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

FORM 10-Q

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from ______to ______.

Commission File Number: 0-21810

GENTHERM INCORPORATED
(Exact name of registrant as specified in its charter)

Michigan	**95-4318554**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
21680 Haggerty Road, Northville, MI	**48167**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (248) 504-0500

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, no par value	THRM	Nasdaq

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

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

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

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

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

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

At October 25, 2024, there were 30,979,767 issued and outstanding shares of Common Stock of the registrant.

GENTHERM INCORPORATED

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GENTHERM INCORPORATED

CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	September 30, 2024	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 150,581	$ 149,673
Accounts receivable, net	270,913	253,579
Inventory:		
Raw materials	141,547	126,013
Work in process	20,116	15,704
Finished goods	72,083	64,175
Inventory, net	233,746	205,892
Other current assets	81,711	78,420
Total current assets	736,951	687,564
Property and equipment, net	253,531	245,234
Goodwill	104,839	104,073
Other intangible assets, net	61,067	66,482
Operating lease right-of-use assets	29,366	27,358
Deferred income tax assets	81,923	81,930
Other non-current assets	30,502	21,730
Total assets	$ 1,298,179	$ 1,234,371
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 254,555	$ 215,827
Current lease liabilities	7,038	7,700
Current maturities of long-term debt	210	621
Other current liabilities	103,647	100,805
Total current liabilities	365,450	324,953
Long-term debt, less current maturities	222,104	222,217
Non-current lease liabilities	21,929	16,175
Pension benefit obligation	2,805	3,209
Other non-current liabilities	25,182	23,095
Total liabilities	$ 637,470	$ 589,649
Shareholders' equity:		
Common Stock:		
No par value; 55,000,000 shares authorized 30,976,821 and 31,542,001 issued and outstanding at September 30, 2024 and December 31, 2023, respectively	10,698	50,503
Paid-in capital	4,552	—
Accumulated other comprehensive loss	(35,021)	(30,160)
Accumulated earnings	680,480	624,379
Total shareholders' equity	660,709	644,722
Total liabilities and shareholders' equity	$ 1,298,179	$ 1,234,371

See accompanying notes to the consolidated condensed financial statements.

GENTHERM INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Product revenues	$ 371,512	$ 366,195	$ 1,103,210	$ 1,102,143
Cost of sales	276,639	279,985	822,883	846,815
Gross margin	94,873	86,210	280,327	255,328
Operating expenses:				
Net research and development expenses	23,013	23,150	67,619	72,991
Selling, general and administrative expenses	36,861	38,220	116,992	113,680
Restructuring expenses, net	2,662	1,099	12,342	3,412
Impairment of goodwill	—	—	—	19,509
Total operating expenses	62,536	62,469	196,953	209,592
Operating income	32,337	23,741	83,374	45,736
Interest expense, net	(4,710)	(3,368)	(11,956)	(9,444)
Foreign currency (loss) gain	(8,480)	2,107	(6,213)	384
Other income	263	272	952	1,058
Earnings before income tax	19,410	22,752	66,157	37,734
Income tax expense	3,445	6,908	16,531	15,478
Net income	$ 15,965	$ 15,844	$ 49,626	$ 22,256
Basic earnings per share	$ 0.51	$ 0.48	$ 1.58	$ 0.67
Diluted earnings per share	$ 0.51	$ 0.48	$ 1.57	$ 0.67
Weighted average number of shares – basic	31,187	32,944	31,421	33,049
Weighted average number of shares – diluted	31,365	33,196	31,605	33,311

See accompanying notes to the consolidated condensed financial statements.

GENTHERM INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Net income	$ 15,965	$ 15,844	$ 49,626	$ 22,256
Other comprehensive income (loss):				
Pension benefit obligations	17	4	50	12
Foreign currency translation adjustments	22,438	(16,456)	3,446	(11,789)
Unrealized (loss) gain on foreign currency derivative securities, net of tax	(1,777)	(2,090)	(8,357)	2,311
Other comprehensive income (loss), net of tax	20,678	(18,542)	(4,861)	(9,466)
Comprehensive income (loss)	$ 36,643	$ (2,698)	$ 44,765	$ 12,790

See accompanying notes to the consolidated condensed financial statements.

GENTHERM INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Operating Activities:		
Net income	$ 49,626	$ 22,256
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,085	38,531
Deferred income taxes	1,568	(3,017)
Stock based compensation	10,291	8,451
(Gain) loss on disposition of property and equipment	(1,702)	873
Provisions for inventory	502	6,597
Impairment of goodwill	—	19,509
Other	(1,057)	81
Changes in assets and liabilities:		
Accounts receivable, net	(16,179)	(19,813)
Inventory	(27,826)	3,733
Other assets	(35,959)	(19,218)
Accounts payable	38,501	32,158
Other liabilities	15,239	(10,099)
Net cash provided by operating activities	73,089	80,042
Investing Activities:		
Purchases of property and equipment	(50,354)	(26,526)
Proceeds from the sale of property and equipment	7,537	72
Proceeds from deferred purchase price of factored receivables	10,266	10,139
Cost of technology investments	(590)	(630)
Net cash used in investing activities	(33,141)	(16,945)
Financing Activities:		
Borrowings on debt	53,000	—
Repayments of debt	(53,520)	(27,166)
Proceeds from the exercise of Common Stock options	4,650	263
Taxes withheld and paid on employees' stock based compensation	(3,157)	(2,754)
Cash paid for the repurchase of Common Stock	(41,578)	(31,094)
Net cash used in financing activities	(40,605)	(60,751)
Foreign currency effect	1,565	(1,883)
Net increase in cash and cash equivalents	908	463
Cash and cash equivalents at beginning of period	149,673	153,891
Cash and cash equivalents at end of period	$ 150,581	$ 154,354
Supplemental disclosure of cash flow information:		
Cash paid for taxes	$ 19,470	$ 18,893
Cash paid for interest	10,022	9,737
Non-Cash Investing Activities:		
Period-end balance of accounts payable for property and equipment	$ 7,646	$ 4,501
Deferred purchase price of receivables factored in the period	9,276	11,344

See accompanying notes to the consolidated condensed financial statements.

GENTHERM INCORPORATED

CONSOLIDATED CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Common Stock		Paid-in	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Capital	Loss	Earnings	Total
Balance at December 31, 2023	31,542	$ 50,503	$ —	$ (30,160)	$ 624,379	$ 644,722
Net income	—	—	—	—	14,785	14,785
Other comprehensive loss	—	—	—	(15,035)	—	(15,035)
Stock based compensation, net	87	2,766	—	—	(179)	2,587
Stock repurchase	—	—	—	—	—	—
Balance at March 31, 2024	31,629	53,269	—	(45,195)	638,985	647,059
Net income	—	—	—	—	18,876	18,876
Other comprehensive loss	—	—	—	(10,504)	—	(10,504)
Stock based compensation, net	69	5,555	(396)	—	—	5,159
Stock repurchase	(380)	(32,285)	5,345	—	6,654	(20,286)
Balance at June 30, 2024	31,318	26,539	4,949	(55,699)	664,515	640,304
Net income	—	—	—	—	15,965	15,965
Other comprehensive income	—	—	—	20,678	—	20,678
Stock based compensation, net	64	4,442	(397)	—	—	4,045
Stock repurchase	(406)	(20,283)	—	—	—	(20,283)
Balance at September 30, 2024	30,976	$ 10,698	$ 4,552	$ (35,021)	$ 680,480	$ 660,709

	Common Stock		Paid-in	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Capital	Loss	Earnings	Total
Balance at December 31, 2022	33,202	$ 122,658	$ 5,447	$ (46,489)	$ 590,657	$ 672,273
Net income	—	—	—	—	7,963	7,963
Other comprehensive income	—	—	—	10,388	—	10,388
Stock based compensation, net	94	(241)	(68)	—	—	(309)
Stock repurchase	(169)	(9,997)	—	—	—	(9,997)
Balance at March 31, 2023	33,127	112,420	5,379	(36,101)	598,620	680,318
Net loss	—	—	—	—	(1,551)	(1,551)
Other comprehensive loss	—	—	—	(1,312)	—	(1,312)
Stock based compensation, net	28	3,101	—	—	—	3,101
Stock repurchase	(167)	(9,996)	—	—	—	(9,996)
Balance at June 30, 2023	32,988	105,525	5,379	(37,413)	597,069	670,560
Net income	—	—	—	—	15,844	15,844
Other comprehensive loss	—	—	—	(18,542)	—	(18,542)
Stock based compensation, net	2	3,291	—	—	—	3,291
Stock repurchase	(195)	(11,101)	—	—	—	(11,101)
Balance at September 30, 2023	32,795	$ 97,715	$ 5,379	$ (55,955)	$ 612,913	$ 660,052

See accompanying notes to the consolidated condensed financial statements.

Note 1 – Overview

Gentherm Incorporated, a Michigan corporation, and its consolidated subsidiaries (“Gentherm”, “we”, “us”, “our” or the “Company”) is the global market leader of innovative thermal management and pneumatic comfort technologies for the automotive industry and a leader in medical patient temperature management. Automotive products include variable temperature Climate Control Seats, heated automotive interior systems (including heated seats, steering wheels, armrests and other components), battery performance solutions, cable systems, lumbar and massage comfort solutions, fuel management valves and other valves for brake and engine systems, and other electronic devices. Our automotive products can be found on vehicles manufactured by nearly all the major original equipment manufacturers (“OEMs”) operating in North America and Europe, and several major OEMs in Asia. We operate in locations aligned with our major customers’ product strategies to provide locally enhanced design, integration and production capabilities. Medical products include patient temperature management systems. Our medical products can be found in hospitals throughout the world, primarily in the U.S., China, Germany and Brazil. The Company is also developing a number of new technologies and products that will help enable improvements to existing products, improve health, wellness and patient outcomes and will lead to new product applications for existing and new and adjacent markets.

During the first half of 2023, the Company launched Fit-for-Growth 2.0 to execute as part of our long-term growth strategy. Fit-for-Growth 2.0 has begun, and is expected to continue, to deliver significant cost reductions through sourcing excellence, value engineering, manufacturing productivity, manufacturing footprint optimization, product profitability and cost synergies from the 2022 acquisition of Alfmeier Präzision SE (“Alfmeier”). Additionally, the program is intended to drive operating expense efficiency to leverage scale.

Basis of Presentation and Significant Accounting Policies

The unaudited consolidated condensed financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules and regulations. The information furnished in the consolidated condensed financial statements include all adjustments (consisting of only normal, recurring adjustments) considered necessary to present fairly the results of operations, financial position and cash flows of the Company. These financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2023. The operating results for interim periods are not necessarily indicative of results that may be expected for other interim periods or for the full year.

In preparing these financial statements, management was required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are based on our historical experience, the terms of existing contracts, our evaluation of trends in the industry, information provided by our customers and suppliers and information available from other third-party sources, as appropriate. These estimates and assumptions are subject to an inherent degree of uncertainty. We are not presently aware of any events or circumstances that would require us to update such estimates and assumptions or revise the carrying value of our assets or liabilities. Our estimates may change, however, as new events occur and additional information is obtained. As a result, actual results may differ significantly from our estimates, and any such differences may be material to our financial statements.

All amounts in these notes to the consolidated condensed financial statements are presented in thousands, except share and per share data.

Principles of Consolidation

The consolidated condensed financial statements include the accounts of the Company, its wholly owned subsidiaries and those entities in which it has a controlling financial interest. The Company evaluates its relationship with other entities for consolidation and to identify whether such entities are variable interest entities (“VIE”) and to assess whether the Company is the primary beneficiary of such entities. Investments in affiliates in which Gentherm does not have control but does have the ability to exercise significant influence over operating and financial policies are accounted for under the equity method. When Gentherm does not have the ability to exercise significant influence (generally when ownership interest is less than 20%), investments in affiliates are measured at cost, less impairments, adjusted for observable price changes in orderly transactions for identical or similar investments of the same issuer.

Variable Interest Entities

The Company maintains an ownership interest in a VIE, Carrar Ltd. (“Carrar”). Carrar is a technology developer of advanced thermal management systems for the electric mobility market. The Company determined that Carrar is a VIE; however, the Company does not have a controlling financial interest or have the power to direct the activities that most significantly affect the economic performance of the investment. Therefore, the Company has concluded that it is not the primary beneficiary. Gentherm’s investment in Carrar is measured at cost, less impairments, adjusted for observable price changes in orderly transactions for identical or similar investments of the same issuer. During the nine months ended September 30, 2024, we recognized an increase in the fair value of our investment in Carrar of $1,097 in other income in the consolidated condensed statements of income due to observable transactions. The Carrar investment was $3,897 and $2,800 as of September 30, 2024 and December 31, 2023, respectively, and is recorded in other non-current assets in the consolidated condensed balance sheets.

