,204)	(11,430)
	<u>\$ 53,126</u>	<u>\$ 51,324</u>

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## Note 8 – Property, Plant and Equipment

Property, plant and equipment consist of the following:

(In thousands)	July 29, 2023	January 31, 2023

Land and Land Improvements	\$ 2,304	\$ 2,304
Buildings and Leasehold Improvements	14,365	14,158
Machinery and Equipment	25,202	24,960
Computer Equipment and Software	14,063	13,972
Gross Property, Plant and Equipment	55,934	55,394
Accumulated Depreciation	(42,043)	(41,106)
Net Property Plant and Equipment	\$ 13,891	\$ 14,288

  

	April 29, 2023	January 31, 2023
(In thousands)		
Land and Land Improvements	\$ 2,304	\$ 2,304
Buildings and Leasehold Improvements	14,162	14,158
Machinery and Equipment	25,012	24,960
Computer Equipment and Software	13,996	13,972
Gross Property, Plant and Equipment	55,474	55,394
Accumulated Depreciation	(41,556)	(41,106)
Net Property Plant and Equipment	\$ 13,918	\$ 14,288

Depreciation expense on property, plant and equipment was \$0.4 million and \$0.9 million for the each of three and six months ended July 29, 2023, respectively. Depreciation expense on property, plant and equipment was \$0.5 million and \$1.0 million for the quarters three and six months ended April 29, 2023 and April 30, 2022, respectively.

#### Note 9 – Credit Agreement and Long-Term Debt

In connection with the purchase of Astro Machine, on August 4, 2022, we entered into a Second Amendment to the Amended and Restated Credit Agreement (the “Second Amendment”) with Bank of America, N.A., as lender (the “Lender”). The Second Amendment amended the Amended and Restated Credit Agreement dated as of July 30, 2020, as amended by the First Amendment to Amended and Restated Credit Agreement, dated as of March 24, 2021, and the LIBOR Transition Amendment, dated as of December 24, 2021 (the “Existing Credit Agreement,” and the Existing Credit Agreement as amended by the Second Amendment, the “Amended Credit Agreement”), between us and the Lender.

The Amended Credit Agreement provides for (i) a new term loan in the principal amount of \$6.0 million, which term loan was in addition to the existing term loan outstanding under the Existing Credit Agreement in the principal amount of \$9.0 million as of the effective date of the Second Amendment, and (ii) an increase in the aggregate principal amount of the revolving credit facility available thereunder from \$22.5 million to \$25.0 million. At the closing of the Second Amendment, we borrowed the entire \$6.0 million term loan and \$12.4 million under the revolving credit facility, and the proceeds of such borrowings were used in part to pay the purchase price payable under the Purchase Agreement and certain related transaction costs. The revolving credit facility may otherwise be used for corporate purposes.

The Amended Credit Agreement requires that the term loan be paid in quarterly installments on the last day of each of our fiscal quarters over the term of the Amended Credit Agreement on the following repayment schedule: the principal amount of each quarterly installment required to be paid on the last day of each of our fiscal quarters ending on or about October 31, 2022 through July 31, 2023 is \$375,000; and the principal amount of each quarterly installment required to be paid on the last day of each of our fiscal quarters ending on or about October 31, 2023 through April 30, 2027 is \$675,000. The entire remaining principal balance of the term loan is required to be paid on August 4, 2027. We may voluntarily prepay the term loan, in whole or in part, from time to time without premium or penalty (other than customary breakage costs, if applicable). We may repay borrowings under the revolving credit facility at

any time without premium or penalty (other than customary breakage costs, if applicable), but in any event no later than August 4, 2027, and any outstanding revolving loans thereunder will be due and payable in full, and the revolving credit facility will terminate, on such date. We may reduce or terminate the revolving line of credit at any time, subject to certain thresholds and conditions, without premium or penalty.

The interest rates under the Amended Credit Agreement are as follows: the term loan and revolving credit loans bear interest at a rate per annum equal to, at our option, either (a) the BSBY Rate as defined in the Amended Credit Agreement (or, in the case of revolving credit loans denominated in a currency other than U.S. Dollars, the applicable quoted rate), plus a margin that varies within a range of 1.60% to 2.50% based on our consolidated leverage ratio, or (b) a fluctuating reference rate equal to the highest of (i) the federal fund rate plus 0.50%, (ii) Bank of America's publicly announced prime rate, (iii) the BSBY Rate plus 1.00%, or (iv) 0.50%, plus a margin that varies within a range of 0.60% to 1.50% based on our consolidated leverage ratio. In addition to certain other fees and expenses that we are required to pay to the Lender, we are required to pay a commitment fee on the undrawn portion of the revolving credit facility that varies within a range of 0.15% and 0.35% based on our consolidated leverage ratio. The loans under the Amended Credit Agreement are subject to certain mandatory prepayments, subject to various exceptions, from (a) net cash proceeds from certain dispositions of property, (b) net cash proceeds from certain issuances of equity, (c) net cash proceeds from certain issuances of additional debt and (d) net cash proceeds from certain extraordinary receipts.

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Amounts repaid under the revolving credit facility may be reborrowed, subject to our continued compliance with the Amended Credit Agreement. No amount of the term loan that is repaid may be reborrowed.

We must comply with various customary financial and non-financial covenants under the Amended Credit Agreement. The financial covenants under the Amended Credit Agreement consist of a maximum consolidated leverage ratio, a minimum consolidated fixed charge coverage ratio and a minimum consolidated asset coverage ratio. The primary non-financial covenants limit our and our subsidiaries' ability to incur future indebtedness, to place liens on assets, to pay dividends or distributions on our or our subsidiaries' capital stock, to repurchase or acquire our or our subsidiaries' capital stock, to conduct mergers or acquisitions, to sell assets, to alter our or our subsidiaries' capital structure, to make investments and loans, to change the nature of our or our subsidiaries' business, and to prepay subordinated indebtedness, in each case subject to certain exceptions and thresholds as set forth in the Amended Credit Agreement, certain of which provisions were modified by the Second Amendment. As of April 29, 2023, we believe we are in compliance with all of the covenants in the Credit Agreement.

The Lender is entitled to accelerate repayment of the loans and to terminate its revolving credit commitment under the Amended Credit Agreement upon the occurrence of any of various customary events of default, which include, among other events, the following (which are subject, in some cases, to certain grace periods): failure to pay when due any principal, interest or other amounts in respect of the loans, breach of any of our covenants or representations under the loan documents, default under any other of our or our subsidiaries' significant indebtedness agreements, a bankruptcy, insolvency or similar event with respect to us or any of our subsidiaries, a significant unsatisfied judgment against us or any of our subsidiaries, or a change of control.

Our obligations under the Amended Credit Agreement continue to be secured by substantially all of our personal property assets (including a pledge of the equity interests we hold in ANI ApS, AstroNova GmbH and AstroNova SAS), subject to certain exceptions, and by a mortgage on our owned real property in West Warwick, Rhode Island, and are guaranteed by, and secured by substantially all of the personal property assets of Astro Machine.

### Summary of Outstanding Debt

At April 29, 2023, we had an outstanding balance of \$15.9 million on our revolving line of credit. The balance outstanding under the revolving line of credit bore interest at a weighted average annual rate of 6.93% and 4.26% and we incurred \$292,000 and \$23,000 for interest on this obligation during the quarters ended April 29, 2023 and April 30, 2022.

2023, respectively. Additionally, during the quarters three and six months ended April 29, 2023 and April 30, 2022, July 29, 2023, we incurred \$8,000, \$6,000 and \$10,000, \$14,000, respectively, of commitment fees on the undrawn portion of our revolving credit facility. The balance outstanding under the revolving line of credit bore interest at a weighted average rate of 5.17% and 4.79%, respectively, for the three and six months ended July 30, 2022, and we incurred \$45,000 and \$69,000, respectively, for interest on this obligation during the three and six months ended July 30, 2022. Additionally, during the six months ended July 30, 2022, we incurred \$20,000 of commitment fees on the undrawn portion of our revolving credit facility. Both the interest expense and commitment fees are included as interest expense in the accompanying condensed consolidated statements of income statement (loss) for the quarters ended April 29, 2023 and April 30, 2022, all periods presented. At April 29, 2023, July 29, 2023, there was \$9.1 million remaining available for borrowing under the revolving line of credit.

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Long-term debt in the accompanying condensed consolidated balance sheets is as follows:

(In thousands)	July 29, 2023	January 31, 2023
USD Term Loan (7.66% as of July 29, 2023 and 6.78% as of January 31, 2023); maturity date of August 4, 2027	\$ 13,500	\$ 14,250
Debt Issuance Costs, net of accumulated amortization	(91)	(110)
Current Portion of Term Loan	(2,700)	(2,100)
Long-Term Debt	<u>\$ 10,709</u>	<u>\$ 12,040</u>

  

(In thousands)	April 29, 2023	January 31, 2023
USD Term Loan (7.24% as of April 29, 2023 and 6.78% as of January 31, 2023); maturity date of August 4, 2027	\$ 13,875	\$ 14,250
	<u>13,875</u>	<u>14,250</u>
Debt Issuance Costs, net of accumulated amortization	(97)	(110)
Current Portion of Term Loan	(2,100)	(2,100)
Long-Term Debt	<u>\$ 11,678</u>	<u>\$ 12,040</u>

During the three and six months ended April 29, 2023 and April 30, 2022, July 29, 2023, we recognized \$248,000 and \$53,000 of interest expense on debt of \$266,000 and \$514,000, respectively, and during the three and six months ended July 30, 2022, we recognized interest expense on debt of \$65,000 and \$118,000, respectively, which was included in other expense is recognized in the accompanying condensed consolidated statements of income statement (loss) for all periods presented.

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The schedule of required principal payments remaining during the next five years on long-term debt outstanding as of April 29, 2023, July 29, 2023 is as follows:

(In thousands)	
Fiscal 2024, remainder	\$ 1,350
Fiscal 2025	2,700
Fiscal 2026	2,700
Fiscal 2027	2,700
Fiscal 2028	4,050
	<u>\$ 13,500</u>



(In thousands)	
Fiscal 2024, remainder	\$ 1,725
Fiscal 2025	2,700
Fiscal 2026	2,700
Fiscal 2027	2,700
Fiscal 2028	4,050
	<u>\$ 13,875</u>

## Note 10 – Royalty Obligation

In fiscal 2018, we entered into an Asset Purchase and License Agreement with Honeywell International, Inc. (“Honeywell”) to acquire an exclusive, perpetual, world-wide license to manufacture Honeywell’s narrow-format flight deck printers for two aircraft families along with certain inventory used in the manufacturing of the licensed printers. The purchase price included a guaranteed minimum royalty payment of \$15.0 million, to be paid over ten years, based on gross revenues from the sales of the printers, paper and repair services of the licensed products. The royalty rates vary based on the year in which they are paid or earned, and product sold or service provided, and range from single-digit to mid double-digit percentages of gross revenue.

