

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 November 26, 2023

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-4415

PARK AEROSPACE CORP.

(Exact Name of Registrant as Specified in Its Charter)

New York

(State or Other Jurisdiction of  
Incorporation or Organization)

11-1734643

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

1400 Old Country Road, Westbury, N.Y.

(Address of Principal Executive Offices)

11590

(Zip Code)

(631) 465-3600

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year,  
if Changed Since Last Report)

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

Title of Each Class

Trading Symbol(s)

Name of Each Exchange on Which

Registered

Common Stock, par value \$.10 per share

PKE

New York Stock Exchange

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

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

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company  Emerging Growth Company

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 20,253,361 as of January 2, 2024.

PARK AEROSPACE CORP. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

PARK AEROSPACE CORP. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(Amounts in thousands)

	November 26, 2023 (unaudited)	February 26, 2023*
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,173	\$ 4,237
Marketable securities (Note 3)	69,816	101,203
Accounts receivable, less allowance for doubtful accounts of \$ 132 and \$120, respectively	9,897	9,989
Inventories (Note 4)	7,421	6,768
Prepaid expenses and other current assets	2,463	2,844
<b>Total current assets</b>	<u>93,770</u>	<u>125,041</u>
Property, plant and equipment, net	23,747	24,251
Operating right-of-use assets (Note 5)	109	150
Goodwill and other intangible assets	9,783	9,783
Other assets	98	108
<b>Total assets</b>	<u><u>\$ 127,507</u></u>	<u><u>\$ 159,333</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,110	\$ 4,545
Operating lease liability (Note 5)	53	53
Accrued liabilities	1,587	1,346
Dividend payable	-	20,471
Income taxes payable	3,679	2,171
<b>Total current liabilities</b>	<u>6,429</u>	<u>28,586</u>
Long-term operating lease liability (Note 5)	94	129
Non-current income taxes payable (Note 9)	5,259	10,938
Deferred income taxes (Note 9)	1,897	1,995
Other liabilities	1,843	1,751
<b>Total liabilities</b>	<u>15,522</u>	<u>43,399</u>
Contingencies (Note 11)		
<b>Shareholders' equity (Note 8)</b>		
Common stock	2,096	2,096
Additional paid-in capital	170,352	169,932
Accumulated deficit	(45,513)	(42,694)
Accumulated other comprehensive loss	(2,928)	(4,244)
Less treasury stock, at cost	124,007	125,090
<b>Total shareholders' equity</b>	<u>111,985</u>	<u>115,934</u>
<b>Total liabilities and shareholders' equity</b>	<u><u>\$ 127,507</u></u>	<u><u>\$ 159,333</u></u>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

PARK AEROSPACE CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS  
(Amounts in thousands, except per share amounts)

	13 Weeks Ended (Unaudited)		39 Weeks Ended (Unaudited)	
	November 26, 2023	November 27, 2022	November 26, 2023	November 27, 2022
Net sales	\$ 11,639	\$ 13,867	\$ 39,671	\$ 40,525
Cost of sales	8,470	9,423	27,590	27,903
<b>Gross profit</b>	<b>3,169</b>	<b>4,444</b>	<b>12,081</b>	<b>12,622</b>
Selling, general and administrative expenses	1,804	1,523	6,272	4,888
<b>Earnings from operations</b>	<b>1,365</b>	<b>2,921</b>	<b>5,809</b>	<b>7,734</b>
Interest and other income	261	299	724	653
<b>Earnings from operations before income taxes</b>	<b>1,626</b>	<b>3,220</b>	<b>6,533</b>	<b>8,387</b>
Income tax provision (Note 9)	423	990	1,730	2,362
<b>Net earnings</b>	<b>\$ 1,203</b>	<b>\$ 2,230</b>	<b>\$ 4,803</b>	<b>\$ 6,025</b>
<b>Earnings per share (Note 7)</b>				
Basic:				
Basic earnings per share	\$ 0.06	\$ 0.11	\$ 0.24	\$ 0.29
Basic weighted average shares	20,250	20,471	20,323	20,463
Diluted:				
Diluted earnings per share	\$ 0.06	\$ 0.11	\$ 0.24	\$ 0.29
Diluted weighted average shares	20,355	20,510	20,406	20,506

See Notes to Condensed Consolidated Financial Statements (Unaudited).

**PARK AEROSPACE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**  
(Amounts in thousands)

	<b>13 Weeks Ended (Unaudited)</b>	<b>39 Weeks Ended (Unaudited)</b>		
	<b>November 26, 2023</b>	<b>November 27, 2022</b>	<b>November 26, 2023</b>	<b>November 27, 2022</b>
Net earnings	\$ 1,203	\$ 2,230	\$ 4,803	\$ 6,025
Other comprehensive (loss) earnings, net of tax:				
Unrealized gains on marketable securities:				
Unrealized holding gains arising during the period	484	30	1,186	63
Less: reclassification adjustment for gains included in net earnings	-	-	-	(7)
Unrealized losses on marketable securities:				
Unrealized holding losses arising during the period	(2)	(773)	(110)	(2,407)
Less: reclassification adjustment for losses included in net earnings	8	25	239	33
Other comprehensive earnings (loss)	<u>490</u>	<u>(718)</u>	<u>1,315</u>	<u>(2,318)</u>
<b>Total comprehensive earnings</b>	<b><u>\$ 1,693</u></b>	<b><u>\$ 1,512</u></b>	<b><u>\$ 6,118</u></b>	<b><u>\$ 3,707</u></b>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