Revenue Recognition

The Company has no material contract assets or contract liabilities as of September 30, 2024.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the benefits of those costs are expected to be realized for a period greater than one year. Total capitalized costs to obtain a contract were $11,050 and $7,305 as of September 30, 2024 and December 31, 2023, respectively. These amounts are recorded in other non-current assets in the consolidated condensed balance sheets and are being amortized into product revenues in the consolidated condensed statements of income over the expected production life of the applicable program.

Note 2 – New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board. New ASUs effective in 2024 through September 30, 2024 were assessed and determined to be either not applicable or not expected to have a significant impact on the Company's consolidated condensed financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

Segment Reporting

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures". ASU 2023-07 requires a public entity to disclose, on an annual and interim basis, significant segment expenses that are included within each reported measure of segment profit or loss and regularly reviewed by the chief operating decision maker ("CODM"), the title and position of the CODM, clarification regarding the CODM's use of multiple measures of a segment's profit or loss in assessing segment performance (this must include a measure that is consistent with the measurement principles under U.S. GAAP, but may also include additional measures of a segment's profit or loss), and a description of the composition of amounts within an "Other" segment line item. Further, ASU 2023-07 requires that all annual disclosures about a reportable segment's profit or loss and assets currently required by Topic 280 to be provided in interim periods. This update is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. ASU 2023-07 should be adopted retrospectively to all periods presented in the financial statements and early adoption is permitted. We are currently in the process of determining the impact the implementation of ASU 2023-07 will have on the Company’s financial statement disclosures.

Income Taxes

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". ASU 2023-09 enhances income tax disclosures to further disaggregate the effective tax rate reconciliation and income taxes paid. This update is effective for fiscal years beginning after December 15, 2024. ASU 2023-09 should be adopted prospectively, but retrospective application is permitted. Further, early adoption is permitted. We are currently in the process of determining the impact the implementation of ASU 2023-09 will have on the Company’s financial statement disclosures.

Note 3 – Restructuring

The Company continuously monitors market developments, industry trends and changing customer needs and in response, has taken and may continue to undertake restructuring actions, as necessary, to execute management's strategy, streamline operations and optimize the Company's cost structure. Restructuring actions may include the realignment of existing manufacturing footprint, facility closures, or similar actions, either in the normal course of business or pursuant to significant restructuring programs.

These actions may result in employees receiving voluntary or involuntary employee termination benefits, which are mainly statutory requirements or other contractual agreements. Voluntary termination benefits are accrued when an employee accepts the related offer. Involuntary termination benefits are accrued upon the commitment to a termination plan and when the benefit arrangement is communicated to affected employees, or when liabilities are determined to be probable and estimable, depending on the existence of a substantive plan for severance or termination.

2023 Manufacturing Footprint Rationalization

On September 19, 2023, the Company committed to a restructuring plan ("2023 Plan") to improve the Company's manufacturing productivity and rationalize its footprint. Under this 2023 Plan, the Company is in the process of relocating certain existing manufacturing and related activities in its Greenville, South Carolina facility to a new facility in Monterrey, Mexico.

During the three months ended September 30, 2024, the Company completed the sale of our Greenville, South Carolina manufacturing facility, resulting in a gain on sale of $1,686. The gain on sale was recorded as a reduction of restructuring expenses, net in the consolidated condensed statements of income.

During the three and nine months ended September 30, 2024, the Company recognized restructuring expense of $287 and $1,773, respectively, for employee separation costs and $251 and $638, respectively, for other costs, including the gain on sale of the Greenville facility.

During the three and nine months ended September 30, 2023, the Company did not recognize any material amounts of restructuring expense.

As of September 30, 2024, the Company has recorded $4,794 of restructuring expenses related to employee severance, retention termination costs, accelerated depreciation of fixed assets and other transition costs since the inception of this program. The actions under this 2023 Plan are expected to be substantially completed by the end of 2025. The Company expects to incur less than $1,000 of additional restructuring costs for the 2023 Plan.

Other Restructuring Actions

The Company has undertaken several discrete restructuring actions in an effort to optimize its cost structure.

During the three and nine months ended September 30, 2024, the Company's Automotive segment recognized $787 and $6,150, respectively, for employee separation costs related to structural cost reductions impacting the Company's global salaried workforce. These cost reductions are connected to Fit-for-Growth 2.0.

During the three and nine months ended September 30, 2024, the Company's Automotive segment recognized $60 and $1,965, respectively, for employee separation costs and $0 and $29, respectively, for other costs related to the relocation of electronic component manufacturing in Germany to a manufacturing facility in China.

During the three and nine months ended September 30, 2024, the Company recognized $661 and $780, respectively, for employee separation costs and $616 and $1,007, respectively, for other costs related to all other restructuring actions. These other restructuring actions are focused on the reduction of global overhead costs.

The Company expects to incur less than $1,000 of additional restructuring costs for the other restructuring actions that have been approved as of September 30, 2024.

During the three and nine months ended September 30, 2023, the Company recognized $1,099 and $2,642, respectively, for employee separation costs and $0 and $770, respectively, for other costs. These restructuring expenses were primarily associated with restructuring actions focused on the rotation of our manufacturing footprint to best cost locations and the reduction of global overhead costs.

Restructuring Expenses, Net By Reporting Segment

The following table summarizes restructuring expenses, net for the three and nine months ended September 30, 2024 and 2023 by reporting segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Automotive	$ 2,662	$ 852	$ 11,470	$ 2,222
Medical	—	—	20	—
Corporate	—	247	852	1,190
Total	$ 2,662	$ 1,099	$ 12,342	$ 3,412

Restructuring Liability

Restructuring liabilities are classified as other current liabilities in the consolidated condensed balance sheets. The following table summarizes restructuring liability for the nine months ended September 30, 2024:

	Employee Separation Costs	Other Related Costs, Net	Total
Balance at December 31, 2023	$ 2,150	$ —	$ 2,150
Additions, charged to restructuring expenses, net	6,771	467	7,238
Cash payments	(1,762)	(380)	(2,142)
Non-cash utilization	—	(87)	(87)
Currency translation	(19)	—	(19)
Balance at March 31, 2024	$ 7,140	$ —	$ 7,140
Additions, charged to restructuring expenses, net	2,102	340	2,442
Cash payments	(2,762)	(246)	(3,008)
Non-cash utilization	—	(94)	(94)
Currency translation	(21)	—	(21)
Balance at June 30, 2024	$ 6,459	$ —	$ 6,459
Additions, charged to restructuring expenses, net	1,795	867	2,662
Cash (payments) receipts	(3,536)	74	(3,462)
Non-cash utilization	—	(941)	(941)
Currency translation	100	—	100
Balance at September 30, 2024	$ 4,818	$ —	$ 4,818

Note 4 – Details of Certain Balance Sheet Components

	September 30, 2024	December 31, 2023
Other current assets:		
Income tax and other tax receivable	$ 24,472	$ 16,017
Billable tooling	19,778	16,877
Notes receivable	10,781	18,226
Prepaid expenses	10,131	7,889
Receivables due from factor	10,064	4,422
Short-term derivative financial instruments	901	10,717
Other	5,584	4,272
Total other current assets	$ 81,711	$ 78,420
Other current liabilities:		
Accrued employee liabilities	$ 42,523	$ 43,176
Income tax and other taxes payable	22,466	19,327
Liabilities from discounts and rebates	20,926	22,916
Restructuring	4,818	2,150
Accrued warranty	3,801	3,945
Other	9,113	9,291
Total other current liabilities	$ 103,647	$ 100,805

Note 5 – Goodwill and Other Intangibles

Goodwill

Changes in the carrying amount of goodwill, by reportable segment, for the nine months ended September 30, 2024 was as follows:

	Automotive	Medical	Total
Balance as of December 31, 2023	$ 76,696	$ 27,377	$ 104,073
Currency translation and other	567	199	766
Balance as of September 30, 2024	$ 77,263	$ 27,576	$ 104,839

The Company's cumulative goodwill impairment expense since inception was $19,509 as of September 30, 2024 and December 31, 2023, which includes Gentherm's goodwill impairment of the Medical reporting unit in 2023.

Other Intangible Assets

Other intangible assets and accumulated amortization balances as of September 30, 2024 and December 31, 2023 were as follows:

	September 30, 2024				December 31, 2023		
	Gross Carrying Value	Accumulated Amortization	Accumulated Impairment	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-lived:							
Customer relationships	$ 114,113	$ (75,432)	$ —	$ 38,681	$ 115,465	$ (73,737)	$ 41,728
Technology	46,254	(31,424)	—	14,830	45,861	(29,317)	16,544
Product development costs	19,646	(19,485)	—	161	19,434	(19,270)	164
Software development	1,007	(151)	—	856	1,007	—	1,007
Indefinite-lived:							
Tradenames	7,069	—	(530)	6,539	7,039	—	7,039
Total	$ 188,089	$ (126,492)	$ (530)	$ 61,067	$ 188,806	$ (122,324)	$ 66,482

In addition to annual impairment testing, which is performed in the fourth quarter of each fiscal year, the Company continuously monitors for events and circumstances that could negatively impact the key assumptions used in determining fair value and therefore would require interim impairment testing, including long-term revenue growth projections, profitability, discount rates, recent market valuations from transactions by comparable companies, volatility in the Company's market capitalization, and general industry, market and macroeconomic conditions. During the three and nine months ended September 30, 2024, we recorded a non-cash impairment charge of $0 and $530, respectively, for one of our tradenames within the Medical segment. We are not presently aware of any other events or circumstances that would require us to revise the carrying value of our goodwill or other intangible assets as of September 30, 2024.

Note 6 – Debt

The following table summarizes the Company's debt as of September 30, 2024 and December 31, 2023:

	September 30, 2024		December 31, 2023	
	Interest Rate	Principal Balance	Interest Rate	Principal Balance
Credit Agreement:				
Revolving Credit Facility (U.S. Dollar denominations)	6.07%	$ 222,000	6.58%	$ 222,000
Other loans	—	—	3.90%	233
Finance leases	3.50%	314	3.53%	605
Total debt		222,314		222,838
Current maturities		(210)		(621)
Long-term debt, less current maturities		$ 222,104		$ 222,217

Credit Agreement

On June 10, 2022, the Company entered into a Second Amended and Restated Credit Agreement (the “Second Amended and Restated Credit Agreement”) with a consortium of lenders and Bank of America, N.A., as administrative agent (the “Agent”).

The Second Amended and Restated Credit Agreement provides for a $500,000 secured revolving credit facility (the “Revolving Credit Facility”), with a $50,000 sublimit for swing line loans and a $15,000 sublimit for the issuance of standby letters of credit. Any amount of the facility utilized for swing line loans or letters of credit outstanding will reduce the amount available under the Second Amended and Restated Credit Agreement. The Company had no outstanding letters of credit issued as of September 30, 2024 and December 31, 2023.

Subject to specified conditions, Gentherm can increase the Revolving Credit Facility or incur secured term loans in an aggregate amount of up to $200,000. The Second Amended and Restated Credit Agreement matures on June 10, 2027.

The U.S. borrowers and guarantors participating in the Second Amended and Restated Credit Agreement also entered into a Second Amended and Restated Pledge and Security Agreement (the “Second Amended and Restated Security Agreement”). The Second Amended and Restated Security Agreement grants a security interest to the Agent in substantially all of the personal property of the Company and its U.S. subsidiaries designated as borrowers to secure their respective obligations under the Second Amended and Restated Security Agreement, including the stock and membership interests of specified subsidiaries (limited to 66% of the stock in the case of certain non-U.S. subsidiaries). In addition to the security obligations, all obligations under the Second Amended and Restated Credit Agreement (including all obligations of any U.S. or non-U.S. loan party) are unconditionally guaranteed by certain of Gentherm’s domestic subsidiaries, and the German subsidiary borrowers and certain other foreign subsidiaries guarantee all obligations of the non-U.S. loan parties under the Second Amended and Restated Credit Agreement. The Second Amended and Restated Credit Agreement restricts, among other things, the amount of dividend payments the Company can make to shareholders.

The Second Amended and Restated Credit Agreement contains covenants, that, among other things, (i) prohibit or limit the ability of the borrowers and any material subsidiary to incur additional indebtedness, create liens, pay dividends, make certain types of investments (including acquisitions), enter into certain types of transactions with affiliates, prepay other indebtedness, sell assets or enter into certain other transactions outside the ordinary course of business, and (ii) require that Gentherm maintain a minimum Consolidated Interest Coverage Ratio and a maximum Consolidated Net Leverage Ratio (based on consolidated EBITDA for the applicable trailing four fiscal quarters) as of the end of any fiscal quarter. The Second Amended and Restated Credit Agreement also contains customary events of default. As of September 30, 2024, the Company was in compliance, in all material respects, with the terms of the Second Amended and Restated Credit Agreement. The Second Amended and Restated Credit Agreement additionally contains customary events of default. Upon the occurrence of an event of default, the amounts outstanding under the Revolving Credit Facility may be accelerated and may become immediately due and payable.

