

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 March 31, 2024

or

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

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

Commission File Number: 001-35493



STEEL PARTNERS

**STEEL PARTNERS HOLDINGS L.P.**

(Exact Name of Registrant as Specified in its Charter)

Delaware

13-3727655

(State or Other Jurisdiction of Incorporation or Organization)

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

590 Madison Avenue, 32<sup>nd</sup> Floor

New York , New York

10022

(Address of Principal Executive Offices)

(Zip Code)

( 212 ) 520-2300

(Registrant's Telephone Number, Including Area Code)

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

| Title of Each Class           | Trading Symbols | Name of Each Exchange on which Registered |
|-------------------------------|-----------------|---|
| Common Units, no par value    | SPLP            | New York Stock Exchange                   |
| 6.0% Series A Preferred Units | SPLP-PRA        | 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 (§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 Act). Yes ☐ No ☒

The number of common units outstanding as of May 1, 2024 was 20,393,258 .

**STEEL PARTNERS HOLDINGS L.P.**  
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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**STEEL PARTNERS HOLDINGS L.P.**  
**Consolidated Balance Sheets**  
**(Unaudited)**  
**(in thousands, except common units)**

|  | March 31, 2024 | December 31, 2023 |
|--|----------------|-------------------|
| <b>ASSETS</b>  |                |                   |
| Current assets:  |                |                   |
| Cash and cash equivalents  | \$ 446,668     | \$ 577,928        |
| Trade and other receivables - net of allowance for doubtful accounts of \$ 2,160 and \$ 2,481 , respectively   | 223,559        | 216,429           |
| Loans receivable, including loans held for sale of \$ 705,362 and \$ 868,884 , respectively, net   | 1,400,739      | 1,582,536         |
| Inventories, net   | 204,823        | 202,294           |
| Prepaid expenses and other current assets  | 37,443         | 48,169            |
| Total current assets   | 2,313,232      | 2,627,356         |
| Long-term loans receivable, net  | 348,574        | 386,072           |
| Goodwill   | 148,791        | 148,838           |
| Other intangible assets, net   | 109,827        | 114,177           |
| Other non-current assets   | 336,487        | 342,046           |
| Property, plant and equipment, net   | 253,330        | 253,980           |
| Operating lease right-of-use assets  | 72,507         | 76,746            |
| Long-term investments  | 58,211         | 41,225            |
| Total Assets   | \$ 3,640,959   | \$ 3,990,440      |
| <b>LIABILITIES AND CAPITAL</b>   |                |                   |
| Current liabilities:   |                |                   |
| Accounts payable   | \$ 142,886     | \$ 131,922        |
| Accrued liabilities  | 98,183         | 117,943           |
| Deposits   | 1,526,207      | 1,711,585         |
| Other current liabilities  | 97,672         | 103,682           |
| Total current liabilities  | 1,864,948      | 2,065,132         |
| Long-term deposits   | 337,619        | 370,107           |
| Long-term debt   | 92,738         | 191,304           |
| Other borrowings   | 8,426          | 15,065            |
| Preferred unit liability   | 153,743        | 154,925           |
| Accrued pension liabilities  | 44,353         | 46,195            |
| Deferred tax liabilities   | 18,994         | 18,353            |
| Long-term operating lease liabilities  | 58,307         | 61,790            |
| Other non-current liabilities  | 60,621         | 62,161            |
| Total Liabilities  | 2,639,749      | 2,985,032         |
| Commitments and Contingencies  |                |                   |
| Capital:   |                |                   |
| Partners' capital common units: 20,392,204 and 21,296,067 issued and outstanding (after deducting 19,301,094 and 18,367,307 units held in treasury, at cost of \$ 368,784 and \$ 329,297 ), respectively | 1,076,029      | 1,079,853         |
| Accumulated other comprehensive loss   | ( 122,333 )    | ( 121,223 )       |
| Total Partners' Capital  | 953,696        | 958,630           |
| Noncontrolling interests in consolidated entities  | 47,514         | 46,778            |
| Total Capital  | 1,001,210      | 1,005,408         |
| Total Liabilities and Capital  | \$ 3,640,959   | \$ 3,990,440      |

See accompanying Notes to Consolidated Financial Statements

**STEEL PARTNERS HOLDINGS L.P.**  
**Consolidated Statements of Operations**  
**(Unaudited)**  
(in thousands, except common units and per common unit data)

|   | Three Months Ended |                  |
|---|--------------------|------------------|
|   | March 31,          |                  |
|   | 2024               | 2023             |
| <b>Revenue:</b>   |                    |                  |
| Diversified Industrial net sales  | \$ 292,440         | \$ 304,426       |
| Energy net revenue  | 31,921             | 48,164           |
| Financial Services revenue  | 109,955            | 92,781           |
| Supply Chain revenue  | 42,030             | —                |
| <b>Total revenue</b>  | <b>476,346</b>     | <b>445,371</b>   |
| <b>Costs and expenses:</b>  |                    |                  |
| Cost of goods sold  | 274,156            | 261,293          |
| Selling, general and administrative expenses  | 135,292            | 114,954          |
| Finance interest expense  | 23,963             | 13,741           |
| Provision for credit losses   | 755                | 7,806            |
| Interest expense  | 1,394              | 5,986            |
| Realized and unrealized gains on securities, net                                    | ( 4,068 )          | ( 607 )          |
| Other income, net   | ( 815 )            | ( 1,176 )        |
| <b>Total costs and expenses</b>   | <b>430,677</b>     | <b>401,997</b>   |
| <b>Income from operations before income taxes and equity method investments</b>     | <b>45,669</b>      | <b>43,374</b>    |
| Income tax provision  | 10,861             | 14,604           |
| Loss of associated companies, net of taxes  | 7                  | 3,967            |
| <b>Net income</b>   | <b>34,801</b>      | <b>24,803</b>    |
| Net (income) loss attributable to noncontrolling interests in consolidated entities | ( 570 )            | 43               |
| <b>Net income attributable to common unitholders</b>                                | <b>\$ 34,231</b>   | <b>\$ 24,846</b> |
| <b>Net income per common unit - basic</b>   |                    |                  |
| Net income attributable to common unitholders                                       | \$ 1.65            | \$ 1.15          |
| <b>Net income per common unit - diluted</b>   |                    |                  |
| Net income attributable to common unitholders                                       | \$ 1.50            | \$ 1.09          |
| Weighted-average number of common units outstanding - basic                         | 20,762,244         | 21,685,794       |
| Weighted-average number of common units outstanding - diluted                       | 24,811,176         | 25,541,246       |

See accompanying Notes to Consolidated Financial Statements

**STEEL PARTNERS HOLDINGS L.P.**  
**Consolidated Statements of Comprehensive Income**  
**(Unaudited)**  
**(in thousands)**

|  | Three Months Ended |                  |
|--|--------------------|------------------|
|  | March 31,          |                  |
|  | 2024               | 2023             |
| <b>Net income</b>  | \$ 34,801          | \$ 24,803        |
| <b>Other comprehensive (loss) income, net of taxes:</b>              |                    |                  |
| Currency translation adjustments                                     | ( 1,110 )          | 1,093            |
| <b>Other comprehensive (loss) income</b>                             | ( 1,110 )          | 1,093            |
| <b>Comprehensive income</b>  | <b>33,691</b>      | <b>25,896</b>    |
| Comprehensive (income) loss attributable to noncontrolling interests | ( 570 )            | 43               |
| <b>Comprehensive income attributable to common unitholders</b>       | <b>\$ 33,121</b>   | <b>\$ 25,939</b> |

See accompanying Notes to Consolidated Financial Statements

**STEEL PARTNERS HOLDINGS L.P.**  
**Consolidated Statements of Changes in Capital**  
**(Unaudited)**  
(in thousands, except common units and treasury units)

| Steel Partners Holdings L.P. Common Unitholders        |                   |                       |                       |                     |                                       |                    |                                |                     |
|--|-------------------|-----------------------|-----------------------|---------------------|---------------------------------------|--------------------|--------------------------------|---------------------|
|  | Common            | Treasury Units        |                       | Partners'           | Accumulated<br>Other<br>Comprehensive | Total<br>Partners' | Noncontrolling<br>Interests in | Total               |
|  | Units             | Units                 | Dollars               | Capital             | Loss                                  | Capital            | Consolidated<br>Entities       | Capital             |
| <b>Balance as of December 31, 2023</b>                 | 39,663,374        | ( 18,367,307 )        | \$ ( 329,297 )        | \$ 1,079,853        | \$ ( 121,223 )                        | \$ 958,630         | \$ 46,778                      | \$ 1,005,408        |
| Net income   | —                 | —                     | —                     | 34,231              | —                                     | 34,231             | 570                            | 34,801              |
| Currency translation adjustments                       | —                 | —                     | —                     | —                   | ( 1,110 )                             | ( 1,110 )          | —                              | ( 1,110 )           |
| Equity compensation - restricted units                 | 2,995             | —                     | —                     | 381                 | —                                     | 381                | —                              | 381                 |
| Tax withholding related to vesting of restricted units | ( 609 )           | —                     | —                     | ( 587 )             | —                                     | ( 587 )            | —                              | ( 587 )             |
| Share-based long term incentive plan unit awards       | 27,538            | —                     | —                     | 1,604               | —                                     | 1,604              | —                              | 1,604               |
| Purchases of SPLP common units                         | —                 | ( 933,787 )           | ( 39,487 )            | ( 39,487 )          | —                                     | ( 39,487 )         | —                              | ( 39,487 )          |
| Adjustment to interest in consolidated subsidiaries    | —                 | —                     | —                     | —                   | —                                     | —                  | 155                            | 155                 |
| Other, net   | —                 | —                     | —                     | 34                  | —                                     | 34                 | 11                             | 45                  |
| <b>Balance as of March 31, 2024</b>                    | <u>39,693,298</u> | <u>( 19,301,094 )</u> | <u>\$ ( 368,784 )</u> | <u>\$ 1,076,029</u> | <u>\$ ( 122,333 )</u>                 | <u>\$ 953,696</u>  | <u>\$ 47,514</u>               | <u>\$ 1,001,210</u> |

| Steel Partners Holdings L.P. Common Unitholders  |                   |                       |                       |                   |                                       |                    |                                |                   |
|--|-------------------|-----------------------|-----------------------|-------------------|---------------------------------------|--------------------|--------------------------------|-------------------|
|  | Common            | Treasury Units        |                       | Partners'         | Accumulated<br>Other<br>Comprehensive | Total<br>Partners' | Noncontrolling<br>Interests in | Total             |
|  | Units             | Units                 | Dollars               | Capital           | Loss                                  | Capital            | Consolidated<br>Entities       | Capital           |
| <b>Balance as of December 31, 2022</b>   | 39,509,772        | ( 17,904,679 )        | \$ ( 309,257 )        | \$ 952,094        | \$ ( 151,874 )                        | \$ 800,220         | \$ 1,240                       | \$ 801,460        |
| Cumulative effect of change in accounting principle for current expected credit losses, net of tax | —                 | —                     | —                     | ( 3,862 )         | —                                     | ( 3,862 )          | —                              | ( 3,862 )         |
| Net income (loss)  | —                 | —                     | —                     | 24,846            | —                                     | 24,846             | ( 43 )                         | 24,803            |
| Currency translation adjustments   | —                 | —                     | —                     | —                 | 1,093                                 | 1,093              | —                              | 1,093             |
| Equity compensation - restricted units   | 146,414           | —                     | —                     | ( 11 )            | —                                     | ( 11 )             | —                              | ( 11 )            |
| Tax withholding related to vesting of restricted units   | ( 8,972 )         | —                     | —                     | ( 333 )           | —                                     | ( 333 )            | —                              | ( 333 )           |
| Purchases of SPLP common units   | —                 | ( 75,504 )            | ( 3,248 )             | ( 3,248 )         | —                                     | ( 3,248 )          | —                              | ( 3,248 )         |
| Other, net   | —                 | —                     | —                     | ( 61 )            | —                                     | ( 61 )             | —                              | ( 61 )            |
| <b>Balance as of March 31, 2023</b>  | <u>39,647,214</u> | <u>( 17,980,183 )</u> | <u>\$ ( 312,505 )</u> | <u>\$ 969,425</u> | <u>\$ ( 150,781 )</u>                 | <u>\$ 818,644</u>  | <u>\$ 1,197</u>                | <u>\$ 819,841</u> |

See accompanying Notes to Consolidated Financial Statements

**STEEL PARTNERS HOLDINGS L.P.**  
**Consolidated Statements of Cash Flows**  
**(Unaudited)**  
**(in thousands)**

|   | Three Months Ended March 31, |                   |
|---|------------------------------|-------------------|
|   | 2024                         | 2023              |
| <b>Cash flows from operating activities:</b>  |                              |                   |
| Net income  | \$ 34,801                    | \$ 24,803         |
| Adjustments to reconcile net income from operations to net cash (used in) provided by operating activities: |                              |                   |
| Provision for credit losses   | 755                          | 7,806             |
| Loss of associated companies, net of taxes  | 7                            | 3,967             |
| Realized and unrealized gains on securities, net  | ( 4,068 )                    | ( 607 )           |
| Derivative gains on economic interests in loans   | ( 1,283 )                    | ( 1,260 )         |
| Non-cash pension expense  | 1,400                        | 2,980             |
| Deferred income taxes   | 654                          | 9,722             |
| Depreciation and amortization   | 14,414                       | 12,943            |
| Non-cash lease expense  | 5,747                        | 2,832             |
| Equity-based compensation   | 381                          | ( 11 )            |
| Other   | 340                          | 1,166             |
| Net change in operating assets and liabilities:   |                              |                   |
| Trade and other receivables   | ( 7,371 )                    | ( 15,398 )        |
| Inventories   | ( 2,752 )                    | ( 6,585 )         |
| Prepaid expenses and other assets   | 14,335                       | ( 13,440 )        |
| Accounts payable, accrued and other liabilities   | ( 23,421 )                   | 15,152            |
| Net decrease (increase) in loans held for sale  | 163,521                      | ( 92,318 )        |
| Net cash provided by (used in) operating activities   | \$ 197,460                   | \$ ( 48,248 )     |
| <b>Cash flows from investing activities:</b>  |                              |                   |
| Purchases of investments  | ( 14,083 )                   | ( 5,729 )         |
| Proceeds from sales of investments  | 994                          | 36                |
| Proceeds from maturities of investments   | 6,188                        | 36,512            |
| Principal repayment on Steel Connect Convertible Note   | —                            | 1,000             |
| Loan originations, net of collections   | 54,958                       | ( 174,982 )       |
| Purchases of property, plant and equipment  | ( 10,066 )                   | ( 10,708 )        |
| Proceeds from sale of property, plant and equipment   | 1,173                        | —                 |
| Other   | ( 15 )                       | ( 92 )            |
| Net cash provided by (used in) investing activities   | \$ 39,149                    | \$ ( 153,963 )    |
| <b>Cash flows from financing activities:</b>  |                              |                   |
| Net revolver (repayments) borrowings  | ( 98,545 )                   | 2,953             |
| Repayments of term loans  | ( 17 )                       | ( 17 )            |
| Purchases of the Company's common units   | ( 39,487 )                   | ( 3,248 )         |
| Purchases of the Company's preferred units  | ( 1,830 )                    | —                 |
| Net decrease in other borrowings  | ( 6,576 )                    | ( 9,950 )         |
| Distribution to preferred unitholders   | ( 2,380 )                    | ( 2,408 )         |
| Purchase of subsidiary shares from noncontrolling interests   | ( 24 )                       | —                 |
| Tax withholding related to vesting of restricted units  | ( 587 )                      | ( 333 )           |
| Net (decrease) increase in deposits   | ( 217,866 )                  | 285,720           |
| Net cash (used in) provided by financing activities   | \$ ( 367,312 )               | \$ 272,717        |
| <b>Net change for the period</b>  | ( 130,703 )                  | 70,506            |
| Effect of exchange rate changes on cash and cash equivalents  | ( 557 )                      | 100               |
| Cash, cash equivalents and restricted cash at beginning of period   | 577,928                      | 234,448           |
| <b>Cash, cash equivalents and restricted cash at end of period</b>  | <b>\$ 446,668</b>            | <b>\$ 305,054</b> |

See accompanying Notes to Consolidated Financial Statements





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

All amounts used in the Notes to Consolidated Financial Statements are in thousands, except common and preferred units, per common and preferred unit, share and per share data, and price per ounce.

### 1. NATURE OF THE BUSINESS AND BASIS OF PRESENTATION

#### Nature of the Business

Steel Partners Holdings L.P. ("we," "our," "SPLP," or "Company") is a diversified global holding company that engages in multiple businesses through consolidated subsidiaries and other interests. It owns and operates businesses and has significant interests in various companies, including diversified industrial products, energy, defense, supply chain management and logistics, banking and youth sports. SPLP operates through the following segments: Diversified Industrial, Energy, Financial Services and Supply Chain, which are managed separately and offer different products and services. For additional details related to the Company's reportable segments, see Note 17 - "Segment Information." Steel Partners Holdings GP Inc. ("SPH GP"), a Delaware corporation, is the general partner of SPLP and is wholly-owned by SPLP. The Company is managed by SP General Services LLC ("Manager"), pursuant to the terms of an amended and restated management agreement (the "Management Agreement") discussed in further detail in Note 16 - "Related Party Transactions."

#### Basis of Presentation

The accompanying unaudited consolidated financial statements as of March 31, 2024 and for the three month periods ended March 31, 2024 and 2023, which have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") for interim periods, include the accounts of the Company and its consolidated subsidiaries. The financial results of Steel Connect, Inc. ("Steel Connect" or "STCN") have been included in the Company's consolidated financial statements since May 1, 2023 (see Note 3 - "Acquisitions and Divestitures"). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation have been reflected herein. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the operating results for the full year. The accompanying unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2023 ("Annual Report" or "Form 10-K"), from which the consolidated balance sheet as of December 31, 2023 has been derived.

The Company's fiscal quarter ends on the last day of the calendar quarter; however, for certain subsidiaries of the Company, the fiscal quarter periods end on the Saturday that is closest to the last day of the calendar quarter, except for the last quarterly period of the fiscal year. The Company and all its subsidiaries close their books for fiscal years on December 31 except for Steel Connect, which closes its books for its fiscal years on July 31. For ease of presentation, the quarterly financial statements included herein are described as ending on the last day of the calendar quarter.

Certain financial information that is normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), but is not required for interim reporting purposes, has been condensed or omitted. Management must make estimates and assumptions that affect the consolidated financial statements and the related footnote disclosures. While management uses its best judgment, actual results may differ from those estimates. Certain reclassifications have been made to the prior period financial statements and notes to conform to the current period presentation.

#### Adoption of New Accounting Standards

In June 2022, the FASB issued Accounting Standards Update ("ASU") 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The new standard clarifies that a contractual restriction on the sale of an equity security should not be considered in measuring the fair value of the security. The new standard also requires certain disclosures related to equity securities with contractual sale restrictions. The Company adopted ASU 2022-03 on January 1, 2024. The adoption did not have any impact on the Company's consolidated financial statements and disclosures.

#### Accounting Standards Not Yet Effective

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which is intended to enhance the transparency, decision usefulness and effectiveness of income tax disclosures. The

new guidance requires disaggregated information about the effective tax rate reconciliation and additional information on taxes paid that meet a quantitative threshold. The new guidance is effective for annual reporting periods beginning after December 15, 2024, with early adoption and retrospective application permitted. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statement disclosures; however, adoption will not impact its consolidated balance sheets or income statements.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses, allowing financial statement users to better understand the components of a segment's profit or loss to assess potential future cash flows for each reportable segment and the entity as a whole. The new guidance requires a public entity to disclose significant expenses and other segment items that are regularly reported to the chief operating decision maker ("CODM") and the nature of segment expense information used to manage operations. Additionally, it requires a public entity to disclose the title and position of the CODM. The ASU does not change how a public entity identifies its operating segments, aggregates them, or applies the quantitative thresholds to determine its reportable segments. The new guidance is effective for annual reporting periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statement disclosures; however, adoption will not impact its consolidated balance sheets or income statements.