The guaranteed minimum royalty payment obligation was recorded at the present value of the minimum annual royalty payments. As of April 29, 2023 July 29, 2023, we had paid an aggregate of \$10.0 million of the guaranteed minimum royalty obligation. At April 29, 2023 July 29, 2023, the current portion of the outstanding guaranteed minimum royalty obligation of \$1.5 million is to be paid over the next twelve months and is reported as a current liability and the remainder of \$2.7 million is reported as a long-term liability on our condensed consolidated balance sheet. We For the three and six months ended July 30, 2023, we incurred \$0.4 million and \$0.9 million, respectively, in excess royalty expense for the three-month period ended April 29, 2023, which is included in cost of revenue in our consolidated statements of income. A total of \$0.4 million in excess royalties was paid in the first quarter of the current fiscal year, and there are \$0.4 million in excess royalty payables due as a result of this agreement for the quarter ended April 29, 2023 July 29, 2023.

In fiscal 2023, AstroNova, Inc. entered into a second Asset Purchase and License Agreement with Honeywell International, Inc. as further discussed in Note 3 “Acquisitions”.

## Note 11 – Leases

We enter into lease contracts for certain of our facilities at various locations worldwide. Our leases have remaining lease terms of one to six years.

Balance sheet and other information related to our leases is as follows:

Operating Leases (In thousands)	Balance Sheet Classification	July 29,	January 31,
		2023	2023
Lease Assets	Right of Use Assets	\$ 735	\$ 794
Lease Liabilities – Current	Other Liabilities and Accrued Expenses	\$ 287	\$ 275
Lease Liabilities – Long Term	Lease Liabilities	\$ 530	\$ 555
Operating Leases (In thousands)	Balance Sheet Classification	April 29, 2023	January 31, 2023
Lease Assets	Right of Use Assets	\$ 858	\$ 794
Lease Liabilities – Current	Other Liabilities and Accrued Expenses	312	\$ 275
Lease Liabilities – Long Term	Lease Liabilities	581	\$ 555

Lease cost information is as follows:

		Three Months	Six Months
		Ended	Ended
		July 29,	July 29,
Operating Leases (In thousands)	Statement of Income Classification	2023	2023
Operating Lease Costs	General and Administrative Expense	\$ 127	\$ 259
		Three Months	Six Months
		Ended	Ended
		July 30,	July 30,
Operating Leases (In thousands)	Statement of Income Classification	2022	2022
Operating Lease Costs	General and Administrative Expense	\$ 104	\$ 200

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Operating Leases (In thousands)	Statement of Income Classification	Three Months Ended	
		April 29, 2023	April 30, 2022
Operating Lease Costs	General and Administrative Expense	\$ 133	\$ 113

Maturities of operating lease liabilities are as follows:

(In thousands)	July 29, 2023
Fiscal 2024, remaining	\$ 176
Fiscal 2025	259
Fiscal 2026	199
Fiscal 2027	151
Fiscal 2028	94
Thereafter	—
Total Lease Payments	879
Less: Imputed Interest	(62)
Total Lease Liabilities	\$ 817
(In thousands)	April 29, 2023
2024, remaining	\$ 263
2025	258
2026	199
2027	151
2028	93
Thereafter	—
Total Lease Payments	964
Less: Imputed Interest	(71)
Total Lease Liabilities	\$ 893

As of April 29, 2023 July 29, 2023, the weighted-average remaining lease term and weighted-average discount rate for our operating leases are 3.53, 3 years and 4.37%, 4.37%, respectively. We calculated the weighted-average discount rate using incremental borrowing rates, which equal the rates of interest that we would pay to borrow funds on a fully collateralized basis over a similar term.

Supplemental cash flow information related to leases is as follows:

(In thousands)	Three Months		Six Months Ended	
	Ended		July 29, 2023	
	July 29, 2023		July 29, 2023	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows for operating leases	\$	85	\$	177
(In thousands)	Three Months		Six Months Ended	
	Ended		July 30, 2022	
	July 30, 2022		July 30, 2022	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows for operating leases	\$	79	\$	162
(In thousands)	Three Months Ended		Three Months Ended	
	April 29, 2023		April 30, 2022	
	April 29, 2023		April 30, 2022	
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows for operating leases	\$	93	\$	83

## Note 1

### 212 – Accumulated Other Comprehensive Loss

The changes in the balance of accumulated other comprehensive loss (“AOCL”) by component are as follows:

(In thousands)	Foreign Currency Translation Adjustments	
	Adjustments	
	Adjustments	
Balance at January 31, 2023	\$	(2,238)
Other Comprehensive Income before reclassification		274
Balance at July 29, 2023	\$	(1,964)
(In thousands)	Foreign Currency Translation Adjustments	
	Adjustments	
	Adjustments	
Balance at January 31, 2023	\$	(2,238)
Other Comprehensive Income before reclassification		210
Balance at April 29, 2023	\$	(2,028)

The amounts presented above in other comprehensive loss are net of taxes except for translation adjustments associated with our German and Danish subsidiaries.

## Note 1

### 313 – Share-Based Compensation

We have one equity incentive plan from which we are authorized to grant equity awards, the AstroNova, Inc. 2018 Equity Incentive Plan (the “2018 Plan”). The 2018 Plan provides for, among other things, the issuance of awards, including incentive stock options,

non-qualified stock options, stock appreciation rights, time-based restricted stock units ("RSUs"), or performance-based restricted stock units ("PSUs") and restricted stock awards ("RSAs"). The 2018 Plan authorizes the issuance of up to 950,000 shares of common stock, plus an additional number of shares equal to the number of shares subject to awards granted under previous equity incentive plans that are forfeited, cancelled, satisfied without the issuance of stock, otherwise terminated (other than by exercise), or, for shares of stock issued pursuant to any unvested award, that are reacquired by us at not more than the grantee's purchase price (other than by exercise). Under the 2018 Plan, all awards to employees generally have a minimum vesting period of one year. Options granted under the 2018 Plan must be issued at an exercise price of not less than the fair market value of our common stock on the date of grant and expire after ten years. Under the 2018 Plan, there were 124,439 unvested RSUs; 188,633 unvested PSUs; 21,172 unvested RSAs and options to purchase an aggregate of 135,500 shares outstanding as of April 29, 2023.

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July 29, 2023.

In addition to the 2018 Plan, we previously granted equity awards under our 2015 Equity Incentive Plan (the "2015 Plan") and our 2007 Equity Incentive Plan (the "2007 Plan"). No new awards may be issued under either the 2007 Plan or 2015 Plan, but outstanding awards will continue to be governed by those plans. As of April 29, 2023 July 29, 2023, options to purchase an aggregate of 270,649 264,949 shares were outstanding under the 2007 Plan and options to purchase an aggregate of 134,950 130,000 shares were outstanding under the 2015 Plan.

We also have a

Non-Employee Director Annual Compensation Program (the "Program"), under which each of our non-employee directors automatically receives an automatic grant of restricted stock RSAs on the date of their re-election to our board the regular full meeting of directors. The the Board of Directors held each fiscal quarter. Under the Program, the number of whole shares to be granted each quarter is equal to 25% of the number calculated by dividing the stock component of the director's annual compensation amount determined by the compensation committee for that year by the fair market value of our the Company's stock on that such day. The value of On June 5, 2023, the restricted stock award for fiscal 2024 is approximately \$65,000. Shares of restricted stock director's annual compensation amount was adjusted to be \$70,000. All RSAs granted under the this Program become vested on the first anniversary of the date of grant, conditioned upon the recipient's continued service on our board of directors through that date. vest immediately.

Share-based compensation expense was recognized as follows:

(In thousands)	Three Months Ended		Six Months Ended	
	July 29,	July 30,	July 29,	July 30,
	2023	2022	2023	2022
Stock Options	\$ —	\$ 1	\$ —	\$ 7
Restricted Stock Awards and Restricted Stock Units	391	234	743	562
Employee Stock Purchase Plan	7	—	11	3
Total	\$ 398	\$ 235	\$ 754	\$ 572

  

(In thousands)	Three Months Ended	
	April 29,	April 30,
	2023	2022
Stock Options	\$ —	\$ 6
Restricted Stock Awards and Restricted Stock Units	352	328
Employee Stock Purchase Plan	4	3
Total	\$ 356	\$ 337

#### Stock Options

Aggregated information regarding stock option activity for the three six months ended April 29, 2023 July 29, 2023 is summarized below:

Number of	Weighted Average
-----------	------------------

	Options	Exercise Price
Outstanding at January 31, 2023	547,199	\$ 15.16
Granted	—	—
Exercised	(6,700)	10.57
Forfeited	(5,825)	15.53
Canceled	(4,225)	10.50
Outstanding at July 29, 2023	530,449	\$ 15.25

  

	Number of Options	Weighted Average Exercise Price
Outstanding at January 31, 2023	547,199	\$ 15.16
Granted	—	—
Exercised	(1,700)	10.50
Forfeited	(175)	18.35
Canceled	(4,225)	10.50
Outstanding at April 29, 2023	541,099	\$ 15.21

Set forth below is a summary of options outstanding at April 29, 2023 July 29, 2023:

	Outstanding			Exercisable		
	Number	Weighted-Average	Weighted-Average	Number	Weighted-Average	Weighted-Average
Range of Exercise prices	of Shares	Exercise Price	Remaining Contractual Life	of Shares	Exercise Price	Remaining Contractual Life
\$5.00-10.00	—	\$ —	—	—	\$ —	—
\$10.01-15.00	318,174	\$ 13.78	2.5	318,174	\$ 13.78	2.5
\$15.01-20.00	212,275	\$ 17.44	4.3	212,275	\$ 17.44	4.3
	530,449	\$ 15.25	3.2	530,449	\$ 15.25	3.2

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	Outstanding			Exercisable		
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life
Range of Exercise prices						
\$5.00-10.00	—	\$ —	—	—	\$ —	—
\$10.01-15.00	326,924	\$ 13.74	2.7	326,924	\$ 13.74	2.7
\$15.01-20.00	214,175	\$ 17.45	4.6	214,175	\$ 17.45	4.6
	541,099	\$ 15.21	3.5	541,099	\$ 15.21	3.5

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There were no stock options granted in fiscal 2023, and fiscal 2022, or in during the first quarter six months of fiscal 2024, and as of April 29, 2023 July 29, 2023, there was no unrecognized compensation expense related to stock options.