Under the Second Amended and Restated Credit Agreement, U.S. Dollar denominated loans bear interest at either a base rate (“Base Rate Loans”) or Term SOFR rate (“Term SOFR Rate Loans”), plus a margin (“Applicable Rate”). The rate for Base Rate Loans is equal to the highest of the Federal Funds Rate plus 0.50%, Bank of America’s prime rate, or the Term SOFR rate plus 1.00%. The rate for Term SOFR Rate Loans denominated in U.S. Dollars is equal to the forward-looking Secured Overnight Financing Rate (“SOFR”) term rate administered by the Chicago Mercantile Exchange with a term of one month. All loans denominated in a currency other than the U.S. Dollar must be Term SOFR Rate Loans. Interest is payable at least quarterly. Additionally, a commitment fee of between 0.175% to 0.300%, which will vary based on the Consolidated Net Leverage Ratio, as defined in the Second Amended and Restated Credit Agreement, is payable on the average daily unused amounts under the Revolving Credit Facility.

The Applicable Rate varies based on the Consolidated Net Leverage Ratio reported by the Company. As long as the Company is not in default of the terms and conditions of the Second Amended and Restated Credit Agreement, the lowest and highest possible Applicable Rate is 1.125% and 2.125%, respectively, for Term SOFR Rate Loans and 0.125% and 1.125%, respectively, for Base Rate Loans.

Borrowing availability is subject to, among other things, the Company’s compliance with the minimum Consolidated Interest Coverage Ratio and the maximum Consolidated Net Leverage Ratio as of the end of any fiscal quarter. Based upon consolidated EBITDA for the trailing four fiscal quarters calculated for purposes of the Consolidated Net Leverage Ratio, $278,000 remained available as of September 30, 2024 for additional borrowings under the Second Amended and Restated Credit Agreement subject to specified conditions that Gentherm currently satisfies.

In connection with the Second Amended and Restated Credit Agreement, the Company incurred debt issuance costs of $1,520, which have been capitalized and are being amortized into interest expense, net over the term of the Revolving Credit Facility.

The scheduled principal maturities of our debt as of September 30, 2024 were as follows:

	U.S. Revolving Note	Other Debt	Total
2024	$ —	$ —	$ —
2025	—	78	78
2026	—	236	236
2027	222,000	—	222,000
2028	—	—	—
2029	—	—	—
Total	$ 222,000	$ 314	$ 222,314

Note 7 – Commitments and Contingencies

Legal and other contingencies

The Company is subject to various legal actions and claims in the ordinary course of its business, which may include those arising out of breach of contracts, intellectual property rights, environmental matters, regulatory matters and employment-related matters. The Company establishes accruals for matters which it believes that losses are probable and can be reasonably estimated. Although it is not possible to predict with certainty the outcome of these matters, the Company is of the opinion that the ultimate resolution of these matters outstanding as of September 30, 2024 will not have a material adverse effect on its results of operations or financial position. Product liability and warranty reserves are recorded separately from legal reserves.

Product Liability and Warranty Matters

Our products subject us to warranty claims and, from time to time product liability claims, based on the Company's products alleged failure to perform as expected or resulting in alleged bodily injury or property damage. If any of our products are or are alleged to be defective, we may be required to participate in a recall or other corrective action involving such products. The Company maintains warranty and product liability insurance coverage at levels based on commercial norms and historical claims experience. The Company can provide no assurances that it will not experience material warranty or product liability claims or liabilities in the future or that it will not incur significant costs to defend such claims.

The Company accrues warranty obligations for products sold based on management estimates of future failure rates and current claim cost experience, with support from the sales, engineering, quality and legal functions. Using historical information available to the Company, including any claims filed by customers, the warranty accrual is adjusted quarterly to reflect management's estimate of future claims.

On February 14, 2024, the National Highway Traffic Safety Administration announced that Volkswagen Group of America, Inc. ("VW") is recalling 261,257 vehicles from model years 2015-2020 to remedy an alleged problem with a suction jet pump seal inside the fuel tank system. VW informed Gentherm of its plan to conduct the recall on April 3, 2024. The suction jet pump is a product originally designed and manufactured by Alfmeier, the business Gentherm acquired in August 2022. The Company has not accepted any financial responsibility for the recall and intends to provide replacement parts for the recall at commercial pricing paid by VW. The Company is pursuing discussions with VW to advance its position and resolve this matter. No litigation has been threatened or filed as of the date of this report. If the Company is obligated to indemnify VW for the direct and indirect costs associated with the recall, such costs could be material. The Company has insurance policies that generally include coverage of the costs of a recall, subject to insured limits, although the Company's costs related to manufacturing of replacement parts are generally not covered. In addition, the Company's purchase agreement of Alfmeier includes indemnification provisions under which the Company believes it would have a claim against the sellers. Given the uncertainty that exists concerning the resolution of this matter, as of the date of this report, the Company cannot reasonably estimate the amount and timing of possible costs that may be incurred by the Company.

The following is a reconciliation of the changes in accrued warranty costs:

	Nine Months Ended September 30, 2024	2023
Balance at the beginning of the period	$ 3,945	$ 2,380
Warranty claims paid	(4,882)	(1,979)
Warranty expense for products shipped during the current period	4,017	3,311
Adjustments to warranty estimates from prior periods	725	(434)
Adjustments due to currency translation	(4)	(72)
Balance at the end of the period	$ 3,801	$ 3,206

Note 8 – Supplier Finance Program

The Company is party to a supplier finance program with a third-party service provider ("Service Provider"), pursuant to which the Company has offered the opportunity to participate to certain of the Company's suppliers. Although the program generally provides suppliers with a lower cost of capital than they could obtain individually due to the Company's negotiated terms, the Company has no economic interest in a supplier's participation and the Company has not pledged any assets to the Service Provider under this program.

Under this program, the Company and supplier initially agree on the contractual payment terms for the goods to be procured for the Company in the ordinary course. A supplier's participation in this program is voluntary and does not impact its contractual payment terms with the Company, including the payment amount and timing of when payments are due. A participating supplier has the sole discretion to determine whether to sell one or more invoices, if any, to the Service Provider in exchange for payment by the Service Provider on an earlier date than provided for in the contract with the Company. Amounts due to participating suppliers are included in accounts payable in the consolidated condensed balance sheets until the Company makes payment to the Service Provider, even though the payment of such amount will be made to the supplier at an earlier date by the Service Provider. As of September 30, 2024, the Company had outstanding payment obligations to participating suppliers of $29,097 confirmed under the program. Payments of the Company's obligations to the Service Provider are reported as operating cash flows in the consolidated condensed statements of cash flows.

Note 9 – Earnings Per Share

Basic earnings per share are computed by dividing net income by the weighted average number of shares of the Company's Common Stock, no par value ("Common Stock"), outstanding during the period. The Company's diluted earnings per share give effect to all potential shares of Common Stock outstanding during a period that do not have an anti-dilutive impact to the calculation. In computing the diluted earnings per share, the treasury stock method is used in determining the number of shares assumed to be issued from the exercise of Common Stock equivalents.

The following table illustrates earnings per share and the weighted average shares outstanding used in calculating basic and diluted earnings per share:

	Three Months Ended September 30, 2024	2023	Nine Months Ended September 30, 2024	2023
Net income	$ 15,965	$ 15,844	$ 49,626	$ 22,256
Basic weighted average shares of Common Stock outstanding	31,186,867	32,944,386	31,420,826	33,049,097
Dilutive effect of stock options, restricted stock awards and restricted stock units	178,182	251,614	184,376	261,504
Diluted weighted average shares of Common Stock outstanding	31,365,049	33,196,000	31,605,202	33,310,601
Basic earnings per share	$ 0.51	$ 0.48	$ 1.58	$ 0.67
Diluted earnings per share	$ 0.51	$ 0.48	$ 1.57	$ 0.67

Note 10 – Financial Instruments

Derivative Financial Instruments

The Company is exposed to various market risks including, but not limited to, changes in foreign currency exchange rates, changes in interest rates and price fluctuations of certain material commodities such as copper. Market risks for changes in interest rates relate primarily to its debt obligations under the Second Amended and Restated Credit Agreement. Foreign currency exchange risks are attributable to sales to foreign customers and purchases from foreign suppliers not denominated in a location's functional currency, foreign plant operations, intercompany indebtedness, intercompany investments and include exposures to the Euro, Mexican Peso, Canadian Dollar, Hungarian Forint, North Macedonian Denar, Ukrainian Hryvnia, Japanese Yen, Chinese Renminbi, Korean Won, Czech Koruna and Vietnamese Dong.

The Company regularly enters into derivative contracts with the objective of managing its financial and operational exposure arising from these risks by offsetting gains and losses on the underlying exposures with gains and losses on the financial instruments used to hedge them. The decision of whether and when to execute derivative financial instruments, along with the duration of the instrument, may vary from period to period depending on market conditions, the relative costs of the instruments and capacity to hedge. The duration is linked to the timing of the underlying exposure, with the connection between the two being regularly monitored. The Company does not enter into derivative financial instruments for speculative or trading purposes. Some derivative contracts do not qualify for hedge accounting; for other derivative contracts, we elect to not apply hedge accounting.

The Company's designated hedging relationships are formally documented at the inception of the hedge, and hedges must be highly effective in offsetting changes to future cash flows on hedged transactions both at the inception of a hedge and on an ongoing basis to be designated for hedge accounting treatment. For derivative contracts which can be classified as a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded to accumulated other comprehensive loss in the consolidated condensed balance sheets. When the underlying hedge transaction is realized, the gain or loss included in accumulated other comprehensive loss is recorded in earnings in the consolidated condensed statements of income on the same line as the gain or loss on the hedged item attributable to the hedged risk. The Company records the ineffective portion of designated foreign currency instruments, if any, to cost of sales in the consolidated condensed statements of income. Cash flows associated with derivatives are reported in net cash provided by operating activities in the consolidated condensed statements of cash flows.

The Company uses an income approach to value derivative instruments, analyzing quoted market prices to calculate the forward values and then discounting such forward values to the present value using benchmark rates at commonly quoted intervals for the instrument's full term.

The Company is party to a floating-to-fixed interest rate swap agreement that is an undesignated hedge of the Company's exposure to interest payment fluctuations on a portion of the Revolving Credit Facility borrowings. The periodic changes in fair value are recognized in interest expense, net.

Information related to the recurring fair value measurement of derivative instruments in the consolidated condensed balance sheet as of September 30, 2024 is as follows:

			Asset Derivatives		Liability Derivatives		
	Fair Value Hierarchy	**Notional Amount**	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**	**Net Assets/ (Liabilities)**
Derivatives Designated as Cash Flow Hedges							
Foreign currency derivatives	Level 2	$ 63,714	Other current assets	$ —	Other current liabilities	$ 490	$ (490)
Derivatives Not Designated as Hedging Instruments							
Interest rate contracts	Level 2	$ 100,000	Other current assets	$ 901	Other current liabilities	$ —	$ 901

Information related to the recurring fair value measurement of derivative instruments in the consolidated condensed balance sheet as of December 31, 2023 is as follows:

			Asset Derivatives		Liability Derivatives		
	Fair Value Hierarchy	**Notional Amount**	**Balance Sheet Location**	**Fair Value**	**Balance Sheet Location**	**Fair Value**	**Net Assets/ (Liabilities)**
Derivatives Designated as Cash Flow Hedges							
Foreign currency derivatives	Level 2	$ 101,109	Other current assets	$ 8,655	Other current liabilities	$ —	$ 8,655
Derivatives Not Designated as Hedging Instruments							
Interest rate contracts	Level 2	$ 100,000	Other current assets	$ 2,062	Other current liabilities	$ —	$ 2,062

Information relating to the effect of derivative instruments on the consolidated condensed statements of income and the consolidated condensed statements of comprehensive income (loss) is as follows:

		Three Months Ended September 30,		Nine Months Ended September 30,	
	Location (Income/(Loss))	**2024**	**2023**	**2024**	**2023**
Derivatives Designated as Cash Flow Hedges					
Foreign currency derivatives	Cost of sales – income	$ (455)	$ 2,771	$ 5,817	$ 5,814
	Other comprehensive (loss) income	(2,272)	(2,673)	(10,685)	2,915
Total foreign currency derivatives		$ (2,727)	$ 98	$ (4,868)	$ 8,729
Derivatives Not Designated as Hedging Instruments					
Interest rate contracts	Interest (expense) income, net	$ (1,157)	$ 62	$ (1,161)	$ 734
Total interest rate derivatives		$ (1,157)	$ 62	$ (1,161)	$ 734

The Company did not incur any hedge ineffectiveness during the three and nine months ended September 30, 2024 and 2023.