**PARK AEROSPACE CORP. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Amounts in thousands, except share and per share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive (Loss) Earnings	Treasury Stock	
	Shares	Amount				Shares	Amount
<b>Balance, February 26, 2023</b>	20,965,144	\$ 2,096	\$ 169,932	\$ (42,694)	\$ (4,244)	493,934	\$ (9,156)
Net earnings	-	-	-	1,854	-	-	-
Unrealized gain on marketable securities, net of tax	-	-	-	-	716	-	-
Stock-based compensation	-	-	218	-	-	-	-
Repurchase of treasury shares	-	-	-	-	-	129,654	(1,669)
Cash dividends (\$0.125 per share)	-	-	-	(2,559)	-	-	-
<b>Balance, May 28, 2023</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 170,150</b>	<b>\$ (43,399)</b>	<b>\$ (3,528)</b>	<b>623,588</b>	<b>\$ (10,825)</b>
Net earnings	-	-	-	1,746	-	-	-
Unrealized gain on marketable securities, net of tax	-	-	-	-	110	-	-
Stock-based compensation	-	-	104	-	-	-	-
Repurchase of treasury shares	-	-	-	-	-	91,445	(1,211)
Cash dividends (\$0.125 per share)	-	-	-	(2,531)	-	-	-
<b>Balance, August 27, 2023</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 170,254</b>	<b>\$ (44,184)</b>	<b>\$ (3,418)</b>	<b>715,033</b>	<b>\$ (12,036)</b>
Net earnings	-	-	-	1,203	-	-	-
Unrealized gain on marketable securities, net of tax	-	-	-	-	490	-	-
Stock options exercised	-	-	(5)	-	-	(875)	14
Stock-based compensation	-	-	103	-	-	-	-
Cash dividends (\$0.125 per share)	-	-	-	(2,532)	-	-	-
<b>Balance, November 26, 2023</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 170,352</b>	<b>\$ (45,513)</b>	<b>\$ (2,928)</b>	<b>714,158</b>	<b>\$ (12,022)</b>

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Other Comprehensive (Loss) Earnings	Treasury Stock	
	Shares	Amount				Shares	Amount
<b>Balance, February 27, 2022</b>	20,965,144	\$ 2,096	\$ 169,665	\$ (24,767)	\$ (1,965)	506,934	\$ (9,397)
Net earnings	-	-	-	1,910	-	-	-
Unrealized loss on marketable securities, net of tax	-	-	-	-	(933)	-	-
Stock-based compensation	-	-	85	-	-	-	-
Cash dividends (\$0.10 per share)	-	-	-	(2,046)	-	-	-
<b>Balance, May 29, 2022</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 169,750</b>	<b>\$ (24,903)</b>	<b>\$ (2,898)</b>	<b>506,934</b>	<b>\$ (9,397)</b>
Net earnings	-	-	-	1,885	-	-	-
Unrealized loss on marketable securities, net of tax	-	-	-	-	(667)	-	-
Stock options exercised	-	-	(102)	-	-	(13,000)	241
Stock-based compensation	-	-	94	-	-	-	-
Cash dividends (\$0.10 per share)	-	-	-	(2,046)	-	-	-
<b>Balance, August 28, 2022</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 169,742</b>	<b>\$ (25,064)</b>	<b>\$ (3,565)</b>	<b>493,934</b>	<b>\$ (9,156)</b>
Net earnings	-	-	-	2,230	-	-	-
Unrealized loss on marketable securities, net of tax	-	-	-	-	(718)	-	-
Stock-based compensation	-	-	95	-	-	-	-
Cash dividends (\$0.10 per share)	-	-	-	(2,047)	-	-	-
<b>Balance, November 27, 2022</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 169,837</b>	<b>\$ (24,881)</b>	<b>\$ (4,283)</b>	<b>493,934</b>	<b>\$ (9,156)</b>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

**PARK AEROSPACE CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)

	<b>39 Weeks Ended (Unaudited)</b>	
	<b>November 26, 2023</b>	<b>November 27, 2022</b>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 4,803	\$ 6,025
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:		
Depreciation and amortization	984	826
Stock-based compensation	425	274
Provision for doubtful accounts	12	-
Deferred income taxes	(97)	265
Amortization of bond premium	255	125
Loss on sale of marketable securities	184	-
Changes in operating assets and liabilities	(7,452)	(5,381)
<b>Net cash (used in) provided by operating activities</b>	<b>(886)</b>	<b>2,134</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(481)	(749)
Purchases of marketable securities	(6,702)	(39,785)
Proceeds from sales and maturities of marketable securities	38,966	36,199
<b>Net cash provided by (used in) investing activities</b>	<b>31,783</b>	<b>(4,335)</b>
<b>Cash flows from financing activities:</b>		
Dividends paid	(28,093)	(6,139)
Proceeds from exercise of stock options	12	139
Purchase of treasury stock	(2,880)	-
<b>Net cash used in financing activities</b>	<b>(30,961)</b>	<b>(6,000)</b>
<b>Decrease in cash and cash equivalents:</b>		
Cash and cash equivalents, beginning of period	4,237	12,811
<b>Cash and cash equivalents, end of period</b>	<b>\$ 4,173</b>	<b>\$ 4,610</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the period for income taxes, net of refunds	\$ 5,898	\$ 3,178

See Notes to Condensed Consolidated Financial Statements (Unaudited).

PARK AEROSPACE CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Amounts in thousands, except share (unless otherwise stated), per share and option amounts)

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**1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

The Condensed Consolidated Balance Sheet and the Consolidated Statements of Shareholders' Equity as of November 26, 2023, the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Earnings for the 13 weeks and 39 weeks ended November 26, 2023 and November 27, 2022, and the Condensed Consolidated Statements of Cash Flows for the 39 weeks then ended have been prepared by Park Aerospace Corp. (the "Company"), without audit. In the opinion of management, these unaudited condensed consolidated financial statements contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at November 26, 2023 and the results of operations and cash flows for all periods presented. The Consolidated Statements of Operations are not necessarily indicative of the results to be expected for the full fiscal year or any subsequent interim period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2023. There have been no significant changes to such accounting policies during the 39 weeks ended November 26, 2023.

**2. FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability ( *i.e.*, the "exit price") in an orderly transaction between market participants at the measurement date.

Fair value measurements are broken down into three levels based on the reliability of inputs as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to their short-term nature. Certain assets and liabilities of the Company are required to be recorded at fair value on either a recurring or non-recurring basis. On a recurring basis, the Company records its marketable securities at fair value using Level 1 or Level 2 inputs (see Note 3).

The Company's non-financial assets measured at fair value on a non-recurring basis include goodwill and any long-lived assets written down to fair value. To measure fair value of such assets, the Company uses Level 3 inputs consisting of techniques including an income approach and a market approach. The income approach is based on a discounted cash flow analysis and calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in the discounted cash flow analysis require the exercise of significant judgment, including judgment about appropriate discount rates, terminal values, growth rates and the amount and timing of expected future cash flows. With respect to goodwill, the Company first assesses qualitative factors to determine whether it is more likely than not that fair value is less than carrying value. If, based on that assessment, the Company believes it is more likely than not that fair value is less than carrying value, a goodwill impairment test is performed. There have been no changes in events or circumstances which required impairment charges to be recorded during the 13 weeks and 39 weeks ended November 26, 2023.