In August 2023, the FASB issued ASU 2023-05, *Business Combinations-Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement* ("ASU 2023-05"). ASU 2023-05 applies to the formation of a "joint venture" or a "corporate joint venture" and requires a joint venture to initially measure all contributions received upon its formation at fair value. The new guidance is applicable to joint venture entities with a formation date on or after January 1, 2025, on a prospective basis. Early adoption is permitted. The Company is currently evaluating this guidance to determine the impact of this accounting standard; however, adoption is not expected to have a material impact on its consolidated balance sheets or income statements.

## 2. REVENUES

### Disaggregation of Revenues

Revenues are disaggregated at the Company's segment level since the segment categories depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors. For additional details related to the Company's reportable segments, see Note 17 - "Segment Information."

The following table presents the Company's revenues disaggregated by geography for the three months ended March 31, 2024 and 2023. The Company's revenues are primarily derived domestically. Foreign revenues are based on the country in which the legal subsidiary generating the revenue is domiciled. Revenue from any single foreign country was not material to the Company's consolidated financial statements.

|               | Three Months Ended |                   |
|---------------|--------------------|-------------------|
|               | March 31,          |                   |
|               | 2024               | 2023              |
| United States | \$ 426,956         | \$ 426,165        |
| Foreign       | 49,390             | 19,206            |
| Total revenue | <u>\$ 476,346</u>  | <u>\$ 445,371</u> |

### Contract Balances

Differences in the timing of revenue recognition, billings and cash collections result in billed trade receivables, unbilled receivables (contract assets) and deferred revenues (contract liabilities) on the consolidated balance sheets.

#### Contract Assets

Unbilled receivables arise when the timing of billings to customers differs from the timing of revenue recognition, such as when the Company recognizes revenue over time before a customer can be billed. Contract assets are classified as Prepaid expenses and other current assets on the consolidated balance sheets. As of March 31, 2024 and December 31, 2023, the contract asset balance was \$ 5,922 and \$ 5,317, respectively.

### Contract Liabilities

The Company records deferred revenues when cash payments are received or due in advance of the Company's performance, including amounts that are refundable, which are recorded as contract liabilities. Contract liabilities are classified as Other current liabilities on the consolidated balance sheets, based on the timing of when the Company expects to recognize revenue.

|                                     | Contract Liabilities |
|-------------------------------------|----------------------|
| <b>Balance at December 31, 2023</b> | <b>\$ 7,388</b>      |
| Deferral of revenue                 | 5,156                |
| Recognition of unearned revenue     | ( 5,301 )            |
| <b>Balance at March 31, 2024</b>    | <b>\$ 7,243</b>      |
| <b>Balance at December 31, 2022</b> | <b>\$ 4,380</b>      |
| Deferral of revenue                 | 5,031                |
| Recognition of unearned revenue     | ( 4,687 )            |
| <b>Balance at March 31, 2023</b>    | <b>\$ 4,724</b>      |

### 3. ACQUISITIONS AND DIVESTITURES

#### STCN Transfer and Exchange Agreement

On April 30, 2023, the Company and Steel Connect, executed a series of agreements, in which the Steel Partners Group transferred an aggregate of 3,597,744 shares of common stock, par value \$ 0.10 per share, of Aerojet Rocketdyne Holdings, Inc. ("Aerojet") held by the Steel Partners Group to Steel Connect in exchange for 3,500,000 shares of newly created Series E Convertible Preferred Stock of Steel Connect (the "Series E Convertible Preferred Stock" and such transfer and related transactions, the "Exchange Transaction"). The Series E Convertible Preferred Stock is convertible into an aggregate of 184.9 million shares ( 19.8 million shares post June 21, 2023 reverse/forward stock split) of Steel Connect common stock, par value \$ 0.01 per share (the "common stock" or "Common Stock"), and will vote together with the Steel Connect common stock and participate in any dividends paid on the Steel Connect common stock, in each case on an as-converted basis. Upon conversion of the Series E Convertible Preferred Stock, when combined with STCN common stock, STCN convertible debt, if converted, and STCN Series C preferred shares, also if converted, owned by the Company, would result in the Steel Partners Group holding approximately 84.0 % of the outstanding equity interests of Steel Connect as of the Exchange Transaction date. The Exchange Transaction closed on May 1, 2023, the date that the consideration was exchanged between the Company and Steel Connect and as of that date Steel Connect became a consolidated subsidiary for financial reporting purposes. Steel Connect is not consolidated for Federal income tax purposes because the ownership in Steel Connect is dispersed between different federal tax consolidation groups. Steel Connect's assets and liabilities have been included in the Company's consolidated balance sheet, with a related noncontrolling interest of 16.0 % of STCN's common stock. Prior to May 1, 2023, the Company held a 49.6 % ownership interest in Steel Connect and accounted for its investment in Steel Connect in accordance with the equity method of accounting. The Company remeasured the previously held equity method investment to its fair value based upon a valuation of Steel Connect, as of the date of the Exchange Transaction.

The Exchange Transaction was accounted for in accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*, and, accordingly, Steel Connect's results of operations have been consolidated in our financial statements since the date of the Exchange Transaction. The Company recorded a preliminary allocation of the Exchange Transaction to assets acquired and liabilities assumed based on their estimated fair values as of May 1, 2023. The purchase price and purchase price allocation of the Exchange Transaction were finalized as of December 31, 2023, with no significant changes to preliminary amounts.

The following table summarizes the total Exchange Transaction consideration:

| (in thousands)  | May 1, 2023 |
|---|-------------|
| Fair value of Aerojet common stock                        | \$ 202,733  |
| Fair value of previously held interests in Steel Connect: |             |
| Steel Connect common stock                                | 19,010      |
| Steel Connect Series C Preferred Stock                    | 35,000      |
| Steel Connect Convertible Note                            | 13,006      |
| Noncontrolling interest ("NCI") at fair value             | 44,800      |
| Less cash acquired  | ( 65,896 )  |
| Total estimated consideration, less cash acquired         | \$ 248,653  |

The Company remeasured the fair value of STCN common stock using the quoted market price available on the date immediately prior to when the Exchange Transaction was executed, which was the closing market price as of Friday, April 28, 2023, as that represented the information known and knowable at the time of the Exchange Transaction. The Company notes that the change in the calculation resulted in a measurement period adjustment which reallocated the components of total estimated consideration between the fair value of previously held STCN common stock and NCI, with no change to the overall consideration transferred. This measurement period adjustment was recorded as of December 31, 2023 and did not result in any other changes to assets or liabilities recognized by the Company.

The Company's fair value estimates of the assets acquired and the liabilities assumed in the Exchange Transaction, as well as final fair value allocations reflecting adjustments made during the measurement period to date, are as follows:

| (in thousands)                            | Measurement Period |             |                  |
|---|--------------------|-------------|------------------|
|   | Initial Estimate   | Adjustments | Final Allocation |
| Trade and other receivables               | \$ 36,900          | \$ —        | \$ 36,900        |
| Inventories, net                          | 6,900              | —           | 6,900            |
| Prepaid expenses and other current assets | 5,000              | —           | 5,000            |
| Identifiable intangible assets            | 36,000             | ( 500 )     | 35,500           |
| Other non-current assets                  | 3,900              | —           | 3,900            |
| Property, plant and equipment, net        | 3,400              | —           | 3,400            |
| Operating lease right-of-use assets       | 29,250             | —           | 29,250           |
| Investments                               | 202,733            | —           | 202,733          |
| Total assets acquired                     | 324,083            | ( 500 )     | 323,583          |
| Accounts payable                          | 26,300             | —           | 26,300           |
| Accrued liabilities                       | 29,100             | —           | 29,100           |
| Other current liabilities                 | 15,230             | —           | 15,230           |
| Long-term operating lease liabilities     | 21,300             | —           | 21,300           |
| Other non-current liabilities             | 5,500              | 300         | 5,800            |
| Total liabilities assumed                 | 97,430             | 300         | 97,730           |
| Goodwill                                  | 22,000             | 800         | 22,800           |
| Net assets acquired at fair value         | \$ 248,653         | \$ —        | \$ 248,653       |

The excess of the Exchange Transaction consideration over the fair value of net identifiable assets acquired and liabilities assumed was recorded as goodwill, which was primarily attributed to expected synergies and the assembled workforce of Steel Connect and will not be deductible for income tax purposes. The fair values assigned to the net identifiable assets and liabilities assumed were based on management's estimates and assumptions.

Identifiable intangible assets were recognized at their estimated acquisition date fair values. The fair value of the trade name asset was determined using the relief-from-royalty method and the fair value of the customer relationships asset was determined using the excess earnings method. These income-based approaches included assumptions such as the amount and

timing of projected cash flows, growth rates, customer attrition rates, discount rates, and the assessment of the asset's life cycle. The estimated fair value and estimated remaining useful lives of identifiable intangible assets as of the Exchange Transaction date were as follows:

| (in thousands)   | Useful Life (Years) | Amount           |
|--|---------------------|------------------|
| Customer relationships                                 | 7                   | \$ 25,000        |
| Trade name   | Indefinite          | 10,500           |
| Estimated fair value of identifiable intangible assets |                     | <u>\$ 35,500</u> |

The operating results of Steel Connect have been included in our consolidated financial statements since the date of the Exchange Transaction.

#### 4. LOANS RECEIVABLE, INCLUDING LOANS HELD FOR SALE

Major classifications of Loans receivable, including loans held for sale, held by WebBank as of March 31, 2024 and December 31, 2023 are as follows:

|   | Total               |       |                     |       | Current             |                     | Non-current       |                   |  |
|---|---------------------|-------|---------------------|-------|---------------------|---------------------|-------------------|-------------------|--|
|   | March 31, 2024      | %     | December 31, 2023   | %     | March 31, 2024      | December 31, 2023   | March 31, 2024    | December 31, 2023 |  |
| <b>Loans held for sale</b>  | <u>\$ 705,362</u>   |       | <u>\$ 868,884</u>   |       | <u>\$ 705,362</u>   | <u>\$ 868,884</u>   | <u>\$ —</u>       | <u>\$ —</u>       |  |
| Commercial real estate loans  | \$ 2,844            | — %   | \$ 2,078            | — %   | \$ —                | \$ —                | \$ 2,844          | \$ 2,078          |  |
| Commercial and industrial   | 939,693             | 88 %  | 980,722             | 87 %  | 635,756             | 646,890             | 303,937           | 333,832           |  |
| Consumer loans  | 123,534             | 12 %  | 142,410             | 13 %  | 81,741              | 92,248              | 41,793            | 50,162            |  |
| Total loans   | 1,066,071           | 100 % | 1,125,210           | 100 % | 717,497             | 739,138             | 348,574           | 386,072           |  |
| Less:   |                     |       |                     |       |                     |                     |                   |                   |  |
| Allowance for credit losses   | ( 22,120 )          |       | ( 25,486 )          |       | ( 22,120 )          | ( 25,486 )          | —                 | —                 |  |
| <b>Total loans receivable, net</b>                                    | <u>\$ 1,043,951</u> |       | <u>\$ 1,099,724</u> |       | <u>695,377</u>      | <u>713,652</u>      | <u>348,574</u>    | <u>386,072</u>    |  |
| <b>Loans receivable, including loans held for sale <sup>(a)</sup></b> |                     |       |                     |       | <u>\$ 1,400,739</u> | <u>\$ 1,582,536</u> | <u>\$ 348,574</u> | <u>\$ 386,072</u> |  |

(a) The amortized cost of loans receivable, including loans held for sale, is considered to be representative of fair value because the rates of interest are not significantly different from market interest rates for instruments with similar maturities. The fair value of loans receivable, including loans held for sale, was \$ 1,743,860 and \$ 1,967,021 as of March 31, 2024 and December 31, 2023, respectively.

Loans with an amortized cost of approximately \$ 301,851 and \$ 381,256 were pledged as collateral for potential borrowings as of March 31, 2024 and December 31, 2023, respectively. At both March 31, 2024 and December 31, 2023, WebBank serviced \$ 1,744 in loans for others.

WebBank sold loans classified as loans held for sale of \$ 5,676,769 and \$ 4,275,373 during the three months ended March 31, 2024 and 2023, respectively. The sold loans were derecognized from the consolidated balance sheets. Loans classified as loans held for sale primarily consist of consumer and small business loans. Amounts added to loans held for sale during the same periods were \$ 5,513,362 and \$ 4,388,701 , respectively.

WebBank's allowance for credit losses ("ACL") decreased \$ 3,366 , or 13.2 % , during the three months ended March 31, 2024. The decrease in the ACL was primarily driven by a reduction in loan balances. WebBank continues to monitor the impact of the current economic environment, including potential future negative impacts to its loan portfolio.

Changes in the ACL are summarized as follows:

|                          | Commercial Real Estate<br>Loans | Commercial &<br>Industrial | Consumer Loans  | Total            |
|--------------------------|---------------------------------|----------------------------|-----------------|------------------|
| <b>December 31, 2023</b> | \$ 75                           | \$ 14,744                  | \$ 10,667       | \$ 25,486        |
| Charge-offs              | —                               | ( 2,644 )                  | ( 2,100 )       | ( 4,744 )        |
| Recoveries               | —                               | 399                        | 164             | 563              |
| Provision (benefit)      | 63                              | 946                        | ( 194 )         | 815              |
| <b>March 31, 2024</b>    | <u>\$ 138</u>                   | <u>\$ 13,445</u>           | <u>\$ 8,537</u> | <u>\$ 22,120</u> |

|   | Commercial Real Estate<br>Loans | Commercial &<br>Industrial | Consumer Loans   | Total            |
|---|---------------------------------|----------------------------|------------------|------------------|
| <b>December 31, 2022</b>  | \$ 28                           | \$ 18,493                  | \$ 11,169        | \$ 29,690        |
| Impact of adopting current expected credit loss accounting guidance | 1                               | 1,144                      | 3,597            | 4,742            |
| Charge-offs   | —                               | ( 3,493 )                  | ( 2,539 )        | ( 6,032 )        |
| Recoveries  | 5                               | 328                        | 154              | 487              |
| Provision   | 7                               | 5,156                      | 2,643            | 7,806            |
| <b>March 31, 2023</b>   | <u>\$ 41</u>                    | <u>\$ 21,628</u>           | <u>\$ 15,024</u> | <u>\$ 36,693</u> |

The ACL and outstanding loan balances are summarized as follows:

| <b>March 31, 2024</b>                 | Commercial Real<br>Estate Loans | Commercial &<br>Industrial | Consumer Loans    | Total               |
|---------------------------------------|---------------------------------|----------------------------|-------------------|---------------------|
| Allowance for credit losses:          |                                 |                            |                   |                     |
| Individually evaluated for impairment | \$ 8                            | \$ 1,079                   | \$ —              | \$ 1,087            |
| Collectively evaluated for impairment | 130                             | 12,366                     | 8,537             | 21,033              |
| Total                                 | <u>\$ 138</u>                   | <u>\$ 13,445</u>           | <u>\$ 8,537</u>   | <u>\$ 22,120</u>    |
| Outstanding loan balances:            |                                 |                            |                   |                     |
| Individually evaluated for impairment | \$ 8                            | \$ 3,416                   | \$ —              | \$ 3,424            |
| Collectively evaluated for impairment | 2,836                           | 936,277                    | 123,534           | 1,062,647           |
| Total                                 | <u>\$ 2,844</u>                 | <u>\$ 939,693</u>          | <u>\$ 123,534</u> | <u>\$ 1,066,071</u> |

| <b>December 31, 2023</b>              | Commercial Real<br>Estate Loans | Commercial &<br>Industrial | Consumer Loans    | Total               |
|---------------------------------------|---------------------------------|----------------------------|-------------------|---------------------|
| Allowance for loan losses:            |                                 |                            |                   |                     |
| Individually evaluated for impairment | \$ 8                            | \$ 1,000                   | \$ —              | \$ 1,008            |
| Collectively evaluated for impairment | 67                              | 13,744                     | 10,667            | 24,478              |
| Total                                 | <u>\$ 75</u>                    | <u>\$ 14,744</u>           | <u>\$ 10,667</u>  | <u>\$ 25,486</u>    |
| Outstanding loan balances:            |                                 |                            |                   |                     |
| Individually evaluated for impairment | \$ 8                            | \$ 3,095                   | \$ —              | \$ 3,103            |
| Collectively evaluated for impairment | 2,070                           | 977,627                    | 142,410           | 1,122,107           |
| Total                                 | <u>\$ 2,078</u>                 | <u>\$ 980,722</u>          | <u>\$ 142,410</u> | <u>\$ 1,125,210</u> |

#### Nonaccrual and Past Due Loans

Commercial and industrial loans past due 90 days or more and still accruing interest were \$ 9,710 and \$ 10,270 at March 31, 2024 and December 31, 2023, respectively. Consumer loans past due 90 days or more and still accruing interest were \$ 2,000 and \$ 4,790 at March 31, 2024 and December 31, 2023, respectively. The Company had nonaccrual loans of \$ 832 and \$ 814 at March 31, 2024 and December 31, 2023, respectively.

Past due loans (accruing and nonaccruing) are summarized as follows:

|                              | Current             | 30-89 Days<br>Past Due | 90+ Days<br>Past Due | Total<br>Past Due | Total Loans         | Recorded<br>Investment<br>In Accruing<br>Loans 90+<br>Days Past Due | Nonaccrual<br>Loans<br>That Are<br>Current <sup>(a)</sup> |
|------------------------------|---------------------|------------------------|----------------------|-------------------|---------------------|---|---|
| <b>March 31, 2024</b>        |                     |                        |                      |                   |                     |   |   |
| Commercial real estate loans | \$ 2,844            | \$ —                   | \$ —                 | \$ —              | \$ 2,844            | \$ —  | \$ —  |
| Commercial and industrial    | 919,243             | 10,740                 | 9,710                | 20,450            | 939,693             | 9,710   | 832   |
| Consumer loans               | 117,944             | 3,590                  | 2,000                | 5,590             | 123,534             | 2,000   | —   |
| Total loans                  | <u>\$ 1,040,031</u> | <u>\$ 14,330</u>       | <u>\$ 11,710</u>     | <u>\$ 26,040</u>  | <u>\$ 1,066,071</u> | <u>\$ 11,710</u>  | <u>\$ 832</u>   |

|                              |                     |                        |                      |                   |                     | Recorded<br>Investment<br>In Accruing<br>Loans 90+<br>Days Past Due | Nonaccrual<br>Loans<br>That Are<br>Current <sup>(a)</sup> |
|------------------------------|---------------------|------------------------|----------------------|-------------------|---------------------|---|---|
| <u>December 31, 2023</u>     | Current             | 30-89 Days<br>Past Due | 90+ Days<br>Past Due | Total<br>Past Due | Total Loans         |   |   |
| Commercial real estate loans | \$ 2,078            | \$ —                   | \$ —                 | \$ —              | \$ 2,078            | \$ —  | \$ —  |
| Commercial and industrial    | 959,852             | 10,600                 | 10,270               | 20,870            | 980,722             | 10,270  | 814   |
| Consumer loans               | 132,570             | 5,050                  | 4,790                | 9,840             | 142,410             | 4,790   | —   |
| Total loans                  | <u>\$ 1,094,500</u> | <u>\$ 15,650</u>       | <u>\$ 15,060</u>     | <u>\$ 30,710</u>  | <u>\$ 1,125,210</u> | <u>\$ 15,060</u>  | <u>\$ 814</u>   |

(a) Represents nonaccrual loans that are not past due more than 30 days; however, full payment of principal and interest is still not expected.