Accounts Receivable Factoring

The Company sells certain customer trade receivables on a non-recourse basis under factoring arrangements with designated financial institutions. The sale of receivables under these agreements is considered an off-balance sheet arrangement to the Company and is accounted for as a true sale and excluded from accounts receivable in the consolidated condensed balance sheets. These factoring arrangements include a deferred purchase price component in which a portion of the purchase price for the receivable is paid by the financial institution in cash upon sale and the remaining portion is recorded as a deferred purchase price receivable and paid at a later date. Deferred purchase price receivables are recorded in other current assets within the consolidated condensed balance sheets. Cash proceeds received upon the sale of the receivables are included in net cash provided by operating activities and the cash proceeds received on the deferred purchase price receivables are included in net cash used in investing activities. All factoring arrangements incorporate customary representations, including representations as to validity of amounts due, completeness of performance obligations and absence of commercial disputes.

Receivables factored and availability under receivables factoring agreements balances as of September 30, 2024 and December 31, 2023 were as follows:

	September 30, 2024	**December 31, 2023**
Receivables factored and outstanding	$ 15,722	$ 18,532
Amount available under the credit limit	—	5,891
Collective factoring limit [(a)]	$ 15,722	$ 24,423

(a)During the three months ended September 30, 2024, the factoring agreements the Company was party to either expired or were terminated. As of September 30, 2024 there were remaining receivables factored and outstanding that will be collected in the future, however, no further factoring can occur under these factoring agreements.

Trade receivables sold and factoring fees incurred during the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Trade receivables sold	$ 27,885	$ 35,115	$ 98,761	$ 111,915
Factoring fees incurred	186	221	564	588

Note 11 – Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value measurements are based on one or more of the following three valuation techniques:

Market: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income: This approach uses valuation techniques to convert future amounts to a single present value amount based on current market expectations.

Cost: This approach is based on the amount that would be required to replace the service capacity of an asset (replacement cost).

The Company uses the following fair value hierarchy to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Inputs, other than quoted market prices included in Level 1, that are observable either directly or indirectly for the asset or liability.

Level 3: Unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Items Measured at Fair Value on a Recurring Basis

Except for derivative instruments (see Note 10) and pension plan assets, the Company had no material financial assets and liabilities that were carried at fair value at September 30, 2024 and December 31, 2023. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and also considers counterparty credit risk in its assessment of fair value.

Items Measured at Fair Value on a Nonrecurring Basis

The Company measures certain assets and liabilities at fair value on a non-recurring basis. As these nonrecurring fair value measurements are generally determined using unobservable inputs, these fair value measurements are classified within Level 3 of the fair value hierarchy. During the year ended December 31, 2023, the Company utilized a third-party to assist in the Level 3 fair value estimates of other intangible assets for acquisitions and goodwill of the Medical reporting unit. The estimated fair values of these assets were based on third-party valuations and management's estimates, generally utilizing income and market approaches. As of September 30, 2024, and December 31, 2023, there were no other significant assets or liabilities measured at fair value on a non-recurring basis.

Items Not Carried at Fair Value

The Company uses an income valuation technique to measure the fair values of its debt instruments by converting amounts of future cash flows to a single present value amount using rates based on current market expectations (Level 2 inputs). As of September 30, 2024, and December 31, 2023, the carrying values of the indebtedness under the Company's Second Amended and Restated Credit Agreement were not materially different than the estimated fair values because the interest rates on variable rate debt approximated rates currently available to the Company (see Note 6).

Note 12 – Equity

In December 2020, the Board of Directors of Gentherm Incorporated ("Board of Directors") authorized a stock repurchase program (the "2020 Stock Repurchase Program"). Under the 2020 Stock Repurchase Program, the Company was authorized to repurchase up to $150,000 of its issued and outstanding Common Stock over a three-year period, expiring December 15, 2023. On November 1, 2023, the Board of Directors extended the maturity date of the program from December 15, 2023 to June 30, 2024.

During the nine months ended September 30, 2024, the Company repurchased $20,000 under the 2020 Stock Repurchase Program with an average price paid per share of $52.65. The 2020 Stock Repurchase Program had $17,491 of repurchase authorization remaining at the time of expiration.

On November 1, 2023, following the above-noted extension, the Company entered into a Confirmation of Issuer Forward Repurchase Transaction agreement (the "ASR Agreement") with Bank of America, N.A. ("Bank of America") that provided for the Company to purchase shares of Common Stock in an aggregate amount of $60,000 (the "ASR Repurchase Amount") under the 2020 Stock Repurchase Program.

Under the terms of the ASR Agreement, on November 2, 2023, the Company paid $60,000 to Bank of America for an initial purchase of approximately 1.22 million shares of Common Stock, representing 80% of ASR Repurchase Amount. The final settlement date occurred in the second quarter of 2024. During the nine months ended September 30, 2024, the Company paid $286 in cash as the final settlement of the ASR Agreement.

In June 2024, the Board of Directors authorized a new stock repurchase program (the "2024 Stock Repurchase Program") to commence upon expiration of the 2020 Stock Repurchase Program on June 30, 2024. Under the 2024 Stock Repurchase Program, the Company is authorized to repurchase up to $150,000 of its issued and outstanding Common Stock over a three-year period, expiring June 30, 2027. Repurchases may be made, from time to time, in amounts and at prices the Company deems appropriate, subject to market conditions, applicable legal requirements, debt covenants and other considerations. Any such repurchases may be executed using open market purchases, accelerated share repurchase programs, privately negotiated agreements or other transactions. Repurchases may be funded from cash on hand, available borrowings or proceeds from potential debt or other capital markets sources.

During the three months ended September 30, 2024, the Company repurchased $19,883 under the 2024 Stock Repurchase Program with an average price paid per share of $48.97. The 2024 Stock Repurchase Program had $130,117 of repurchase authorization remaining as of September 30, 2024.

Stock repurchases are subject to excise tax, subject to specified exclusions and adjustments. Excise tax of $400 was charged to common stock for the three and nine months ended September 30, 2024.

Note 13 – Reclassifications Out of Accumulated Other Comprehensive Loss

Reclassification adjustments and other activities impacting accumulated other comprehensive loss during the three and nine months ended September 30, 2024 and 2023 were as follows:

	Defined Benefit Pension Plans	Foreign Currency Translation Adjustments	Foreign Currency Hedge Derivatives	Total
Balance at June 30, 2024	$ (978)	$ (53,822)	$ (899)	$ (55,699)
Other comprehensive income (loss) before reclassifications	—	22,691	(1,754)	20,937
Income tax effect of other comprehensive income (loss) before reclassifications	—	(253)	382	129
Amounts reclassified from accumulated other comprehensive loss into net income	24	—	(518) [a]	(494)
Income taxes reclassified into net income	(7)	—	113	106
Net current period other comprehensive income (loss)	17	22,438	(1,777)	20,678
Balance at September 30, 2024	$ (961)	$ (31,384)	$ (2,676)	$ (35,021)

(a)The amounts reclassified from accumulated other comprehensive loss were included in cost of sales in the consolidated condensed statements of income.

	Defined Benefit Pension Plans	Foreign Currency Translation Adjustments	Foreign Currency Hedge Derivatives	Total
Balance at June 30, 2023	$ (1,059)	$ (43,602)	$ 7,248	$ (37,413)
Other comprehensive (loss) income before reclassifications	—	(16,321)	98	(16,223)
Income tax effect of other comprehensive (loss) income before reclassifications	—	(135)	(21)	(156)
Amounts reclassified from accumulated other comprehensive loss into net income	5	—	(2,771) [a]	(2,766)
Income taxes reclassified into net income	(1)	—	604	603
Net current period other comprehensive income (loss)	4	(16,456)	(2,090)	(18,542)
Balance at September 30, 2023	$ (1,055)	$ (60,058)	$ 5,158	$ (55,955)

(a)The amounts reclassified from accumulated other comprehensive loss were included in cost of sales in the consolidated condensed statements of income.

	Defined Benefit Pension Plans	Foreign Currency Translation Adjustments	Foreign Currency Hedge Derivatives	Total
Balance at December 31, 2023	$ (1,011)	$ (34,830)	$ 5,681	$ (30,160)
Other comprehensive income (loss) before reclassifications	—	3,446	(1,948)	1,498
Income tax effect of other comprehensive income (loss) before reclassifications	—	—	424	424
Amounts reclassified from accumulated other comprehensive loss into net income	69	—	(8,737) [a]	(8,668)
Income taxes reclassified into net income	(19)	—	1,904	1,885
Net current period other comprehensive income (loss)	50	3,446	(8,357)	(4,861)
Balance at September 30, 2024	$ (961)	$ (31,384)	$ (2,676)	$ (35,021)

(a)The amounts reclassified from accumulated other comprehensive loss were included in cost of sales in the consolidated condensed statements of income.

	Defined Benefit Pension Plans	Foreign Currency Translation Adjustments	Foreign Currency Hedge Derivatives	Total
Balance at December 31, 2022	$ (1,067)	$ (48,269)	$ 2,847	$ (46,489)
Other comprehensive (loss) income before reclassifications	—	(11,741)	8,729	(3,012)
Income tax effect of other comprehensive (loss) income before reclassifications	—	(48)	(1,901)	(1,949)
Amounts reclassified from accumulated other comprehensive loss into net income	17	—	(5,814) [a]	(5,797)
Income taxes reclassified into net income	(5)	—	1,297	1,292
Net current period other comprehensive income (loss)	12	(11,789)	2,311	(9,466)
Balance at September 30, 2023	$ (1,055)	$ (60,058)	$ 5,158	$ (55,955)

(a)The amounts reclassified from accumulated other comprehensive loss were included in cost of sales in the consolidated condensed statements of income.

The Company expects that substantially all of the existing gains and losses related to foreign currency derivatives reported in accumulated other comprehensive loss as of September 30, 2024 to be reclassified into earnings during the next twelve months. See Note 10 for additional information about derivative financial instruments and the effects from reclassification to net income.

Note 14 – Income Taxes

At the end of each interim period, the Company makes an estimate of the annual expected effective income tax rate and applies that rate to its ordinary year-to-date earnings or loss. The income tax provision or benefit related to unusual or infrequent items, if applicable, that will be separately reported or reported net of their related tax effects are individually computed and recognized in the interim period in which those items occur. In addition, the effect of changes in enacted tax laws or rates, tax status, judgment on the realizability of a beginning-of-the-year deferred tax asset in future years or income tax contingencies is recognized in the interim period in which the change occurs.

The computation of the annual expected effective income tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected pre-tax income (or loss) for the year, projections of the proportion of income (and/or loss) earned and taxed in respective jurisdictions, permanent and temporary differences, and the likelihood of the realizability of deferred tax assets generated in the current year. Jurisdictions with a projected loss for the year for which no tax benefit can be recognized due to a valuation allowance are excluded from the estimated annual effective tax rate. The impact of such an exclusion could result in a higher or lower effective tax rate during a particular quarter, based upon the composition and timing of actual earnings compared to annual projections. The estimates used to compute the provision or benefit for income taxes may change as new events occur, additional information is obtained or as our tax environment changes. To the extent that the expected annual effective income tax rate changes, the effect of the change on prior interim periods is included in the income tax provision in the period in which the change in estimate occurs.

A summary of the provision for income taxes and the corresponding effective tax rate for the three and nine months ended September 30, 2024 and 2023, is shown below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Income tax expense	$ 3,445	$ 6,908	$ 16,531	$ 15,478
Earnings before income tax	$ 19,410	$ 22,752	$ 66,157	$ 37,734
Effective tax rate	17.7 %	30.4 %	25.0 %	41.0 %

Income tax expense was $3,445 for the three months ended September 30, 2024 on earnings before income tax of $19,410, representing an effective tax rate of 17.7%. The effective tax rate differed from the U.S. Federal statutory rate of 21.0% primarily due to the impact of income taxes on foreign earnings taxed at rates varying from the U.S. Federal statutory rate, the release of the uncertain tax position reserve accrual due to tax audit settlement, a partial valuation allowance release in the U.S. related to its capital loss carryforward, and favorable tax effects of equity vesting, partially offset by the unfavorable impact of the global intangible low-tax income (“GILTI”).

Income tax expense was $6,908 for the three months ended September 30, 2023 on earnings before income tax of $22,752, representing an effective tax rate of 30.4%. The effective tax rate differed from the U.S. Federal statutory rate of 21.0% primarily due to the impact of income taxes on foreign earnings taxed at rates varying from the U.S. Federal statutory rate and the unfavorable impact of the GILTI, partially offset by the impact of the release of accruals for uncertain tax positions.