### 3. MARKETABLE SECURITIES

All marketable securities are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses, net of tax, included in comprehensive earnings. Realized gains and losses, amortization of premiums and discounts, and interest and dividend income are included in interest and other income in the Condensed Consolidated Statements of Operations. The costs of securities sold are based on the specific identification method.

The following is a summary of available-for-sale securities:

	November 26, 2023			
	Total	Level 1	Level 2	Level 3
U.S. Treasury and other government securities	\$ 66,434	\$ 66,434	\$ -	\$ -
U.S. corporate debt securities	3,382	3,382	-	-
<b>Total marketable securities</b>	<b>\$ 69,816</b>	<b>\$ 69,816</b>	<b>\$ -</b>	<b>\$ -</b>

  

	February 26, 2023			
	Total	Level 1	Level 2	Level 3
U.S. Treasury and other government securities	\$ 83,859	\$ 83,859	\$ -	\$ -
U.S. corporate debt securities	17,344	17,344	-	-
<b>Total marketable securities</b>	<b>\$ 101,203</b>	<b>\$ 101,203</b>	<b>\$ -</b>	<b>\$ -</b>

The following table shows the amortized cost basis of, and gross unrealized gains and losses on, the Company's available-for-sale securities:

	<b>Amortized Cost Basis</b>		<b>Gross Unrealized Gains</b>		<b>Gross Unrealized Losses</b>
<b>November 26, 2023:</b>					
U.S. Treasury and other government securities	\$ 70,442	\$ -	\$ 4,008		
U.S. corporate debt securities	3,385	-	3		
<b>Total marketable securities</b>	<b><u>\$ 73,827</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 4,011</u></b>		
<b>February 26, 2023:</b>					
U.S. Treasury and other government securities	\$ 89,603	\$ -	\$ 5,744		
U.S. corporate debt securities	17,414	-	70		
<b>Total marketable securities</b>	<b><u>\$ 107,017</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,814</u></b>		

The estimated fair values of such securities at November 26, 2023 by contractual maturity are shown below:

Due in one year or less	\$ 18,105
Due after one year through five years	51,711
	<b><u>\$ 69,816</u></b>

#### 4. INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. The Company writes down its inventory for estimated obsolescence or unmarketability based upon the age of the inventory and assumptions about future demand for the Company's products and market conditions. Work-in-process and finished goods inventories cost valuations include direct material costs as well as a portion of the Company's overhead expenses. The Company's overhead expenses that are applied to its finished goods inventories are based on actual expenses related to the procurement, storage, shipment and production of the finished goods. Inventories consisted of the following:

	<b>November 26, 2023</b>	<b>February 26, 2023</b>
<b>Inventories:</b>		
Raw materials	\$ 5,574	\$ 5,376
Work-in-process	410	536
Finished goods	1,437	856
	<b><u>\$ 7,421</u></b>	<b><u>\$ 6,768</u></b>

## 5. LEASES

The Company has operating leases related to land, office space, warehouse space and equipment. All of the Company's leases have been assessed to be operating leases. Renewal options are included in the lease term to the extent the Company is reasonably certain to exercise the option. The exercise of lease renewal options is at the Company's sole discretion. The incremental borrowing rate represents the Company's ability to borrow on a collateralized basis over a term similar to the lease term. The leases typically contain renewal options for periods ranging from one year to ten years and require the Company to pay real estate taxes and other operating costs. The latest land lease expiration is 2068 assuming exercise of all applicable renewal options by the Company. The Company's existing leases are not subject to any restrictions or covenants which preclude its ability to pay dividends, obtain financing or exercise its available renewal options.

Future minimum lease payments under non-cancellable operating leases as of November 26, 2023 are as follows:

<b>Fiscal Year:</b>			
	2024	\$	13
	2025		36
	2026		-
	2027		-
	2028		-
	Thereafter		162
Total undiscounted operating lease payments			211
Less imputed interest			(64)
<b>Present value of operating lease payments</b>		<b>\$</b>	<b>147</b>

The above payment schedule includes renewal options that the Company is reasonably likely to exercise. Leases with an initial term of 12 months or less are not recorded on the Company's condensed consolidated balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the terms of the leases.

For the 13 weeks and 39 weeks ended November 26, 2023, the Company's operating lease expenses were \$ 15 and \$46, respectively. For the 13 weeks and 39 weeks ended November 27, 2022, the Company's operating lease expenses were \$15 and \$46, respectively. Cash payments of \$40, pertaining to operating leases, are reflected in the cash flow statement under cash flows from operating activities.

The following table sets forth the right-of-use assets and operating lease liabilities as of November 26, 2023:

Operating right-of-use assets	\$ 109
Operating lease liabilities	\$ 53
Long-term operating lease liabilities	94
<b>Total operating lease liabilities</b>	<b>\$ 147</b>

The Company's weighted average remaining lease term for its operating leases is 8.7 years.

In December 2018, the Company entered into a Development Agreement with the City of Newton ("City"), Kansas and the Board of County Commissioners of Harvey County ("County"), Kansas. Pursuant to this agreement, the Company agreed to construct and operate a redundant manufacturing facility of approximately 90,000 square feet for the design, development and manufacture of advanced composite materials and parts, structures and assemblies for aerospace. The Company further agreed to equip the facility through the purchase of machinery, equipment and furnishings and to create additional new full-time employment of specified levels during a five-year period. In exchange for these agreements, the City and the County agreed to lease to the Company three acres of land at the Newton, Kansas Airport, in addition to the eight acres previously leased to the Company by the City and County. The City and County further agreed to provide financial and other assistance toward the construction of the additional facility as set forth in the Development Agreement. The total cost of the additional facility was \$19,800 and the expansion is complete. As of November 26, 2023, the Company had \$26 in equipment purchase obligations related to the additional facility.