## Credit Quality Indicators

In addition to the past due and nonaccrual criteria, loans are analyzed using a loan grading system. Generally, internal grades are assigned to commercial loans based on the performance of the loans, financial/statistical models and loan officer judgment. For consumer loans and some commercial and industrial loans, the primary credit quality indicator is payment status. Reviews and grading of loans with unpaid principal balances of \$100 or more is performed once per year. Grades follow definitions of Pass, Special Mention, Substandard and Doubtful, which are consistent with published definitions of regulatory risk classifications. The definitions of Pass, Special Mention, Substandard and Doubtful are summarized as follows:

- *Pass*: An asset in this category is a higher quality asset and does not fit any of the other categories described below. The likelihood of loss is considered remote.
- *Special Mention*: An asset in this category has a specific weakness or problem but does not currently present a significant risk of loss or default as to any material term of the loan or financing agreement.
- *Substandard*: An asset in this category has a developing or minor weakness or weaknesses that could result in loss or default if deficiencies are not corrected or adverse conditions arise.
- *Doubtful*: An asset in this category has an existing weakness or weaknesses that have developed into a serious risk of significant loss or default with regard to a material term of the financing agreement.

Outstanding loan balances (accruing and nonaccruing) categorized by these credit quality indicators are summarized as follows:

| <b>March 31, 2024</b>        | <b>Non - Graded</b> | <b>Pass</b>       | <b>Special<br/>Mention</b> | <b>Sub-<br/>standard</b> | <b>Doubtful</b> | <b>Total Loans</b>  |
|------------------------------|---------------------|-------------------|----------------------------|--------------------------|-----------------|---------------------|
| Commercial real estate loans | \$ —                | \$ 2,836          | \$ —                       | \$ 8                     | \$ —            | \$ 2,844            |
| Commercial and industrial    | 704,873             | 231,404           | —                          | 3,416                    | —               | 939,693             |
| Consumer loans               | 123,534             | —                 | —                          | —                        | —               | 123,534             |
| Total loans                  | <u>\$ 828,407</u>   | <u>\$ 234,240</u> | <u>\$ —</u>                | <u>\$ 3,424</u>          | <u>\$ —</u>     | <u>\$ 1,066,071</u> |

| <b>December 31, 2023</b>     | <b>Non - Graded</b> | <b>Pass</b>       | <b>Special<br/>Mention</b> | <b>Sub-<br/>standard</b> | <b>Doubtful</b> | <b>Total Loans</b>  |
|------------------------------|---------------------|-------------------|----------------------------|--------------------------|-----------------|---------------------|
| Commercial real estate loans | \$ —                | \$ 2,070          | \$ —                       | \$ 8                     | \$ —            | \$ 2,078            |
| Commercial and industrial    | 675,952             | 301,675           | —                          | 3,095                    | —               | 980,722             |
| Consumer loans               | 142,410             | —                 | —                          | —                        | —               | 142,410             |
| Total loans                  | <u>\$ 818,362</u>   | <u>\$ 303,745</u> | <u>\$ —</u>                | <u>\$ 3,103</u>          | <u>\$ —</u>     | <u>\$ 1,125,210</u> |



The following table represents the amortized cost basis loan balances by year of origination and credit quality indicator:

| As of March 31, 2024                     |            |            |            |           |          |          | Revolving<br>loans<br>amortized<br>cost basis | Total      |
|--|------------|------------|------------|-----------|----------|----------|---|------------|
| Amortized Cost Basis by Origination Year |            |            |            |           |          |          |   |            |
|  | 2023       | 2022       | 2021       | 2020      | 2019     | Prior    |   |            |
| Commercial Real Estate Loans             |            |            |            |           |          |          |   |            |
| Risk Rating:                             |            |            |            |           |          |          |   |            |
| Pass                                     | \$ 782     | \$ 1,113   | \$ 588     | \$ 126    | \$ 61    | \$ 166   | \$ —  | \$ 2,836   |
| Sub-standard                             | —          | —          | —          | —         | —        | 8        | —   | 8          |
| Total Commercial Real Estate Loans       | \$ 782     | \$ 1,113   | \$ 588     | \$ 126    | \$ 61    | \$ 174   | \$ —  | \$ 2,844   |
| Commercial & Industrial                  |            |            |            |           |          |          |   |            |
| Risk Rating:                             |            |            |            |           |          |          |   |            |
| Pass                                     | \$ —       | \$ 74,724  | \$ 106,365 | \$ 50,104 | \$ 211   | \$ —     | \$ —  | \$ 231,404 |
| Non - graded                             | 273,077    | 260,050    | 8,376      | 4,158     | 7,669    | 24       | 151,519                                       | 704,873    |
| Sub-standard                             | 435        | 435        | 15         | —         | —        | 2,531    | —   | 3,416      |
| Total Commercial & Industrial            | \$ 273,512 | \$ 335,209 | \$ 114,756 | \$ 54,262 | \$ 7,880 | \$ 2,555 | \$ 151,519                                    | \$ 939,693 |
| Current period gross charge-offs         | \$ 27      | \$ 1,427   | \$ 995     | \$ 67     | \$ 108   | \$ 20    | \$ —  | \$ 2,644   |
| Consumer Loans                           |            |            |            |           |          |          |   |            |
| Risk Rating:                             |            |            |            |           |          |          |   |            |
| Non - graded                             | \$ 8,012   | \$ 60,195  | \$ 21,623  | \$ 1,958  | \$ 421   | \$ 648   | \$ 30,677                                     | \$ 123,534 |
| Total Consumer Loans                     | \$ 8,012   | \$ 60,195  | \$ 21,623  | \$ 1,958  | \$ 421   | \$ 648   | \$ 30,677                                     | \$ 123,534 |
| Current period gross charge-offs         | \$ —       | \$ 1,416   | \$ 589     | \$ 51     | \$ 10    | \$ 34    | \$ —  | \$ 2,100   |

| As of December 31, 2023                  |            |            |           |          |          |          | Revolving<br>loans<br>amortized<br>cost basis | Total      |
|--|------------|------------|-----------|----------|----------|----------|---|------------|
| Amortized Cost Basis by Origination Year |            |            |           |          |          |          |   |            |
| 2023                                     | 2022       | 2021       | 2020      | 2019     | Prior    |          |   |            |
| Commercial Real Estate Loans             |            |            |           |          |          |          |   |            |
| Risk Rating:                             |            |            |           |          |          |          |   |            |
| Pass                                     | \$ 1,116   | \$ 591     | \$ 126    | \$ 61    | \$ 42    | \$ 134   | \$ —  | \$ 2,070   |
| Sub-standard                             | —          | —          | —         | —        | —        | 8        | —   | 8          |
| Total Commercial Real Estate Loans       | \$ 1,116   | \$ 591     | \$ 126    | \$ 61    | \$ 42    | \$ 142   | \$ —  | \$ 2,078   |
| Commercial & Industrial                  |            |            |           |          |          |          |   |            |
| Risk Rating:                             |            |            |           |          |          |          |   |            |
| Pass                                     | \$ 135,468 | \$ 114,821 | \$ 51,181 | \$ 205   | \$ —     | \$ —     | \$ —  | \$ 301,675 |
| Non - graded                             | 508,163    | 11,717     | 414       | 1,901    | 278      | 62       | 153,417                                       | 675,952    |
| Sub-standard                             | 560        | 27         | —         | —        | —        | 2,508    | —   | 3,095      |
| Total Commercial & Industrial            | \$ 644,191 | \$ 126,565 | \$ 51,595 | \$ 2,106 | \$ 278   | \$ 2,570 | \$ 153,417                                    | \$ 980,722 |
| Consumer Loans                           |            |            |           |          |          |          |   |            |
| Risk Rating:                             |            |            |           |          |          |          |   |            |
| Non - graded                             | \$ 74,242  | \$ 25,733  | \$ 2,475  | \$ 594   | \$ 1,056 | \$ 51    | \$ 38,259                                     | \$ 142,410 |
| Total Consumer Loans                     | \$ 74,242  | \$ 25,733  | \$ 2,475  | \$ 594   | \$ 1,056 | \$ 51    | \$ 38,259                                     | \$ 142,410 |

#### Impaired Loans

Loans are considered impaired when, based on current information and events, it is probable that WebBank will be unable to collect all amounts due in accordance with the contractual terms of the loan agreement, including scheduled interest payments. When loans are impaired, WebBank estimates the amount of the balance that is impaired and allocates additional reserves to the loan based on the estimated present value of the loan's future cash flows discounted at the loan's effective interest rate, the observable market price of the loan, or the fair value of the loan's underlying collateral less the cost to sell. When the

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impairment is based on the fair value of the loan's underlying collateral, the portion of the balance that is impaired is generally charged off.

During the three months ended March 31, 2024 and 2023, WebBank did not issue new loans under the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") authorized under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The existing loans were funded by the PPP Liquidity Facility, have terms of between two and five years, and their repayment is guaranteed by the SBA. Payments by borrowers on the loans can begin up to 16 months after the note date, and interest will continue to accrue during the 16-month deferment at 1%. Loans can be forgiven in whole or in part (up to full principal and any accrued interest) if certain criteria are met. Loan processing fees paid to WebBank from the SBA are accounted for as loan origination fees. Net deferred fees are recognized over the life of the loan as yield adjustments on the loans. If a loan is paid off or forgiven by the SBA prior to its maturity date, the remaining unamortized deferred fees will be recognized in interest income at that time. The PPP loans are included in Commercial and industrial loans in the table above. As of March 31, 2024, the total PPP loans and associated liabilities were \$ 10,221 and \$ 8,426, respectively, and included in Long-term loans receivable, net, and Other borrowings, respectively, in the Company's consolidated balance sheet as of March 31, 2024. As of December 31, 2023, the total PPP loans and associated liabilities were \$ 16,660 and \$ 15,065, respectively, and included in Long-term loans receivable, net, and Other borrowings, respectively, in the consolidated balance sheet as of December 31, 2023. Upon borrower forgiveness, the SBA pays WebBank for the principal and accrued interest owed on the loan. WebBank has received forgiveness payments from the SBA and received payments from borrowers of \$ 6,439 during the three months ended March 31, 2024.

## 5. INVENTORIES, NET

A summary of Inventories, net is as follows:

|  | March 31, 2024 | December 31, 2023 |
|--|----------------|-------------------|
| Finished products  | \$ 57,492      | \$ 62,798         |
| In-process   | 36,314         | 34,376            |
| Raw materials  | 69,289         | 68,895            |
| Fine and fabricated precious metal in various stages of completion | 42,019         | 36,393            |
|  | 205,114        | 202,462           |
| LIFO reserve   | ( 291 )        | ( 168 )           |
| Total  | \$ 204,823     | \$ 202,294        |

### Fine and Fabricated Precious Metal Inventory

In order to produce certain of its products, the Company purchases, maintains and utilizes precious metal inventory. The Company records certain precious metal inventory at the lower of last-in-first-out ("LIFO") cost or market value, with any adjustments recorded through Cost of goods sold. Remaining precious metal inventory is accounted for primarily at fair value.

The Company obtains certain precious metals under a fee consignment agreement. As of March 31, 2024 and December 31, 2023, the Company had approximately \$ 31,690 and \$ 30,242, respectively, of precious metals, principally silver, under consignment, which are recorded at fair value in Inventories, net with a corresponding liability for the same amount recorded in Accounts payable on the Company's consolidated balance sheets. Fees charged under the consignment agreement are recorded in Interest expense in the Company's consolidated statements of operations.

|   | March 31, 2024 | December 31, 2023 |
|---|----------------|-------------------|
| <b>Supplemental inventory information:</b>                                  |                |                   |
| Precious metals stated at LIFO cost   | \$ 4,245       | \$ 2,113          |
| Precious metals stated under non-LIFO cost methods, primarily at fair value | \$ 37,483      | \$ 34,112         |
| Market price per ounce:   |                |                   |
| Silver  | \$ 24.88       | \$ 23.93          |
| Gold  | \$ 2,224.60    | \$ 2,069.11       |
| Platinum  | \$ 912.75      | \$ 998.58         |
| Palladium   | \$ 1,018.54    | \$ 1,108.32       |

## 6. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

A summary of the change in the carrying amount of goodwill by reportable segment is as follows:

|  | Diversified<br>Industrial | Energy     | Financial<br>Services | Supply Chain | Corporate and<br>Other | Total       |
|--|---------------------------|------------|-----------------------|--------------|------------------------|-------------|
| <b>Balance as of December 31, 2023</b> |                           |            |                       |              |                        |             |
| Gross goodwill                         | \$ 155,423                | \$ 67,143  | \$ 9,474              | \$ 22,785    | \$ 81                  | \$ 254,906  |
| Accumulated impairments                | ( 41,278 )                | ( 64,790 ) | —                     | —            | —                      | ( 106,068 ) |
| Net goodwill                           | 114,145                   | 2,353      | 9,474                 | 22,785       | 81                     | 148,838     |
| Currency translation adjustments       | ( 47 )                    | —          | —                     | —            | —                      | ( 47 )      |
| <b>Balance as of March 31, 2024</b>    |                           |            |                       |              |                        |             |
| Gross goodwill                         | 155,376                   | 67,143     | 9,474                 | 22,785       | 81                     | 254,859     |
| Accumulated impairments                | ( 41,278 )                | ( 64,790 ) | —                     | —            | —                      | ( 106,068 ) |
| Net goodwill                           | \$ 114,098                | \$ 2,353   | \$ 9,474              | \$ 22,785    | \$ 81                  | \$ 148,791  |

A summary of Other intangible assets, net is as follows:

|   | March 31, 2024           |                             |            | December 31, 2023        |                             |            |
|---|--------------------------|-----------------------------|------------|--------------------------|-----------------------------|------------|
|   | Gross Carrying<br>Amount | Accumulated<br>Amortization | Net        | Gross Carrying<br>Amount | Accumulated<br>Amortization | Net        |
| Customer relationships                                | \$ 216,836               | \$ 147,875                  | \$ 68,961  | \$ 216,968               | \$ 144,686                  | \$ 72,282  |
| Trademarks, trade names and brand names               | 57,144                   | 23,854                      | 33,290     | 57,160                   | 23,431                      | 33,729     |
| Developed technology, patents and patent applications | 33,101                   | 25,525                      | 7,576      | 33,102                   | 25,086                      | 8,016      |
| Other   | 16,660                   | 16,660                      | —          | 16,662                   | 16,512                      | 150        |
| Total   | \$ 323,741               | \$ 213,914                  | \$ 109,827 | \$ 323,892               | \$ 209,715                  | \$ 114,177 |

Trademarks with indefinite lives as of March 31, 2024 and December 31, 2023 were \$ 22,193 and \$ 22,210 , respectively. Amortization expense related to intangible assets was \$ 4,303 and \$ 3,588 for the three months ended March 31, 2024 and 2023, respectively.

Based on gross carrying amounts at March 31, 2024, the Company's estimate of amortization expense for identifiable intangible assets for the years ending December 31, 2024 through 2028 is presented in the table below.

|                                | Year Ending December 31, |        |        |        |        |
|--------------------------------|--------------------------|--------|--------|--------|--------|
|                                | 2024                     | 2025   | 2026   | 2027   | 2028   |
| Estimated amortization expense | 17,192                   | 15,705 | 13,687 | 13,007 | 12,213 |

## 7. INVESTMENTS

The following table summarizes the Company's long-term investments as of March 31, 2024 and December 31, 2023.

|  | Ownership %    |                   | Long-Term Investments Balance |                   |
|--|----------------|-------------------|-------------------------------|-------------------|
|  | March 31, 2024 | December 31, 2023 | March 31, 2024                | December 31, 2023 |
| PCS-Mosaic <sup>(a)</sup>                  | 58.3 %         | 58.3 %            | 19,058                        | 19,067            |
| Other long-term investments <sup>(b)</sup> |                |                   | 39,153                        | 22,158            |
| Total                                      |                |                   | \$ 58,211                     | \$ 41,225         |

a) Represents the Company's investment in PCS-Mosaic, which is accounted for under the equity method of accounting.

b) The balance consists of multiple common stock investments of public and non-public companies and available for sale securities.

The Loss of associated companies, net of taxes, for the three months ended March 31, 2024 and 2023, respectively, are as follows:

|   |    | Three Months Ended<br>March 31, |        |
|---|----|---------------------------------|--------|
|   |    | 2024                            | 2023   |
| CN convertible notes                              | \$ | —                               | ( 32 ) |
| CN common stock                                   |    | —                               | 3,999  |
| S-Mosaic  |    | 7                               | —      |
| Investments in associated companies, net of taxes | \$ | \$                              | 3,967  |

The amounts of unrealized losses (gains) for the three months ended March 31, 2024 and 2023 that relate to equity securities still held as of March 31, 2024 and 2023, respectively, are as follows:

|  |    | Three Months Ended<br>March 31, |         |
|--|----|---------------------------------|---------|
|  |    | 2024                            | 2023    |
| Net gains recognized during the period on equity securities  | \$ | ( 4,068 )                       | ( 607 ) |
| Less: Net losses recognized during the period on equity securities sold during the period              |    | 167                             | 3       |
| Unrealized gains recognized during the period on equity securities still held at the end of the period | \$ | ( 4,235 )                       | ( 610 ) |

### Equity Method Investments

As of March 31, 2024, the Company's investments in associated companies includes PCS-Mosaic, which is accounted for under the equity method of accounting. PCS-Mosaic is a private investment fund primarily invested in specialized software development and training services. PCS-Mosaic is carried at cost, plus or minus the Company's share of net earnings or losses of the investment. Associated companies are included in the Corporate and Other segment.

Beginning May 1, 2023, STCN was consolidated by the Company. Refer to Note 3 - "Acquisitions and Divestitures" for further details of the exchange transactions between the Company and STCN.

### Other Investments

WebBank has held-to-maturity ("HTM") debt securities which are carried at amortized cost and included in Other non-current assets on the Company's consolidated balance sheets. The amount and contractual maturities of HTM debt securities are noted in the tables below. Actual maturities may differ from expected or contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties. The securities are collateralized by unsecured consumer loans.

| March 31, 2024                 |                |                  |                      |                |
|--------------------------------|----------------|------------------|----------------------|----------------|
|                                | Amortized Cost | Gross Unrealized |                      | Carrying Value |
|                                |                | Gains            | Estimated Fair Value |                |
| Collateralized securities      | \$ 316,302     | \$ 2,139         | \$ 318,441           | \$ 316,302     |
| Contractual maturities within: |                |                  |                      |                |
| Less than five years           |                |                  |                      | 312,596        |
| Five years to ten years        |                |                  |                      | 105            |
| After ten years                |                |                  |                      | 3,601          |
| Total                          |                |                  |                      | \$ 316,302     |

| December 31, 2023              |                |                  |                      |                |
|--------------------------------|----------------|------------------|----------------------|----------------|
|                                | Amortized Cost | Gross Unrealized |                      | Carrying Value |
|                                |                | Gains            | Estimated Fair Value |                |
| Collateralized securities      | \$ 322,268     | \$ 2,199         | \$ 324,467           | \$ 322,268     |
| Contractual maturities within: |                |                  |                      |                |
| Less than five years           |                |                  |                      | 318,644        |
| Five years to ten years        |                |                  |                      | —              |
| After ten years                |                |                  |                      | 3,624          |
| Total                          |                |                  |                      | \$ 322,268     |

WebBank regularly evaluates each HTM debt security whose value has declined below amortized cost to assess whether the decline in fair

value is other-than-temporary. If there is an other-than-temporary impairment in the fair value of any

individual security classified as HTM, WebBank writes down the security to fair value with a corresponding credit loss portion charged to earnings, and the corresponding non-credit portion charged to accumulated other comprehensive income. The ACL for HTM debt securities of \$ 2,139 and \$ 2,199 at March 31, 2024 and December 31, 2023, respectively, is included in the net amortized cost balance of the securities. For the three months ended March 31, 2024, WebBank recorded a reversal of provision for credit losses on HTM debt securities of \$ 60 .