*Restricted Stock Units (RSUs), Performance-Based Stock Units (PSUs) and Restricted Stock Awards (RSAs)*

Aggregated information regarding RSU, PSU and RSA activity for the three six months ended April 29, 2023 July 29, 2023 is summarized below:

	RSUs, PSUs & RSAs	Weighted Average Grant Date Fair Value
Outstanding at January 31, 2023	274,927	\$ 12.82
Granted	147,327	12.57
Vested	(104,505)	12.10
Forfeited	(4,677)	12.49
Outstanding at July 29, 2023	313,072	\$ 12.95

  

	RSUs, PSUs & RSAs	Weighted Average Grant Date Fair Value
Outstanding at January 31, 2023	274,927	\$ 12.82
Granted	142,811	12.48
Vested	(78,817)	11.85
Forfeited	(4,677)	12.49
Outstanding at April 29, 2023	334,244	\$ 12.90

As of April 29, 2023 July 29, 2023, there was approximately \$2.5 \$2.0 million of unrecognized compensation expense related to RSUs, PSUs and RSAs, which is expected to be recognized over a weighted average period of 1.21.1 years.

#### Employee Stock Purchase Plan

On June 7, 2022, we adopted the AstroNova Inc. 2022 Employee Stock Purchase Plan ("2022 ESPP") to replace our previous Employee Stock Purchase Plan (the "Prior ESPP"). The 2022 ESPP allows eligible employees to purchase shares of common stock at a 15% 15% discount from fair value on the first or last day of an offering period, whichever is less. A total of 40,000 shares were reserved for issuance under the 2022 ESPP and 5,045 shares were purchased under the 2022 ESPP ESPP during the year ended January 31, 2023. During the three six months ended April 29, 2023 July 29, 2023, there were 2,394,822 shares purchased under the 2022 ESPP. During the three six months ended April 30, 2022 July 30, 2022, there were 1,550 shares purchased under the Prior ESPP, and no additional purchases may be made under the Prior ESPP. As of April 29, 2023 July 29, 2023, 32,560 30,130 shares remain available for purchase under the 2022 ESPP.

#### Note 1

##### 414 – Income Taxes

Our effective tax rates are as follows:

	Three Months Ended	Six Months Ended
Fiscal 2024	19.4%	21.5 %
Fiscal 2023	27.4%	21.7%

  

	First Quarter Ended
Fiscal 2024	17.4 %
Fiscal 2023	12.4 %

We determine our estimated annual effective tax rate at the end of each interim period based on full-year forecasted pre-tax income and facts known at that time. The estimated annual effective tax rate is applied to the year-to-date pre-tax income at the end of each interim period with the cumulative effect of any changes in the estimated annual effective tax rate being recorded in the fiscal quarter in which the change is determined. The tax effect of significant unusual items is reflected in the period in which they occur.

During the three months ended April 29, 2023 July 29, 2023, we recognized an income tax expense benefit of approximately \$179,000. \$390,000. The effective tax rate in this period was directly impacted by our jurisdictional mix of earnings, a \$77,000 \$29,000 tax expense related to foreign return to provision differences and a \$20,675 tax arising from windfall tax benefits related to our stock. During the three months ended July 30, 2022, we recognized an income tax expense of \$220,000. The effective tax rate in this period was directly impacted by our jurisdictional mix of earnings and a \$13,000 tax expense relating to a revaluation of deferred taxes.

During the six months ended July 29, 2023, we recognized an income tax benefit of \$211,000. The effective tax rate in this period was directly impacted by our jurisdictional mix of earnings, a \$77,000 tax benefit related to the expiration of the statute of limitations on a previously uncertain tax position, and a \$29,000 \$49,000 tax benefit arising from windfall tax benefits related to our stock, the Company's stock, and a \$29,000 tax expense related to foreign return to provision differences. During the three six months ended April 30, 2022 July 30, 2022, we recognized an income tax expense of approximately \$60,000.280,000. The effective tax rate in this period was directly impacted by our jurisdictional mix of earnings, a \$38,000 \$38,000 tax benefit related to the expiration of the statute of limitations on a previously uncertain tax position and positions, a \$30,000 \$21,000 tax benefit arising from windfall tax benefits expense related to our stock, stock, and a \$13,000 tax expense relating to a revaluation of deferred taxes.

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## Note 1

### 515 - Segment Information

We report two segments: PI and T&M. We evaluate segment performance based on the segment profit before corporate expenses.

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Summarized below are the Revenue and Segment Operating Profit (Loss) for each reporting segment:

(In thousands)	Three Months Ended				Six Months Ended			
	Revenue		Segment Operating Profit (Loss)		Revenue		Segment Operating Profit (Loss)	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
	2023	2022	2023	2022	2023	2022	2023	2022
Product Identification	\$ 25,777	\$ 23,382	\$ (461)	\$ 1,644	\$ 50,872	\$ 45,106	\$ 2,055	\$ 3,058
T&M	9,747	8,877	1,917	2,162	20,071	18,163	3,989	4,072
Total	<u>\$ 35,524</u>	<u>\$ 32,259</u>	<u>1,456</u>	<u>3,806</u>	<u>\$ 70,943</u>	<u>\$ 63,269</u>	<u>6,044</u>	<u>7,130</u>
Corporate Expenses			2,654	2,571			5,780	5,131
Operating Income (Loss)			(1,198)	1,235			264	1,999
Other Income (Expense), Net			(809)	(431)			(1,244)	(710)
Income (Loss) Before Income Taxes			(2,007)	804			(980)	1,289
Income Tax Provision (Benefit)			(390)	220			(211)	280
Net Income (Loss)			<u>\$ (1,617)</u>	<u>\$ 584</u>			<u>\$ (769)</u>	<u>\$ 1,009</u>

  

(In thousands)	Three Months Ended			
	Revenue		Segment Operating Profit	
	April 29, 2023	April 30, 2022	April 29, 2023	April 30, 2022
PI	\$ 25,095	\$ 21,724	\$ 2,515	\$ 1,413
T&M	10,324	9,286	2,072	1,911

Total	\$ 35,419	\$ 31,010	4,587	3,324
Corporate Expenses			3,126	2,560
Operating Income			1,461	764
Other Expense, Net			434	279
Income Before Income Taxes			1,027	485
Income Tax Provision			179	60
Net Income			\$ 848	\$ 425

## Note 1

### 616 – Fair Value

#### Assets and Liabilities Not Recorded at Fair Value

Our long-term debt, including the current portion of long-term debt not reflected in the financial statements at fair value, is reflected in the table below:

July 29, 2023					
(In thousands)	Fair Value Measurement				Carrying Value
	Level 1	Level 2	Level 3	Total	
Long-Term debt and related current maturities	\$ —	\$ —	\$ 13,500	\$ 13,500	\$ 13,563
January 31, 2023					
(In thousands)	Fair Value Measurement				Carrying Value
	Level 1	Level 2	Level 3	Total	
Long-Term debt and related current maturities	\$ —	\$ —	\$ 14,310	\$ 14,310	\$ 14,250
April 29, 2023					
(In thousands)	Fair Value Measurement				Carrying Value
	Level 1	Level 2	Level 3	Total	
Long-Term debt and related current maturities	\$ —	\$ —	\$ 13,937	\$ 13,937	\$ 13,875
January 31, 2023					
(In thousands)	Fair Value Measurement				Carrying Value
	Level 1	Level 2	Level 3	Total	
Long-Term debt and related current maturities	\$ —	\$ —	\$ 14,310	\$ 14,310	\$ 14,250

The fair value of our long-term debt, including the current portion, is estimated by discounting the future cash flows using current interest rates at which similar loans with the same maturities would be made to borrowers with similar credit ratings and is classified as Level 3.

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## Note 17 - Restructuring

On July 26, 2023, we adopted a restructuring plan for our Product Identification segment. As part of the restructuring plan, we will transition a portion of the printer manufacturing within our Product Identification segment from our facilities in Asia and Rhode Island to our Astro Machine, Inc. facility located in Illinois. In addition, we will cease selling certain of our older, lower-margin or low-volume Product Identification segment products. As part of the restructuring plan, we also intend to consolidate certain of our international Product Identification sales and distribution facilities and



to streamline our channel partner network. In addition, we have made targeted reductions to our workforce. We expect to substantially complete this plan during fiscal year 2024.

As a result of the adoption and implementation of our Product Identification segment restructuring plan, in the second quarter of our fiscal year 2024 we recognized pre-tax restructuring charge of \$2.7 million, comprised primarily of non-cash charges related to inventory write-offs associated with product curtailment and discontinuation and facility exit related costs, and cash charges related to severance-related costs. Below is a summary of the restructuring costs and liability by type as of July 29, 2023.

(in thousands)	<u>Restructuring</u> <u>Costs</u>	<u>Amounts Paid in quarter</u> <u>ended</u> <u>July 29, 2023</u>		<u>Restructuring</u> <u>Liability</u>
Severance and Employee Related Costs	\$611		\$(40)	\$571
Inventory Write-Off	1,991		-	-
Facility Exit and Other Restructuring Costs	49		-	-
Total	\$2,651		\$(40)	\$571

The restructuring liability is included in other accrued expenses in the accompanying condensed consolidated balance sheet as of July 29, 2023, and the majority of the balance is expected to be paid by the end of our fiscal 2024.

The following table summarizes restructuring costs included in the accompanying condensed consolidated statement of income (loss):

Item 2.

(in thousands)

MANAGEMENT'S

DISCUSSION AND

ANALYSIS OF

FINANCIAL

CONDITION AND

RESULTS OF

OPERATIONS

Three

and Six Months

Ended July 29, 2023

Cost of Revenue	\$2,096
Operating Expenses:	
Selling & Marketing	443
Research & Development	29
General & Administrative	83
Total	\$2,651

#### Product Retrofit Program

In connection with our restructuring plan, we identified the need to address quality and reliability issues in certain models of our PI printers as a result of faulty ink provided by one of our larger suppliers. In order to remedy these issues and maintain solid customer relationships, during the second quarter of the current year we have initiated a program to retrofit all of the printers sold to our customers that were affected by the faulty ink.