## 6. STOCK-BASED COMPENSATION

As of November 26, 2023, the Company had a 2018 Stock Option Plan (the "2018 Plan") and no other stock-based compensation plan. The 2018 Plan was adopted by the Board of Directors of the Company on May 8, 2018 and approved by the shareholders of the Company at the Annual Meeting of Shareholders of the Company on July 24, 2018 and provides for the grant of options to purchase up to 800,000 shares of common stock of the Company. Prior to the 2018 Plan, the Company had the 2002 Stock Option Plan (the "2002 Plan") which had been approved by the Company's shareholders and provided for the grant of stock options to directors and key employees of the Company. All options granted under the 2018 Plan and 2002 Plan have exercise prices equal to the fair market value of the underlying common stock of the Company at the time of grant which, pursuant to the terms of such Plans, is the reported closing price of the common stock on the New York Stock Exchange on the date preceding the date the option is granted. Options granted under the Plans become exercisable 25% one year after the date of grant, with an additional 25% exercisable each succeeding anniversary of the date of grant, and expire 10 years after the date of grant. Upon termination of employment or service as a director, all options held by the optionee that have not previously become exercisable shall terminate and all other options held by such optionee may be exercised, to the extent exercisable on the date of such termination, for a limited time after such termination. Any shares of common stock subject to an option under the 2018 Plan, which expires or is terminated unexercised as to such shares, shall again become available for issuance under the 2018 Plan.

During the 39 weeks ended November 26, 2023, the Company granted options under the 2018 Plan to purchase a total of 133,300 shares of common stock to its directors and certain of its employees. The future compensation expense to be recognized in earnings before income taxes is \$387 and will be recorded on a straight-line basis over the requisite service period. The weighted average fair value of the granted options was \$3.01 per share using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 3.61%-3.85%; expected volatility factor of 28.5%-29.6%; expected dividend yield of 3.82%; and estimated option term of 4.9-8.3 years.

The risk-free interest rates were based on U.S. Treasury rates at the date of grant with maturity dates approximately equal to the estimated terms of the options at the date of the grant. Volatility factors were based on historical volatility of the Company's common stock. The expected dividend yields were based on the regular quarterly cash dividend per share most recently declared by the Company and on the exercise price of the options granted during the 13 weeks and 39 weeks ended November 26, 2023. The estimated term of the options was based on evaluations of the historical and expected future employee exercise behavior.

During the 2024 fiscal year, the Company recorded non-cash charges of \$ 109 related to the modification of previously granted employee stock options resulting from the \$1.00 per share special cash dividend paid by the Company in April 2023.

The following is a summary of option activity for the 39 weeks ended November 26, 2023:

	<b>Outstanding Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Term (in years)</b>	<b>Aggregate Intrinsic Value</b>
<b>Balance, February 26, 2023</b>	670,425	\$ 11.80		\$ 2,219
Granted	133,300	13.08		
Exercised	(875)	11.77		
Terminated or expired	(4,750)	12.11		
<b>Balance, November 26, 2023</b>	<b>798,100</b>	<b>\$ 12.01</b>	<b>5.77</b>	<b>\$ 2,474</b>
<b>Vested and exercisable, November 26, 2023</b>	<b>480,306</b>	<b>\$ 11.81</b>	<b>3.98</b>	<b>\$ 1,585</b>

## 7. EARNINGS PER SHARE

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share are computed by dividing net earnings by the sum of (a) the weighted average number of shares of common stock outstanding during the period and (b) the potentially dilutive securities outstanding during the period. Stock options are the only potentially dilutive securities; and the number of dilutive options is computed using the treasury stock method.

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

	13 Weeks Ended		39 Weeks Ended	
	November 26, 2023	November 27, 2022	November 26, 2023	November 27, 2022
<b>Net earnings</b>	<b>\$ 1,203</b>	<b>\$ 2,230</b>	<b>\$ 4,803</b>	<b>\$ 6,025</b>
Weighted average common shares outstanding for basic EPS	20,250	20,471	20,323	20,463
Net effect of dilutive options	105	39	83	43
<b>Weighted average shares outstanding for diluted EPS</b>	<b>20,355</b>	<b>20,510</b>	<b>20,406</b>	<b>20,506</b>
<b>Basic earnings per share</b>	<b>\$ 0.06</b>	<b>\$ 0.11</b>	<b>\$ 0.24</b>	<b>\$ 0.29</b>
<b>Diluted earnings per share</b>	<b>\$ 0.06</b>	<b>\$ 0.11</b>	<b>\$ 0.24</b>	<b>\$ 0.29</b>

Potentially dilutive securities, which were not included in the computation of diluted earnings per share, because either the effect would have been anti-dilutive or the options' exercise prices were greater than the average market price of the common stock, were 72,000 and 595,000 for the 13 weeks ended November 26, 2023 and November 27, 2022, respectively, and 126,000 and 498,000 for the 39 weeks ended November 26, 2023 and November 27, 2022, respectively.

## 8. SHAREHOLDERS' EQUITY

On May 23, 2022, the Company announced that its Board of Directors authorized the Company's purchase, on the open market and in privately negotiated transactions, of up to 1,500,000 additional shares of its common stock. This authorization supersedes any unused prior Board of Directors' authorizations to purchase shares of the Company's common stock. The Company purchased 221,099 and 0 shares of its common stock during the 39 weeks ended November 26, 2023 and November 27, 2022, respectively. As a result, the Company is authorized to purchase up to a total of 1,278,901 shares of its common stock, representing approximately 6.3% of the Company's 20,253,361 total outstanding shares as of the close of business on January 2, 2024. There is no assurance the Company will purchase any shares pursuant to this Board of Directors' authorization. Shares purchased by the Company, if any, will be retained as treasury stock and will be available for use under the Company's stock option plan and for other corporate purposes.

## 9. INCOME TAXES

For the 13 weeks and 39 weeks ended November 26, 2023, the Company recorded income tax provisions from operations of \$ 423 and \$1,730, respectively, which included discrete income tax provisions of \$25 and \$78, respectively. For the 13 weeks and 39 weeks ended November 27, 2022, the Company recorded income tax provisions from operations of \$990 and \$2,362, respectively, which included discrete income tax provisions of \$ 58 and \$133, respectively.

The Company's effective tax rates for the 13 weeks and 39 weeks ended November 26, 2023 were income tax provisions of 26.0% and 26.5%, respectively, compared to income tax provisions of 30.7% and 28.2% in the comparable prior periods. The effective tax rates for the 13 weeks and 39 weeks ended November 26, 2023 were higher than the U.S. statutory rate of 21% primarily due to state and local taxes and a discrete income tax provision for the accrual of interest related to unrecognized tax benefits. The effective rates for the 13 weeks and 39 weeks ended November 27, 2022 were higher than the U.S. statutory rate of 21% primarily due to state and local taxes and discrete income tax provisions for the accrual of interest related to unrecognized tax benefits.