## 8. DEBT

The short-term debt and current portion of long-term debt are included in Other current liabilities on the Company's consolidated balance sheets. The components of debt and a reconciliation to the carrying amount of long-term debt is presented in the table below:

|                                   | March 31, 2024   | December 31, 2023 |
|-----------------------------------|------------------|-------------------|
| <b>Short-term debt:</b>           |                  |                   |
| Foreign                           | \$ 4             | \$ —              |
| Short-term debt                   | 4                | —                 |
| <b>Long-term debt:</b>            |                  |                   |
| Credit Agreement                  | 91,900           | 190,449           |
| Other debt - domestic             | 905              | 922               |
| Subtotal                          | 92,805           | 191,371           |
| Less: portion due within one year | 67               | 67                |
| Long-term debt                    | 92,738           | 191,304           |
| <b>Total debt</b>                 | <b>\$ 92,809</b> | <b>\$ 191,371</b> |

Long-term debt as of March 31, 2024 matures in each of the next five years as follows:

|                | Total     | 2024  | 2025  | 2026      | 2027   | 2028 | Thereafter |
|----------------|-----------|-------|-------|-----------|--------|------|------------|
| Long-term debt | \$ 92,805 | \$ 51 | \$ 67 | \$ 91,967 | \$ 720 | \$ — | \$ —       |

As of March 31, 2024, the Company's senior credit agreement, as amended and restated ("Credit Agreement") covers substantially all of the Company's subsidiaries, with the exception of WebBank and Steel Connect, and provides for a senior secured revolving credit facility in an aggregate principal amount not to exceed \$ 600,000 (the "Revolving Credit Loans"), which includes a \$ 50,000 subfacility for swing line loans, a \$ 50,000 subfacility for standby letters of credit and a foreign currency sublimit (available in euros and pounds sterling) equal to the lesser of \$ 75,000 and the total amount of the Revolving Credit Commitment. The Credit Agreement permits, under certain circumstances, to increase the aggregate principal amount of revolving credit commitments under the Credit Agreement by \$ 300,000 plus additional amounts so long as the Leverage Ratio (as defined in the Credit Agreement) would not exceed 3.50 :1. Borrowings bear interest, at annual rates of either Base Rate, SOFR Rate or Term RFR (each as defined in the Credit Agreement), at the borrowers' option, plus an applicable margin, as set forth in the Credit Agreement. As of March 31, 2024, the Credit Agreement also provides for a commitment fee of 0.150 % to be paid on unused borrowings.

The Credit Agreement contains financial covenants, including: (i) a Leverage Ratio not to exceed 4.25 to 1.00 for quarterly periods as of the end of each fiscal quarter; provided, however, that notwithstanding the foregoing, following a Material Acquisition (as defined in the Credit Agreement), Borrowers shall not permit the Leverage Ratio, calculated as of the end of each of the four (4) fiscal quarters immediately following such Material Acquisition (which, for the avoidance of doubt, shall commence with the fiscal quarter in which such Material Acquisition is consummated), to exceed 4.50 to 1.00 and (ii) an Interest Coverage Ratio, calculated as of the end of each fiscal quarter, not less than 3.00 to 1.00. The Credit Agreement also contains standard representations, warranties and covenants for a transaction of this nature, including, among other things, covenants relating to: (i) financial reporting and notification; (ii) payment of obligations; (iii) compliance with law; (iv) maintenance of insurance; and (v) maintenance of properties. As of March 31, 2024, the Company was in compliance with all financial and nonfinancial covenants under the Credit Agreement. The Company believes it will remain in compliance with the Credit Agreements covenants for the next twelve months. The Credit Agreement will expire on December 29, 2026.

The weighted average interest rate on the Credit Agreement was 6.67 % at March 31, 2024. As of March 31, 2024, letters of credit totaling \$ 10,208 had been issued under the Credit Agreement. The primary use of the Company's letters of credit are to support the performance and financial obligations related to certain environmental matters, insurance programs and real estate leases. The Credit Agreement permits the Company to borrow for the dividends on its preferred units, pension contributions, investments, acquisitions and other general corporate expenses. Based on financial results as of March 31, 2024, the Company's total availability under the Credit Agreement, which is based upon Consolidated Adjusted EBITDA (as defined in

the Credit Agreement) and certain covenants as described in the Credit Agreement, was approximately \$ 497,900 as of March 31, 2024.

#### *Steel Connect Revolving Credit Facility*

Steel Connect's wholly-owned subsidiary, ModusLink Corporation ("ModusLink"), has a revolving credit agreement (the "Umpqua Revolver") with Umpqua Bank which provides for a maximum credit commitment of \$ 12,500 and a sub-limit of \$ 5,000 for letters of credit and expires on March 31, 2025. As of March 31, 2024, ModusLink was in compliance with the Umpqua Revolver's covenants and believes it will remain in compliance with the Umpqua Revolver's covenants for the next twelve months. As of March 31, 2024, ModusLink had available borrowing capacity of \$ 11,890 and there was \$ 610 outstanding for letters of credit.

On May 1, 2024, ModusLink entered into a Second Amendment to Credit Agreement (the "Second Amendment"), amending the Umpqua Revolver. Among other things, the Second Amendment extended the maturity date with respect to revolving loans from March 31, 2025 to March 31, 2026, removed certain adjustments in the definition of "Adjusted EBITDA" as set forth in the Umpqua Revolver, and removed certain caps and conditions on ModusLink's ability to pay dividends.

## 9. FINANCIAL INSTRUMENTS

### **WebBank - Economic Interests in Loans**

WebBank's derivative financial instruments represent on-going economic interests in loans made after they are sold. These derivatives are carried at fair value on a gross basis in Other non-current assets on the Company's consolidated balance sheets and are classified within Level 3 in the fair value hierarchy (see Note 14 - "Fair Value Measurements"). As of March 31, 2024, outstanding derivatives mature within three to five years. Gains and losses resulting from changes in the fair value of derivative instruments are accounted for in the Company's consolidated statements of operations in Financial Services revenue. Fair value represents the estimated amounts that WebBank would receive or pay to terminate the contracts at the reporting date based on a discounted cash flow model for the same or similar instruments. WebBank does not enter into derivative contracts for speculative or trading purposes.

### **Precious Metal and Commodity Inventories**

As of March 31, 2024, the Company had the following outstanding forward contracts with settlement dates through April 2024. There were no futures contracts outstanding as of March 31, 2024.

| Commodity | Amount (in whole units) | Notional Value |
|-----------|-------------------------|----------------|
| Silver    | 56,089 ounces           | \$ 1,383       |
| Gold      | 5 ounces                | \$ 13          |
| Palladium | 1,425 ounces            | \$ 1,430       |
| Platinum  | 46 ounces               | \$ 42          |
| Copper    | 266,000 pounds          | \$ 977         |
| Tin       | 32 metric tons          | \$ 893         |

*Fair Value Hedges.* Certain forward contracts are accounted for as fair value hedges under ASC 815 for the Company's precious metal inventory carried at fair value. These contracts hedge 47,677 ounces (in whole units) of silver and a majority of the Company's pounds of copper. The fair values of these derivatives are recognized as derivative assets and liabilities on the Company's consolidated balance sheets. The net changes in fair value of the derivative assets and liabilities, and the changes in the fair value of the underlying hedged inventory, are recognized in the Company's consolidated statements of operations, and such amounts principally offset each other due to the effectiveness of the hedges.

*Economic Hedges.* The remaining outstanding forward contracts for silver, and all the contracts for gold, palladium, platinum and tin, are accounted for as economic hedges. As these derivatives are not designated as accounting hedges under ASC 815, they are accounted for as derivatives with no hedge designation. The derivatives are marked to market with gains and losses recorded in earnings in the Company's consolidated statements of operations. The economic hedges are associated primarily with the Company's precious metal inventory valued using the LIFO method.

The forward contracts were made with a counterparty rated Aa2 by Moody's. Accordingly, management evaluated counterparty risk and believes that there is minimal credit risk of default. The Company estimates the fair value of its derivative



contracts based on the counterparty's statement. The Company maintains collateral on account with the third-party broker which varies in amount depending on the value of open contracts and the current market price.

The fair value and carrying amount of derivative instruments on the Company's consolidated balance sheets are as follows:

| Fair Value of Derivative Assets (Liabilities)       |                          |                   |                                    |            |
|---|--------------------------|-------------------|------------------------------------|------------|
| March 31, 2024                                      |                          | December 31, 2023 |                                    |            |
|   | Balance Sheet Location   | Fair Value        | Balance Sheet Location             | Fair Value |
| <b>Derivatives designated as ASC 815 hedges</b>     |                          |                   |                                    |            |
| Commodity contracts                                 | Other liabilities        | \$ ( 99 )         | Other liabilities                  | \$ ( 25 )  |
| <b>Derivatives not designated as ASC 815 hedges</b> |                          |                   |                                    |            |
|   |                          |                   | Prepaid expenses and other current |            |
| Commodity contracts                                 | Other liabilities        | \$ ( 15 )         | assets                             | \$ 75      |
| Economic interests in loans                         | Other non-current assets | \$ 4,939          | Other non-current assets           | \$ 4,903   |

The effects of fair value hedge accounting on the consolidated statements of operations for the three months ended March 31, 2024 and 2023 are not material. The effects of derivatives not designated as ASC 815 hedging instruments on the consolidated statements of operations for the three months ended March 31, 2024 and 2023 are as follows:

|  |  | Amount of Gain Recognized in Income |          |
|--|--|-------------------------------------|----------|
|  |  | Three Months Ended                  |          |
|  |  | March 31,                           |          |
| Derivatives Not Designated as Hedging Instruments: | Location of Gain (Loss) Recognized in Income | 2024                                | 2023     |
| Commodity contracts                                | Other (expense) income, net                  | ( 83 )                              | \$ 544   |
| Economic interests in loans                        | Financial Services revenue                   | 1,283                               | 1,260    |
| Total  |  | \$ 1,200                            | \$ 1,804 |

#### Financial Instruments with Off-Balance Sheet Risk

WebBank is a party to financial instruments with off-balance sheet risk. In the normal course of business, these financial instruments include commitments to extend credit in the form of loans as part of WebBank's lending arrangements. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized on the Company's consolidated balance sheets. The contractual amounts of those instruments reflect the extent of involvement WebBank has in particular classes of financial instruments.

As of March 31, 2024 and December 31, 2023, WebBank's undisbursed loan commitments totaled \$ 396,104 and \$ 340,621 , respectively. Commitments to extend credit are agreements to lend to a borrower who meets the lending criteria through one of WebBank's lending agreements, provided there is no violation of any condition established in the contract with the counterparty to the lending arrangement.

Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since certain of the commitments are expected to expire without the credit being extended, the total commitment amounts do not necessarily represent future cash requirements. WebBank evaluates each prospective borrower's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by WebBank upon extension of credit, is based on management's credit evaluation of the borrower and WebBank's counterparty.

WebBank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. WebBank uses the same credit policy in making commitments and conditional obligations as it does for on balance sheet instruments.

#### 10. PENSION AND OTHER POST-RETIREMENT BENEFITS

The Company maintains several qualified and non-qualified pension plans and other post-retirement benefit plans. The following table presents the components of pension (income) expense for the Company's significant pension plans. The Company's other pension and post-retirement benefit plans are not significant individually or in the aggregate.

|                                | Three Months Ended |           |
|--------------------------------|--------------------|-----------|
|                                | March 31,          |           |
|                                | 2024               | 2023      |
| Interest cost                  | \$ 4,199           | \$ 4,538  |
| Expected return on plan assets | ( 5,010 )          | ( 4,467 ) |
| Amortization of actuarial loss | 2,185              | 2,882     |
| Total net pension expense      | \$ 1,374           | \$ 2,953  |

Net pension expense is included in Selling, general and administrative expenses in the consolidated statements of operations. During the three months ended March 31, 2024, the Company contributed \$ 2,983 to its pension plans. Required future pension contributions are estimated based upon assumptions such as discount rates on future obligations, assumed rates of return on plan assets and legislative changes. Actual future pension costs and required funding obligations will be affected by changes in the factors and assumptions described in the previous sentence, including the impact of declines in pension plan assets and interest rates, as well as other changes such as any plan termination or other acceleration events. The Company currently estimates it will contribute \$ 7,354 to its pension plans during the remainder of 2024.

## 11. CAPITAL AND ACCUMULATED OTHER COMPREHENSIVE LOSS

As of March 31, 2024, the Company had 20,392,204 Class A units (regular common units) outstanding.

### Common Unit Repurchase Program

The Board of Directors of SPH GP, the general partner of SPLP (the "Board of SPH GP") has approved the repurchase of up to an aggregate of 9,520,240 of the Company's common units (the "Repurchase Program"), which is inclusive of 750,000 common units approved in March 2024. The Repurchase Program, which was announced on December 7, 2016, supersedes and cancels, to the extent any amounts remain available, all previously approved repurchase programs. Any purchases made under the Repurchase Program will be made from time to time on the open market or in negotiated transactions off the market, in compliance with applicable laws and regulations. The timing, manner, price and amount of any repurchase will depend on economic and market conditions, share price, trading volume, applicable legal requirements and other factors. In connection with the Repurchase Program, the Company may enter into a stock purchase plan. The Repurchase Program has no termination date. The Company repurchased 933,787 common units for an aggregate purchase price of \$ 39,487 during the three months ended March 31, 2024. From the inception of the Repurchase Program the Company has purchased 8,742,407 common units for an aggregate price of approximately \$ 203,885 . As of March 31, 2024, there remained 777,833 common units that may yet be purchased under the Repurchase Program. In April 2024, the Company repurchased 1,891 common units for \$ 73 .

### Incentive Award Plan

The Company's 2018 Incentive Award Plan (the "2018 Plan") provides equity-based compensation through the grant of options to purchase the Company's limited partnership units, unit appreciation rights, restricted units, phantom units, substitute awards, performance awards, other unit-based awards, and, as appropriate, any tandem distribution equivalent rights granted with respect to an award (collectively, "LP Units"). On May 18, 2020, the Company's unitholders approved the Amended and Restated 2018 Incentive Award Plan, which increased the number of LP Units issuable under the 2018 Plan by 500,000 to a total of 1,000,000 LP Units. On June 9, 2021, the Company's unitholders approved the Second Amended and Restated 2018 Incentive Award Plan ("Second A&R 2018 Plan"), which increased the number of LP Units issuable under the 2018 Plan by 1,000,000 to a total of 2,000,000 LP Units. The Company granted 27,538 restricted units under the Second A&R 2018 Plan during the three months ended March 31, 2024, which vested immediately on the date of the grant.

### Preferred Units

The Company's 6.0 % Series A preferred units, no par value (the "SPLP Preferred Units") entitle the holders to a cumulative quarterly cash or in-kind (or a combination thereof) distribution. The Company declared cash distributions of approximately \$ 2,380 and \$ 2,408 to preferred unitholders for the three months ended March 31, 2024 and 2023, respectively. The SPLP Preferred Units have a term of nine years , ending February 2026, and are redeemable at any time at the Company's option at a \$ 25 liquidation value per unit, plus any accrued and unpaid distributions (payable in cash or SPLP common units, or a combination of both, at the Company's discretion). If redeemed in common units, the number of common units to be issued will be equal to the liquidation value per unit divided by the volume weighted-average price of the common units for 60 days prior to the redemption. On February 2, 2024, the Board of SPH GP approved the repurchase of up to 400,000 of the SPLP Preferred Units. For the three months ended March 31, 2024, the Company repurchased 76,146 SPLP Preferred Units for \$ 1,830 .

The SPLP Preferred Units have no voting rights, except that holders have certain voting rights in limited circumstances relating to the election of directors following the failure to pay six quarterly distributions. The SPLP Preferred Units are recorded as non-current liabilities, including accrued interest expense, on the Company's consolidated balance sheet as of March 31, 2024 and December 31, 2023 because they have an unconditional obligation to be redeemed for cash or by issuing a variable number of SPLP common units for a monetary value that is fixed and known at inception. Because the SPLP Preferred Units are classified as liabilities, distributions thereon are recorded as a component of Interest expense in the Company's consolidated statements of operations. As of March 31, 2024 and December 31, 2023, there were 6,345,982 and 6,422,128 SPLP Preferred Units outstanding, respectively.

On May 7, 2024, the Board of SPH GP declared a regular quarterly cash distribution of \$ 0.375 per unit, payable June 15, 2024, to unitholders of record as of June 1, 2024, on its SPLP Preferred Units.

#### Accumulated Other Comprehensive Loss

Changes, net of tax, where applicable, in AOCI are as follows:

|   | Unrealized loss on<br>available-for-sale debt<br>securities | Cumulative<br>translation<br>adjustments | Change in net<br>pension and other<br>benefit obligations | Total          |
|---|---|--|---|----------------|
| <b>Balance at December 31, 2023</b>                             | \$ ( 92 )   | \$ ( 14,993 )                            | \$ ( 106,138 )  | \$ ( 121,223 ) |
| Net other comprehensive loss attributable to common unitholders | —   | ( 1,110 )                                | —   | ( 1,110 )      |
| <b>Balance at March 31, 2024</b>                                | ( 92 )  | ( 16,103 )                               | ( 106,138 )   | ( 122,333 )    |

|   | Unrealized loss on<br>available-for-sale<br>securities | Cumulative<br>translation<br>adjustments | Change in net<br>pension and other<br>benefit obligations | Total          |
|---|--|--|---|----------------|
| <b>Balance at December 31, 2022</b>                               | \$ ( 92 )  | \$ ( 17,113 )                            | \$ ( 134,669 )  | \$ ( 151,874 ) |
| Net other comprehensive income attributable to common unitholders | —  | 1,093                                    | —   | 1,093          |
| <b>Balance at March 31, 2023</b>                                  | ( 92 )   | ( 16,020 )                               | ( 134,669 )   | ( 150,781 )    |

#### Incentive Unit Awards

In 2012, SPLP issued to the Manager partnership profits interests in the form of Incentive Units which entitle the holder generally to share in 15 % of the increase in the equity value of the Company, based on the volume weighted average price of the Company's common units for the 20 trading days prior to the year-end measurement date. In 2015, the Manager assigned its rights to Incentive Units to a related party, SPH SPV-I LLC ("SPH SPV-I") pursuant to an Incentive Unit Agreement. Vesting in Incentive Units is measured annually on the last day of the Company's fiscal year and is based upon exceeding a baseline equity value per common unit which is currently \$41.82 and was determined when the most recent award vested on December 31, 2022. The number of outstanding Incentive Units is equal to 100 % of the common units outstanding, including common units held by non-wholly-owned subsidiaries. The measurement date equity value per common unit is determined by calculating the volume weighted average price of the Company's common units for 20 trading days prior to a measurement date. If an Incentive Unit award vests as of an annual measurement date they will be issued as Class C units.

Upon vesting in Incentive Units, the baseline equity value will be recalculated as the new baseline equity value to be assessed at the next annual measurement date. If the baseline equity value is not exceeded as of an annual measurement date, then no portion of annual Incentive Units will be classified as Class C common units for that year and the baseline equity value per common unit will be the same amount as determined upon the prior vesting. The Class C units have the same rights as the LP Units, including, without limitation, with respect to partnership distributions and allocations of income, gain, loss and deduction, in all respects, except that liquidating distributions made by the Company to such holder may not exceed the amount of its capital account allocable to such Class C units and such Class C units may not be sold in the public market, until they have converted into LP Units. At such time that the amount of the capital account allocable to a Class C unit is equal to the amount of the capital account allocable to an LP Unit, such Class C unit shall convert automatically into an LP Unit.