Upon initiating this program, we identified approximately 150 printers sold to our customers that were affected by the faulty ink. We are working with our customers to either repair or replace the affected printers and will do this on a gradual basis beginning in the current quarter through March 2024. The estimated costs associated with this program are \$0.9 million, which includes the cost of parts, labor and travel. Those costs were recognized and recorded in the second quarter of the current year and are included in cost of revenue in the accompanying consolidated statement of income (loss) for the three and six month periods ended July 29, 2023. The balance in the related liability, which is included in other accrued expenses in the accompanying condensed consolidated balance sheet at July 29, 2023, is as follows:

(in thousands)

Provision for Product Retrofit Program	\$ 852
Cost of Repairs and Replacements incurred through July 29, 2023	(149)
Balance at July 29, 2023	<u>\$ 703</u>

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

### Business Overview

This section should be read in conjunction with our condensed consolidated financial statements included elsewhere herein and our Annual Report on Form 10-K for the fiscal year ended January 31, 2023.

We are a multinational enterprise that leverages our proprietary data visualization technologies to design, develop, manufacture, distribute and service a broad range of products that acquire, store, analyze and present data in multiple formats. We organize our structure around a core set of competencies, including research and development, manufacturing, service, marketing and distribution. We market and sell our products and services through the following two segments:

- **Product Identification ("PI")** – offers color and monochromatic digital label printers, direct-to-package printers and custom OEM printers. PI also provides software to design, manage and print labeling and packaging images locally and across networked printing systems, as well as all related printing supplies such as pressure sensitive labels, tags, inks, toners and thermal transfer ribbons used by digital printers. PI also provides on-site and remote service, spare parts and various service contracts.
- **Product Identification ("PI")** – offers color and monochromatic digital label printers, direct-to-package printers and custom OEM printers. PI also provides software to design, manage and print labeling and packaging images locally and across networked printing systems, as well as all related printing supplies such as pressure sensitive labels, tags, inks, toners and thermal transfer ribbons used by digital printers. PI also provides on-site and remote service, spare parts and various service contracts.
- **Test and Measurement ("T&M")** – offers a suite of products and services that acquire data from local and networked data streams and sensors as well as wired and wireless networks. The T&M segment includes a line of aerospace printers that are used to print hard copy of data required for the safe and efficient operation of aircraft including navigation maps, clearances, arrival and departure procedures, flight itineraries, weather maps, performance data, passenger data, and various air traffic control data. Aerospace products also include aircraft networking systems for high-speed onboard data transfer. T&M also provides repairs, service and spare parts.

On August 4, 2022, we completed the acquisition of Astro Machine, an Illinois-based manufacturer of printing equipment, including label printers, tabbers, conveyors, and envelope feeders, for aggregate consideration of \$17.1 million. Astro Machine is reported as part of our PI segment beginning with the third quarter of fiscal 2023. Refer to Note 3, "Acquisitions," in our condensed consolidated financial statements included elsewhere in this report for further details.

We market and sell our products and services globally through a diverse distribution structure of direct sales personnel, manufacturers' representatives and authorized dealers that deliver a full complement of branded products and services to customers in our respective markets. Our growth strategy centers on organic growth through product innovation made possible by research and development initiatives, as well as strategic acquisitions that fit into or complement existing core businesses.

**COVID-19** On July 26, 2023, we adopted a restructuring plan for our PI segment. As part of the restructuring plan, we will transition a portion of the printer manufacturing within our PI segment from our facilities in Asia and Rhode Island to our Astro Machine, Inc. facility located in Illinois. In addition, we will cease selling certain of our older, lower-margin or low-volume PI segment products. As part of the restructuring plan, we also intend to consolidate certain of our international PI sales and distribution facilities and to streamline our channel partner network. In addition, we have made targeted reductions to our workforce. We expect to substantially complete this plan during our fiscal year 2024. **Update**

As a result of the adoption and implementation of our PI segment restructuring plan, in the second quarter of our fiscal year 2024 we recognized pre-tax restructuring expense of \$2.7 million, comprised primarily of non-cash charges related to inventory write-offs associated with product curtailment and discontinuation and facility exit related costs, and cash charges related to severance and related costs.

In connection with our restructuring plan, we identified the need to address quality and reliability issues in certain models of our PI printers as a result of faulty ink provided by one of our larger suppliers. In order to remedy these issues and maintain solid customer relationships, during the second quarter of the current year we have initiated a program to retrofit all of the printers sold to our customers that were affected by the faulty ink.

Upon initiating this program, we identified approximately 150 printers sold to our customers that were affected by the faulty ink. We are working with our customers to repair or replace the impacted printers and will do this on a gradual basis beginning in the current quarter through March 2024. The estimated costs associated with this program are \$0.9 million, which includes the cost of parts, labor and travel. Those costs were recognized and recorded in the second quarter of the current year. Refer to Note 17, "Restructuring," in our condensed consolidated financial statements included elsewhere in this report for further details.

On August 4, 2022, we completed the acquisition of Astro Machine, an Illinois-based manufacturer of printing equipment, including label printers, tabbers, conveyors, and envelope feeders, for an aggregate consideration of \$17.1 million. Astro Machine is reported as part of our PI segment beginning with the third quarter of fiscal 2023. Refer to Note 3, "Acquisitions," in our condensed consolidated financial statements included elsewhere in this report for further details.

### COVID-19 Update

All of our global operations were materially adversely affected by the worldwide COVID-19 pandemic and the related supply-chain disruptions. In the aftermath of the immediate severe impacts of COVID-19, the resulting changes in our customers' purchasing behavior, the post-pandemic impact of inflation from macroeconomic factors, and the continued and lingering structural impacts on our global supply chain, particularly with respect to the availability and costs of electronic components, have made planning for customer demand and manufacturing production more difficult and have had an adverse impact on our operations and financial performance. Also, the post-pandemic impact has led to a rise in the cost of a number of classes of acquired goods for both the T&M and PI segments. We will continue to evaluate the impact of COVID-19 and its aftermath effects on our business, results of operations and cash flows throughout fiscal 2024, including the potential impacts on various estimates and assumptions inherent in the preparation of the consolidated financial statements.

Since the COVID-19 pandemic began we have experienced difficulties in obtaining raw materials and components for our products. Some of the structural dislocations in the global economy that were triggered by the pandemic are prolonging these difficulties. Particularly with respect to certain electronic components for legacy products in our T&M segment, availability has been curtailed and may not recover, and as a result, we have had to accelerate product redesign and quickly transition customers to products with more viable long-term product configurations. We expect to incur substantial costs in doing so but are unable to accurately estimate the financial impact due to the rapidly changing environment. We have also had to incur costs, related to higher shipping fees (i.e., air rather than ocean freight) and though these have abated to a degree, they have not returned to pre-pandemic levels. These factors negatively impacted our efficiency and delayed shipments for each of the fiscal quarters in fiscal 2023, and while those issues have somewhat abated in the first quarter six months of fiscal 2024, it is unclear whether this favorable trend will continue. We are addressing these issues through long-range planning and procuring higher inventory levels for the affected items to help mitigate potential shortages whenever practicable. For our T&M segment, we are also monitoring and reacting to extended lead times on electronic components, and utilizing a variety of strategies, including blanket orders, vendor-bonded inventories, extended commitments to our supply base, and seeking alternative suppliers. Additionally, we have taken actions to increase regular contact with our essential vendors and increased our forecasting horizon for our products to help us better manage our supply chain. In some cases, we are working with our vendors to help them procure components. Similarly, in our PI segment, we are increasing our inventory levels to ensure the adequacy of the supplies we sell to customers who use our printers. Our strategies to counteract these supply chain dislocations have significantly increased the amount of inventory we maintain to support our product sales. We have also experienced several situations where component shortages and scarcity have required us to pay significantly higher costs to obtain those components, particularly electronic components and circuit board assemblies in the T&M segment and inks and printer machine parts in the PI segment. We will continue to monitor our supply chain going forward and update our mitigation strategies as we determine appropriate. We

are not able to predict how current supply chain difficulties will develop in the future, and if the steps we are taking are not effective, it could have a material adverse impact on our business and results of operations.

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#### Product Identification Update

The COVID-19 pandemic impacted our PI business by limiting our ability to meet with customers to demonstrate our products at trade shows and on-site in their facilities was curtailed. facilities. We partially countered this through a variety of virtual, on-line selling and digital marketing strategies, a number of which we continue to emphasize today. The degree to which post-pandemic selling practices will revert to traditional practices is unknown, unknown, and the ultimate mix of customer engagement methods of face-to-face selling versus digital selling methods are just starting to recover. For example, throughout fiscal 2023 we attended numerous trade shows, but demand generation through those selling methods has not fully recovered and digital marketing has, we believe, become a more permanent element of our go-to-market strategy. This has required us to shift resources to those technologies. Further, the reliability of timely delivery of acceptable quality printer components from one of our suppliers has deteriorated post-pandemic, which has caused us to incur additional direct procurement costs to carry higher inventories to assure adequate supplies to satisfy customers. We have also incurred additional warranty and technical service costs to offset the impacts of these quality issues and invested considerable time and resources with that supplier to improve their performance.

#### Test & Measurement Update

The aerospace industry, which we serve through our aerospace product line, was significantly disrupted by the COVID-19 pandemic, because of the severe decline in the demand for air travel, demand for aircraft, and a general curtailment of aircraft production rates. This had a material adverse impact on our financial results. Although air travel demand and aircraft production demand have improved and the direct and secondary impacts of the demand decline have somewhat abated, they have not recovered completely. As a result, demand for our products has not fully recovered to pre-pandemic levels. We believe that it will be at least another two or more one to three years before we reach full revenue recovery due to the lingering impacts of the pandemic era on the economic structure of the airline industry. General economic conditions could also still become a negative factor impacting demand for new aircraft, which could potentially stall or reverse current favorable trends. If this were to happen individually or in combination, these factors would be difficult to respond to, which could have a material adverse impact on our business operations and financial results.