Notwithstanding the U.S. taxation of the deemed repatriated earnings as a result of the mandatory one-time transition tax on the accumulated untaxed earnings of foreign subsidiaries of U.S. shareholders included in the 2017 Tax Cuts and Jobs Act, the Company intends to indefinitely invest approximately \$25 million of undistributed earnings outside of the U.S. If these future earnings are repatriated to the U.S., or if the Company determines such earnings will be remitted in the foreseeable future, the Company may be required to accrue U.S. deferred taxes on such earnings.

## 10. GEOGRAPHIC REGIONS

The Company's products are sold to customers in North America, Asia and Europe. The Company's manufacturing facility is located in Kansas. Sales are attributed to geographic regions based upon the region in which the materials were delivered to the customer. All of the Company's long-lived assets are located in North America.

Financial information regarding the Company's continuing operations by geographic region is as follows:

	13 Weeks Ended		39 Weeks Ended	
	November 26, 2023	November 27, 2022	November 26, 2023	November 27, 2022
<b>Sales:</b>				
North America	\$ 10,255	\$ 12,072	\$ 35,212	\$ 36,960
Asia	567	363	1,109	640
Europe	817	1,432	3,350	2,925
<b>Total sales</b>	<b>\$ 11,639</b>	<b>\$ 13,867</b>	<b>\$ 39,671</b>	<b>\$ 40,525</b>

## 11. CONTINGENCIES

### Litigation

The Company is subject to a small number of immaterial proceedings, lawsuits and other claims related to environmental, employment, product and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes in these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters. The Company believes that the ultimate disposition of such proceedings, lawsuits and claims will not have a material adverse effect on the liquidity, capital resources, business, consolidated results of operations or financial position of the Company.

### Environmental Contingencies

The Company and certain of its subsidiaries have been named by the Environmental Protection Agency (the "EPA") or a comparable state agency under the Comprehensive Environmental Response, Compensation and Liability Act (the "Superfund Act") or similar state law as potentially responsible parties in connection with alleged releases of hazardous substances at three sites.

Under the Superfund Act and similar state laws, all parties who may have contributed any waste to a hazardous waste disposal site or contaminated area identified by the EPA or comparable state agency may be jointly and severally liable for the cost of cleanup. Generally, these sites are locations at which numerous persons disposed of hazardous waste. In the case of the Company's subsidiaries, generally the waste was removed from their manufacturing facilities and disposed at waste sites by various companies which contracted with the subsidiaries to provide waste disposal services. Neither the Company nor any of its subsidiaries have been accused of or charged with any wrongdoing or illegal acts in connection with any such sites. The Company believes it maintains an effective and comprehensive environmental compliance program.

The insurance carriers which provided general liability insurance coverage to the Company and its subsidiaries for the years during which the Company's subsidiaries' waste was disposed at these three sites have in the past reimbursed the Company and its subsidiaries for 100% of their legal defense and remediation costs associated with two of these sites.

The Company does not record environmental liabilities and related legal expenses for which the Company believes that it and its subsidiaries have general liability insurance coverage for the years during which the Company's subsidiaries' waste was disposed at two sites for which certain subsidiaries of the Company have been named as potentially responsible parties. Pursuant to such general liability insurance coverage, three insurance carriers reimburse the Company and its subsidiaries for 100% of the legal defense and remediation costs associated with the two sites.

Included in selling, general and administrative expenses are charges for actual expenditures and accruals, based on estimates, for certain environmental matters described above. The Company accrues estimated costs associated with known environmental matters when such costs can be reasonably estimated and when the outcome appears probable. The Company believes that the ultimate disposition of known environmental matters will not have a material adverse effect on the Company's results of operations, cash flows or financial position.

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

### **General:**

Park Aerospace Corp. ("Park" or the "Company") develops and manufactures solution and hot-melt advanced composite materials used to produce composite structures for the global aerospace markets. Park's advanced composite materials include film adhesives (Aeroadhere®) and lightning strike protection materials (Electroglide®). Park offers an array of composite materials specifically designed for hand lay-up or automated fiber placement ("AFP") manufacturing applications. Park's advanced composite materials are used to produce primary and secondary structures for jet engines, large and regional transport aircraft, military aircraft, Unmanned Aerial Vehicles (UAVs, commonly referred to as "drones"), business jets, general aviation aircraft and rotary wing aircraft. Park also offers specialty ablative materials for rocket motors and nozzles and specially designed materials for radome applications. As a complement to Park's advanced composite materials offering, Park designs and fabricates composite parts, structures and assemblies and low volume tooling for the aerospace industry. Target markets for Park's composite parts and structures (which include Park's proprietary composite SigmaStrut™ and AlphaStrut™ product lines) are, among others, prototype and development aircraft, special mission aircraft, spares for legacy military and civilian aircraft and exotic spacecraft.

### **Financial Overview**

The Company's net sales in the 13 weeks and 39 weeks ended November 26, 2023 were \$11.6 million and \$39.7 million, respectively, compared to \$13.9 million and \$40.5 million, respectively, in the 13 weeks and 39 weeks ended November 27, 2022. Sales for the 13 weeks and 39 weeks ended November 26, 2023 were negatively impacted by inventory reduction efforts at the Company's largest customer, which are not expected to continue in the Company's fourth quarter, and shipping difficulties to customers in the Middle East due to the war in that region.

The Company's gross profit margins, measured as percentages of sales, were 27.2% and 30.5%, respectively, in the 13 weeks and 39 weeks ended November 26, 2023 compared to 32.0% and 31.1%, respectively, in the 13 weeks and 39 weeks ended November 27, 2022. The lower gross profit margins for the 13 weeks and 39 weeks ended November 26, 2023 compared to the prior year's comparable periods were primarily due to lower sales and higher costs and expenses for labor, benefits, depreciation, utilities and other items, partially offset by a favorable sales mix and higher pricing. Gross profits for the 13 weeks and 39 weeks ended November 26, 2023 were negatively impacted by lower sales to the Company's largest customer due to the customer's inventory reduction efforts.

The Company's earnings before income taxes and net earnings decreased 49.5% and 46.1%, respectively, in the 13 weeks ended November 26, 2023 compared to the 13 weeks ended November 27, 2022 primarily as a result of lower sales, and higher costs and expenses for labor, benefits, depreciation, utilities and other items, partially offset by a favorable sales mix and bad debt expense recovery related to a customer bankruptcy in the prior year 13-week period.