If March 31, 2024 was the annual measurement date, no Incentive Units would vest or be issued as Class C common units based upon the volume weighted-average price of the Company's common units for 20 trading days prior to March 31, 2024. Pursuant to the terms to the Incentive Unit Agreement, vesting of the Incentive Units only occurs based on the value of the

Company's common units at the annual measurement date on December 31, and therefore, more, fewer or no Incentive Units may vest for 2024.

## 12. INCOME TAXES

The Company's tax provision represents the income tax expense or benefit of its consolidated subsidiaries that are taxable entities. The income tax provision fluctuates based on, among other factors, where income is earned and the level of income relative to tax attributes. The Company recorded income tax provisions of \$ 10,861 and \$ 14,604 for the three months ended March 31, 2024 and 2023, respectively. Provisions have been made for federal, state, local, and foreign income taxes on the results of operations generated by our consolidated subsidiaries that are taxable entities. Significant differences between the statutory rate and the effective tax rate include partnership losses for which no tax benefit is recognized, tax expense related to unrealized gains and losses on investment, changes in deferred tax valuation allowances, the effect of tax credits and incentives, and other permanent differences. The Company's consolidated subsidiaries have recorded deferred tax valuation allowances to the extent that they believe it is more likely than not that the benefits of certain deferred tax assets will not be realized in future periods.

Each year, the Company files many tax returns given the number of national, state and local tax jurisdictions in which the Company operates. These tax returns are subject to examination by the tax authorities. As a result, there is an uncertainty in income taxes recognized in the financial statements in accordance with accounting for income taxes and accounting for uncertainty in income taxes. The ultimate resolution of such uncertainties is not expected to have a material impact on the Company's results of operations.

## 13. NET INCOME PER COMMON UNIT

The following data was used in computing net income per common unit shown in the Company's consolidated statements of operations:

|   | Three Months Ended<br>March 31, |                   |
|---|---------------------------------|-------------------|
|   | 2024                            | 2023              |
| <b>Net income</b>   | <b>\$ 34,801</b>                | <b>\$ 24,803</b>  |
| Net (income) loss attributable to noncontrolling interests in consolidated entities | ( 570 )                         | 43                |
| <b>Net income attributable to common unitholders</b>                                | <b>34,231</b>                   | <b>24,846</b>     |
| Effect of dilutive securities:  |                                 |                   |
| Interest expense from SPLP Preferred Units <sup>(a)</sup>                           | 3,101                           | 3,069             |
| <b>Net income attributable to common unitholders – assuming dilution</b>            | <b>\$ 37,332</b>                | <b>\$ 27,915</b>  |
| <b>Net income per common unit – basic</b>   |                                 |                   |
| Net income attributable to common unitholders                                       | \$ 1.65                         | \$ 1.15           |
| <b>Net income per common unit – diluted</b>   |                                 |                   |
| Net income attributable to common unitholders                                       | \$ 1.50                         | \$ 1.09           |
| <b>Denominator for net income per common unit – basic</b>                           | <b>20,762,244</b>               | <b>21,685,794</b> |
| Effect of dilutive securities:  |                                 |                   |
| Incentive Units   | —                               | 88,365            |
| Unvested restricted common units  | 28,212                          | 15,756            |
| SPLP Preferred Units  | 4,020,720                       | 3,751,331         |
| <b>Denominator for net income per common unit – diluted</b>                         | <b>24,811,176</b>               | <b>25,541,246</b> |

(a) Assumes the SPLP Preferred Units were redeemed in common units as described in Note 11 - "Capital and Accumulated Other Comprehensive Loss."

## 14. FAIR VALUE MEASUREMENTS

Financial assets and liabilities measured at fair value on a recurring basis in the Company's consolidated financial statements as of March 31, 2024 and December 31, 2023 are summarized by type of inputs applicable to the fair value measurements as follows:

| <b>March 31, 2024</b>   | <b>Level 1</b>   | <b>Level 2</b> | <b>Level 3</b>   | <b>Total</b>     |
|---|------------------|----------------|------------------|------------------|
| <b>Assets:</b>  |                  |                |                  |                  |
| Long-term investments <sup>(a)</sup>                            | \$ 33,798        | \$ 459         | \$ 4,896         | \$ 39,153        |
| Precious metal and commodity inventories recorded at fair value | 38,960           | —              | —                | 38,960           |
| Economic interests in loans <sup>(b)</sup>                      | —                | —              | 4,939            | 4,939            |
| Warrants <sup>(c)</sup>   | —                | —              | 1,436            | 1,436            |
| <b>Total</b>  | <b>\$ 72,758</b> | <b>\$ 459</b>  | <b>\$ 11,271</b> | <b>\$ 84,488</b> |
| <b>Liabilities:</b>   |                  |                |                  |                  |
| Commodity contracts on precious metal and commodity inventories | \$ —             | \$ 114         | \$ —             | \$ 114           |
| Other precious metal liabilities                                | \$ 34,500        | \$ —           | \$ —             | \$ 34,500        |
| <b>Total</b>  | <b>\$ 34,500</b> | <b>\$ 114</b>  | <b>\$ —</b>      | <b>\$ 34,614</b> |

  

| <b>December 31, 2023</b>  | <b>Level 1</b>   | <b>Level 2</b> | <b>Level 3</b>   | <b>Total</b>     |
|---|------------------|----------------|------------------|------------------|
| <b>Assets:</b>  |                  |                |                  |                  |
| Long-term investments <sup>(a)</sup>                            | \$ 15,965        | \$ 447         | \$ 5,746         | \$ 22,158        |
| Precious metal and commodity inventories recorded at fair value | 35,361           | —              | —                | 35,361           |
| Economic interests in loans <sup>(b)</sup>                      | —                | —              | 4,903            | 4,903            |
| Commodity contracts on precious metal and commodity inventories | —                | 75             | —                | 75               |
| Warrants <sup>(c)</sup>   | —                | —              | 1,436            | 1,436            |
| <b>Total</b>  | <b>\$ 51,326</b> | <b>\$ 522</b>  | <b>\$ 12,085</b> | <b>\$ 63,933</b> |
| <b>Liabilities:</b>   |                  |                |                  |                  |
| Commodity contracts on precious metal and commodity inventories | \$ —             | \$ 25          | \$ —             | \$ 25            |
| Other precious metal liabilities                                | 30,958           | —              | —                | 30,958           |
| <b>Total</b>  | <b>\$ 30,958</b> | <b>\$ 25</b>   | <b>\$ —</b>      | <b>\$ 30,983</b> |

(a) For additional details of the long-term investments, see Note 7 – "Investments." The investment in PCS-Mosaic of \$ 19,058 and \$ 19,067 as of March 31, 2024 and December 31, 2023, respectively, is not included in the fair value leveling tables as it is valued at cost.

(b) For additional details of the economic interests in loans, see Note 9 – "Financial Instruments".

(c) Included within Other non-current assets in the Company's consolidated balance sheets.

There were no transfers of securities among the various measurement input levels during the three months ended March 31, 2024 or 2023.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities as of the measurement date ("Level 1").

Level 2 inputs may include quoted prices in active markets for similar assets or liabilities, quoted prices in a market that is not active for identical assets or liabilities, or other inputs that can be corroborated by observable market data ("Level 2").

Level 3 inputs are unobservable for the asset or liability when there is little, if any, market activity for the asset or liability. Level 3 inputs are based on the best information available and may include data developed by the Company ("Level 3").

The fair value of the Company's financial instruments, such as cash and cash equivalents, trade and other receivables and accounts payable, approximates carrying value due to the short-term maturities of these assets and liabilities. Carrying cost approximates fair value for long-term debt, which has variable interest rates.

The precious metal and commodity inventories associated with the Company's fair value hedges (see Note 9 - "Financial Instruments") are reported at fair value. Fair values of these inventories are based on quoted market prices on commodity exchanges and are considered Level 1 measurements. The derivative instruments that the Company purchases in connection with its precious metal and commodity inventories, specifically commodity futures and forward contracts, are also valued at fair value. The futures contracts are Level 1 measurements since they are traded on a commodity exchange. The forward contracts are entered into with a counterparty and are considered Level 2 measurements.

Following is a summary of changes in financial assets measured using Level 3 inputs:

|   | Long Term<br>Investments <sup>(a)</sup> | Economic Interests in<br>Loans <sup>(b)</sup> | Warrants <sup>(b)</sup> | Total            |
|---|---|---|-------------------------|------------------|
| <b>Balance as of December 31, 2023</b>    | \$ 5,746                                | \$ 4,903                                      | \$ 1,436                | \$ 12,085        |
| Purchases                                 | 373                                     | —   | —                       | 373              |
| Sales, cash collections, and eliminations | 12                                      | ( 1,247 )                                     | —                       | ( 1,235 )        |
| Realized gains                            | ( 13 )                                  | 1,283   | —                       | 1,270            |
| Unrealized gains                          | 6                                       | —   | —                       | 6                |
| Unrealized losses                         | ( 1,228 )                               | —   | —                       | ( 1,228 )        |
| <b>Balance as of March 31, 2024</b>       | <u>\$ 4,896</u>                         | <u>\$ 4,939</u>                               | <u>\$ 1,436</u>         | <u>\$ 11,271</u> |
| <b>Balance as of December 31, 2022</b>    | \$ 52,336                               | \$ 5,728                                      | \$ 3,564                | \$ 61,628        |
| Sales, cash collections, and eliminations | ( 1,000 )                               | ( 2,008 )                                     | —                       | ( 3,008 )        |
| Realized gains                            | —                                       | 1,260   | —                       | 1,260            |
| Unrealized gains                          | 43                                      | —   | —                       | 43               |
| Unrealized losses                         | ( 2 )                                   | —   | —                       | ( 2 )            |
| <b>Balance as of March 31, 2023</b>       | <u>\$ 51,377</u>                        | <u>\$ 4,980</u>                               | <u>\$ 3,564</u>         | <u>\$ 59,921</u> |

(a) Unrealized gains and losses are recorded in (Income) loss of associated companies, net of taxes in the Company's consolidated statements of operations.

(b) Realized and unrealized gains and losses are recorded in Realized and unrealized (gains) losses on securities, net or Financial services revenue in the Company's consolidated statements of operations.

#### Long-Term Investments - Valuation Techniques

The Company estimated the value of its investment in the STCN Note as of March 31, 2023 using a Binomial Lattice Model. Key inputs in the valuation included the trading price and volatility of STCN's common stock, the risk-free rate of return, as well as the dividend rate, conversion price, and maturity date. The fair value of the Company's investment in STCN preferred stock as of March 31, 2023 was its par value because the Company has the right to redeem and the issuer has the right to convert the instrument at the redemption value. The Company's investments in the STCN Note and STCN preferred stock were remeasured as of the date of the Exchange Transaction. The Company's investment in Steel Connect as of March 31, 2023 was eliminated as the Company's ownership of Steel Connect increased to 84.0 % on May 1, 2023, as discussed in Note 3 - "Acquisitions and Divestitures".

#### Marketable Securities and Other - Valuation Techniques

The Company determines the fair value of certain corporate securities and corporate obligations by incorporating and reviewing prices provided by third-party pricing services based on the specific features of the underlying securities.

The Company uses the net asset value included in quarterly statements it receives in arrears from a venture capital fund to determine the fair value of such fund and determines the fair value of certain corporate securities and corporate obligations by incorporating and reviewing prices provided by third-party pricing services based on the specific features of the underlying securities. The fair value of the derivatives held by WebBank (see Note 9 - "Financial Instruments") represent the estimated amounts that WebBank would receive or pay to terminate the contracts at the reporting date and is based on discounted cash flow analyses that consider credit, performance and prepayment. Unobservable inputs used in the discounted cash flow analyses are: a constant prepayment rate of 8.93 % to 34.88 %, a constant default rate of 1.72 % to 21.91 % and a discount rate of 5.56 % to 24.69 %.

#### Assets Measured at Fair Value on a Nonrecurring Basis

The Company's non-financial assets and liabilities measured at fair value on a non-recurring basis, include goodwill and other intangible assets, any assets and liabilities acquired in a business combination, or its long-lived assets written down to fair value. To measure fair value for such assets and liabilities, the Company uses techniques including an income approach, a market approach and/or appraisals (Level 3 inputs). The income approach is based on a discounted cash flow analysis ("DCF") and calculates the fair value by estimating the after-tax cash flows attributable to an asset or liability and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in the DCF require the exercise of significant judgment, including judgment about appropriate discount rates and terminal values, growth rates and the amount and timing of expected future cash flows. The discount rates, which are intended to reflect the risks inherent in future cash flow projections, used in the DCF are based on estimates of the weighted-average cost of capital of a market participant. Such estimates are derived from analysis of peer companies and consider the industry weighted-average return on debt and equity

from a market participant perspective. A market approach values a business by considering the prices at which shares of capital stock, or related underlying assets, of reasonably comparable companies are trading in the public market or the transaction price at which similar companies have been acquired. If comparable companies are not available, the market approach is not used.

## 15. COMMITMENTS AND CONTINGENCIES

### Environmental and Litigation Matters

The Company and certain of the Company's subsidiaries are defendants in certain legal proceedings and environmental investigations and have been designated as potentially responsible parties ("PRPs") by federal and state agencies with respect to certain sites with which they may have had direct or indirect involvement. Most of such legal proceedings and environmental investigations involve unspecified amounts of potential damage claims or awards, are in an initial procedural phase, involve significant uncertainty as to the outcome or involve significant factual issues that need to be resolved, such that it is not possible for the Company to estimate a range of possible loss. For matters that have progressed sufficiently through the investigative process such that the Company is able to reasonably estimate a range of possible loss, an estimated range of possible loss, in excess of the accrued liability (if any) for such matters, is provided. Any estimated range of possible loss is or will be based on currently available information and involves elements of judgment and significant uncertainties and may not represent the Company's maximum possible loss exposure. The circumstances of such legal proceedings and environmental investigations will change from time to time, and actual results may vary significantly from the current estimate. For current proceedings not specifically reported below, management does not anticipate that the liabilities, if any, arising from such legal proceedings and environmental investigations would have a material effect on the financial position, liquidity or results of operations of the Company.

The legal proceedings and environmental investigations are in various stages of administrative or judicial proceedings and include demands for recovery of past governmental costs, and for future investigations and remedial actions. In some cases, the dollar amounts of the claims have not been specified and, with respect to a number of the PRP claims, have been asserted against a number of other entities for the same cost recovery or other relief as was asserted against certain of the Company's subsidiaries. The Company accrues liabilities associated with environmental and litigation matters on an undiscounted basis, when they become probable and reasonably estimable. As of March 31, 2024, on a consolidated basis, the Company recorded liabilities of \$ 12,966 and \$ 25,416 in Accrued liabilities and Other non-current liabilities, respectively, on the consolidated balance sheet. As of December 31, 2023, on a consolidated basis, the Company recorded liabilities of \$ 13,107 and \$ 25,388 in Accrued Liabilities and Other non-current liabilities, respectively, on the consolidated balance sheet, which represent the current estimate of environmental remediation liabilities as well as reserves related to the litigation matters discussed below. Expenses relating to these costs, and any recoveries, are included in Selling, general and administrative expenses in the Company's consolidated statements of operations. Estimates of the Company's liability for remediation of a particular site and the method and ultimate cost of remediation require a number of assumptions that are inherently difficult to make, and the ultimate outcome may be materially different from current estimates.

#### *Environmental Matters*

Certain subsidiaries of the Company have existing and contingent liabilities relating to environmental matters, including costs of remediation, capital expenditures, and potential fines and penalties relating to possible violations of federal and state environmental laws. Such existing and contingent liabilities are continually being readjusted based upon the emergence of new findings, techniques and alternative remediation methods.

Included among these liabilities, certain of the Company's subsidiaries have been identified as PRPs under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") or similar state statutes at sites and are parties to administrative consent orders in connection with certain properties. Those subsidiaries may be subject to joint and several liabilities imposed by CERCLA on PRPs. Due to the technical and regulatory complexity of remedial activities and the difficulties attendant in identifying PRPs and allocating or determining liability among them, the subsidiaries are unable to reasonably estimate the ultimate cost of compliance with such laws at some of the sites at which the Company's subsidiaries are PRP's.

Based upon information currently available, the Company's subsidiaries do not expect that their respective environmental costs, including the incurrence of additional fines and penalties, if any, will have a material adverse effect on them or that the resolution of these environmental matters will have a material adverse effect on the financial position, results of operations or cash flows of such subsidiaries or the Company, but there can be no such assurances. The Company anticipates that the subsidiaries will pay any such amounts out of their respective working capital, although there is no assurance that they will

have sufficient funds to pay them. In the event that a subsidiary is unable to fund its liabilities, claims could be made against its respective parent companies for payment of such liabilities.

The sites where certain of the Company's subsidiaries have environmental liabilities include the following:

The Company has been working with the Connecticut Department of Energy and Environmental Protection ("CTDEEP") with respect to its obligations under a 1989 consent order that applies to a former manufacturing facility located in Fairfield, Connecticut. An ecological risk assessment of the wetlands portion was submitted in the second quarter of 2016 to the CTDEEP for their review and approval. Company officials continue to meet with CTDEEP representatives to address a final workplan. Additional investigation of the wetlands is expected, pending approval of a mutually acceptable wetlands work plan. An updated work plan to investigate the upland portion of the parcel was prepared by the Company and approved by the CTDEEP in March 2018 and completed during 2019 and 2020. Additional upland investigatory work will be required to fully define the areas requiring remediation and is also dependent upon CTDEEP requirements and approval. Based on currently known information, the Company reasonably estimates that it may incur aggregate losses over a period of multiple years of between \$ 10,500 and \$ 17,500 . The Company has a reserve of \$ 14,200 recorded for future remediation costs, which is our best estimate within this range of potential losses. Due to the uncertainties, there can be no assurance that the final resolution of this matter will not be material to the financial position, results of operations or cash flows of the Company.

In 1986, a subsidiary of the Company entered into an administrative consent order ("ACO") with the New Jersey Department of Environmental Protection ("NJDEP") to investigate and remediate property in Montvale, New Jersey that it purchased in 1984. The ACO involves investigation and remediation activities to be performed with regard to soil and groundwater contamination. The Company has been actively investigating and remediating the soil and groundwater since that time and has completed the implementation of the improved groundwater treatment system in operation at the property. Pursuant to a settlement agreement with the former owner/operator of the site, the responsibility for site investigation and remediation costs and other related costs are contractually allocated 75 % to the former owner/operator and 25 % jointly to the Company, all after having the first \$ 1,000 paid by the former owner/operator. Additionally, the Company had been reimbursed indirectly through insurance coverage for a portion of the costs for which it is responsible. There is no assurance that the former owner/operator or guarantors will continue to timely reimburse the Company for expenditures and/or will be financially capable of fulfilling their obligations under the settlement agreement and the guaranties. There is no assurance that there will be any additional insurance reimbursement. A reserve of approximately \$ 850 has been established for the Company's expected 25 % share of anticipated costs at this site, which is based upon the recent selection of a final remedy, on-going operations and maintenance, additional investigations and monitored natural attenuation testing over the next 30 years. Also, a reserve and related receivable of approximately \$ 2,600 has been established for the former owner/operator's expected share of anticipated costs at this site. On December 18, 2019, the State of New Jersey ("State") filed a complaint against the Company and other non-affiliated corporations related to former operations at this location. The State is seeking unspecified damages, including reimbursement for all cleanup and removal costs and other damages that the State claims it has incurred, including the lost value of, and reasonable assessment costs for, any natural resource injured as a result of the alleged discharge of hazardous substances and pollutants, as well as attorneys' fees and costs. On March 16, 2020, the Company filed a partial motion to dismiss, resulting in dismissal with prejudice of the State's trespass claim and limiting the damages recoverable through the State's public nuisance claim to monetary relief associated with abatement. On June 11, 2020, the State filed an Amended Complaint, bringing the same claims as the original complaint. On July 1, 2020, the Company answered and asserted crossclaims for indemnification and contribution against another defendant, Cycle Chem, Inc. Cycle Chem also asserted crossclaims against the Company, which have been answered. As a result of the confidential mediation, the parties negotiated a settlement amount of \$ 10,500 , of which the Company would be required to pay \$ 2,625 , its 25 % share, and of which other non-affiliated corporations would pay the remaining \$ 7,875 , their 75 % share. Additionally, the State has also verbally agreed to a settlement amount of \$ 3,500 with Cycle Chem for which they will be 100 % responsible. On October 14, 2022, the Company and all other related parties advised the Court of the global settlement. The State published the settlement in the New Jersey Register and received one comment. After the close of the comment period, in November 2023, the State filed a motion to approve the consent judgment. The Court conducted a hearing in January 2024 with respect to the motion to approve the consent judgment. The parties are awaiting the Court's decision.