Income tax expense was $16,531 for the nine months ended September 30, 2024 on earnings before income tax of $66,157, representing an effective tax rate of 25.0%. The effective tax rate differed from the U.S. Federal statutory rate of 21.0% primarily due to the impact of income taxes on foreign earnings taxed at rates varying from the U.S. Federal statutory rate and the unfavorable impact of the GILTI, partially offset by favorable tax effects of equity vesting, a partial valuation allowance release in the U.S. related to its capital loss carryforward and a one-time benefit related to the Alfmeier acquisition.

Income tax expense was $15,478 for the nine months ended September 30, 2023 on earnings before income tax of $37,734, representing an effective tax rate of 41.0%. The pre-tax earnings included the effect of an impairment loss of $19,509 with a tax benefit of $2,255. The effective tax rate differed from the U.S. Federal statutory rate of 21% primarily due to the impact of income taxes on foreign earnings taxed at rates varying from the U.S. Federal statutory rate and the unfavorable impact of the GILTI, partially offset by the impact of research and development credits in various jurisdictions, certain favorable tax effects of equity vesting and the release of accruals for uncertain tax positions.

Note 15 – Segment Reporting

Segment information is used by management for making operating decisions for the Company. Management evaluates the performance of the Company's segments based primarily on operating income or loss.

The Company's reportable segments are as follows:

•*Automotive* – this segment represents the design, development, manufacturing and sales of automotive climate comfort systems, automotive cable systems, battery performance solutions, lumbar and massage comfort solutions, fuel management valves and other valves for brake and engine systems, and automotive electronic and software systems.

•*Medical* – this segment represents the results from our patient temperature management business within the medical industry.

The *Corporate* category includes unallocated costs related to our corporate headquarter activities, including selling, general and administrative costs and acquisition transaction costs, which do not meet the requirements for being classified as an operating segment.

The tables below present segment information about the reported product revenues, depreciation and amortization and operating income (loss) of the Company for the three and nine months ended September 30, 2024 and 2023.

Three Months Ended September 30,	**Automotive**	**Medical**	**Corporate**	**Total**
2024				
Product revenues	$ 358,804	$ 12,708	$ —	$ 371,512
Depreciation and amortization	12,118	870	364	13,352
Operating income (loss)	54,520	479	(22,662)	32,337
2023				
Product revenues	$ 354,782	$ 11,413	$ —	$ 366,195
Depreciation and amortization	11,399	882	173	12,454
Operating income (loss)	41,690	(805)	(17,144)	23,741

Nine Months Ended September 30,	**Automotive**	**Medical**	**Corporate**	**Total**
2024				
Product revenues	$ 1,067,444	$ 35,766	$ —	$ 1,103,210
Depreciation and amortization	36,343	2,622	1,120	40,085
Operating income (loss)	153,894	274	(70,794)	83,374
2023				
Product revenues	$ 1,069,007	$ 33,136	$ —	$ 1,102,143
Depreciation and amortization	34,910	2,756	865	38,531
Operating income (loss)	126,630	(21,838)	(59,056)	45,736

Automotive and Medical segment product revenues by product category for the three and nine months ended September 30, 2024 and 2023 were as follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2024	**2023**	**2024**	**2023**
Climate Control Seat	$ 115,498	$ 124,905	$ 352,789	$ 360,868
Seat Heaters	72,982	77,238	227,114	231,132
Lumbar and Massage Comfort Solutions	48,970	33,260	133,090	109,602
Steering Wheel Heaters	44,711	39,861	126,939	115,166
Valve Systems	26,082	27,830	81,974	82,516
Automotive Cables	16,834	19,668	57,185	60,131
Battery Performance Solutions	16,869	17,242	46,540	57,138
Electronics	10,862	10,163	26,218	30,456
Other Automotive	5,996	4,615	15,595	21,998
Subtotal Automotive segment	358,804	354,782	1,067,444	1,069,007
Medical segment	12,708	11,413	35,766	33,136
Total Company	$ 371,512	$ 366,195	$ 1,103,210	$ 1,102,143

Total product revenues information by geographic area for the three and nine months ended September 30, 2024 and 2023 is as follows (based on shipment destination):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
United States	$ 127,869	$ 134,588	$ 380,681	$ 414,359
China	54,791	61,004	162,476	161,530
Germany	26,394	24,456	81,635	77,007
South Korea	22,487	27,369	78,341	86,102
Czech Republic	20,830	16,684	60,520	51,706
Slovakia	13,970	13,828	41,870	39,797
Japan	13,370	10,946	40,562	35,254
Romania	13,069	16,906	40,299	44,995
Mexico	10,783	8,286	32,621	29,558
United Kingdom	9,674	15,251	31,480	34,701
Other	58,275	36,877	152,725	127,134
Total Non-U.S.	243,643	231,607	722,529	687,784
Total Company	$ 371,512	$ 366,195	$ 1,103,210	$ 1,102,143

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

Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Report") contains forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent our goals, beliefs, plans and expectations about our prospects for the future and other future events, such as: the expected light vehicle production in the Company's key markets; the impact of macroeconomic and geopolitical conditions; the components and our execution of our updated strategic plan and 2023 manufacturing footprint rationalization restructuring plan; long-term consumer and technological trends in the automotive industry and our related market opportunity for our existing and new products and technologies; the competitive landscape; the impact of global tax reform legislation; the sufficiency of our cash balances and cash generated from operating, investing and financing activities for our future liquidity and capital resource needs; and our ability to finance sufficient working capital. Reference is made in particular to forward-looking statements included in this "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations". Such statements may be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "anticipate", "intend", "continue", or similar terms, variations of such terms or the negative of such terms. The forward-looking statements included in this Report are made as of the date hereof or as of the date specified herein and are based on management's reasonable expectations and beliefs. In making these statements we rely on assumptions and analysis based on our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we consider appropriate under the circumstances. Such statements are subject to a number of assumptions, risks, uncertainties and other factors, which are set forth in "Item 1A. Risk Factors" and elsewhere in our Annual Report on Form 10-K for the year ended December 31, 2023 and subsequent reports filed with or furnished to the Securities and Exchange Commission, and which could cause actual results to differ materially from that described in the forward-looking statements. In addition, with reasonable frequency, we have entered into business combinations, acquisitions, divestitures, strategic investments and other significant transactions. Such forward-looking statements do not include the potential impact of any such transactions that may be completed after the date hereof, each of which may present material risks to the Company's future business and financial results. Except as required by law, we expressly disclaim any obligation or undertaking to update any forward-looking statements to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The following discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the consolidated condensed financial statements and related notes thereto included elsewhere in this Report and our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Overview

Gentherm Incorporated is the global market leader of innovative thermal management and pneumatic comfort technologies for the automotive industry and a leader in medical patient temperature management. Automotive products include variable temperature Climate Control Seats®, heated automotive interior systems (including heated seats, steering wheels, armrests and other components), battery performance solutions, cable systems, lumbar and massage comfort solutions, fuel management valves and other valves for brake and engine systems, and other electronic devices. Our automotive products can be found on vehicles manufactured by nearly all the major original equipment manufacturers ("OEMs") operating in North America and Europe, and several major OEMs in Asia. We operate in locations aligned with our major customers' product strategies to provide locally enhanced design, integration and production capabilities. Medical products include patient temperature management systems. Our medical products can be found in hospitals throughout the world, primarily in the U.S., China, Germany and Brazil. The Company is also developing a number of new technologies and products that will help enable improvements to existing products, improve health, wellness and patient outcomes and will lead to new product applications for existing and new and adjacent markets.

Our Automotive sales are driven by the number of vehicles produced by the OEMs, which is ultimately dependent on consumer demand for automotive vehicles, our product content per vehicle, and other factors that may limit or otherwise impact production by us, our supply chain and our customers. Historically, new vehicle demand and product content (i.e. vehicle features) have been driven by macroeconomic and other factors, such as interest rates, automotive manufacturer and dealer sales incentives, fuel prices, consumer confidence, employment levels, income growth trends and government and tax incentives. Vehicle content has also been driven by trends in consumer preferences, such as preferences for smart devices and features, personalized user experience, and comfort, health and wellness. Economic volatility or weakness in North America, Europe or Asia, as well as global geopolitical factors, have had and could result in a significant reduction in automotive sales and production by our customers, which have had and would have an adverse effect on our business, results of operations and financial condition. We believe our diversified OEM customer base and geographic revenue base, along with our flexible cost structure, have well positioned us to withstand the impact of industry downturns and benefit from industry upturns in the ordinary course. However, shifts in the mix of global automotive production to higher cost regions or to vehicles that contain less of our product content as well as continuing production challenges and inflationary pressures have adversely impacted our profitability and may continue to do so. In addition, we have been and may in the future be adversely impacted by volatility or weakness in markets for hybrid or electric vehicles specifically. We believe our products offer certain advantages for hybrid and electric vehicles, including improved energy efficiency, and position us well to withstand changes in the volume mix between vehicles driven by internal combustion engines and hybrid and other electric vehicles. We believe our industry is increasingly progressing towards a focus on human comfort and health and wellness, which is evidenced by increasing adoption rates for comfort products. We believe that products we are developing, such as ClimateSense®, WellSense™, and our acquisition of Alfmeier Präzision SE (“Alfmeier”) pneumatic comfort solutions, position us well to address trends in consumer preferences such as personalized user experience, comfort, health and wellness. Gentherm is an independent partner that can cooperate with any combination of the vehicle OEMs and seat manufacturers globally, including those that are vertically integrated, to create innovative and unique configurations that adapt to industry trends.

Recent Trends

Global Conditions

Since 2020, the global economy has experienced significant volatility and supply chain disruption, which has had a widespread adverse effect on the global automotive industry. These macroeconomic conditions have resulted in fluctuating demand and production disruptions, facility closures, labor shortages and work stoppages. In addition, global inflation has increased significantly beginning in 2021. Although supply chain conditions have steadily improved and certain inflationary pressures have moderated, rising costs of materials, labor, equipment and other inputs used to manufacture and sell our products, including freight and logistics costs, have impacted, and may in the future impact, operating costs and operating results. We continue to employ measures to mitigate the impact of cost increases through identification of sourcing and manufacturing efficiencies where possible. However, we have been unable to fully mitigate or pass through the increases in our operating costs, which may continue in the future.

We are exposed to foreign currency risk due to the translation and remeasurement of the results of certain international operations. Therefore, fluctuations in foreign currency exchange rates can create volatility in the results of operations and may adversely affect our financial condition.

We have a global manufacturing footprint that enables us to serve our customers in the regions they operate and shift production between regions to remain competitive. In recent years there have been various ongoing geopolitical conflicts, such as the current conflicts between Russia and Ukraine, and in the Middle East, heightened tensions in the Red Sea, and potential tensions in the South China Sea. These conflicts have interrupted ocean freight shipping and if prolonged or intensified, could have a substantial adverse effect on our financial results. We, like other manufacturers, have a high proportion of fixed structural costs, and therefore relatively small changes in industry vehicle production have and may continue to have a substantial effect on our financial results. If industry vehicle sales were to decline to levels significantly below our planning assumption, the decline could have a substantial adverse effect on our financial condition, results of operations, and cash flow.

On December 15, 2022, the European Union (“EU”) Member States formally adopted the EU’s Pillar Two Directive, which generally provides for a minimum effective tax rate of 15%, as established by the Organization for Economic Co-operation and Development Pillar Two Framework. The effective dates for different aspects of the directive are January 1, 2024 and January 1, 2025. The aspects of the directive that were effective as of January 1, 2024 did not have a material impact on the Company’s financial statements. Further, the Company does not expect the remaining aspects to have a material impact to the Company’s financial statements. The Company will continue to evaluate the potential impact on future periods of these tax regulations.

Fit-for-Growth 2.0

During the first half of 2023, the Company launched Fit-for-Growth 2.0 to execute as part of our long-term growth strategy. Fit-for-Growth 2.0 has begun, and is expected to continue, to deliver significant cost reductions through sourcing excellence, value engineering, manufacturing productivity, manufacturing footprint optimization, product profitability and cost synergies from the Alfmeier acquisition. Additionally, the program is intended to drive operating expense efficiency to leverage scale.

2023 Manufacturing Footprint Rationalization

On September 19, 2023, the Company committed to a restructuring plan ("2023 Plan") to improve the Company's manufacturing productivity and rationalize its footprint. Under this 2023 Plan, the Company will relocate certain existing manufacturing and related activities in its Greenville, South Carolina facility to a new facility in Monterrey, Mexico.

During the three months ended September 30, 2024, the Company completed the sale of our Greenville, South Carolina manufacturing facility, resulting in a gain on sale of $1.7 million. The gain on sale was recorded as a reduction of restructuring expenses, net in the consolidated condensed statements of income.