The Company's earnings before income taxes and net earnings decreased 22.1% and 20.3%, respectively, in the 39 weeks ended November 26, 2023 compared to the 39 weeks ended November 27, 2022 primarily as a result of higher costs and expenses for labor, benefits, depreciation, utilities and other items and \$570,000 of activist shareholder defense costs, partially offset by a favorable sales mix.

Programs that the Company supplies into may be experiencing supply chain issues from other suppliers to the programs. The Company's sales could be impacted by delays and reductions in its customers' production schedules caused by other suppliers in the customer's supply chain. The Company is experiencing some delays in shipments to customers in the Middle East due to the ongoing war in that region.

The war in Ukraine has had a small impact on the Company's results of operations, but the Company has the potential for an increase in future sales due to increases in spending worldwide on missile defense systems and other defense programs. The Company does not have any significant customers in Russia or Ukraine. The Company has experienced some increases to raw material costs from overseas suppliers due to the impacts of the war in Ukraine.

The Company has a long-term contract pursuant to which one of its customers, which represents a substantial portion of the Company's revenue, places orders. The long-term contract with the customer is requirements based and does not guarantee quantities. Pricing is agreed upon in the contract.

#### Results of Operations:

The following table sets forth the components of the consolidated statements of operations:

(Amounts in thousands, except per share amounts)	13 Weeks Ended		% Change	39 Weeks Ended		% Change
	November 26, 2023	November 27, 2022		November 26, 2023	November 27, 2022	
Net sales	\$ 11,639	\$ 13,867	(16.1)%	\$ 39,671	\$ 40,525	(2.1)%
Cost of sales	8,470	9,423	(10.1)%	27,590	27,903	(1.1)%
<b>Gross profit</b>	<b>3,169</b>	<b>4,444</b>	<b>(28.7)%</b>	<b>12,081</b>	<b>12,622</b>	<b>(4.3)%</b>
Selling, general and administrative expenses	1,804	1,523	18.5%	6,272	4,888	28.3%
<b>Earnings from operations</b>	<b>1,365</b>	<b>2,921</b>	<b>(53.3)%</b>	<b>5,809</b>	<b>7,734</b>	<b>(24.9)%</b>
Interest and other income	261	299	(12.7)%	724	653	10.9%
<b>Earnings from operations before income taxes</b>	<b>1,626</b>	<b>3,220</b>	<b>(49.5)%</b>	<b>6,533</b>	<b>8,387</b>	<b>(22.1)%</b>
Income tax provision (Note 9)	423	990	(57.3)%	1,730	2,362	(26.8)%
<b>Net earnings</b>	<b>\$ 1,203</b>	<b>\$ 2,230</b>	<b>(46.1)%</b>	<b>\$ 4,803</b>	<b>\$ 6,025</b>	<b>(20.3)%</b>
<b>Earnings per share (Note 7)</b>						
Basic:						
Basic earnings per share	\$ 0.06	\$ 0.11	(45.5)%	\$ 0.24	\$ 0.29	(17.2)%
Diluted:						
Diluted earnings per share	\$ 0.06	\$ 0.11	(45.5)%	\$ 0.24	\$ 0.29	(17.2)%

#### Net Sales

The Company's net sales in the 13 weeks and 39 weeks ended November 26, 2023 were \$11.6 million and \$39.7 million, respectively, compared to \$13.9 million and \$40.5 million, respectively, in the 13 weeks and 39 weeks ended November 27, 2022. Sales for the 13 weeks and 39 weeks ended November 26, 2023 were negatively impacted by inventory reduction efforts at the Company's largest customer, which are not expected to continue in the Company's fourth quarter, and shipping difficulties to customers in the Middle East due to the war.

#### *Gross Profit*

The Company's gross profit margins, measured as percentages of sales, were 27.2% and 30.5%, respectively, in the 13 weeks and 39 weeks ended November 26, 2023 compared to 32.0% and 31.1%, respectively, in the 13 weeks and 39 weeks ended November 27, 2022. The lower gross profit margins for the 13 weeks and 39 weeks ended November 26, 2023 compared to the prior year's comparable periods were primarily due to lower sales and higher costs and expenses for labor, benefits, depreciation, utilities and other items, partially offset by a favorable sales mix and higher pricing. Gross profits for the 13 weeks and 39 weeks ended November 26, 2023 were negatively impacted by lower sales to the Company's largest customer due to the customer's inventory reduction efforts.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased by \$281,000 and \$1.4 million during the 13 weeks and 39 weeks ended November 26, 2023, respectively, or by 18.5% and 28.3%, respectively, compared to the prior year's comparable periods, and these expenses, measured as percentages of sales, were 15.5% and 15.8%, respectively, in the 13 weeks and 39 weeks ended November 26, 2023 compared to 11.0% and 12.1%, respectively, in the 13 weeks and 39 weeks ended November 27, 2022. The increases in selling, general and administrative expenses were primarily due to \$570,000 of activist shareholder defense costs and higher research and development costs.

Selling, general and administrative expenses included stock option expenses of \$104,000 and \$426,000, respectively, for the 13 weeks and 39 weeks ended November 26, 2023, including \$109,000 due to the modification of previously granted stock options, compared to stock option expenses of \$95,000 and \$274,000, respectively, for the 13 weeks and 39 weeks ended November 27, 2022.

#### *Earnings from Operations*

For the reasons set forth above, the Company's earnings from operations were \$1.4 million and \$5.8 million, respectively, for the 13 weeks and 39 weeks ended November 26, 2023 compared to \$2.9 million and \$7.7 million, respectively, for the 13 weeks and 39 weeks ended November 27, 2022.

#### *Interest and Other Income*

Interest and other income was \$261,000 and \$724,000, respectively, for the 13 weeks and 39 weeks ended November 26, 2023, compared to \$299,000 and \$653,000, respectively, for the prior year's comparable periods. Interest income decreased 12.7% for the 13 weeks ended November 26, 2023, primarily as a result of lower average available cash to invest in the 13 weeks ended November 26, 2023, compared to the prior year's comparable periods. Interest income increased 10.9% for the 39 weeks ended November 26, 2023, primarily as a result of higher weighted average interest rates partially offset by losses on the sales of marketable securities in the 39 weeks ended November 26, 2023, compared to the prior year's comparable periods. Interest and other income for the 39 weeks ended November 26, 2023 included \$65,000 of losses on sales of investments to fund the \$1.00 per share special dividend paid on April 6, 2023 to shareholders of record on March 9, 2023. During the 13 weeks and 39 weeks ended November 26, 2023, the Company earned interest income principally from its investments, which consisted primarily of short-term instruments and money market funds.