The Company's subsidiary, SL Industries, Inc. ("SLI"), may incur environmental costs in the future as a result of the past activities of its former subsidiary, SL Surface Technologies, Inc. ("SurfTech"), in Pennsauken, New Jersey ("Pennsauken Site") and in Camden, New Jersey and at its former subsidiary, SGL Printed Circuits in Wayne, New Jersey. At the Pennsauken Site, SLI entered into a consent decree with both the U.S. Department of Justice and the U.S. Environmental Protection Agency ("EPA") in 2013 and has since completed the remediation required by the consent decree and has paid the EPA a fixed sum for its past oversight costs. Separate from the consent decree, in December 2012, the NJDEP made a settlement demand of \$ 1,800 for past and future cleanup and removal costs and natural resource damages ("NRD"). To avoid the time and expense of



litigating the matter, SLI offered to pay approximately \$ 300 to fully resolve the claim presented by the State. SLI's settlement offer was rejected. On December 6, 2018, the State filed a complaint against SLI related to the Pennsauken Site. The State is seeking treble damages and attorneys' fees, NRD for loss of use of groundwater, as well as a request that SLI pay all cleanup and removal costs that the State has incurred and will incur at the Pennsauken Site. On August 21, 2019, SLI submitted a \$ 1,070 settlement offer, which was not accepted. The parties have substantially completed the fact and expert discovery, including the exchange of competing expert reports. The Company has a reserve of \$ 2,582 , which is the amount of SLI's last settlement offer. SLI intends to assert all legal and procedural defenses available to it. Accordingly, there can be no assurance that the resolution of this matter will not be material to the financial position, results of operations or cash flows of the Company.

SLI reported soil contamination and groundwater contamination in 2003 from the SurfTech site located in Camden, New Jersey. Substantial investigation and remediation work has been completed under the direction of the licensed site remediation professional for the site. Additional investigations related to PFAS compounds have been initiated and have delayed remediation actions. Remediation actions, including soil excavation and groundwater bioremediation, are expected to start in the first half of 2024. Post-remediation groundwater monitoring will be conducted following completion of soil excavation. A reserve of \$ 2,900 has been established for anticipated costs at this site, but there can be no assurance that there will not be potential additional costs associated with the site, which cannot be reasonably estimated at this time. Accordingly, there can be no assurance that the resolution of this matter will not be material to the financial position, results of operations or cash flows of the Company.

SLI is currently participating in environmental assessment and cleanup at a commercial facility located in Wayne, New Jersey. Contaminated soil and groundwater have undergone remediation with the NJDEP and LSRP oversight, but contaminants of concern in groundwater and surface water, which extend off-site, remain above applicable NJDEP remediation standards. A reserve of approximately \$ 1,200 has been established for anticipated costs, but there can be no assurance that there will not be potential additional costs associated with the site which cannot be reasonably estimated at this time. Accordingly, there can be no assurance that the resolution of this matter will not be material to the financial position, results of operations or cash flows of SLI, HNH or the Company.

#### *Litigation Matters*

*Reith v. Lichtenstein, et al.* On April 13, 2018, a purported shareholder of STCN, Donald Reith, filed a verified complaint, *Reith v. Lichtenstein, et al.*, 2018-0277 (Del. Ch.) (the "Reith litigation") in the Chancery Court. The plaintiff sought to assert class action and derivative claims against the Company and several of its affiliated companies, together with certain of members STCN's board of directors, as well as other named defendants (collectively, the "defendants") in connection with the acquisition of \$ 35,000 of STCN's Series C Preferred Stock by an affiliate of the Company and equity grants made to three individual defendants. The complaint includes claims for breach of fiduciary duty against all the individual defendants as STCN directors; claims for aiding and abetting breach of fiduciary duty against the Company; a claim for breach of fiduciary duty as controlling stockholder against the Company; and a derivative claim for unjust enrichment against the Company and the three individuals who received equity grants. The complaint demands damages in an unspecified amount for STCN and its stockholders, together with rescission, disgorgement and other equitable relief. The defendants moved to dismiss the complaint for failure to plead demand futility and failure to state a claim. On June 28, 2019, the Chancery Court denied most of defendants' the motion to dismiss, allowing the matter to proceed. The defendants and plaintiff (the "parties") subsequently participated in document discovery. On August 13, 2021, the parties, entered into a memorandum of understanding (the "MOU") in connection with the settlement of the Reith litigation. Pursuant to the MOU, the defendants agreed (subject to court approval) to cause their directors' and officers' liability insurance carriers to pay to STCN \$ 2,750 in cash. The Company's insurance carrier agreed to pay \$ 1,100 of the settlement and STCN's insurance carrier agreed to pay the remaining \$ 1,650 . Following the parties' entry into a Stipulation and Agreement of Compromise, Settlement, and Release (the "Proposed Settlement Agreement") on February 18, 2022, on March 17, 2022, the Chancery Court granted, with modifications, a scheduling order (the "Scheduling Order") in connection with the Proposed Settlement Agreement. Pursuant to the Scheduling Order, during April 2022 the insurers completed the wiring of the settlement payments into an account jointly controlled by counsel for plaintiff and STCN, where the funds are to remain until final court approval of the settlement. In addition, pursuant to the terms of the MOU, certain of the individual defendants who are also current and former employees of the Company—Warren Lichtenstein (Executive Chairman), Jack Howard (President), and William Fejes (former Chief Operating Officer)—entered into separate letter agreements (the "Surrender Agreements") with STCN whereby they each agreed to surrender to STCN an aggregate 3,300,000 shares which they had initially received in December 2017 in consideration for services to STCN. Pursuant to the MOU and the Surrender Agreements, on August 17, 2021, Mr. Lichtenstein surrendered 2,133,333 Steel Connect shares ( 1,833,333 vested shares and 300,000 unvested shares), and Mr. Howard surrendered 1,066,667 Steel Connect shares ( 916,667 vested shares and 150,000 unvested shares). Also pursuant to the MOU and the Surrender Agreements, Mr. Fejes surrendered 100,000 vested shares in December 2021. After the parties filed papers in support of court approval of the settlement, and an objector filed papers in

opposition to approval of the settlement, and after hearings held on August 12 and August 18, 2022, and after the parties and insurers agreed to modify the proposed settlement to increase by \$ 250 the cash to be paid by the insurers, the court ruled on September 23, 2022 that it was denying approval of the settlement. The funds previously paid into escrow were returned to the insurance carriers. In connection with rejection of the settlement, it was no longer probable the Company had a liability for the proposed settlement liability nor receivable for the related insurance coverage and therefore both amounts were no longer accrued. On September 12, 2023, the court approved a stipulated pretrial and trial schedule culminating in a trial scheduled for September 2024.

On April 8, 2024, STCN, the defendants and Mr. Reith entered into a new memorandum of understanding (the "New MOU") contemplating the settlement of the Reith litigation (the "2024 Settlement"). If the 2024 Settlement is approved by the Court, the defendants, among other things, shall cause their insurers to make a cash payment of \$ 6,000 to the Company and, after deducting any court-approved award of attorneys' fees and certain litigation expenses, STCN shall distribute the balance of the cash payment to the holders of STCN common stock pursuant to the allocation provisions set forth in the previously disclosed Stockholders Agreement dated April 30, 2023 by and among the Company, STCN and other stockholders signatory thereto (the "Stockholders' Agreement") as amended by the 2024 Settlement. The New MOU provides that, within 45 days of its execution, the parties will file a definitive stipulation of settlement containing customary and necessary terms, and a joint request for the Court to enter a scheduling order that, among other things, sets the date for a hearing to approve the 2024 Settlement. The 2024 Settlement requires Court approval, and there can be no assurances that such approval will be granted.

On September 1, 2023, a purported stockholder of STCN, Mohammad Ladjvardian, filed a verified complaint alleging a single direct claim for breach of fiduciary duty against members of STCN's Board of Directors, the Company, Steel Excel, Inc. ("Steel Excel"), and WebFinancial Corporation ("WebFinancial") in connection with the Exchange Transaction. The complaint alleges that although the challenged transaction was approved by the independent Strategic Planning Committee of STCN's Board of Directors, the committee failed to obtain a "control premium" or to consider the dilutive effect that the Series E Convertible Preferred Stock issuance had on the plaintiff's holdings. Remedies requested include rescission of the Series E Convertible Preferred Stock and a judicially imposed requirement that all future transactions involving the Company and its affiliates be subject to minority stockholder approval. On September 27, 2023, the entity defendants moved to dismiss the complaint. On October 5, 2023, the individual defendants moved to dismiss the complaint.

On April 18, 2024, in order to avoid the cost and uncertainty of litigation, Messrs. Lichtenstein and Howard, the Company, Steel Excel and WebFinancial, without admitting any wrongdoing, entered into a Settlement Agreement and Securities Purchase Agreements (the "SPAs") with the Estate of Mohammad Ladjvardian and certain parties related to Mohammad Ladjvardian (the "Ladjvardian Parties"). Pursuant to the SPAs, (a) Steel Excel purchased an aggregate of 701,246 shares of Common Stock of STCN held by the Ladjvardian Parties at a price of \$ 9.83 per share, which represented the closing market price of the shares on April 7, 2024 and made an aggregate cash settlement payment of \$ 1,522 to the Ladjvardian Parties.

A subsidiary of BNS Holdings Liquidating Trust ("BNS Sub") has been named as a defendant in multiple alleged asbestos-related toxic-tort claims filed over a period beginning in 1994 through March 31, 2024. In many cases these claims involved more than 100 defendants. There remained approximately 50 pending asbestos claims as of March 31, 2024. BNS Sub believes it has significant defenses to any liability for toxic-tort claims on the merits. None of these toxic-tort claims has gone to trial and, therefore, there can be no assurance that these defenses will prevail. BNS Sub has insurance policies covering asbestos-related claims for years beginning 1974 through 1988. BNS Sub annually receives retroactive billings or credits from its insurance carriers for any increase or decrease in claims accruals as claims are filed, settled or dismissed, or as estimates of the ultimate settlement costs for the then-existing claims are revised. As of both March 31, 2024 and December 31, 2023, BNS Sub has accrued \$ 1,385 and \$ 1,357 respectively, relating to the open and active claims against BNS Sub. This accrual includes the amount of unpaid retroactive billings submitted to the Company by the insurance carriers and also the Company's best estimate of the likely costs for BNS Sub to settle these claims outside the amounts funded by insurance. There can be no assurance that the number of future claims and the related costs of defense, settlements or judgments will be consistent with the experience to-date of existing claims and that BNS Sub will not need to significantly increase its estimated liability for the costs to settle these claims to an amount that could have a material effect on the consolidated financial statements.

In the ordinary course of our business, the Company is subject to other periodic lawsuits, investigations, claims and proceedings, including, but not limited to, contractual disputes, employment, environmental, health and safety matters, as well as claims associated with our historical acquisitions and divestitures. There is insurance coverage available for many of the foregoing actions. Although the Company cannot predict with certainty the ultimate resolution of lawsuits, investigations, claims and proceedings asserted against the Company, it does not believe any currently pending legal proceeding to which it is a party will have a material adverse effect on its business, prospects, financial condition, cash flows, results of operations or liquidity.

## 16. RELATED PARTY TRANSACTIONS

The receivables from related parties and payables to related parties are included in Prepaid expenses and other current assets and Other current liabilities, respectively, on the Company's consolidated balance sheets. The components of receivables from related parties and payables to related parties for the years ended March 31, 2024 and December 31, 2023 are presented below:

|   | March 31, 2024  | December 31, 2023 |
|---|-----------------|-------------------|
| <b>Receivable from related parties:</b> |                 |                   |
| Receivable from other related parties   | 130             | 234               |
| <b>Payables to related parties:</b>     |                 |                   |
| Accrued management fees                 | \$ 395          | \$ 170            |
| Payables to other related parties       | 3,127           | 2,359             |
| Total                                   | <u>\$ 3,522</u> | <u>\$ 2,529</u>   |

### *Management Agreement with SP General Services LLC*

SPLP is managed by the Manager, pursuant to the terms of the Management Agreement, which receives a fee at an annual rate of 1.5 % of total Partners' capital ("Management Fee"), payable on the first day of each quarter and subject to a quarterly adjustment. In addition, SPLP may issue to the Manager partnership profits interests in the form of incentive units, which will be classified as Class C common units of SPLP, upon exceeding a baseline equity value per common unit, which is determined as of the last day of each fiscal year (see Note 11 - "Capital and Accumulated Other Comprehensive Loss" for additional information on the incentive units).

The Management Agreement is automatically renewed each December 31 for successive one-year terms unless otherwise determined at least 60 days prior to each renewal date by a majority of the Company's independent directors. The Management Fee was \$ 3,588 and \$ 3,001 for the three months ended March 31, 2024 and 2023, respectively, and net of reimbursement for use of Company assets of \$ 7 and \$ 0 for the three months ended March 31, 2024 and 2023, respectively. The Management Fee is included in Selling, general and administrative expenses in the Company's consolidated statements of operations. Unpaid amounts for management fees included in Other current liabilities on the Company's consolidated balance sheet were \$ 395 and \$ 170 as of March 31, 2024 and December 31, 2023, respectively.

SPLP will bear (or reimburse the Manager with respect to) all its reasonable costs and expenses of the managed entities, the Manager, SPH GP or their affiliates, including but not limited to: travel, legal, tax, accounting, auditing, consulting, administrative, compliance, investor relations costs related to being a public entity rendered for SPLP or SPH GP, as well as expenses incurred by the Manager and SPH GP which are reasonably necessary for the performance by the Manager of its duties and functions under the Management Agreement and certain other expenses incurred by managers, officers, employees and agents of the Manager or its affiliates on behalf of SPLP. Reimbursable expenses incurred by the Manager in connection with its provision of services under the Management Agreement, the substantial majority of which was for business-related air travel, were approximately \$ 930 and \$ 606 for the three months ended March 31, 2024 and 2023, respectively. Unpaid amounts for reimbursable expenses were approximately \$ 2,973 and \$ 2,185 as of March 31, 2024 and December 31, 2023, respectively, and are included in Other current liabilities on the Company's consolidated balance sheets.

### *Corporate Services*

The Company's subsidiary, Steel Services Ltd ("Steel Services"), through management services agreements with its subsidiaries and portfolio companies, provides services, which include assignment of C-Level management personnel, legal, tax, accounting, treasury, consulting, auditing, administrative, compliance, environmental health and safety, human resources, marketing, investor relations, operating group management and other similar services. In addition to its servicing agreements with SPLP and its consolidated subsidiaries, which are eliminated in consolidation, Steel Services has management services agreements with other companies considered to be related parties, including J. Howard Inc. and Steel Partners, Ltd. and affiliates. In total, Steel Services currently charges approximately \$ 88 annually to these companies. Upon closing of the Exchange Transaction on May 1, 2023, STCN became a consolidated subsidiary of the Company as described in Note 3 - "Acquisitions and Divestitures". Service fees charged to STCN after May 1, 2023 are eliminated in consolidation. All amounts billed under these service agreements are classified as a reduction of Selling, general and administrative expenses.

*Mutual Securities, Inc.*

Pursuant to the Management Agreement, the Manager is responsible for selecting executing brokers. Securities transactions for SPLP are allocated to brokers on the basis of reliability, price and execution. The Manager has selected Mutual Securities, Inc. as an introducing broker and may direct a substantial portion of the managed entities' trades to such firm, among others. An officer of the Manager and SPH GP is affiliated with Mutual Securities, Inc. The commissions paid by SPLP to Mutual Securities, Inc. were not significant in any period.

*Other*

At both March 31, 2024 and December 31, 2023, several related parties and consolidated subsidiaries had deposits totaling \$ 110 at WebBank. Approximately \$ 27 of these deposits, including interest which was not significant, have been eliminated in consolidation as of both March 31, 2024 and December 31, 2023.

**17. SEGMENT INFORMATION**

SPLP operates through the following segments: Diversified Industrial, Energy, Financial Services, and Supply Chain, which are managed separately and offer different products and services. The Diversified Industrial segment is comprised of manufacturers of engineered niche industrial products, including joining materials, tubing, building materials, performance materials, electrical products, cutting replacement products and services, and a packaging business. The Energy segment provides drilling and production services to the oil & gas industry and owns a youth sports business. The Financial Services segment consists primarily of the operations of WebBank, a Utah chartered industrial bank, which engages in a full range of banking activities. The Supply Chain segment is comprised of the operations of Steel Connect's wholly-owned subsidiary, ModusLink, which provides supply chain management and logistics services.

Corporate and Other consists of several consolidated subsidiaries, including Steel Services, equity method and other investments, and cash and cash equivalents. Its income or loss includes certain unallocated general corporate expenses.

Steel Services has management services agreements with its consolidated subsidiaries and other related companies as further discussed in Note 16 - "Related Party Transactions." Steel Services charged the Diversified Industrial, Energy, Financial Services, and Supply Chain segments approximately \$ 13,699 , \$ 2,373 , \$ 540 and \$ 630 , respectively, for the three months ended March 31, 2024 and charged the Diversified Industrial, Energy, and Financial Services segments approximately \$ 10,772 , \$ 1,989 and \$ 422 , respectively, for the three months ended March 31, 2023. These service fees are reflected as expenses in the segment income (loss) below, but are eliminated in consolidation.