During the three and nine months ended September 30, 2024, the Company recognized restructuring expense of $0.3 million and $1.8 million, respectively, for employee separation costs and $0.2 million and $0.6 million, respectively, for other costs, including the gain on sale of the Greenville facility.

See Note 3, "Restructuring," to the notes to the consolidated condensed financial statements included in this Report for additional information related to this plan.

Light Vehicle Production Volumes

Our sales are driven by the number of vehicles produced by the automotive manufacturers, which is ultimately dependent on consumer demand for automotive vehicles, our content per vehicle, and other factors that may limit or otherwise impact production by us, our supply chain and our customers. According to the forecasting firm S&P Global Mobility (October 2024 release), global light vehicle production in the three and nine months ended September 30, 2024 in the Company's key markets of North America, Europe, China, Japan and Korea, as compared to the three and nine months ended September 30, 2023, are shown below (in millions of units):

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
	2024	**2023**	**% Change**	**2024**	**2023**	**% Change**
North America	3.8	3.9	(4.7)%	11.8	11.9	(0.8)%
Europe	3.7	3.9	(6.1)%	12.8	13.3	(3.5)%
Greater China	7.4	7.6	(2.7)%	20.6	20.2	2.0 %
Japan / South Korea	2.9	3.1	(6.2)%	8.8	9.4	(6.7)%
Total light vehicle production volume in key markets	17.7	18.6	(4.5)%	54.1	54.9	(1.4)%

The S&P Global Mobility (October 2024 release) forecasted light vehicle production volume in the Company's key markets for full year 2024 to decrease to 73.9 million units, a 2.1% decrease from full year 2023 light vehicle production volumes. Forecasted light vehicle production volumes are a component of the data we use in forecasting future business. However, these forecasts generally are updated monthly, and future forecasts have been and may continue to be significantly different from period to period due to changes in macroeconomic and geopolitical conditions or matters specific to the automotive industry. Further, due to differences in regional product mix at our manufacturing facilities, as well as material production schedules from our customers for our products on specific vehicle programs, our future forecasted results do not directly correlate with the global and/or regional light vehicle production forecasts of S&P Global Mobility or other third-party sources.

Automotive New Business Awards

We believe that innovation is an important element to gaining market acceptance of our products and strengthening our market position. During the third quarter of 2024, we secured automotive new business awards totaling $600 million. Automotive new business awards represent the aggregate projected lifetime revenue of new awards provided by our customers to Gentherm in the applicable period, with the value based on the price and volume projections received from each customer as of the award date. Although automotive new business awards are not firm customer orders, we believe that automotive new business awards are an indicator of future revenue. Automotive new business awards are not projections of revenue or future business as of September 30, 2024, the date of this Report or any other date. Customer projections regularly change over time, and we do not update our calculation of any automotive new business award after the date initially communicated. Automotive new business awards in the third quarter 2024 also do not reflect, in particular, the impact of macroeconomic and geopolitical challenges on future business. Revenues resulting from automotive new business awards also are subject to additional risks and uncertainties that are included in this Report or incorporated by reference in "Forward-Looking Statements" above.

Stock Repurchase Program

In December 2020, the Board of Directors of Gentherm Incorporated (the “Board of Directors”) authorized a stock repurchase program (the “2020 Stock Repurchase Program”). Under the 2020 Stock Repurchase Program, the Company was authorized to repurchase up to $150.0 million of its issued and outstanding Common Stock, no par value (“Common Stock”) over a three-year period, expiring December 15, 2023. On November 1, 2023, the Board of Directors extended the maturity date of the program from December 15, 2023 to June 30, 2024.

During the nine months ended September 30, 2024, the Company repurchased $20.0 million under the 2020 Stock Repurchase Program with an average price paid per share of $52.65. The 2020 Stock Repurchase Program had $17.5 million of repurchase authorization remaining at the time of expiration.

On November 1, 2023, following the above-noted extension, the Company entered into a Confirmation of Issuer Forward Repurchase Transaction agreement (the “ASR Agreement”) with Bank of America, N.A. (“Bank of America”) that provided for the Company to purchase shares of Common Stock in an aggregate amount of $60.0 million (the “ASR Repurchase Amount”) under the 2020 Stock Repurchase Program.

Under the terms of the ASR Agreement, on November 2, 2023, the Company paid $60.0 million to Bank of America for an initial purchase of approximately 1.22 million shares of Common Stock, representing 80% of ASR Repurchase Amount. The final settlement date occurred in the second quarter of 2024. During the nine months ended September 30, 2024, the Company paid $0.3 million in cash as the final settlement of the ASR Agreement.

In June 2024, the Board of Directors authorized a new stock repurchase program (the “2024 Stock Repurchase Program”) to commence upon expiration of the 2020 Stock Repurchase Program on June 30, 2024. Under the 2024 Stock Repurchase Program, the Company is authorized to repurchase up to $150.0 million of its issued and outstanding Common Stock over a three-year period, expiring June 30, 2027. Repurchases under the 2024 Stock Repurchase Program may be made, from time to time, in amounts and at prices the Company deems appropriate, subject to market conditions, applicable legal requirements, debt covenants and other considerations. Any such repurchases may be executed using open market purchases, accelerated share repurchase programs, privately negotiated agreements or other transactions. Repurchases may be funded from cash on hand, available borrowings or proceeds from potential debt or other capital markets sources.

During the nine months ended September 30, 2024, the Company repurchased $19.9 million under the 2024 Stock Repurchase Program with an average price paid per share of $48.97. The 2024 Stock Repurchase Program had $130.1 million of repurchase authorization remaining as of September 30, 2024.

Stock repurchases are subject to excise tax, subject to specified exclusions and adjustments. Excise tax of $0.4 million was charged to common stock for the three and nine months ended September 30, 2024.

Reportable Segments

The Company has two reportable segments for financial reporting purposes: Automotive and Medical.

See Note 15, “Segment Reporting,” to the consolidated condensed financial statements included in this Report for a description of our reportable segments as well as their proportional contribution to the Company’s reported product revenues and operating income. The financial information used by our chief operating decision maker to assess operating performance and allocate resources is based on these reportable segments.

Consolidated Results of Operations

The results of operations for the three and nine months ended September 30, 2024 and 2023, in thousands, were as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)	2024	2023	Favorable / (Unfavorable)
Product revenues	$ 371,512	$ 366,195	$ 5,317	$ 1,103,210	$ 1,102,143	$ 1,067
Cost of sales	276,639	279,985	3,346	822,883	846,815	23,932
Gross margin	94,873	86,210	8,663	280,327	255,328	24,999
Operating expenses:						
Net research and development expenses	23,013	23,150	137	67,619	72,991	5,372
Selling, general and administrative expenses	36,861	38,220	1,359	116,992	113,680	(3,312)
Restructuring expenses, net	2,662	1,099	(1,563)	12,342	3,412	(8,930)
Impairment of goodwill	—	—	—	—	19,509	19,509
Total operating expenses	62,536	62,469	(67)	196,953	209,592	12,639
Operating income	32,337	23,741	8,596	83,374	45,736	37,638
Interest expense, net	(4,710)	(3,368)	(1,342)	(11,956)	(9,444)	(2,512)
Foreign currency (loss) gain	(8,480)	2,107	(10,587)	(6,213)	384	(6,597)
Other income	263	272	(9)	952	1,058	(106)
Earnings before income tax	19,410	22,752	(3,342)	66,157	37,734	28,423
Income tax expense	3,445	6,908	3,463	16,531	15,478	(1,053)
Net income	$ 15,965	$ 15,844	$ 121	$ 49,626	$ 22,256	$ 27,370

Product revenues by product category, in thousands, for the three and nine months ended September 30, 2024 and 2023, were as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024	2023	$ Change	% Change	2024	2023	$ Change	% Change
Climate Control Seat	$ 115,498	$ 124,905	$ (9,407)	(7.5)%	$ 352,789	$ 360,868	$ (8,079)	(2.2)%
Seat Heaters	72,982	77,238	(4,256)	(5.5)%	227,114	231,132	(4,018)	(1.7)%
Lumbar and Massage Comfort Solutions	48,970	33,260	15,710	47.2 %	133,090	109,602	23,488	21.4 %
Steering Wheel Heaters	44,711	39,861	4,850	12.2 %	126,939	115,166	11,773	10.2 %
Valve Systems	26,082	27,830	(1,748)	(6.3)%	81,974	82,516	(542)	(0.7)%
Automotive Cables	16,834	19,668	(2,834)	(14.4)%	57,185	60,131	(2,946)	(4.9)%
Battery Performance Solutions	16,869	17,242	(373)	(2.2)%	46,540	57,138	(10,598)	(18.5)%
Electronics	10,862	10,163	699	6.9 %	26,218	30,456	(4,238)	(13.9)%
Other Automotive	5,996	4,615	1,381	29.9 %	15,595	21,998	(6,403)	(29.1)%
Subtotal Automotive segment	358,804	354,782	4,022	1.1 %	1,067,444	1,069,007	(1,563)	(0.1)%
Medical segment	12,708	11,413	1,295	11.3 %	35,766	33,136	2,630	7.9 %
Total Company	$ 371,512	$ 366,195	$ 5,317	1.5 %	$ 1,103,210	$ 1,102,143	$ 1,067	0.1 %

Product Revenues

Below is a summary of our product revenues, in thousands, for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30,			Variance Due To:			
	2024	2023	Favorable / (Unfavorable)	Automotive Volume	FX	Pricing / Other	Total
Product revenues	$ 371,512	$ 366,195	$ 5,317	$ 1,720	$ 1,599	$ 1,998	$ 5,317

Product revenues for the three months ended September 30, 2024 increased 1.5% as compared to the three months ended September 30, 2023. The increase in product revenues is due to favorable pricing, favorable automotive volumes, and favorable foreign currency impacts primarily attributable to the Euro and the Chinese Renminbi, partially offset by unfavorable foreign currency impacts primarily attributable to the Korean Won.

Below is a summary of our product revenues, in thousands, for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,			Variance Due To:			
	2024	2023	Favorable / (Unfavorable)	Automotive Volume	FX	Pricing / Other	Total
Product revenues	$ 1,103,210	$ 1,102,143	$ 1,067	$ 9,169	$ (5,134)	$ (2,968)	$ 1,067

Product revenues for the nine months ended September 30, 2024 increased 0.1% as compared to the nine months ended September 30, 2023. The increase in product revenues is due to favorable automotive volumes, partially offset by unfavorable pricing, lower cost recoveries from customers and unfavorable foreign currency impacts primarily attributable to the Chinese Renminbi, the Korean Won and the Japanese Yen.

Cost of Sales

Below is a summary of our cost of sales and gross margin, in thousands, for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30,			Variance Due To:				
	2024	2023	Favorable / (Unfavorable)	Automotive Volume	Operational Performance	FX	Other	Total
Cost of sales	$ 276,639	$ 279,985	$ 3,346	$ (1,909)	$ 10,170	$ 1,719	$ (6,634)	$ 3,346
Gross margin	$ 94,873	$ 86,210	$ 8,663	$ (189)	$ 12,852	$ 3,318	$ (7,318)	$ 8,663
Gross margin - Percentage of product revenues	25.5%	23.5%						

Cost of sales for the three months ended September 30, 2024 decreased 1.2% as compared to the three months ended September 30, 2023. The decrease in cost of sales is primarily due to Fit-for-Growth 2.0 initiatives including supplier cost reductions and value engineering activities, as well as the impact of non-automotive inventory charges in the prior-year period and favorable foreign currency impacts primarily attributable to the Mexican Peso and the Ukranian Hryvnia. These decreases were partially offset by higher automotive volumes, start-up costs from our new plants in Tangier, Morocco and Monterrey, Mexico and unfavorable foreign currency impacts primarily attributable to the Euro and the Chinese Renminbi.

Below is a summary of our cost of sales and gross margin, in thousands, for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,			Variance Due To:				
	2024	2023	Favorable / (Unfavorable)	Automotive Volume	Operational Performance	FX	Other	Total
Cost of sales	$ 822,883	$ 846,815	$ 23,932	$ (7,889)	$ 42,595	$ 2,441	$ (13,215)	$ 23,932
Gross margin	$ 280,327	$ 255,328	$ 24,999	$ 1,280	$ 44,359	$ (2,693)	$ (17,947)	$ 24,999
Gross margin - Percentage of product revenues	25.4%	23.2%						

Cost of sales for the nine months ended September 30, 2024 decreased 2.8% as compared to the nine months ended September 30, 2023. The decrease in cost of sales is primarily due to Fit-for-Growth 2.0 initiatives including supplier cost reductions and value engineering activities, as well as the impact of non-automotive inventory charges in the prior-year period and favorable foreign currency impacts primarily attributable to the Chinese Renminbi. These decreases were partially offset by higher automotive volumes, start-up costs from our new plants in Tangier, Morocco and Monterrey, Mexico and unfavorable foreign currency impacts primarily attributable to the Euro and the Mexican Peso.