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### Results of Operations

#### Three Months Ended April 29, 2023 July 29, 2023 vs. Three Months Ended April 30, 2022 July 30, 2022

Revenue by segment and current quarter percentage change over the prior year for the three months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022 were:

						% Change				
						Comp				
	April	As a	April	As a	% Change	July	As a	July	As a	ared
	29,	% of	30,	% of	Compared	29,	% of	30,	% of	to
	2023	Revenue	2022	Revenue	to	202	Reve	202	Reve	Prior
(Dollars in thousands)	2023	Revenue	2022	Revenue	Prior Year	3	nue	2	nue	Year

PI						25,		23,		
	\$ 25,095	70.9 %	\$ 21,724	70.1 %	15.5 %	\$ 777	72.6 %	\$ 382	72.5 %	10.2 %
T&M						9,7		8,8		
	10,324	29.1 %	9,286	29.9 %	11.2 %	47	27.4 %	77	27.5 %	9.8 %
Total						35,	100.	32,	100.	
	\$ 35,419	100.0 %	\$ 31,010	100.0 %	14.2 %	\$ 524	0 %	\$ 259	0 %	10.1 %

Revenue for the first second quarter of the current year was \$35.4 million, \$35.5 million, representing a 14.2% 10.1% increase compared to the previous year first year's second quarter revenue of \$31.0 million, \$32.3 million. Revenue through domestic channels for the first second quarter of the current year was \$22.8 million, \$22.3 million, an increase of 16.2% 17.3% from the prior year's first second quarter domestic revenue of \$19.7 million, \$19.0 million. International revenue for the first second quarter of the current year was \$12.6 million, \$13.2 million, representing 35.5% 37.1% of our first second quarter revenue and reflecting reflects a 10.8% increase 0.2% decrease from the previous year first quarter, year's second quarter international revenue. Current year first second quarter international revenue includes an unfavorable a favorable foreign exchange rate impact of \$0.3 million, \$0.1 million.

Hardware revenue in the first second quarter of the current year was \$11.7 million, \$11.3 million, a 25.4% 30.5% increase compared to the prior year's first second quarter hardware revenue of \$9.3 million, \$8.6 million. The current quarter increase is attributable to increased hardware sales in both the T&M and PI segments. Current quarter hardware sales in the PI segment were \$5.1 million, \$5.3 million, an increase of 76.4% 39.7% or \$2.2 million \$1.5 million compared to the previous year first second quarter revenue PI hardware sales of \$2.9 million, \$3.8 million. This increase was the result of the \$2.5 million \$2.7 million of hardware sales from the newly acquired Astro Machine, slightly which was partially offset by a decline in sales of our QuickLabel and TrojanLabel printers. T&M hardware sales for the current quarter were \$6.5 million, \$6.0 million, a 2.2% 23.3% increase from the previous year's first second quarter revenue T&M hardware sales of \$6.4 million, \$4.9 million, as the \$1.1 million \$1.3 million or 22.7% 29.2% increase in sales in our aerospace printer product line was largely slightly offset by the modest decline in sales of our data recorder product line.

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Supplies revenue in the first second quarter of the current year was \$19.1 million, \$19.7 million, a 6.3% 2.8% increase compared to the prior year's first second quarter supplies revenue of \$17.9 million, \$19.2 million. Supplies revenue increased in both the PI and T&M segment in the current quarter, with the quarter. The increase was primarily due to the contribution of \$1.3 \$1.8 million of supply sales from the newly acquired Astro Machine in the PI segment. Also contributing to the current quarter's increase in supply revenue was growth in paper supply revenue for the aerospace printers in the T&M segment. The overall increase in supplies revenue for the current quarter was offset to a large degree by a decline in ink jet supplies sales in the PI segment.

Service and other revenues of \$4.6 million in the current quarter increased 2.2% compared to second quarter revenue of \$4.5 million in the second quarter of the prior year. The increase is due primarily to the \$0.4 million of Astro Machine parts revenues included since the acquisition in the PI segment. The current quarter increase was partially offset by a decline in parts revenue for aerospace printer products in the T&M segment.

The current year's second quarter gross profit was \$9.7 million, a 14.7% decrease compared to the prior year's second quarter gross profit of \$11.4 million. Current quarter gross profit margin of 27.3% reflects an 8.0 percentage point decrease from the prior year's second quarter gross profit margin of 35.3%. The lower gross profit margin for the current quarter compared to the prior year's second quarter is primarily attributable to \$2.1 million of restructuring costs and \$0.9 million of product retrofit costs recognized in the current quarter.

Operating expenses for the current quarter were \$10.9 million, a 7.5% increase compared to the prior year's second quarter operating expenses of \$10.1 million. The increase in operating expenses for the current period is primarily due to the \$0.4 million of

operating expenses from Astro Machine and the \$0.6 million impact from restructuring costs. Current quarter selling and marketing expenses were \$6.7 million, a 12.0% increase compared to the second quarter of the prior year. The increase for the current quarter was primarily due to \$0.4 million of severance cost due to the restructuring plan and the increase in amortization expense related to the customer relationship and trademark intangibles acquired as part of the Astro Machine acquisition. The increase in current quarter selling and marketing expenses was partially offset by decreases in wages, commissions and maintenance contract fees. Current quarter general and administrative expenses were \$2.7 million, a 3.2% increase compared to the second quarter of the prior year, primarily due to \$0.2 million of general and administrative expenses from Astro Machine, \$0.1 million of severance cost due to the restructuring plan and increases in employee wages, benefits and share based compensation. Research and development ("R&D") expenses were \$1.6 million in the current quarter, a 2.4% decrease compared to the second quarter of the prior year, as decreases in wages and benefits were largely offset by increases in outside services and consulting fees. R&D spending as a percentage of revenue for the current quarter was 4.4% as compared to 4.9% for the same period in the prior year.

Other expenses in the second quarter of the current year were \$0.8 million compared to \$0.4 million for the same period in the prior year. Current quarter other expense includes interest expense on term debt and our revolving line of credit of \$0.7 million, and \$0.2 million of net foreign exchange loss, offset by \$0.1 million of other income. Other expenses for the second quarter of the prior year consisted of interest expense on our debt of \$0.2 million and \$0.2 million of net foreign exchange loss.

We recognized a federal, state and foreign income tax benefit for the second quarter of the current year of \$0.4 million resulting in an effective tax rate of 19.4%. The effective tax rate in this period was directly impacted by our jurisdictional mix of earnings, a \$29,000 tax expense related to foreign return to provision differences and a \$20,675 tax arising from windfall tax benefits related to our stock. During the three months ended July 30, 2022, we recognized an income tax expense of \$0.2 million. The effective tax rate of 27.4% was directly impacted by our jurisdictional mix of earnings and a \$13,000 tax expense relating to a revaluation of deferred taxes.

We reported a net loss of \$1.6 million or \$0.22 per diluted share for the second quarter of the current year. The results for this period were impacted by expense of \$2.7 million (\$2.0 million net of tax or \$0.28 per diluted share) related to the restructuring plan and expense of \$0.9 million (\$0.7 million net of tax or \$0.09 per diluted share) related to the product retrofit program. On a comparable basis, net income for the prior year's second quarter was \$0.6 million or \$0.08 per diluted share.

#### Six Months Ended July 29, 2023 vs. Six Months Ended July 30, 2022

Revenue by segment and current period percentage change over the prior year for the six months ended July 29, 2023 and July 30, 2022 were:

		As a		As a	% Change
	July 29,	% of	July 30,	% of	Compared
(Dollars in thousands)	2023	Revenue	2022	Revenue	to
					Prior Year
Product Identification	\$ 50,872	71.7 %	\$ 45,106	71.3 %	12.8 %
T&M	20,071	28.3 %	18,163	28.7 %	10.5 %
Total	\$ 70,943	100.0 %	\$ 63,269	100.0 %	12.1 %

Revenue for the first six months of the current year was \$70.9 million, representing a 12.1% increase compared to the previous year's first six months revenue. Revenue through domestic channels for the first half of the current year was \$45.2 million, an increase of 16.7% from prior year's domestic revenue of \$38.7 million. International revenue for the first six months of the current year was \$25.8 million, a 4.9% increase from the previous year's international revenue of \$24.6 million. International revenue for the first six months of the current year reflected an unfavorable foreign exchange rate impact of \$0.2 million.



Hardware revenue in the first six months of the current year was \$22.9 million, a 27.9% increase compared to the prior year's first six months hardware revenue of \$17.9 million. The current year's increase is attributable to increased hardware sales in both the T&M and PI segments. Current year hardware sales in the PI segment were \$10.4 million, an increase of 55.8% or \$3.7 million compared to the previous year's PI hardware sales of \$6.7 million. This increase was the result of the \$5.2 million of hardware sales from the newly acquired Astro Machine, which was partially offset by a decline in sales of our QuickLabel and TrojanLabel printers. T&M hardware sales for the current year were \$12.5 million, an 11.3% increase from the prior year's T&M hardware sales of \$11.3 million, as the \$2.3 million or 25.8% increase in sales in our aerospace printer product line was modestly offset by the decline in sales of our data recorder product line.

Supplies revenue in the first half of the current year was \$38.8 million, representing a 4.5% increase over the prior year's six months supplies revenue of \$37.1 million. Supplies revenue increased in both the PI and T&M segment in the current year. The increase was primarily due to the \$3.1 million contribution of supply sales from the newly acquired Astro Machine in the PI segment. Also contributing to the increase in the current quarter's supply revenue was the increase in paper supply revenue for the aerospace printers in the T&M segment and increased supply sales in our TrojanLabel product line in the PI segment. The overall increase in supplies revenue for the current quarter was moderately offset by to a large degree due to the decline in ink jet supplies sales in the PI segment.

Service and other revenues of \$4.7 million were \$9.2 million in the first six months of the current quarter increased 24.4% year, a 12.4% increase compared to first quarter revenue of \$3.8 million in the prior year. year's first six months service and other revenues of \$8.2 million. The increase is due primarily to \$0.4 million \$0.9 million of Astro Machine parts revenues included since the acquisition in the PI segment and increased repair and parts revenue for aerospace printer products in the T&M segment due to the impact of increased flight hour usage and pricing increases. segment. The current quarter increase was slightly offset by modest declines a decline in aftermarket parts sales for Quick Label products and repair revenue in the PI T&M segment.

#### The current24

Current year first quarter six months gross profit was \$12.4 million, \$22.1 million, consistent with the prior year's first six months gross profit. Our gross profit margin of 31.1% in the current year reflects a 15.4% 3.8 percentage point decrease from the prior year's first six months gross profit margin of 34.9%. The lower gross profit and related profit margin for the current year compared to the prior year is primarily attributable to \$2.1 million of restructuring costs and \$0.9 million of product retrofit costs recognized in the current year.

Operating expenses for the first six months of the current fiscal year were \$21.8 million, an 8.6% increase compared to the prior year's first quarter gross profit six months operating expenses of \$10.7 million. Current quarter gross profit margin of 35.0% reflects a 0.4 percentage point \$20.1 million. The increase from the prior year's first quarter gross profit margin of 34.6%. The higher gross profit margin for the current quarter compared to the prior year's first quarter is primarily attributable to a higher mix of profitable revenue in the T&M segment.