Segment information is presented below:

|  | Three Months Ended<br>March 31, |                   |
|--|---------------------------------|-------------------|
|  | 2024                            | 2023              |
| <b>Revenue:</b>  |                                 |                   |
| Diversified Industrial   | \$ 292,440                      | \$ 304,426        |
| Energy   | 31,921                          | 48,164            |
| Financial Services   | 109,955                         | 92,781            |
| Supply Chain   | 42,030                          | —                 |
| Total revenue  | <u>\$ 476,346</u>               | <u>\$ 445,371</u> |
| <b>Income (loss) before interest expense and income taxes:</b> |                                 |                   |
| Diversified Industrial   | \$ 10,730                       | \$ 21,138         |
| Energy   | 1,590                           | 5,240             |
| Financial Services   | 28,217                          | 25,852            |
| Supply Chain   | 1,731                           | —                 |
| Corporate and Other  | 4,788                           | ( 6,837 )         |
| Income before interest expense and income taxes                | <u>47,056</u>                   | <u>45,393</u>     |
| Interest expense   | 1,394                           | 5,986             |
| Income tax (benefit) provision                                 | <u>10,861</u>                   | <u>14,604</u>     |
| Net income   | <u>\$ 34,801</u>                | <u>\$ 24,803</u>  |
| <b>Loss of associated companies, net of taxes:</b>             |                                 |                   |
| Corporate and Other  | \$ 7                            | \$ 3,967          |
| Total  | <u>\$ 7</u>                     | <u>\$ 3,967</u>   |
| <b>Segment depreciation and amortization:</b>                  |                                 |                   |
| Diversified Industrial   | \$ 10,573                       | \$ 10,015         |
| Energy   | 2,163                           | 2,540             |
| Financial Services   | 194                             | 216               |
| Supply Chain   | 1,326                           | —                 |
| Corporate and Other  | 158                             | 172               |
| Total depreciation and amortization                            | <u>\$ 14,414</u>                | <u>\$ 12,943</u>  |

## 18. REGULATORY MATTERS

WebBank is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain actions by regulators that, if undertaken, could have a direct material effect on WebBank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, WebBank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. WebBank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

As a result of Basel III becoming fully implemented as of January 1, 2019, WebBank's minimum requirements increased for both the quantity and quality of capital held by WebBank. The rules include a new common equity Tier 1 capital to risk-weighted assets ratio ("CET1 Ratio") of 4.5 % and a capital conservation buffer of 2.5 % of risk-weighted assets, which, as fully phased-in, effectively results in a minimum CET1 Ratio of 7.0 %. Basel III raised the minimum ratio of Tier 1 capital to risk-weighted assets from 4.0 % to 6.0 % (which, with the capital conservation buffer, effectively results in a minimum Tier 1 capital ratio of 8.5 % as fully phased-in) and effectively results in a minimum total capital to risk-weighted assets ratio of 10.5 % (with the capital conservation buffer fully phased-in), and requires a minimum leverage ratio of 4.0 %. Basel III also made changes to risk weights for certain assets and off-balance sheet exposures. WebBank expects that its capital ratios under Basel III will continue to exceed the well-capitalized minimum capital requirements and such amounts are disclosed in the table below:

|                                | Amount of Capital Required |         |                   |        |                          |         |                              |         |
|--------------------------------|----------------------------|---------|-------------------|--------|--------------------------|---------|------------------------------|---------|
|                                |                            |         |                   |        | Minimum Capital Adequacy |         | To Be Well Capitalized       |         |
|                                |                            |         | For Capital       |        | With                     |         | Under                        |         |
|                                | Actual                     |         | Adequacy Purposes |        | Capital Buffer           |         | Prompt Corrective Provisions |         |
|                                | Amount                     | Ratio   | Amount            | Ratio  | Amount                   | Ratio   | Amount                       | Ratio   |
| <b>As of March 31, 2024</b>    |                            |         |                   |        |                          |         |                              |         |
| Total Capital                  |                            |         |                   |        |                          |         |                              |         |
| (to risk-weighted assets)      | \$ 357,966                 | 16.70 % | \$ 171,650        | 8.00 % | \$ 225,291               | 10.50 % | \$ 214,563                   | 10.00 % |
| Tier 1 Capital                 |                            |         |                   |        |                          |         |                              |         |
| (to risk-weighted assets)      | \$ 335,440                 | 15.60 % | \$ 128,738        | 6.00 % | \$ 182,379               | 8.50 %  | \$ 171,650                   | 8.00 %  |
| Common Equity Tier 1 Capital   |                            |         |                   |        |                          |         |                              |         |
| (to risk-weighted assets)      | \$ 335,440                 | 15.60 % | \$ 96,553         | 4.50 % | \$ 150,194               | 7.00 %  | \$ 139,466                   | 6.50 %  |
| Tier 1 Capital                 |                            |         |                   |        |                          |         |                              |         |
| (to average assets)            | \$ 335,440                 | 14.40 % | \$ 93,427         | 4.00 % | n/a                      | n/a     | \$ 116,783                   | 5.00 %  |
| <b>As of December 31, 2023</b> |                            |         |                   |        |                          |         |                              |         |
| Total Capital                  |                            |         |                   |        |                          |         |                              |         |
| (to risk-weighted assets)      | \$ 359,747                 | 15.40 % | \$ 186,523        | 8.00 % | \$ 244,811               | 10.50 % | \$ 233,154                   | 10.00 % |
| Tier 1 Capital                 |                            |         |                   |        |                          |         |                              |         |
| (to risk-weighted assets)      | \$ 334,833                 | 14.40 % | \$ 139,892        | 6.00 % | \$ 198,180               | 8.50 %  | \$ 186,523                   | 8.00 %  |
| Common Equity Tier 1 Capital   |                            |         |                   |        |                          |         |                              |         |
| (to risk-weighted assets)      | \$ 334,833                 | 14.40 % | \$ 104,919        | 4.50 % | \$ 163,207               | 7.00 %  | \$ 151,550                   | 6.50 %  |
| Tier 1 Capital                 |                            |         |                   |        |                          |         |                              |         |
| (to average assets)            | \$ 334,833                 | 13.20 % | \$ 101,663        | 4.00 % | n/a                      | n/a     | \$ 127,078                   | 5.00 %  |

The Federal Reserve, Office of the Comptroller of Currency and Federal Deposit Insurance Corporation issued an interim final rule that excludes loans pledged as collateral to the Federal Reserve's PPP Lending Facility from supplementary leverage ratio exposure and average total consolidated assets. Additionally, PPP loans will receive a zero percent risk weight under the risk-based capital rules of the federal banking agencies.

## 19. SUPPLEMENTAL CASH FLOW INFORMATION

A summary of supplemental cash flow information for the three months ended March 31, 2024 and 2023 is presented in the following table:

|   | Three Months Ended March 31, |           |
|---|------------------------------|-----------|
|   | 2024                         | 2023      |
| <b>Cash paid during the period for:</b> |                              |           |
| Interest                                | \$ 29,816                    | \$ 15,488 |
| Taxes                                   | \$ 1,387                     | \$ 659    |

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

As used in this Quarterly Report on Form 10-Q (this "Form 10-Q"), unless the context otherwise requires, the terms "we," "our," "SPLP" and the "Company" refer to Steel Partners Holdings L.P.

The following discussion is intended to assist you in understanding our present business and the results of operations, together with our present financial condition. This section should be read in conjunction with our Consolidated Financial Statements and the accompanying Notes contained in this Form 10-Q, along with the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Annual Report"). All monetary amounts used in this discussion are in thousands.

## Cautionary Statement Regarding Forward-Looking Statements

This Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, in particular, forward-looking statements under the headings "Item 1 - Financial Statements" and "Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations." These statements appear in a number of places in this report and include statements regarding the Company's intent, belief or current expectations with respect to, among other things, (i) its financing plans, (ii) trends affecting its financial condition or results of operations and (iii) the impact of competition. The words "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate" and similar expressions are intended to identify such forward-looking statements; however, this report also contains other forward-looking statements in addition to historical information.

Forward-looking statements are only predictions based upon the Company's current expectations and projections about future events. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by the statements. Factors that could cause actual results or conditions to differ from those anticipated by these and other forward-looking statements include: disruptions to the Company's business as a result of economic downturns; the negative impact of inflation and supply chain disruptions; the significant volatility of crude oil and commodity prices, including from the ongoing Russia-Ukraine war or the disruptions caused by the ongoing conflict between Israel and Hamas; the effects of rising interest rates; the Company's subsidiaries' sponsor defined pension plans, which could subject the Company to future cash flow requirements; the ability to comply with legal and regulatory requirements, including environmental, health and safety laws and regulations, banking regulations and other extensive requirements to which the Company and its businesses are subject; risks associated with the Company's wholly-owned subsidiary, WebBank, as a result of its Federal Deposit Insurance Corporation ("FDIC") status, highly-regulated lending programs, and capital requirements; the ability to meet obligations under the Company's senior credit facility through future cash flows or financings; the risk of recent events affecting the financial services industry, including the closures or other failures of several large banks; the risk of management diversion, increased costs and expenses, and impact on profitability in connection with the Company's business strategy to make acquisitions, including in connection with the Company's recent majority investment in the Supply Chain segment; the impact of losses in the Company's investment portfolio; the Company's ability to protect its intellectual property rights and obtain or retain licenses to use others' intellectual property on which the Company relies; the Company's exposure to risks inherent to conducting business outside of the U.S.; the impact of any changes in U.S. trade policies; the adverse impact of litigation or compliance failures on the Company's profitability; a significant disruption in, or breach in security of, the Company's technology systems or protection of personal data; the loss of any significant customer contracts; the Company's ability to maintain effective internal control over financial reporting; the rights of unitholders with respect to voting and maintaining actions against the Company or its affiliates; potential conflicts of interest arising from certain interlocking relationships among us and affiliates of the Company's Executive Chairman; the Company's dependence on the Manager and impact of the management fee on the Company's total partners' capital; the impact to the development of an active market for the Company's units due to transfer restrictions and other factors; the Company's tax treatment and its subsidiaries' ability to fully utilize their tax benefits; the potential negative impact on our operations of changes in tax rates, laws or regulations, including U.S. government tax reform; the loss of essential employees; and other factors described in the "Risk Factors" in Part I, Item 1A of the Form 10-K that could affect the Company's results. Any forward-looking statement made in this Form 10-Q speaks only as of the date hereof, and investors should not rely upon forward-looking statements as predictions of future events. Except as otherwise required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

## OVERVIEW

SPLP, together with its subsidiaries, is a diversified global holding company that owns and operates businesses and has significant interests in various companies, including diversified industrial products, energy, defense, supply chain management and logistics, banking and youth sports. SPLP operates through the following segments: Diversified Industrial, Energy, Financial Services and Supply Chain. Each of our companies has its own management team with significant experience in their respective industries.

The Diversified Industrial segment is comprised of manufacturers of engineered niche industrial products, with leading market positions in many of the markets they serve. The businesses in this segment distribute products to customers through their sales personnel, outside sales representatives and distributors in North and South America, Europe, Australia, Asia and several other international markets. Its manufacturing operations encompass joining materials, tubing, building materials, performance materials, electrical products, cutting replacement products and services, and metallized films.

The Energy segment provides drilling and production services to the oil & gas industry and owns a youth sports business. The operations of the sports business are not material to the Company. The profitability of the energy business is highly sensitive to changes in the price of crude oil. Any future decline in oil prices will negatively impact this business.

The Financial Services segment consists primarily of the operations of WebBank, of which we own 100% through our subsidiary WebFinancial Holding Corporation. WebBank is an FDIC-insured state chartered industrial bank headquartered in Utah. WebBank is subject to comprehensive regulation, examination and supervision of the FDIC and the State of Utah Department of Financial Institutions ("UDFI"). WebBank is not considered a "bank" for Bank Holding Company Act purposes and, as such, SPLP is not regulated as a bank holding company. WebBank engages in a full range of banking activities, including originating loans, issuing credit cards and taking deposits that are federally insured. WebBank originates and funds consumer and small business loans through lending programs with unaffiliated companies that market and service the programs ("Marketing Partners"), where the Marketing Partners subsequently purchase the loans (or interests in the loans) that are originated by WebBank. WebBank retains a portion of the loans it originates for its Marketing Partners. WebBank also has private-label financing programs that are branded for a specific retailer, manufacturer, dealer channel, proprietary network or bank card program. WebBank participates in syndicated commercial and industrial as well as asset-based credit facilities and asset-based securitizations through relationships with other financial institutions. Through its subsidiary, National Partners PFco, LLC ("National Partners"), WebBank provides commercial premium finance solutions for national insurance brokerages, independent insurance agencies and insureds in key markets throughout the U.S.

During the three months ended March 31, 2024, WebBank did not issue new loans under the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"), authorized under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The existing loans were funded by the PPP Liquidity Facility and have terms of between two and five years with repayment guaranteed by the SBA. Payments by borrowers up to sixteen months after the note date, and interest will continue to accrue during the sixteen-month deferment at 1%. Loans can be forgiven in whole or in part (up to full principal and any accrued interest) if certain criteria are met. Loan processing fees paid to WebBank from the SBA are accounted for as loan origination fees. Net deferred fees are recognized over the life of the loan as yield adjustments on the loans. If a loan is paid off or forgiven by the SBA prior to its maturity date, the remaining unamortized deferred fees will be recognized in interest income at that time. As of March 31, 2024, the total PPP loans and associated liabilities are \$10,221 and \$8,426, respectively, and included in Long-term loans receivable, net and Other borrowings, respectively, in the consolidated balance sheet as of March 31, 2024. Upon borrower forgiveness, the SBA pays WebBank for the principal and accrued interest owed on the loan.

The Supply Chain segment consists primarily of the operations of Steel Connect, Inc.'s ("Steel Connect" or "STCN") wholly-owned subsidiary, ModusLink Corporation ("ModusLink" or "Supply Chain"), which serves the supply chain management market. ModusLink provides digital and physical supply chain solutions to many of the world's leading brands across a diverse range of industries, including consumer electronics, telecommunications, computing and storage, software and content, consumer packaged goods, medical devices, retail and luxury and connected devices. These solutions are delivered through a combination of industry expertise, innovative service solutions, and integrated operations, proven business processes, an expansive global footprint and world-class technology. With a global footprint spanning North America, Europe and the Asia Pacific region, ModusLink's solutions and services are designed to improve end-to-end supply chains in order to drive growth, lower costs, and improve profitability.

Corporate and Other consists of several consolidated subsidiaries, including our subsidiary, Steel Services Ltd ("Steel Services"), equity method and other investments, and cash and cash equivalents. Its income or loss includes certain unallocated general corporate expenses. Steel Services has management services agreements with our consolidated subsidiaries and other related companies. Steel Services provides assignment of C-Level management personnel, legal, tax, accounting, treasury, consulting, auditing, administrative, compliance, environmental health and safety, human resources, marketing, investor relations, operating group management and other similar services. For additional information on these service agreements, see Note 16 - "Related Party Transactions" to the SPLP consolidated financial statements found elsewhere in this Form 10-Q.

## **Significant Developments**

### *Common Unit Repurchase Program*

During the three months ended March 31, 2024, the Company repurchased 933,787 common units for an aggregate purchase price of \$39,487. From the inception of the Repurchase Program the Company has purchased 8,742,407 common units for an aggregate price of approximately \$203,885. As of March 31, 2024, there remained 777,833 common units that may yet be purchased under the Repurchase Program.



## Preferred Unit Repurchase Program

On February 2, 2024, the board of directors of the general partner of the Company approved the repurchase of up to 400,000 of the Company's 6.0% Series A preferred units (the "Preferred Repurchase Program"). Any purchases made by the Company and/or its applicable subsidiaries under the Preferred Repurchase Program will be made from time to time on the open market or in negotiated transactions off the market, in compliance with applicable laws and regulations. The timing, manner, price and amount of any repurchase will depend on economic and market conditions, share price, trading volume, applicable legal requirements and other factors. The Preferred Repurchase Program has no termination date. For the three months ended March 31, 2024, the Company repurchased 76,146 SPLP Preferred Units for \$1,830.

## RESULTS OF OPERATIONS

### Comparison of the Three Months Ended March 31, 2024 and 2023

|  | Three Months Ended<br>March 31, |            |
|--|---------------------------------|------------|
|  | 2024                            | 2023       |
| Revenue  | \$ 476,346                      | \$ 445,371 |
| Cost of goods sold   | 274,156                         | 261,293    |
| Selling, general and administrative expenses                             | 135,292                         | 114,954    |
| Interest expense   | 1,394                           | 5,986      |
| Realized and unrealized gains on securities, net                         | (4,068)                         | (607)      |
| All other expense, net *   | 23,903                          | 20,371     |
| Total costs and expenses   | 430,677                         | 401,997    |
| Income from operations before income taxes and equity method investments | 45,669                          | 43,374     |
| Income tax provision   | 10,861                          | 14,604     |
| Loss of associated companies, net of taxes                               | 7                               | 3,967      |
| Net income   | \$ 34,801                       | \$ 24,803  |

\* Includes Finance interest expense, Provision for credit losses, and Other income, net from the Consolidated Statements of Operations

## Revenue

Revenue for the three months ended March 31, 2024 increased \$30,975, or 7.0%, as compared to the same period last year. This increase was due to \$42,030 from the favorable impact of consolidation of the Supply Chain segment and \$17,174, or 18.5% higher revenue from the Financial Services segment. These increases were partially offset by \$16,243, or 33.7%, lower net revenue from the Energy segment and \$11,986, or 3.9%, lower net sales from the Diversified Industrial segment.

## Cost of Goods Sold

Cost of goods sold for the three months ended March 31, 2024 increased \$12,863, or 4.9%, as compared to the same period last year, resulting from consolidation of the Supply Chain segment, partially offset by the impact of lower revenue volume from the Energy segment and lower sales from the Diversified Industrial segment, primarily from its Building Materials business unit.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") for the three months ended March 31, 2024 increased \$20,338, or 17.7%, as compared to the same period last year. The increase was primarily due to higher expenses from the Financial Services segment of \$11,700 and the impact of the consolidation of the Supply Chain segment of \$10,000. The increase for the Financial Services segment was primarily due to higher credit performance fees due to higher credit risk transfer ("CRT") balances and higher personnel expenses related to incremental headcount.

## Interest Expense

Interest expense decreased \$4,592, or 76.7% for the three months ended March 31, 2024, as compared to the same period last year. The decrease for the three month period was primarily due to significantly lower average debt outstanding.

**Realized and Unrealized Gains on Securities, Net**

The Company recorded gains of \$4,068 for the three months ended March 31, 2024, as compared to gains of \$607 in the same period of 2023. These gains were due to unrealized gains and losses related to the mark-to-market adjustments on the Company's portfolio of securities.

**All Other Expense, Net**

All other expense, net totaled \$23,903 for the three months ended March 31, 2024, as compared to \$20,371 in the same period of 2023. The incremental all other expense, net for the three months ended March 31, 2024 was primarily due to an increase of \$10,222 of higher finance interest expense, partially offset by \$7,051 lower provisions for credit losses related to the Financial Services segment, as compared to the same period of 2023.

**Income Tax Provision**

The Company recorded income tax provisions of \$10,861 and \$14,604 for the three months ended March 31, 2024 and 2023, respectively. As a limited partnership, the Company is generally not responsible for federal and state income taxes, and its profits and losses are passed directly to its limited partners for inclusion in their respective income tax returns. Provisions have been made for federal, state, local, and foreign income taxes on the results of operations generated by our consolidated subsidiaries that are taxable entities. The Company's effective tax rate was 23.8% and 33.7% for the three months ended March 31, 2024 and 2023, respectively. The lower effective tax rate for the three months ended March 31, 2024, is primarily due to the impact of Company tax incentives as well as the inclusion of Steel Connect tax attributes in the consolidated effective tax rate. Significant differences between the statutory rate and the effective tax rate include partnership losses for which no tax benefit is recognized, tax expense related to unrealized gains and losses on investment, changes in deferred tax valuation allowances, the effect of tax credits and incentives, and other permanent differences.

**Losses of Associated Companies, Net of Taxes**

The Company recorded losses from associated companies, net of taxes, of \$7 for the three months ended March 31, 2024 as compared to \$3,967 for the three months ended March 31, 2023.

For the details of each of these investments and the related mark-to-market adjustments, see Note 7 - "Investments" to the Company's consolidated financial statements found elsewhere in this Form 10-Q.