Net Research and Development Expenses

Below is a summary of our net research and development expenses, in thousands, for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Research and development expenses	$ 32,248	$ 32,298	$ 50
Reimbursed research and development expenses	(9,235)	(9,148)	87
Net research and development expenses	$ 23,013	$ 23,150	$ 137
Percentage of product revenues	6.2%	6.3%	

Net research and development expenses for the three months ended September 30, 2024 were relatively unchanged as compared to the three months ended September 30, 2023.

Below is a summary of our net research and development expenses, in thousands, for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Research and development expenses	$ 89,093	$ 94,784	$ 5,691
Reimbursed research and development expenses	(21,474)	(21,793)	(319)
Net research and development expenses	$ 67,619	$ 72,991	$ 5,372
Percentage of product revenues	6.1%	6.6%	

Net research and development expenses for the nine months ended September 30, 2024 decreased 7.4% as compared to the nine months ended September 30, 2023. The decrease in net research and development expenses is primarily related to a reduction in resources allocated to the battery performance solutions product category.

Selling, General and Administrative Expenses

Below is a summary of our selling, general and administrative expenses, in thousands, for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Selling, general and administrative expenses	$ 36,861	$ 38,220	$ 1,359
Percentage of product revenues	9.9%	10.4%	

Selling, general and administrative expenses for the three months ended September 30, 2024 decreased 3.6% as compared to the three months ended September 30, 2023. The decrease in selling, general and administrative expenses is primarily related to acquisition and integration expenses in the prior year.

Below is a summary of our selling, general and administrative expenses, in thousands, for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Selling, general and administrative expenses	$ 116,992	$ 113,680	$ (3,312)
Percentage of product revenues	10.6%	10.3%	

Selling, general and administrative expenses for the nine months ended September 30, 2024 increased 2.9% as compared to the nine months ended September 30, 2023. The increase in selling, general and administrative expenses is primarily related to higher compensation expenses and increased investment in information technology, partially offset by acquisition and integration expenses in the prior year.

Restructuring Expenses, net

Below is a summary of our restructuring expenses, net, in thousands, for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Restructuring expenses, net	$ 2,662	$ 1,099	$ (1,563)

During the three months ended September 30, 2024, the Company recognized expenses of $1.8 million for employee separation costs and $2.6 million for other costs, partially offset by $1.7 million of gain on sale of our Greenville, North Carolina facility. These restructuring expenses primarily related to discrete restructuring actions focused on the reduction of global overhead expenses and achieving our Fit-for-Growth 2.0 objectives. See Note 3, "Restructuring," to the consolidated condensed financial statements included in this Report for additional information.

During the three months ended September 30, 2023, the Company recognized expenses of $1.1 million for employee separation costs and $0 million for other costs. These restructuring expenses primarily relate to discrete restructuring actions focused on the reduction of global overhead expenses.

Below is a summary of our restructuring expenses, net, in thousands, for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Restructuring expenses, net	$ 12,342	$ 3,412	$ (8,930)

During the nine months ended September 30, 2024, the Company recognized expenses of $10.7 million for employee separation costs and $3.4 million for other costs, partially offset by $1.7 million of gain on sale of our Greenville, North Carolina facility. These restructuring expenses primarily related to discrete restructuring actions focused on the reduction of global overhead expenses and achieving our Fit-for-Growth 2.0 objectives. See Note 3, "Restructuring," to the consolidated condensed financial statements included in this Report for additional information.

During the nine months ended September 30, 2023, the Company recognized expenses of $2.6 million for employee separation costs and $0.8 million for other costs. These restructuring expenses primarily related to discrete restructuring actions focused on the reduction of global overhead expenses.

Impairment of Goodwill

Below is a summary of our impairment of goodwill, in thousands, for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Impairment of goodwill	$ —	$ —	$ —

	Nine Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Impairment of goodwill	$ —	$ 19,509	$ 19,509

Impairment of goodwill for the nine months ended September 30, 2023 related to the Medical reporting unit.

Interest Expense, net

Below is a summary of our interest expense, net, in thousands, for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Interest expense, net	$ (4,710)	$ (3,368)	$ (1,342)

Interest expense, net for the three months ended September 30, 2024 increased 39.8% as compared to the three months ended September 30, 2023. The increase is primarily related to carrying a higher balance of outstanding borrowings under the Revolving Credit Facility and the impact from the change in fair value of the interest rate swap derivative, partially offset by lower interest rates.

Below is a summary of our interest expense, net, in thousands, for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Interest expense, net	$ (11,956)	$ (9,444)	$ (2,512)

Interest expense, net for the nine months ended September 30, 2024 increased 26.6% as compared to the nine months ended September 30, 2023. The increase is primarily related to carrying a higher balance of outstanding borrowings under the Revolving Credit Facility and the impact from the change in fair value of the interest rate swap derivative.

Foreign Currency (Loss) Gain

Below is a summary of our foreign currency (loss) gain, in thousands, for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Foreign currency (loss) gain	$ (8,480)	$ 2,107	$ (10,587)

Foreign currency loss for the three months ended September 30, 2024 included net realized foreign currency gain of $0.1 million and net unrealized foreign currency loss of $8.6 million.

Foreign currency gain for the three months ended September 30, 2023 included net realized foreign currency gain of $1.2 million and net unrealized foreign currency gain of $0.9 million.

Below is a summary of our foreign currency (loss) gain, in thousands, for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Foreign currency (loss) gain	$ (6,213)	$ 384	$ (6,597)

Foreign currency loss for the nine months ended September 30, 2024 included net unrealized foreign currency loss of $6.2 million.

Foreign currency gain for the nine months ended September 30, 2023 included net realized foreign currency gain of $4.6 million and net unrealized foreign currency loss of $4.2 million.

Other Income

Below is a summary of our other income, in thousands, for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Other income	$ 263	$ 272	$ (9)

Other income for the three months ended September 30, 2024 decreased as compared to the three months ended September 30, 2023. The decrease in other income is due to an increase in miscellaneous expenses.

Below is a summary of our other income, in thousands, for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Other income	$ 952	$ 1,058	$ (106)

Other income for the nine months ended September 30, 2024 decreased as compared to the nine months ended September 30, 2023. The decrease in other income is due to an increase in miscellaneous expenses, partially offset by an increase in the fair value of our investment in Carrar Ltd. due to observable transactions.

Income Tax Expense

Below is a summary of our income tax expense, in thousands, for the three months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Income tax expense	$ 3,445	$ 6,908	$ 3,463

Income tax expense was $3.4 million for the three months ended September 30, 2024, on earnings before income tax of $19.4 million, representing an effective tax rate of 17.7%. The effective tax rate differed from the U.S. Federal statutory rate of 21.0% primarily due to the impact of income taxes on foreign earnings taxed at rates varying from the U.S. Federal statutory rate, the release of the uncertain tax position reserve accrual due to tax audit settlement, partial valuation allowance release in the U.S. related to its capital loss carryforward, and favorable tax effects of equity vesting, partially offset by the unfavorable impact of the global intangible low-tax income (“GILTI”).

Income tax expense was $6.9 million for the three months ended September 30, 2023 on earnings before income tax of $22.8 million, representing an effective tax rate of 30.4%. The effective tax rate differed from the U.S. Federal statutory rate of 21.0% primarily due to the impact of income taxes on foreign earnings taxed at rates varying from the U.S. Federal statutory rate and the unfavorable impact of the GILTI, partially offset by the impact of the release of accruals for uncertain tax positions.

Below is a summary of our income tax expense, in thousands, for the nine months ended September 30, 2024 and 2023:

	Nine Months Ended September 30,		
	2024	2023	Favorable / (Unfavorable)
Income tax expense	$ 16,531	$ 15,478	$ (1,053)

Income tax expense was $16.5 million for the nine months ended September 30, 2024, on earnings before income tax of $66.2 million, representing an effective tax rate of 25.0%. The effective tax rate differed from the U.S. Federal statutory rate of 21.0% primarily due to the impact of income taxes on foreign earnings taxed at rates varying from the U.S. Federal statutory rate and the unfavorable impact of the GILTI, partially offset by favorable tax effects of equity vesting, a partial valuation allowance release in the U.S. related to its capital loss carryforward and a one-time benefit related to the Alfmeier acquisition.

Income tax expense was $15.5 million for the nine months ended September 30, 2023 on earnings before income tax of $37.7 million, representing an effective tax rate of 41.0%. The pre-tax earnings included the effect of an impairment loss of $19.5 million with a tax benefit of $2.3 million. Adjusted for the impairment impacts, the effective rate was 31.0%. The effective tax rate differed from the U.S. Federal statutory rate of 21% primarily due to the impact of income taxes on foreign earnings taxed at rates varying from the U.S. Federal statutory rate and the unfavorable impact of the GILTI, partially offset by the impact of research and development credits in various jurisdictions, certain favorable tax effects of equity vesting and the release of accruals for uncertain tax positions.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity and capital resources are cash flows from operations and borrowings available under our Second Amended and Restated Credit Agreement. Our cash requirements consist principally of working capital, capital expenditures, research and development, operating lease payments, income tax payments and general corporate purposes. We generally reinvest available cash flows from operations into our business, while opportunistically utilizing our authorized stock repurchase program. Further, we continuously evaluate acquisition, disposition, exits, and investment opportunities that will enhance our business strategies.

As of September 30, 2024, the Company had $150.6 million of cash and cash equivalents and $278.0 million of availability under our Second Amended and Restated Credit Agreement. We may issue debt or equity securities, which may provide an additional source of liquidity. However, there can be no assurance equity or debt financing will be available to us when we need it or, if available, the terms will be satisfactory to us and not dilutive to our then-current shareholders.

We continue to expect to be able to move funds between different countries to manage our global liquidity needs without material adverse tax implications, subject to current monetary policies and the terms of the Second Amended and Restated Credit Agreement. We utilize a combination of strategies, including dividends, cash pooling arrangements, intercompany loan repayments and other distributions and advances to provide the funds necessary to meet our global liquidity needs. There are no significant restrictions on the ability of our subsidiaries to pay dividends or make other distributions to Gentherm Incorporated. As of September 30, 2024, the Company's cash and cash equivalents held by our non-U.S. subsidiaries totaled $109.0 million. If additional non-U.S. cash was needed for our U.S. operations, we may be required to accrue and pay withholding if we were to distribute such funds from non-U.S. subsidiaries to the U.S.; however, based on our current liquidity needs and strategies, we do not anticipate a need to accrue and pay such additional amounts.

We currently believe that our cash and cash equivalents, borrowings available under our Second Amended and Restated Credit Agreement, and cash flows from operations will be adequate to meet anticipated cash requirements for at least the next twelve months and the foreseeable future.

Cash and Cash Flows

The following table represents our cash and cash equivalents, in thousands:

	Nine Months Ended September 30,	
	2024	**2023**
Cash and cash equivalents at beginning of period	$ 149,673	$ 153,891
Net cash provided by operating activities	73,089	80,042
Net cash used in investing activities	(33,141)	(16,945)
Net cash used in financing activities	(40,605)	(60,751)
Foreign currency effect on cash and cash equivalents	1,565	(1,883)
Cash and cash equivalents at end of period	$ 150,581	$ 154,354

Cash Flows From Operating Activities

Net cash provided by operating activities totaled $73.1 million during the nine months ended September 30, 2024 primarily reflecting $50.7 million for non-cash charges for depreciation, amortization, stock based compensation, gain on disposition of property and equipment, provision for inventory and deferred income taxes and net income of $49.6 million, partially offset by $26.2 million related to changes in assets and liabilities, and $1.0 million of other.

Cash Flows From Investing Activities

Net cash used in investing activities was $33.1 million during the nine months ended September 30, 2024, reflecting purchases of property and equipment of $50.3 million and investments in technology companies of $0.6 million, partially offset by proceeds from deferred purchase price of factored receivables of $10.3 million and proceeds from the sale of property and equipment of $7.5 million.

Cash Flows From Financing Activities

Net cash used in financing activities was $40.6 million during the nine months ended September 30, 2024, reflecting $53.5 million of debt repayments, $41.6 million paid to repurchase Common Stock and $3.2 million paid for employee taxes related to the net settlement of restricted stock units that vested during the year, partially offset by the borrowing on debt of $53.0 million and the proceeds from the exercise of Common Stock options totaling $4.7 million.