Operating operating expenses for the current quarter were \$10.9 million, a 9.6% increase period is primarily due to the \$0.7 million of operating expenses from Astro Machine and the \$0.6 million impact from restructuring costs. Selling and marketing expenses for the current year of \$12.7 million increased by 7.1% compared to the prior previous year's first quarter operating expenses. Current quarter selling and marketing expenses were \$6.0 million, a 2.2% increase compared six months primarily due to the first quarter \$0.4 million of the prior year. The increase for the current quarter was primarily severance cost due to the restructuring plan and the increase in amortization expense related to the customer relationship and trademark intangibles acquired as part of the Astro Machine acquisition, as well an increase in employee benefits and bonuses. acquisition. The increase in current quarter years selling and marketing expenses was partially offset by decreases in wages, commissions and maintenance contract fees. Current quarter general fees. General and administrative expenses were \$3.1 million, a 22.1% increase increased 12.6% to \$5.8 million in the first six months of the current year compared to \$5.1 million in the first quarter six months of the prior year, primarily due to \$0.4 million of general and administrative expenses from Astro Machine, \$0.1 million of severance cost due to the restructuring plan and an increase in audit and accounting fees, employee wages, and benefits and share based compensation, professional fees and outside services expenses. Research and development ("R&D") expenses were \$1.8 million service fees partially offset by a decrease in the current quarter, a 17.5% increase

compared to \$1.5 million employee fees. R&D spending in the first quarter of the prior year, primarily due to increases in supplies and repairs expenses and employee wage expenses. R&D spending as a percentage of revenue for the current quarter was 5.0% as compared to 4.9% for the same period in the prior year.

Other expense in the first quarter six months of the current year was \$0.4 million \$3.3 million, a 7.3% increase compared to \$0.3 million for the same period prior year's first six months spend of \$3.1 million primarily due to an increase in outside services and supplies expenses partially offset by decreases in employee wages. Current year spending on R&D represents 4.7% of revenue compared to the prior year's first six months level of 4.9%.

Other expenses during the first six months of the current year were \$1.2 million compared to \$0.7 million in the prior first six months of the previous year. Current quarter year other expense includes interest expense on term debt and our revolving line of credit of \$0.6 million, \$1.3 million, offset by \$0.2 million other income of net foreign exchange gain, \$0.1 million. Other expense expenses for the first quarter six months of the prior year consisted of included interest expense on our debt of \$0.2 million \$0.4 million and \$0.1 million of net foreign exchange loss, loss of \$0.4 million, offset by other expense of \$0.1 million.

We recognized a federal, state and foreign \$0.2 million of income tax provision benefit for the first quarter six months of the current fiscal year, of \$179,000, resulting in an effective tax rate of 17.4% 21.5%. This The effective tax rate was directly impacted by our jurisdictional mix of earnings, a \$77,000 tax benefit related to the expiration of the statute of limitations on a previously uncertain tax position, and a \$29,000 \$49,000 tax benefit arising from windfall tax benefits related to our stock. During the three months ended April 30, 2022, we Company's stock, and a \$29,000 tax expense related to foreign return to provision differences. We recognized an \$0.3 million of income tax expense for the first six months of approximately \$60,000. The effective tax rate in this period was directly impacted by the prior fiscal year, which reflected a \$38,000 tax benefit related to the expiration of the statute of limitations on a previously uncertain tax position and positions, a \$30,000 \$21,000 tax benefit arising from windfall tax benefits expense related to our stock, stock, and a \$13,000 tax expense relating to a revaluation of deferred taxes and resulted in a 21.7% effective tax rate.

We reported a net income loss of \$0.8 million \$0.8 million, or \$0.11 \$0.10 per diluted share, for the first quarter six months of the current year. The results for this period were impacted by expense of \$2.7 million (\$2.0 million net of tax or \$0.28 per diluted share) related to the restructuring plan and expense of \$0.9 million (\$0.7 million net of tax or \$0.09 per diluted share) related to the product retrofit program. On a comparable basis, net income for the prior year's first quarter six months was \$0.4 million \$1.0 million, or \$0.06 \$0.14 per diluted share. Return on revenue was 2.4% for the first quarter of fiscal 2024 compared to 1.4% for the first quarter of fiscal 2023.

## Segment Analysis

We report two segments: PI and T&M and evaluate segment performance based on the segment profit before corporate and financial administration expenses. Summarized below are the Revenue and Segment Operating Profit (Loss) for each reporting segment:

(In thousands)	Three Months Ended			
	Revenue		Segment Operating Profit	
	April 29, 2023	April 30, 2022	April 29, 2023	April 30, 2022
PI	\$ 25,095	\$ 21,724	\$ 2,515	\$ 1,413
T&M	10,324	9,286	2,072	1,911
Total	<u>\$ 35,419</u>	<u>\$ 31,010</u>	4,587	3,324
Corporate Expenses			<u>3,126</u>	<u>2,560</u>
Operating Income			1,461	764
Other Expense, Net			434	279



Income Before Income Taxes	1,027	485
Income Tax Provision	179	60
Net Income	\$ 848	\$ 425

(In thousands)	Three Months Ended				Six Months Ended			
	Revenue		Segment Operating Profit (Loss)		Revenue		Segment Operating Profit (Loss)	
	July 29,	July 30,	July 29,	July 30,	July 29,	July 30,	July 29,	July 30,
	2023	2022	2023	2022	2023	2022	2023	2022
Product Identification	\$ 25,777	\$ 23,382	\$ (461)	\$ 1,644	\$ 50,872	\$ 45,106	\$ 2,055	\$ 3,058
T&M	9,747	8,877	1,917	2,162	20,071	18,163	3,989	4,072
Total	\$ 35,524	\$ 32,259	1,456	3,806	\$ 70,943	\$ 63,269	6,044	7,130
Corporate Expenses			2,654	2,571			5,780	5,131
Operating Income (Loss)			(1,198)	1,235			264	1,999
Other Income (Expense), Net			(809)	(431)			(1,244)	(710)
Income (Loss) Before Income Taxes			(2,007)	804			(980)	1,289
Taxes								
Income Tax Provision (Benefit)			(390)	220			(211)	280
Net Income (Loss)			\$ (1,617)	\$ 584			\$ (769)	\$ 1,009

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### Product Identification-PI

Revenue from the PI segment increased \$3.4 million \$2.4 million or 15.5% 10.2% in the first second quarter of the current year, with revenue of \$25.1 million \$25.8 million compared to \$21.7 million \$23.4 million in the same period of the prior year. The current quarter increase is attributable to the contribution of the newly acquired Astro Machine, which provided revenue of \$4.2 million \$4.9 million for the first second quarter of the current year. An increase in Trojan Label related product supply revenue due to the larger installed base of these printers also factored into the increase in the first quarter of fiscal 2024 revenue. The current quarter increase in PI revenue was offset by declines in the revenue from QuickLabel inkjet supply products supplies and certain tabletop label hardware sales, particularly in North America resulting primarily from the continued adverse market reaction impairment of certain label printers due to the ink quality problems caused by quality and reliability issues we faced from related to one supplier. Product Identification's of our large suppliers. The PI segment recognized a current quarter segment operating profit was \$2.5 million, loss of \$0.5 million, reflecting a negative profit margin of 10.0% 1.8%. This compares to the prior year's first second quarter segment profit of \$1.4 million \$1.6 million and related profit margin of 6.5% 7.0%. The increase decrease in Product Identification the current year first second quarter PI segment operating profit and margin is primarily due to the impact of \$2.6 million of costs related to the restructuring plan and \$0.9 million of product retrofit costs recognized in the current quarter. This decrease was slightly offset by the inclusion of Astro Machine and a favorable product mix.

Revenue from the PI segment increased 12.8% to \$50.9 million in the first six months of the current year from \$45.1 million in the same period of the prior year. The current year's increase is primarily due to the contribution of the newly acquired Astro Machine, which provided revenue of \$9.1 million for the current year. The current year's increase in PI revenue was offset by declines in the revenue from

inkjet supplies and certain tabletop label hardware sales, particularly in North America resulting primarily from the continued adverse market reaction to issues caused by the impairment of certain label printers due to the ink quality issues related to one of our larger suppliers. The current year's PI segment operating profit was \$2.1 million with a profit margin of 4.0%, compared to the prior year's segment operating profit of \$3.1 million and related profit margin of 6.8%. The decrease in current year's PI segment operating profit and margin is primarily due to the impact of \$2.6 million of costs related to the restructuring plan and \$0.9 million of product retrofit costs recognized in the current year. This decrease was slightly offset by the inclusion of Astro Machine and a favorable product mix.

#### Test & Measurement—T&M

Revenue from the T&M segment was \$10.3 million \$9.7 million for the first second quarter of the current fiscal year, representing an 11.2% a 9.8% increase compared to revenue of \$9.3 million \$8.9 million for the same period in the prior year. The increase in revenue for the current quarter is primarily attributable to strong hardware sales in our aerospace product lines as a result of increased aerospace printer product unit volume. Demand for printers, especially for narrow-body aircraft, has increased due to the post-pandemic recovery in air travel demand and new orders of airplanes and the corresponding increase in production rates. The sales of printers for wide-body aircraft have increased but at much slower rates compared with narrow-body demand. Also contributing to the current quarter increase were sales of ToughSwitch ethernet products and \$0.4 million in revenue recognized in the first quarter as the result of successful claims for component cost increases for printer shipments to one customer throughout most of fiscal 2023 as described in Note 4, "Revenue Recognition," in our consolidated financial statements included elsewhere in this report. Current quarter revenue increase was partially offset by a decline in hardware sales in the data recorder product line. T&M's first second quarter segment operating profit was \$2.1 million, \$1.9 million, reflecting a profit margin of 20.1% 19.7%, compared to the prior year first second quarter segment operating profit of \$1.9 million \$2.2 million and related operating margin of 20.6% 24.4%. The decrease in T&M's current year first second quarter segment operating profit margin is due to lower revenue of high margin from high-margin product lines.