## Segment Analysis

|  | Three Months Ended<br>March 31, |                   |
|--|---------------------------------|-------------------|
|  | 2024                            | 2023              |
| <b>Revenue:</b>  |                                 |                   |
| Diversified Industrial   | \$ 292,440                      | \$ 304,426        |
| Energy   | 31,921                          | 48,164            |
| Financial Services   | 109,955                         | 92,781            |
| Supply Chain   | 42,030                          | —                 |
| <b>Total revenue</b>   | <b>\$ 476,346</b>               | <b>\$ 445,371</b> |
| <b>Income (loss) from operations before interest expense and income taxes:</b> |                                 |                   |
| Diversified Industrial   | \$ 10,730                       | \$ 21,138         |
| Energy   | 1,590                           | 5,240             |
| Financial Services   | 28,217                          | 25,852            |
| Supply Chain   | 1,731                           | —                 |
| Corporate and other  | 4,788                           | (6,837)           |
| <b>Income from operations before interest expense and income taxes</b>         | <b>47,056</b>                   | <b>45,393</b>     |
| Interest expense   | 1,394                           | 5,986             |
| Income tax (benefit) provision   | 10,861                          | 14,604            |
| <b>Net income</b>  | <b>\$ 34,801</b>                | <b>\$ 24,803</b>  |
| <b>Loss of associated companies, net of taxes:</b>                             |                                 |                   |
| Corporate and other  | \$ 7                            | \$ 3,967          |
| <b>Total</b>   | <b>\$ 7</b>                     | <b>\$ 3,967</b>   |
| <b>Segment depreciation and amortization:</b>                                  |                                 |                   |
| Diversified Industrial   | \$ 10,573                       | \$ 10,015         |
| Energy   | 2,163                           | 2,540             |
| Financial Services   | 194                             | 216               |
| Supply Chain   | 1,326                           | —                 |
| Corporate and other  | 158                             | 172               |
| <b>Total depreciation and amortization</b>                                     | <b>\$ 14,414</b>                | <b>\$ 12,943</b>  |

### Diversified Industrial

Net sales for the three months ended March 31, 2024 decreased \$11,986, or 3.9%, as compared to the same period of 2023, primarily driven by lower sales for the Tubing business unit and Building Materials business unit. The decrease of \$5,100 for the Tubing business unit was primarily driven by lower sales volume. The decrease of \$4,500 for the Building Materials business unit was primarily driven by lower sales volume from its roofing products, partially offset by higher sales volume from its FastenMaster products.

Segment operating income for the three months ended March 31, 2024 decreased \$10,408, as compared to the same period of 2023. Lower operating income for the 2024 period was primarily driven by lower sales volume as discussed above and higher material costs.

### Energy

Net revenue for the three months ended March 31, 2024 decreased \$16,243, or 33.7%, as compared to the same period of 2023. The decrease in net revenue was primarily due to lower rig hours.

Segment operating income for the three months ended March 31, 2024 decreased \$3,650, as compared to the same period of 2023 primarily driven by lower net revenue mentioned above during the 2024 period.

### Financial Services

Revenue for the three months ended March 31, 2024 increased \$17,174, or 18.5%, as compared to the same period of 2023. The increase was primarily due to an increase in interest income and fees from higher asset based lending, credit risk transfer, held for sale volume, and higher interest rates, as compared to the same period of 2023.



Segment operating income for the three months ended March 31, 2024 increased \$2,365, or 9.1%, as compared to the same period of 2023. The increase was due primarily to higher revenue mentioned above and lower provisions for credit losses of \$7,051, partially offset by higher SG&A expenses of \$11,700 and finance interest expense of \$10,222 for the three months ended March 31, 2024 as compared to the same period last year. The lower provision for credit losses was driven by lower retentions of held for sale loans. The higher SG&A expenses was driven by higher credit performance fees due to higher CRT balances as well as higher personnel expense related an increase in employees. The higher finance interest expense was due primarily to an increase in higher interest rates.

### ***Supply Chain***

The Company added the Supply Chain segment on May 1, 2023 with revenue of \$42,030 and operating income of \$1,731 for the three months ended March 31, 2024.

### ***Corporate and Other***

Operating income was \$4,788 for the three months ended March 31, 2024, as compared to operating loss of \$6,837 for the same period last year. The fluctuations were primarily due to changes in investment results from long-term investments.

## **DISCUSSION OF CONSOLIDATED CASH FLOWS**

The following table provides a summary of the Company's consolidated cash flows from operations for the three months ended March 31, 2024 and 2023:

|   | Three Months Ended March 31, |                  |
|---|------------------------------|------------------|
|   | 2024                         | 2023             |
| Net cash provided by (used in) operating activities | \$ 197,460                   | \$ (48,248)      |
| Net cash provided by (used in) investing activities | 39,149                       | (153,963)        |
| Net cash (used in) provided by financing activities | (367,312)                    | 272,717          |
| Net change for the period                           | <u>\$ (130,703)</u>          | <u>\$ 70,506</u> |

### ***Cash Flows from Operating Activities***

During the three months ended March 31, 2024, the Company generated \$197,460 of cash, which was primarily due to a net decrease in loans held for sale of \$163,521 and operating income of \$34,801. During the three months ended March 31, 2023, the Company used \$48,248 of cash, which was primarily due to changes in operating assets and liabilities of \$112,589, partially offset by operating income of \$24,803, and adjustments to operating income, including depreciation and amortization of \$12,943, deferred income taxes of \$9,722, and provision for credit losses of \$7,806.

### ***Cash Flows from Investing Activities***

During the three months ended March 31, 2024, the Company generated \$39,149 of cash, which was primarily due to loan originations, net of collections, of \$54,958 and proceeds from maturities of marketable securities of \$6,188, partially offset by purchases of investments of \$14,083, and capital expenditures of \$10,066. During the three months ended March 31, 2023, the Company used \$153,963 of cash, which was primarily due to loan originations, net of collections, of \$174,982 and capital expenditures of \$10,708, partially offset by proceeds from maturities of investments of \$36,512.

### ***Cash Flows from Financing Activities***

During the three months ended March 31, 2024, the Company used \$367,312 of cash, which was primarily due to a decrease in deposits of \$217,866, net revolver repayments of \$98,545 and common unit repurchases of \$39,487. During the three months ended March 31, 2023, the Company generated \$272,717 of cash, which was primarily due to an increase in deposits of \$285,720, partially offset by repayments of PPP borrowings of \$9,950.

## **LIQUIDITY AND CAPITAL RESOURCES**

SPLP (excluding its operating subsidiaries, the "Holding Company") is a diversified global holding company with assets that principally consist of the stock of its direct subsidiaries, equity method and other investments, and cash and cash equivalents. The Company works with its businesses to enhance their liquidity and operations and increase long-term value for its unitholders and stakeholders through working capital improvements, capital allocation policies, and operational and growth

initiatives. Management plans to use the following strategies to continue to enhance liquidity: (1) continuing to implement improvements using the *Steel Business System* throughout all the Company's operations to increase sales and operating efficiencies; (2) supporting profitable sales growth both internally and potentially through acquisitions; and (3) evaluating from time to time and as appropriate, strategic alternatives with respect to its businesses and/or assets. The Company continues to examine all of its options and strategies, including acquisitions, divestitures and other corporate transactions, to increase cash flow and stakeholder value.

The Company's senior credit facility, as amended and restated, (the "Credit Agreement") consists of a senior secured revolving credit facility in an aggregate principal amount not to exceed \$600,000 (the "Revolving Credit Loans"), which includes a \$50,000 subfacility for swing line loans, a \$50,000 subfacility for standby letters of credit and a currency sublimit (available in euros and pounds sterling) equal to the lesser of \$75,000 and the total amount of the Revolving Credit Commitment. The Credit Agreement covers substantially all of the Company's subsidiaries, with the exception of WebBank and Steel Connect. Availability under the Credit Agreement is based upon earnings and certain covenants, including a maximum ratio limit on Total Leverage and a minimum ratio limit on Interest Coverage, each as defined in the Credit Agreement. The Credit Agreement is subject to certain mandatory prepayment provisions and restrictive and financial covenants, primarily the leverage ratios described above. The Company was in compliance with all financial and nonfinancial covenants as of March 31, 2024. The Company believes it will remain in compliance with the Credit Agreement's covenants for the next twelve months. If the Company does not meet its financial covenants, and if it is unable to secure necessary waivers or other amendments from its lenders on terms acceptable to management, its ability to access available lines of credit could be limited, its debt obligations could be accelerated and liquidity could be adversely affected. The Credit Agreement will expire on December 29, 2026, and all outstanding amounts will be due and payable.

The Holding Company and its operating subsidiaries believe that they have access to adequate resources to meet their needs for normal operating costs, capital expenditures, pension payments, debt obligations and working capital for their existing business, as well as to fund its taxes, legal and environmental matters, for at least the next twelve months. These resources include cash and cash equivalents, investments, cash provided by operating activities and unused lines of credit. The Holding Company and its operating businesses' ability to satisfy their debt service obligations, to fund planned capital expenditures and required pension payments, and to make acquisitions or repurchase units under its common unit repurchase program will depend upon their future operating performance, which will be affected by prevailing economic conditions in the markets in which they operate, as well as financial, business and other factors, some of which are beyond their control. As indicated above, there can be no assurances that the Holding Company and its operating businesses will continue to have access to their lines of credit if their financial performance does not satisfy the financial covenants set forth in their respective financing agreements, which could also result in the acceleration of their debt obligations by their respective lenders, adversely affecting liquidity.

As of March 31, 2024, the Company's working capital was \$448,284, as compared to working capital of \$562,224 as of December 31, 2023. The Company's total availability under the Credit Agreement was approximately \$497,900 as of March 31, 2024. During the three-month period ended March 31, 2024, capital expenditures were \$10,066, as compared to \$10,708 for the same period of 2023. The Company currently expects full-year capital expenditures in the range of \$42,000 to \$52,000 in 2024, as compared to \$51,451 in 2023. The Company and its subsidiaries have ongoing commitments, which include funding of the minimum requirements of its subsidiaries' pension plans. During three months ended March 31, 2024, the Company contributed \$2,983 to its pension plans. The Company currently estimates it will contribute \$7,354 to its pension plans during the remainder of 2024. Required future pension contributions are estimated based upon assumptions such as discount rates on future obligations, assumed rates of return on plan assets and legislative changes. Actual future pension costs and required funding obligations will be affected by changes in the factors and assumptions described in the previous sentence, including the impact of declines in pension plan assets and interest rates, as well as other changes such as any plan termination or other acceleration events.

WebBank manages its liquidity to provide adequate funds to meet anticipated financial obligations, such as certificate of deposit maturities and to fund customer credit needs. WebBank had \$172,743 and \$170,286 in cash and cash equivalents, time deposits placed at other institutions and federal funds sold as of March 31, 2024 and December 31, 2023, respectively. WebBank had \$65,000 and \$50,000 in lines of credit from its correspondent banks as of March 31, 2024 and December 31, 2023, respectively. WebBank had \$260,797 and \$325,175 available from the Federal Reserve discount window as of March 31, 2024 and December 31, 2023, respectively. Therefore, WebBank had a total of \$498,540 and \$545,461 in cash, lines of credit and access to the Federal Reserve Bank discount window as of March 31, 2024 and December 31, 2023, respectively, which represents approximately 21.8% and 21.8%, respectively, of WebBank's total assets, excluding PPP loans.

Steel Connect's wholly-owned subsidiary, ModusLink, has a revolving credit agreement (the "Umpqua Revolver") with Umpqua Bank which provides for a maximum credit commitment of \$12,500 and a sub-limit of \$5,000 for letters of credit and

expires on March 31, 2025. As of March 31, 2024, ModusLink was in compliance with the Umpqua Revolver's covenants, and believes it will remain in compliance with the Umpqua Revolver's covenants for the next twelve months. As of March 31, 2024, ModusLink had available borrowing capacity of \$11,890 and there was \$610 outstanding for letters of credit.

On May 1, 2024, ModusLink entered into a Second Amendment to Credit Agreement (the "Second Amendment"), amending the Umpqua Revolver. Among other things, the Second Amendment extended the maturity date with respect to revolving loans from March 31, 2025 to March 31, 2026, removed certain adjustments in the definition of "Adjusted EBITDA" as set forth in the Umpqua Revolver, and removed certain caps and conditions on ModusLink's ability to pay dividends.

## **OTHER**

### **Critical Accounting Estimates**

The Company's consolidated financial statements are prepared in conformity with U.S. GAAP, which require us to make estimates and assumptions that affect the amounts reported in the financial statements. The critical accounting policies and estimates that we believe are most critical to the portrayal of our financial condition and results of operations are reported in the "Critical Accounting Policies" section of Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2023 Annual Report.

As of March 31, 2024 and December 31, 2023, the Electrical Products reporting unit had goodwill of \$46,641 and \$46,682, respectively. As of December 1, 2023 the Electrical Products reporting unit's fair value exceeded its net book value by 11%. As of March 31, 2024, the Company did not identify indicators of impairment for the Electrical Products reporting unit. The fair value of the Electrical Products reporting unit can be significantly impacted by the reporting unit's performance, the amount and timing of expected future cash flows, decreased customer demand for Electrical Products' services, management's ability to execute its business strategies, and general market conditions, such as economic downturns, and changes in interest rates, including discount rates. Future cash flow estimates are, by their nature, subjective, and actual results may differ materially from the Company's estimates. Based on our assessment of these circumstances, we have determined that goodwill at our Electrical Products reporting unit is at risk for future impairment if the Company's ongoing cash flow projections are not met or if market factors utilized in the impairment test deteriorate, including an unfavorable change in the terminal growth rate or the weighted-average cost of capital, the Company may have to record impairment charges in future periods.

There were no material changes to the critical accounting policies during the three months ended March 31, 2024, as compared to those disclosed in the Company's 2023 Annual Report. In preparing the financial statements, the Company is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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

There have been no material changes to our quantitative and qualitative disclosures about market risk, as compared to the quantitative and qualitative disclosures about market risk described in the 2023 Annual Report.

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

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

The Company conducted an evaluation under the supervision and with the participation of our management, including the Principal Executive Officer and the Principal Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as such terms are defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Disclosure controls and procedures are controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company, including its consolidated subsidiaries, in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its Principal Executive and Principal Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, the Company's management, including the Principal Executive Officer and the Principal Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of March 31, 2024.

## Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the three months ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

The Company and its subsidiaries are parties to a variety of legal actions arising out of the normal course of business and otherwise. For further information regarding our legal proceedings, see the description of legal and environmental matters set forth in Note 15 - "Commitments and Contingencies" to the SPLP consolidated financial statements included in Part I of this Form 10-Q and incorporated herein by reference.

### Item 1A. Risk Factors

There have been no material changes to the risk factors as disclosed in Part I, Item 1A, Risk Factors in our most recent Annual Report on Form 10-K. Investors are encouraged to review such risk factors in such Form 10-K prior to making an investment in the Company.

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

#### (a) Not applicable

#### (b) Not applicable

#### (c) Issuer Purchases of Equity Securities

The Board of SPH GP, has approved the repurchase of up to an aggregate of 9,520,240 of the Company's common units ("Repurchase Program"), which is inclusive of 750,000 common units approved in March 2024. The Repurchase Program was announced on December 7, 2016 and supersedes and cancels, to the extent any amounts remain available, all previously approved repurchase programs, as discussed in further detail in Note 11 - "Capital and Accumulated Other Comprehensive Loss." Any purchases made under the Repurchase Program will be made from time to time on the open market or in negotiated transactions off the market, in compliance with applicable laws and regulations. The timing, manner, price and amount of any repurchase will depend on economic and market conditions, share price, trading volume, applicable legal requirements and other factors. In connection with the Repurchase Program, the Company may enter into a stock purchase plan. The Repurchase Program has no termination date. In the three months ended March 31, 2024, the Company repurchased 933,787 common units for \$39,487. Since inception of the Repurchase Program the Company had purchased 8,742,407 common units for an aggregate price of approximately \$203,885. As of March 31, 2024, there were approximately 777,833 common units that may yet be purchased under the Repurchase Program. In April 2024, the Company repurchased 1,891 common units for \$73.

The following table provides information about our repurchases of common units during the three months ended March 31, 2024. During that period, we did not act in concert with any affiliate or any other person to acquire any of our common stock and, accordingly, we do not believe that purchases by any such affiliate or other person (if any) are reportable in the following table.

| Period                                     | Total Number of Units<br>Purchased | Average Price Paid per<br>Unit | Total Number of Units<br>Purchased as Part of<br>Publicly Announced Plans<br>or Programs | Approximate Number of<br>Units that May Yet Be<br>Purchased Under the Plans<br>or Programs |
|--|------------------------------------|--------------------------------|--|--|
| January 1, 2024 through January 31, 2024   | 579,961                            | \$ 43.70                       | 579,961  | 381,659  |
| February 1, 2024 through February 29, 2024 | —                                  | \$ —                           | —  | 381,659  |
| March 1, 2024 through March 31, 2024       | 353,826                            | \$ 39.97                       | 353,826  | 777,833  |
| Total                                      | 933,787                            |                                | 933,787  |  |



**Item 5. Other Information***Insider trading arrangements and policies*

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**Item 6. Exhibits**

| Exhibit No.          | Description  |
|----------------------|--|
| 31.1 <sup>+</sup>    | <a href="#"><u>Certification of Principal Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 and Rule 13a-14(a) of the Securities Exchange Act of 1934.</u></a>                                    |
| 31.2 <sup>+</sup>    | <a href="#"><u>Certification of Principal Financial Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002 and Rule 13a-14(a) of the Securities Exchange Act of 1934.</u></a>                                    |
| 32.1                 | <a href="#"><u>Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and Rule 13a-14(b) of the Securities Exchange Act of 1934 (furnished herewith).</u></a> |
| 32.2                 | <a href="#"><u>Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and Rule 13a-14(b) of the Securities Exchange Act of 1934 (furnished herewith).</u></a> |
| 101.INS <sup>+</sup> | Inline XBRL Instance Document.   |
| 101.SCH <sup>+</sup> | Inline XBRL Taxonomy Extension Schema.   |
| 101.CAL <sup>+</sup> | Inline XBRL Taxonomy Extension Calculation Linkbase.   |
| 101.DEF <sup>+</sup> | Inline XBRL Taxonomy Extension Definition Linkbase.  |
| 101.LAB <sup>+</sup> | Inline XBRL Taxonomy Extension Label Linkbase.   |
| 101.PRE <sup>+</sup> | Inline XBRL Taxonomy Extension Presentation Linkbase.  |
| 104 <sup>+</sup>     | Cover Page Interactive Data File (formatted as Inline XBRL and included in Exhibit 101).   |

<sup>+</sup> Filed herewith.

## 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.

Dated: May 8, 2024

STEEL PARTNERS HOLDINGS L.P.

By: Steel Partners Holdings GP Inc.,  
Its General Partner

By: /s/ Ryan O'Herrin  
Ryan O'Herrin  
Chief Financial Officer and Authorized Signatory  
(Principal Financial Officer)

## PRINCIPAL EXECUTIVE OFFICER CERTIFICATION

I, Warren G. Lichtenstein, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 of Steel Partners Holdings L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date:  
May 8, 2024

/s/ Warren G. Lichtenstein  
\_\_\_\_\_  
Warren G. Lichtenstein  
Executive Chairman  
of Steel Partners Holdings GP Inc.

## PRINCIPAL FINANCIAL OFFICER CERTIFICATION

I, Ryan O'Herrin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 of Steel Partners Holdings L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date:

May 8, 2024

/s/ Ryan O'Herrin

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Ryan O'Herrin  
Chief Financial Officer  
of Steel Partners Holdings GP Inc.

**Certification of the 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 of Steel Partners Holdings L.P. (the "Partnership") on Form 10-Q for the quarter ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Warren G. Lichtenstein, Executive Chairman of Steel Partners Holdings GP Inc., the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section § 1350, as adopted pursuant to Section 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 Partnership.

Date:

May 8, 2024

/s/ Warren G. Lichtenstein

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Warren G. Lichtenstein  
Executive Chairman  
of Steel Partners Holdings GP Inc.

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

**Certification of the 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 of Steel Partners Holdings L.P. (the "Partnership") on Form 10-Q for the quarter ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ryan O'Herrin, Chief Financial Officer of Steel Partners Holdings GP Inc., the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section § 1350, as adopted pursuant to Section 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 Partnership.

Date:

May 8, 2024

/s/ Ryan O'Herrin

Ryan O'Herrin  
Chief Financial Officer  
of Steel Partners Holdings GP Inc.

\* The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.