*Income Tax Provision*

For the 13 weeks and 39 weeks ended November 26, 2023, the Company recorded income tax provisions of \$423,000 and \$1.7 million, respectively, which included discrete income tax provisions of \$25,000 and \$78,000, respectively, for the accrual of interest related to unrecognized tax benefits. For the 13 weeks and 39 weeks ended November 27, 2022, the Company recorded income tax provisions of \$990,000 and \$2.4 million, respectively, which included discrete income tax provisions of \$58,000 and \$133,000, respectively, for the accrual of interest related to unrecognized tax benefits. Additionally, tax expense was negatively impacted by \$153,000 in the 13 weeks and 39 weeks ended November 27, 2022 by tax deductions becoming unavailable due to stock options expiring unexercised.

The Company's effective tax rates for the 13 weeks and 39 weeks ended November 26, 2023 were 26.0% and 26.5%, respectively, compared to 30.7% and 28.2%, respectively, in the prior year's comparable periods. The effective tax rates for the 13 weeks and 39 weeks ended November 26, 2023 were higher than the U.S. statutory rate of 21% primarily due to state and local taxes and liabilities and the accrual of interest related to unrecognized tax benefits. The effective rates for the 13 weeks and 39 weeks ended November 27, 2022 were higher than the U.S. statutory rate of 21% primarily due to state and local taxes and the accrual of interest related to unrecognized tax benefits.

*Net Earnings*

For the reasons set forth above, the Company's net earnings for the 13 weeks and 39 weeks ended November 26, 2023 were \$1.2 million and \$4.8 million, respectively, compared to net earnings of \$2.2 million and \$6.0 million, respectively, for the 13 weeks and 39 weeks ended November 27, 2022.

*Basic and Diluted Earnings Per Share*

In the 13 weeks and 39 weeks ended November 26, 2023, basic and diluted earnings per share were \$0.06 and \$0.24, respectively, compared to basic and diluted earnings per share of \$0.11 and \$0.29, respectively, in the 13 weeks and 39 weeks ended November 27, 2022.

**Liquidity and Capital Resources - Continuing Operations:**

(Amounts in thousands)	November 26, 2023	February 26, 2023	Change
Cash and cash equivalents and marketable securities	\$ 73,989	\$ 105,440	\$ (31,451)
Working capital	87,341	96,455	(9,114)
<hr/>			
(Amounts in thousands)	39 Weeks Ended		Change
	November 26, 2023	November 27 2022	
Net cash (used in) provided by operating activities	\$ (886)	\$ 2,134	\$ (3,020)
Net cash provided by (used in) investing activities	31,783	(4,335)	36,118
Net cash used in financing activities	(30,961)	(6,000)	(24,961)

#### Cash and Marketable Securities

Of the \$74.0 million of cash and cash equivalents and marketable securities at November 26, 2023, \$30.6 million was owned by one of the Company's wholly-owned foreign subsidiaries.

The change in cash and cash equivalents and marketable securities at November 26, 2023 compared to February 26, 2023 was the result of capital expenditures, dividends paid to shareholders and cash used in operating activities and a number of additional factors. The significant change in cash used in operating activities were as follows:

- accounts receivable decreased by 1% at November 26, 2023 compared to February 26, 2023 primarily due to timing of sales;
- inventories increased by 10% at November 26, 2023 compared to February 26, 2023 primarily due to timing of raw materials purchases;
- prepaid expenses and other current assets decreased by 13% at November 26, 2023 compared to February 26, 2023 primarily due to lower deferred tax assets related to a decrease in marketable securities unrealized losses;
- accounts payable decreased by 76% at November 26, 2023 compared to February 26, 2023 primarily due to timing of raw material receipts and vendor payments;
- accrued liabilities increased by 18% at November 26, 2023 compared to February 26, 2023 primarily due to increases in property tax and utility accruals; and
- Income taxes payable decreased by 32% at November 26, 2023 compared to February 26, 2023 due to the recorded tax provision.

In addition, the Company paid \$28.1 million in cash dividends in the 39-week period ended November 26, 2023 compared to \$6.1 million in the 39-week period ended November 27, 2022.

#### Working Capital

The decrease in working capital at November 26, 2023 compared to February 26, 2023 was due principally to the decreases in cash and cash equivalents, marketable securities, accounts receivable and prepaid expenses and other current assets and increases in accrued liabilities, partially offset by an increase in inventories and decreases in accounts payable and income taxes payable.

The Company's current ratio (the ratio of current assets to current liabilities) was 14.6 to 1.0 at November 26, 2023 compared to 4.4 to 1.0 at February 26, 2023.

#### Cash Flows

During the 39 weeks ended November 26, 2023, the Company's net earnings, adjusted for depreciation and amortization, deferred income taxes, stock-based compensation, amortization of bond premium and changes in operating assets and liabilities, resulted in a \$0.9 million operating cash outflow. During the same 39-week period, the Company expended \$481,000 for the purchase of property, plant and equipment, compared with \$749,000 during the 39 weeks ended November 27, 2022. The Company paid \$28.1 million in cash dividends in the 39-week period ended November 26, 2023 compared to \$6.1 million in the 39-week period ended November 27, 2022.

#### Other Liquidity Factors

The Company believes its financial resources will be sufficient, through the 12 months following the filing of this Form 10-Q Quarterly Report and for the foreseeable future thereafter, to provide for continued investment in working capital and property, plant and equipment and for general corporate purposes. The Company's financial resources are also available for purchases of the Company's common stock, cash dividend payments, appropriate acquisitions and other expansions of the Company's business.

The Company is not aware of any circumstances or events that are reasonably likely to occur that could materially affect its liquidity. The Company further believes its balance sheet and financial position to be very strong.

#### **Contractual Obligations:**

The Company's contractual obligations and other commercial commitments to make future payments under contracts, such as lease agreements, consist only of (i) operating lease commitments and (ii) commitments to purchase raw materials. The Company has no other long-term debt, capital lease obligations, unconditional purchase obligations or other long-term obligations, standby letters of credit, guarantees, standby repurchase obligations or other commercial commitments or contingent commitments, other than two standby letters of credit in the total amount of \$140,000, to secure the Company's obligations under its workers' compensation insurance program.