Revenue from the T&M segment was \$20.1 million for the first six months of the current fiscal year, a 10.5% increase compared to sales of \$18.2 million for the same period in the prior year. The increase in revenue for the current year was primarily attributable to strong hardware sales in our aerospace product lines as a result of increased aerospace printer product unit volume. Demand for printers, especially for narrow-body aircraft, has increased due to the post-pandemic recovery in air travel demand, which has driven new orders of airplanes and a corresponding increase in production rates. The sales of printers for wide-body aircraft have increased but at a much slower rate compared with narrow-body demand. The current quarter T&M segment revenue increase was partially offset by a decline in T&M hardware sales in the data recorder product line. The segment's first six months operating profit of \$4.0 million resulted in a 19.9% profit margin compared to the prior year's segment operating profit of \$4.1 million and related operating margin of 22.4%. The decrease in T&M's current year segment operating profit margin is due to lower revenue from high-margin product lines.

## **Liquidity and Capital Resources**

### Overview

Historically, our primary sources of liquidity have been cash generated from operating activities and borrowings under our revolving credit facility. These sources have also usually funded the majority of our capital expenditures and contractual contingent consideration obligations. We have funded acquisitions by borrowing under bank term loan facilities.

We believe cash flow generation from operations and available unused credit capacity under our credit facility will support our anticipated needs. In fiscal 2024 (after required debt amortization and payment of minimum guaranteed royalty payments to Honeywell), we plan to focus on inventory reduction and reduction of debt outstanding under our revolving credit facility, to the degree practicable and as constrained by supply chain management challenges. We also anticipate that we will have the capacity to spend \$1.5 million \$1.5 million to \$2.0 million \$2.0 million for capital investments to upgrade production machinery to support planned revenue growth and cost reduction objectives. Finally, if further acquisition opportunities develop that would require additional cash above our current available

capacity, based on regular communication with our lender, we believe that our current operating performance and the reduction in leverage ratios as measured by the covenants within our credit facilities since the acquisition of Astro Machine would permit us to obtain sufficient additional debt financing, barring any unforeseen changes in the credit and capital markets.

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In connection with our purchase of Astro Machine on August 4, 2022, we entered into a Second Amendment to Amended and Restated Credit Agreement (the "Second Amendment") with Bank of America, N.A., as lender (the "Lender"). The Second Amendment amended the Amended and Restated Credit Agreement dated as of July 30, 2020, as amended by the First Amendment to Amended and Restated Credit Agreement, dated as of March 24, 2021, and the LIBOR Transition Amendment, dated as of December 24, 2021 (the "Existing Credit Agreement," and the Existing Credit Agreement as amended by the Second Amendment, the "Amended Credit Agreement"), between us and the Lender.

The Amended Credit Agreement provides for (i) a new term loan in the principal amount of ~~\$6.0 million~~, ~~\$6.0 million~~, which term loan was in addition to the existing term loan outstanding under the Existing Credit Agreement in the principal amount of ~~\$9.0 million~~ ~~\$9.0 million~~ as of the effective date of the Second Amendment, and (ii) an increase in the aggregate principal amount of the revolving credit facility available thereunder from ~~\$22.5 million~~ ~~\$22.5 million~~ to ~~\$25.0 million~~. ~~\$25.0 million~~. Under the Amended Credit Agreement, revolving credit loans may continue to be borrowed, at our option, in U.S. Dollars or, subject to certain conditions, Euros, British Pounds, Canadian Dollars or Danish Kroner.

In response to the COVID-19 pandemic and related economic dislocation, we have implemented and will continue to implement a variety of expense reduction and cash preservation initiatives. On April 27, 2020, our board of directors suspended our quarterly cash dividend beginning with the second quarter of our fiscal year 2021.

At ~~April 29, 2023~~ ~~July 29, 2023~~ our cash and cash equivalents were ~~\$5.4 million~~. ~~\$4.5 million~~. We have borrowed ~~\$15.9 million~~ ~~\$13.9 million~~ on our revolving line of credit and have ~~\$9.1 million~~ ~~\$11.1 million~~ available for borrowing under that facility as of ~~April 29, 2023~~ ~~July 29, 2023~~.

### Indebtedness

#### *Term Loan*

The Amended Credit Agreement requires that the term loan be paid in quarterly installments on the last day of each of our fiscal quarters over the term of the Amended Credit Agreement on the following repayment schedule: the principal amount of each quarterly installment required to be paid on the last day of each of our fiscal quarters ending on or about October 31, 2022 through July 31, 2023 is \$375,000; and the principal amount of each quarterly installment required to be paid on the last day of each of our fiscal quarters ending on or about October 31, 2023 through April 30, 2027 is \$675,000. The entire remaining principal balance of the term loan is required to be paid on August 4, 2027. We may voluntarily prepay the term loan, in whole or in part, from time to time without premium or penalty (other than customary breakage costs, if applicable). We may repay borrowings under the revolving credit facility at any time without premium or penalty (other than customary breakage costs, if applicable), but in any event no later than August 4, 2027, and any outstanding revolving loans thereunder will be due and payable in full, and the revolving credit facility will terminate, on such date. We may reduce or terminate the revolving line of credit at any time, subject to certain thresholds and conditions, without premium or penalty.

The loans under the Amended Credit Agreement are subject to certain mandatory prepayments, subject to various exceptions, from (a) net cash proceeds from certain dispositions of property, (b) net cash proceeds from certain issuances of equity, (c) net cash proceeds from certain issuances of additional debt and (d) net cash proceeds from certain extraordinary receipts.

Amounts repaid under the revolving credit facility may be reborrowed, subject to our continued compliance with the Amended Credit Agreement. No amount of the term loan that is repaid may be reborrowed.

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The interest rates under the Amended Credit Agreement are as follows: the term loan and revolving credit loans bear interest at a rate per annum equal to, at our option, either (a) the BSBY Rate as defined in the Amended Credit Agreement (or, in the case of revolving credit loans denominated in a currency other than U.S. Dollars, the applicable quoted rate), plus a margin that varies within a range of 1.60% to 2.50% based on our consolidated leverage ratio, or (b) a fluctuating reference rate equal to the highest of (i) the federal fund rate plus 0.50%, (ii) Bank of America's publicly announced prime rate, (iii) the BSBY Rate plus 1.00%, or (iv) 0.50%, plus a margin that varies within a range of 0.60% to 1.50% based on our consolidated leverage ratio. In addition to certain other fees and expenses that we are required to pay to the Lender, we are required to pay a commitment fee on the undrawn portion of the revolving credit facility that varies within a range of 0.15% and 0.35% based on our consolidated leverage ratio.

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We must comply with various customary financial and non-financial covenants under the Amended Credit Agreement. The financial covenants under the Amended Credit Agreement consist of a maximum consolidated leverage ratio, a minimum consolidated fixed charge coverage ratio and a minimum consolidated asset coverage ratio. The primary non-financial covenants limit our and our subsidiaries' ability to incur future indebtedness, to place liens on assets, to pay dividends or distributions on our or our subsidiaries' capital stock, to repurchase or acquire our or our subsidiaries' capital stock, to conduct mergers or acquisitions, to sell assets, to alter our or our subsidiaries' capital structure, to make investments and loans, to change the nature of our or our subsidiaries' business, and to prepay subordinated indebtedness, in each case subject to certain exceptions and thresholds as set forth in the Amended Credit Agreement, certain of which provisions were modified by the Second Amendment. As of April 29, 2023 July 29, 2023, we believe we are in compliance with all of the covenants in the Credit Agreement.

The Lender is entitled to accelerate repayment of the loans and to terminate its revolving credit commitment under the Amended Credit Agreement upon the occurrence of any of various customary events of default, which include, among other events, the following (which are subject, in some cases, to certain grace periods): failure to pay when due any principal, interest or other amounts in respect of the loans, breach of any of our covenants or representations under the loan documents, default under any other of our or our subsidiaries' significant indebtedness agreements, a bankruptcy, insolvency or similar event with respect to us or any of our subsidiaries, a significant unsatisfied judgment against us or any of our subsidiaries, or a change of control.

Our obligations under the Amended Credit Agreement continue to be secured by substantially all of our personal property assets (including a pledge of the equity interests we hold in ANI ApS, AstroNova GmbH and AstroNova SAS), subject to certain exceptions, and by a mortgage on our owned real property in West Warwick, Rhode Island, and are guaranteed by, and secured by substantially all of the personal property assets of Astro Machine.

#### Cash Flow

Our statements of cash flows for the three six months ended April 29, 2023 July 29, 2023 and April 30, 2022 July 30, 2022 are included in Item 1 of this Quarterly Report on Form 10-Q. Net cash provided by operating activities was \$2.6 million \$4.7 million for the first three six months of fiscal 2024 compared to cash used of \$1.6 million \$3.8 million for the same period of the previous year. The increase in net cash provided by operations for the first three six months of the current year is primarily due to the an increase in cash provided by working capital. The combination of changes in accounts receivable, inventory, income taxes payable, accounts payable and accrued expenses increased cash by \$0.6 million \$0.2 million for the first three six months of fiscal 2024, compared to a decrease of \$6.9 million \$10.3 million for the same period in fiscal 2023. Cash provided for operating activities for the six months of fiscal 2024 was

impacted by \$2.0 million of non cash restructuring costs. The cash used for operating activities for the first quarter six months of fiscal 2023 was partially offset by \$3.1 million \$3.1 million of cash received for the employee retention credit.

Our accounts receivable balance decreased to \$19.3 million \$18.0 million at the end of the second quarter of fiscal 2024 compared to \$21.6 million at year end. Days sales outstanding for the second quarter of the current year decreased to 46 days, compared to 49 days at prior year end. Our inventory balance was \$49.1 million at the end of the first quarter of fiscal 2024, a decrease compared to \$21.6 million at year end. Days sales outstanding for the first quarter of the current year remained at 49 days, consistent with prior year end. Our inventory balance was \$53.1 million at the end of the first quarter of fiscal 2024, an increase compared to \$51.3 million \$51.3 million at year end. Inventory days on hand increased decreased to 208 171 days at the end of the current quarter from 176 days at the prior year end. The increase decrease in our inventory balance is primarily due to the write down of inventory of \$2.0 million related to the restructuring plan initiated in the second quarter, as well as the lingering impact of inventory increases related to difficulties in the supply chain environment, including increased pricing and long lead times to obtain components and supplies, which has required us to increase our component and supply buffer stock to support the demands of our customers in our PI segment, and which has not yet abated. We have also experienced increased inventory levels related to our T&M products to maintain our targeted inventory levels as a result of increased sales in that segment and parts shortage issues.