Debt

The following table summarizes the Company's debt, in thousands, as of September 30, 2024 and December 31, 2023:

	September 30, 2024		December 31, 2023	
	Interest Rate	Principal Balance	Interest Rate	Principal Balance
Credit Agreement:				
Revolving Credit Facility (U.S. Dollar denominations)	6.07%	$ 222,000	6.58%	$ 222,000
Other loans	—	—	3.90%	233
Finance leases	3.50%	314	3.53%	605
Total debt		222,314		222,838
Current maturities		(210)		(621)
Long-term debt, less current maturities		$ 222,104		$ 222,217

Credit Agreement

Gentherm, together with certain of its subsidiaries, maintain a revolving credit note (the "Revolving Credit Facility") under its Second Amended and Restated Credit Agreement (the "Second Amended and Restated Credit Agreement") with a consortium of lenders and Bank of America, N.A. as administrative agent. The Second Amended and Restated Credit Agreement was entered into on June 10, 2022 and amended and restated in its entirety the Amended and Restated Credit Agreement dated June 27, 2019, by and among Gentherm, certain of its direct and indirect subsidiaries, the lenders party thereto and the Agent. The Second Amended and Restated Credit Agreement has a maximum borrowing capacity of $500 million and matures on June 10, 2027. The Second Amended and Restated Credit Agreement contains covenants, that, among other things, (i) prohibit or limit the ability of the borrowers and any material subsidiary to incur additional indebtedness, create liens, pay dividends, make certain types of investments (including acquisitions), enter into certain types of transactions with affiliates, prepay other indebtedness, sell assets or enter into certain other transactions outside the ordinary course of business, and (ii) require that Gentherm maintain a minimum Consolidated Interest Coverage Ratio and a maximum Consolidated Net Leverage Ratio (based on consolidated EBITDA for the applicable trailing four fiscal quarters) as of the end of any fiscal quarter. As of September 30, 2024, the Company was in compliance, in all material respects, with the terms of the Second Amended and Restated Credit Agreement.

Finance Leases

As of September 30, 2024 and December 31, 2023, there was $0.3 million and $0.6 million, respectively, of outstanding finance leases.

Other Sources of Liquidity

The Company was party to receivable factoring agreements with unrelated third parties under which we could sell receivables for certain account debtors, on a revolving basis, subject to outstanding balances and concentration limits. The receivable factoring agreements are transferred in their entirety to the acquiring entities and are accounted for as a sale. Some of the agreements have deferred purchase price arrangements. As of September 30, 2024, there was no availability for new factoring under the receivable factoring agreements as the factoring agreements the Company was party to either expired or were terminated during the three months ended September 30, 2024.

Material Cash Requirements

In September 2023, the Company committed to a restructuring plan to improve the Company's manufacturing productivity and rationalize its footprint. The Company expects to incur less than $1.0 million of additional restructuring costs for the 2023 Plan. See Note 3, "Restructuring," to the consolidated condensed financial statements included in this Report for additional information related to this plan.

Except as described above, there have been no material changes in our cash requirements since December 31, 2023, the end of fiscal year 2023. See Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information regarding our material cash requirements.

Effects of Inflation

The automotive component supply industry has historically been subject to inflationary pressures with respect to materials and labor. Since 2021, the automotive industry has experienced a period of significant volatility in the costs of certain materials and components, labor and transportation. Although supply chain conditions have steadily improved and certain inflationary pressures have moderated, rising costs of materials, labor, equipment and other inputs used to manufacture and sell our products, including freight and logistics costs, have impacted, and may in the future impact, operating costs and operating results. These higher costs and cost increases due to inflation are expected to continue for the foreseeable future as demand remains elevated and supply remains constrained. Although the Company has developed and implemented strategies to mitigate the impact of higher material component costs and transportation costs through sourcing and manufacturing efficiencies where possible, these strategies together with commercial negotiations with Gentherm's customers and suppliers have not fully offset to date and may not fully offset our future cost increases. Such inflationary cost increase may increase the cash required to fund our operations by a material amount.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated condensed financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. For discussion of our significant accounting policies, see Note 2, "Summary of Significant Accounting Policies," to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023. There have been no significant changes in our critical accounting policies or critical accounting estimates during the three months ended September 30, 2024. We are not presently aware of any events or circumstances that would require us to update our estimates, assumptions or revise the carrying value of our assets or liabilities. Our estimates may change, however, as new events occur and additional information is obtained. As a result, actual results may differ significantly from our estimates, and any such differences may be material to our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to various market risks including, but not limited to, changes in foreign currency exchange rates, changes in interest rates and price fluctuations of certain material commodities such as copper. Market risks for changes in interest rates relate primarily to the Company's debt obligations under the Second Amended and Restated Credit Agreement. Foreign currency exchange risks are attributable to sales to foreign customers and purchases from foreign suppliers not denominated in a location’s functional currency, foreign plant operations, intercompany indebtedness, acquisitions denominated in foreign currencies, intercompany investments and include exposures to the Euro, Mexican Peso, Canadian Dollar, Hungarian Forint, North Macedonian Denar, Ukrainian Hryvnia, Japanese Yen, Chinese Renminbi, Korean Won, Czech Koruna and Vietnamese Dong.

The Company regularly enters into derivative contracts with the objective of managing its financial and operational exposure arising from these risks by offsetting gains and losses on the underlying exposures with gains and losses on the financial instruments used to hedge them. The decision of whether and when to execute derivative financial instruments, along with the duration of the instrument, may vary from period to period depending on market conditions, the relative costs of the instruments and capacity to hedge. The duration is linked to the timing of the underlying exposure, with the connection between the two being regularly monitored. The Company does not enter into derivative financial instruments for speculative or trading purposes. Some derivative contracts do not qualify for hedge accounting; for other derivative contracts, we elect to not apply hedge accounting.

The Company’s designated hedging relationships are formally documented at the inception of the hedge, and hedges must be highly effective in offsetting changes to future cash flows on hedged transactions both at the inception of a hedge and on an ongoing basis to be designated for hedge accounting treatment. For derivative contracts that can be classified as a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded to accumulated other comprehensive loss in the consolidated condensed balance sheets. When the underlying hedge transaction is realized, the gain or loss included in accumulated other comprehensive loss is recorded in earnings in the consolidated condensed statements of income on the same line as the gain or loss on the hedged item attributable to the hedged risk. The Company records the ineffective portion of foreign currency and copper commodity hedging instruments, if any, to cost of sales, and the ineffective portion of interest rate swaps, if any, to interest expense, net in the consolidated condensed statements of income. Cash flows associated with derivatives are reported in net cash provided by operating activities in the consolidated condensed statements of cash flows.

Information related to the fair values of all derivative instruments in the consolidated condensed balance sheet as of September 30, 2024 is set forth in Note 10, “Financial Instruments” in the consolidated condensed financial statements included in this Report.

Interest Rate Sensitivity

The table below presents principal cash flows and related weighted average interest rates by expected maturity dates for each of the Company’s debt obligations, excluding finance leases. The information is presented in U.S. dollar equivalents, which is the Company’s reporting currency.

	Expected Maturity Date							
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**Total**	**Fair Value**
Liabilities								
Long-Term Debt:								
Variable rate	$ —	$ —	$ —	$ 222,000	$ —	$ —	$ 222,000	$ 222,000
Variable interest rate as of September 30, 2024				6.07 %			6.07 %	

Based on the amounts outstanding as of September 30, 2024, a hypothetical 100 basis point change (increase or decrease) in interest rates would impact annual interest expense by $2.2 million. To hedge the Company's exposure to interest payment fluctuations on a portion of these borrowings, we entered into a floating-to-fixed interest rate swap agreement with a notional amount of $100.0 million.

Exchange Rate Sensitivity

The table below provides information about the Company's foreign currency exchange rate agreements that are sensitive to changes in foreign currency exchange rates. The table presents the notional amounts and weighted average exchange rates by expected maturity dates for each type of foreign currency exchange agreement. These notional amounts generally are used to calculate the payments to be exchanged under the contract.

	Expected Maturity or Transaction Date			
Anticipated Transactions and Related Derivatives	**2024**	**2025**	**Total**	**Fair Value**
USD Functional Currency				
Exchange Agreements:				
(Receive MXN / Pay USD)				
Total contract amount	$ 19,477	$ 44,237	$ 63,714	$ (490)
Average contract rate	19.25	19.33	19.30	

The table below presents the potential gain and loss in fair value for the foreign currency derivative contracts from a hypothetical 10% change in quoted currency exchange rates.

	September 30, 2024		December 31, 2023	
Exchange Rate Sensitivity	**Potential loss in fair value**	**Potential gain in fair value**	**Potential loss in fair value**	**Potential gain in fair value**
Exchange Agreement:(Receive MXN / Pay USD)	$ 3,732	$ 4,857	$ 7,179	$ 9,798

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Management of the Company, under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of September 30, 2024. As defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (as amended, the "Exchange Act"), disclosure controls and procedures are controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported on a timely basis, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of September 30, 2024.

(b) Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the three months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to litigation from time to time in the ordinary course of business, however there was no material pending litigation to which we are a party and no material legal proceeding was terminated, settled or otherwise resolved during the three months ended September 30, 2024.

ITEM 1A. RISK FACTORS

The Company’s risk factors have not materially changed from those previously disclosed in Part 1, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023. You should carefully consider the risks and uncertainties described therein.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities During Third Quarter 2024

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs [(a)]
July 1, 2024 to July 31, 2024	—	$ —	—	$ 150,000,000
August 1, 2024 to August 31, 2024	198,862	$ 50.29	198,862	$ 140,000,038
September 1, 2024 to September 30, 2024	207,159	$ 47.71	207,159	$ 130,117,303

(a)In June 2024, the Board of Directors authorized a new stock repurchase program (the “2024 Stock Repurchase Program”) to commence upon expiration of the 2020 Stock Repurchase Program on June 30, 2024. Under the 2024 Stock Repurchase Program, the Company is authorized to repurchase up to $150 million of its issued and outstanding Common Stock. For further information, see Note 12, "Equity," to the notes to the consolidated condensed financial statements included in this Report.

ITEM 5. OTHER INFORMATION

Trading Plans – Directors and Section 16 Officers

During the three months ended September 30, 2024, none of the Company's directors or Section 16 officers adopted or terminated (i) any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Exchange Act or (ii) any non-Rule 10b5-1 trading arrangement.

ITEM 6. EXHIBITS

Exhibits to this Report are as follows:

Exhibit Number	Exhibit Description	Filed /Furnished Herewith	Incorporated by Reference Form	Period Ending	Exhibit / Appendix Number	Filing Date
3.1	Second Amended and Restated Articles of Incorporation of Gentherm Incorporated		8-K		3.2	3/5/18
3.2	Amended and Restated Bylaws of Gentherm Incorporated		8-K		3.1	5/26/16
31.1	Section 302 Certification – CEO	X				
31.2	Section 302 Certification – Interim CFO	X				
32.1*	Section 906 Certification – CEO	X				
32.2*	Section 906 Certification – Interim CFO	X				
101.INS	Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	X				
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents	X				
104	Cover Page Interactive Date File – the cover page XBRL tags are embedded within the Inline XBRL document	X				

* Documents are furnished not filed.

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.

Gentherm Incorporated

/s/ PHILLIP EYLER
Phillip Eyler
President and Chief Executive Officer, Interim Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

Date: October 30, 2024

Exhibit 31.1

CERTIFICATION

I, Phillip Eyler, certify that:

1.I have reviewed this quarterly report on Form 10-Q of Gentherm Incorporated;

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

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

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

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

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

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

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

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

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

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

/s/ Phillip Eyler
Phillip Eyler
President and Chief Executive Officer, Interim Chief Financial Officer
(Principal Executive Officer)
October 30, 2024

Exhibit 31.2

CERTIFICATION

I, Phillip Eyler, certify that:

1.I have reviewed this quarterly report on Form 10-Q of Gentherm Incorporated;

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

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

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

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

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

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

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

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

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

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

/s/ Phillip Eyler
Phillip Eyler
President and Chief Executive Officer, Interim Chief Financial Officer
(Principal Financial Officer)
October 30, 2024

Exhibit 32.1

**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 Gentherm Incorporated (the “Company”) on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Phillip Eyler, President, Chief Executive Officer and Interim Chief Financial Officer of the Company, certify, pursuant to 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.

/s/ Phillip Eyler
Phillip Eyler
President and Chief Executive Officer, Interim Chief Financial Officer
(Principal Executive Officer)
October 30, 2024

Exhibit 32.2

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

In connection with the Quarterly Report of Gentherm Incorporated (the “Company”) on Form 10-Q for the period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Phillip Eyler, President, Chief Executive Officer and Interim Chief Financial Officer of the Company, certify, pursuant to 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.

/s/ Phillip Eyler
Phillip Eyler
President and Chief Executive Officer, Interim Chief Financial Officer
(Principal Financial Officer)
October 30, 2024