#### **Off-Balance Sheet Arrangements:**

The Company's liquidity is not dependent on the use of, and the Company is not engaged in, any off-balance sheet financing arrangements, such as securitization of receivables or obtaining access to assets through special purpose entities.

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

The foregoing Discussion and Analysis of Financial Condition and Results of Operations is based upon the Company's Condensed Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these Condensed Consolidated Financial Statements requires the Company to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to sales allowances, allowances for doubtful accounts, inventories, valuation of long-lived assets, income taxes, contingencies and litigation, and employee benefit programs. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company's critical accounting policies that are important to the Condensed Consolidated Financial Statements and that entail, to a significant extent, the use of estimates and assumptions and the application of management's judgment are described in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations", in the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2023. There have been no significant changes to such accounting policies during the 2024 fiscal year second quarter.

## **Contingencies:**

The Company is subject to a small number of immaterial proceedings, lawsuits and other claims related to environmental, employment, product and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes in these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

## **Factors That May Affect Future Results.**

Certain portions of this report which do not relate to historical financial information may be deemed to constitute forward-looking statements that are subject to various factors which could cause actual results to differ materially from the Company's expectations or from results which might be projected, forecasted, estimated or budgeted by the Company in forward-looking statements. Such factors include, but are not limited to, general conditions in the aerospace industry, the Company's competitive position, the status of the Company's relationships with its customers, economic conditions in international markets, the cost and availability of raw materials, transportation and utilities, and the various factors set forth under the caption "Factors That May Affect Future Results" in Item 1 and in Item 1A "Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2023.

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

The Company's market risk exposure at November 26, 2023 is consistent with, and not greater than, the types of market risk and amount of exposures presented in the Annual Report on Form 10-K for the fiscal year ended February 26, 2023.

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

### **(a) Disclosure Controls and Procedures.**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of November 26, 2023, the end of the quarterly fiscal period covered by this quarterly report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and were effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

### **(b) Changes in Internal Control over Financial Reporting.**

There has not been any change in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings.**

None.

**Item 1A. Risk Factors.**

There have been no material changes in the risk factors as previously disclosed in the Company's Form 10-K Annual Report for the fiscal year ended February 26, 2023.

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

The following table provides information with respect to shares of the Company's common stock acquired by the Company during each month included in the Company's 2024 fiscal year third quarter ended November 26, 2023:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased As Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
August 27 - September 26	0	\$ -	0	
September 27 - October 26	0	\$ -	0	
October 27 - November 26	0	\$ -	0	
<b>Total</b>	<b>0</b>	<b>\$ -</b>	<b>0</b>	<b>1,278,901 (a)</b>

(a) Aggregate number of shares available to be purchased by the Company pursuant to a share purchase authorization announced on May 23, 2022. Pursuant to such authorization, the Company is authorized to purchase its shares from time to time on the open market or in privately negotiated transactions.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

None.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

- 31.1 [Certification of principal executive officer pursuant to Exchange Act Rule 13a-14\(a\) or 15d-14\(a\).](#)
- 31.2 [Certification of principal financial officer pursuant to Exchange Act Rule 13a-14\(a\) or 15d-14\(a\).](#)
- 32.1 [Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended November 26, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at November 26, 2023 (unaudited) and February 26, 2023; (ii) Consolidated Statements of Operations for the 13 weeks and 39 weeks ended November 26, 2023 and November 27, 2022 (unaudited); (iii) Consolidated Statements of Comprehensive Earnings for the 13 weeks and 39 weeks ended November 26, 2023 and November 27, 2022 (unaudited); (iv) Consolidated Statements of Shareholders' Equity at November 26, 2023 (unaudited) and November 27, 2022; and (v) Condensed Consolidated Statements of Cash Flows for the 39 weeks ended November 26, 2023 and November 27, 2022 (unaudited). \* +
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Filed electronically herewith.

+ Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

## EXHIBIT INDEX

Exhibit No.	Name
31.1	Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).
31.2	Certification of principal financial officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).
32.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended November 26, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at November 26, 2023 (unaudited) and February 26, 2023; (ii) Consolidated Statements of Operations for the 13 weeks and 39 weeks ended November 26, 2023 and November 27, 2022 (unaudited); (iii) Consolidated Statements of Comprehensive Earnings for the 13 weeks and 39 weeks ended November 26, 2023 and November 27, 2022 (unaudited); (iv) Consolidated Statements of Shareholders' Equity at November 26, 2023 (unaudited) and November 27, 2022; and (v) Condensed Consolidated Statements of Cash Flows for the 39 weeks ended November 26, 2023 and November 27, 2022 (unaudited). * +
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
*	Filed electronically herewith.
+	Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

**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.

Park Aerospace Corp.

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(Registrant)

Date: January 10, 2024

/s/ Brian E. Shore

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Brian E. Shore  
Chief Executive Officer  
(principal executive officer)

Date: January 10, 2024

/s/ P. Farabaugh

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P. Farabaugh  
Senior Vice President and Chief Financial Officer  
(principal financial officer)  
(principal accounting officer)

**Certification of Principal Executive Officer  
Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a)**

I, Brian E. Shore, as Chief Executive Officer of Park Aerospace Corp., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended November 26, 2023 of Park Aerospace Corp.;
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 GAAP;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 10, 2024

/s/ Brian E. Shore

Name: Brian E. Shore

Title: Chief Executive Officer

**Certification of Principal Financial Officer  
Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a)**

I, P. Matthew Farabaugh, as Senior Vice President and Chief Financial Officer of Park Aerospace Corp., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended November 26, 2023 of Park Aerospace Corp.;
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 GAAP;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 10, 2024

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/s/ P. Matthew Farabaugh  
 Name: P. Matthew Farabaugh  
 Title: Senior Vice President and Chief Financial Officer

**Certification of Principal Executive Officer 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 on Form 10-Q of Park Aerospace Corp. (the "Company") for the quarterly period ended November 26, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Brian E. Shore, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (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/ Brian E. Shore

Name: Brian E. Shore  
Title: Chief Executive Officer  
Date: January 10, 2024

**Certification of Principal Financial Officer 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 on Form 10-Q of Park Aerospace Corp. (the "Company") for the quarterly period ended November 26, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), P. Matthew Farabaugh, as Senior Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (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/ P. Matthew Farabaugh

Name: P. Matthew Farabaugh  
Title: Senior Vice President and Chief Financial Officer  
Date: January 10, 2024