Our cash position at April 29, 2023 July 29, 2023, was \$5.4 million \$4.5 million compared to \$3.9 million \$3.9 million at year end. The increase in cash during the current quarter was primarily a result of cash provided from the working capital accounts, as discussed above. Cash outflows during the quarter included repayments on our revolving line of credit of \$2.0 million, principal payments on our long-term debt and the guaranteed royalty obligation of \$0.4 million \$0.8 million and \$0.5 million, respectively. \$0.9 million, respectively, and cash used for capital expenditures of \$0.5 million.

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### **Contractual Obligations, Commitments and Contingencies**

There have been no material changes to our contractual obligations as disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023, other than those occurring in the ordinary course of business.

### **Critical Accounting Policies, Estimates and Certain Other Matters**

The preparation of our condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of commitments and contingencies at the date of the condensed consolidated financial statements and reported amounts of revenue and expenses during the reporting period. We base these estimates and judgments on factors we believe to be relevant, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

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The process of determining significant estimates is fact-specific and takes into account factors such as historical experience, current and expected economic conditions, product mix, and in some cases, actuarial and appraisal techniques. We constantly re-evaluate these significant factors and make adjustments where facts and circumstances dictate.

While we believe that the factors considered provide a meaningful basis for the accounting policies applied in the preparation of the condensed consolidated financial statements, we cannot guarantee that our estimates and assumptions will be accurate. As the determination of these estimates requires the exercise of judgment, actual results may differ from those estimates, and such differences may be material to our condensed consolidated financial statements. There have been no material changes to the application of critical accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023.

### **Cautionary Note Regarding Forward-Looking Statements**

This Quarterly Report on Form 10-Q may contain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact, but rather reflect our current expectations concerning future events and results. We generally use the words “believes,” “expects,” “intends,” “plans,” “anticipates,” “likely,” “continues,” “may,” “will,” and similar expressions to identify forward-looking statements. Such forward-looking statements, including those concerning our expectations, involve risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. Factors which could cause actual results to differ materially from those anticipated include, but are not limited to (a) general economic, financial, industry and business conditions; (b) the continuing impact of the COVID-19 pandemic on us, our customers, our suppliers and the global economy; (c) declining demand in the test and measurement markets, especially defense and aerospace; (d) our ability to develop and introduce new products and achieve market acceptance of these products; (e) our dependence on contract manufacturers and/or single or limited source suppliers; (f) competition in the specialty printer or data acquisition industries; (g) our ability to obtain adequate pricing for our products and control our cost structure; (h) our ability to adequately enforce and protect our intellectual property, defend against assertions of infringement or loss of certain licenses; (i) the risk of incurring liabilities as a result of installed product failures due to design or manufacturing defects (j) the risk of a material security breach of our information technology system or cybersecurity attack impacting our business and our relationship with customers; (k) our ability to attract, develop and retain key employees and manage human capital resources; (l) economic, political and other risks associated with international sales and operations and the impact of changes in foreign currency exchange rates on the results of operations; (m) changes in tax rates or exposure to additional income tax liabilities; (n) our ability to comply with our current credit agreement or secure alternative financing and to otherwise manage our indebtedness; (o) our ability to successfully integrate and realize the expected benefits from Astro Machine and other acquisitions and realize benefits from divestitures; (p) our ability to maintain adequate self-insurance accruals or insurance coverage for employee health care benefits; (q) our compliance with customer or regulators certifications and our compliance with certain governmental laws and regulations; (r) our ability to achieve and maintain effective internal controls and procedures over financial reporting; (s) the risk that we may not successfully execute or achieve the expected benefits of our restructuring plan for our Product Identification segment and (s) (t) all other risks included under “Item 1A-Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023. We assume no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

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### **Item 3.**

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

##### **Quantitative and Qualitative Disclosures About Market Risk**

During the three six months ended April 29, 2023 July 29, 2023, there were no material changes to our market risk disclosures as set forth in Part II, Item 7A “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended January 31, 2023.

### **Item 4. Controls and Procedures**

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

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our senior leadership team, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of April 29, 2023 July 29, 2023 as a result of the material weakness in our internal control over financial reporting described below.

### **Material Weakness in Internal Control Over Financial Reporting**

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As reported in Item 9A of our Annual Report on Form 10-K/A for the year ended January 31, 2023, our management concluded that our internal control over financial reporting was ineffective because of the following material weakness:

We did not maintain effective controls to properly identify and assess significant non-routine transactions, non-routine transactions.

### **Plan for Remediation of Material Weakness**

Our management has discussed the identified material weakness with the Audit Committee of our Board of Directors. During the quarter ended April 29, 2023, fiscal 2024, we have begun to implement measures designed to improve internal control over financial reporting and to remediate our material weakness. Among other things, we have supplemented our controls regarding the review of contracts, hired additional qualified accounting and financial reporting personnel with appropriate expertise to perform specific functions and responsibilities. Additionally, we have engaged a national accounting firm to provide additional depth and expertise to assist with the identification, recording, and reporting of complex US GAAP technical accounting matters.

Management believes that when completed, the measures described above will be sufficient to remediate the identified material weakness and strengthen our overall internal control over financial reporting. As our management continues to evaluate and work to enhance our internal control over financial reporting, we may take additional measures to address control deficiencies or we may modify some of the remediation measures described above. The identified material weakness will not be considered remediated until the applicable remediated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

### **Changes in Internal Control over Financial Reporting**

Except for the measures taken to remediate our identified material weakness noted above, there were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the fiscal quarter ended April 29, 2023 July 29, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

#### **Item 1. Legal Proceedings**

There are no pending or threatened legal proceedings against us that we believe to be material to our financial position or results of operations.



## Item 1A. Risk Factors

### Item 1A.

#### Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, one should carefully consider the factors discussed in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023, which could materially affect our business, financial condition or future operating results. The risks described in our Annual Report on Form 10-K are not the only risks that could affect our business, as additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results as well as adversely affect the value of our common stock.

ThereOther than below, there have been no material updates to the risk factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023.

26We may not successfully execute or achieve the expected benefits of our restructuring plan for our Product Identification segment.

### Item 2.

In July 2023, we announced a restructuring plan for our Product Identification segment to streamline the cost structure and enhance the operational efficiencies of the segment. These measures that we have taken and expect to take pursuant to the restructuring plan are subject to known and unknown risks and uncertainties, including whether we have targeted the appropriate areas for our cost-saving efforts and at the appropriate scale, and whether, if required in the future, we will be able to appropriately target any additional areas for our cost-saving efforts. As such, the actions we are taking under the restructuring plan and that we may decide to take in the future may not be successful in yielding our intended results. Implementation of the restructuring plan and any other cost-saving initiatives may be costly and disruptive to our business, the expected costs and charges may be greater than we have forecasted, and the estimated cost savings may be lower than we have forecasted. Additionally, certain aspects of the restructuring plan, such as severance costs in connection with reducing our headcount, could negatively impact our cash flows. In addition, our initiatives have resulted, and could in the future result in, personnel attrition beyond our planned reduction in headcount or reduced employee morale, which could in turn adversely impact productivity, including through a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods, or our ability to attract highly skilled employees. See Note 17, “Restructuring,” in our condensed consolidated financial statements included elsewhere in this report for further details regarding the restructuring plan.

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

### Unregistered Sales of Equity Securities and Use of Proceeds

During the first second quarter of fiscal 2024, we made the following repurchases of our common stock:

	Total Number of Shares Repurchased	Weighted Average Price paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Be Purchased Under the Plans or Programs
February 1—February 28	—	\$ —	—	—
March 1—March 31	8,955 (a)	\$ 11.94 (a)	—	—
April 1—April 30	17,232 (b)	\$ 14.11 (b)	—	—

- (a) Executives of the Company delivered 8,955 shares of the our common stock toward the satisfaction of taxes due with respect to vesting of restricted shares. The shares delivered were valued at an average market value of \$11.94 per share and are included with treasury stock in the consolidated balance sheet. These transactions were not part of a publicly announced purchase plan or program.



- (b) Executives of the Company delivered 17,232 shares of the our common stock toward the satisfaction of taxes due with respect to vesting of restricted shares. The shares delivered were valued at a weighted-average market value of \$14.11 per share and are included with treasury stock in the consolidated balance sheet. These transactions were not part of a publicly announced purchase plan or program.

**Item 6. Exhibits**

	Total Number of Shares Repurchased	Weighted Average Price paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Be Purchased Under the Plans or Programs
3A				
May 1—May 31	—	\$ —	—	—
June 1—June 30	—	\$ —	—	—
July 1—July 31	—	\$ —	—	—

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**Item 6. Exhibits**

- 3A [Restated Articles of Incorporation of the Company and all amendments thereto, filed as Exhibit 3A to the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2016 July 30, 2016 and incorporated by reference herein.](#)

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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.

Date: June 8, 2023

ASTRONOVA, INC.

(Registrant)

By

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Date: September 7, 2023

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Gregory A. Woods,  
President and Chief Executive Officer  
(Principal Executive Officer)

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David S. Smith,  
Vice President, Chief Financial Officer and Treasurer  
(Principal Accounting Officer and Principal Financial Officer)

# CERTIFICATION

## Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Gregory A. Woods certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AstroNova, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this 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 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.
1. I have reviewed this Quarterly Report on Form 10-Q of AstroNova, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in

all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this 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 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: June 8, 2023

Date: September 7, 2023

/s/ Gregory A. Woods

Gregory A. Woods,  
President and Chief Executive Officer  
(Principal Executive Officer)

Exhibit 31.2

## CERTIFICATION

### Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David S. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AstroNova, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this 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 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.
1. I have reviewed this Quarterly Report on Form 10-Q of AstroNova, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this 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 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: June 8, 2023

Date: September 7, 2023

/s/ David S. Smith

David S. Smith,  
Vice President, Chief Financial Officer and Treasurer  
(Principal Accounting Officer and Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of AstroNova, Inc. (the "Company") on Form 10-Q for the period ended April 29, 2023 July 29, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory A. Woods, President and Chief Executive Officer of the Company, certify, pursuant to Rule 13a-14(b) and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.
- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 8, 2023

Date: September 7, 2023

/s/ Gregory A. Woods

Gregory A. Woods,

President and Chief Executive Officer  
(Principal Executive Officer)

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

**Exhibit 32.2**

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

In connection with the Quarterly Report of AstroNova, Inc. (the "Company") on Form 10-Q for the period ended April 29, 2023 July 29, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David S. Smith, Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to Rule 13a-14(b) and 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.
- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 8, 2023 September 7, 2023

/s/ David S. Smith

David S. Smith,  
Vice President, Chief Financial Officer and Treasurer  
(Principal Accounting Officer and Principal Financial Officer)

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



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