

REFINITIV

DELTA REPORT

10-Q

KEQU - KEWAUNEE SCIENTIFIC CORP

10-Q - JANUARY 31, 2024 COMPARED TO 10-Q - OCTOBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 538

█ CHANGES 216

█ DELETIONS 81

█ ADDITIONS 241

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

FORM 10-Q

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

For the quarterly period ended **October 31, 2023** **January 31, 2024**

or

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

For the transition period from _____ to _____

Commission file number 0-5286

KEWAUNEE SCIENTIFIC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

38-0715562

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

2700 West Front Street
Statesville, North Carolina

28677-2927

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (704) 873-7202
Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Exchange on which registered</u>
Common Stock, \$2.50 par value	KEQU	NASDAQ Global Market

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

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of December 5, 2023 March 5, 2024, the registrant had outstanding 2,901,671 2,875,104 shares of Common Stock.

KEWAUNEE SCIENTIFIC CORPORATION

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FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 2023 JANUARY 31, 2024

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Part 1. Financial Information

Item 1. Condensed Consolidated Financial Statements

Kewaunee Scientific Corporation
Condensed Consolidated Statements of Operations
(Unaudited)
(\$ and shares in thousands, except per share amounts)

Three Months Ended October 31,	Six Months Ended October 31,	Three Months Ended January 31,	Nine Months Ended January 31,
-----------------------------------	---------------------------------	-----------------------------------	----------------------------------

		2023	2022	2023	2022	2024	2023	2024	2023
Net sales	Net sales	\$50,436	\$54,564	\$100,275	\$104,687				
Cost of products sold	Cost of products sold	36,968	45,863	74,893	89,790				
Gross profit	Gross profit	13,468	8,701	25,382	14,897				
Operating expenses	Operating expenses	8,359	7,946	16,465	14,538				
Operating profit	Operating profit	5,109	755	8,917	359				
Pension expense	Pension expense	(40)	(8)	(81)	(35)				
Other income, net	Other income, net	148	79	223	546				
Interest expense	Interest expense	(372)	(370)	(802)	(754)				
Profit before income taxes	Profit before income taxes	4,845	456	8,257	116				
Income tax expense	Income tax expense	2,015	570	2,912	949				
Net earnings (loss)	Net earnings (loss)	2,830	(114)	5,345	(833)				
Net earnings	Net earnings								
Less: Net earnings attributable to the non-controlling interest	Less: Net earnings attributable to the non-controlling interest	98	129	139	157				
Net earnings (loss) attributable to Kewaunee Scientific Corporation stockholders	Net earnings (loss) attributable to Kewaunee Scientific Corporation stockholders	\$ 2,732	\$ (243)	\$ 5,206	\$ (990)				
Net earnings (loss) per share attributable to Kewaunee Scientific Corporation stockholders	Net earnings (loss) per share attributable to Kewaunee Scientific Corporation stockholders								
Basic	Basic								

Basic						
Basic	Basic	\$ 0.94	\$ (0.09)	\$ 1.81	\$ (0.35)	
Diluted	Diluted	\$ 0.93	\$ (0.09)	\$ 1.79	\$ (0.35)	
Weighted average number of common shares outstanding	Weighted average number of common shares outstanding					
Basic	Basic	2,903	2,830	2,882	2,819	
Basic	Basic					
Diluted	Diluted	2,931	2,830	2,908	2,819	

See accompanying notes to Condensed Consolidated Financial Statements.

Kewaunee Scientific Corporation
Condensed Consolidated Statements of Comprehensive Earnings (Loss)

(Unaudited)
(\$ in thousands)

	Three Months				Three Months Ended		Nine Months Ended	
	Ended		Six Months Ended		January 31,	2024	January 31,	2024
	October 31,	2023	October 31,	2022		2023		2023
Net earnings (loss)	\$2,830	\$ (114)	\$5,345	\$ (833)				
Net earnings								
Other comprehensive loss, net of tax: loss, net of tax:								
Foreign currency translation adjustments								
Foreign currency translation adjustments								
Foreign currency translation adjustments	(251)	(237)	(395)	(461)				
Other comprehensive loss	(251)	(237)	(395)	(461)				
Comprehensive earnings (loss), net of tax	2,579	(351)	4,950	(1,294)				
Less: Comprehensive income attributable to the non-controlling interest	98	129	139	157				
Comprehensive earnings (loss) attributable to Kewaunee Scientific Corporation	\$2,481	\$ (480)	\$4,811	\$ (1,451)				

See accompanying notes to Condensed Consolidated Financial Statements.

Kewaunee Scientific Corporation
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(\$ in thousands, except per share amounts)

		Kewaunee Scientific Corporation						Additional						Kewaunee Scientific Corporation						Additional						Kewaunee Scientific Corporation											
		Common Stock			Paid-in Capital			Treasury Stock			Retained Earnings			Comprehensive Loss			Stockholders' Equity			Common Stock			Paid-in Capital			Treasury Stock			Retained Earnings			Comprehensive Loss			Stockholders' Equity		
		Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Comprehensive Loss	Stockholders' Equity	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Comprehensive Loss	Stockholders' Equity	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Comprehensive Loss	Stockholders' Equity	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Comprehensive Loss	Stockholders' Equity	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Comprehensive Loss	Stockholders' Equity						
Balance at April 30, 2023	Balance at April 30, 2023	\$7,084	\$ 5,059	\$ (53)	\$ 28,761	\$ (3,442)	\$ 37,409																														
Net earnings attributable to Kewaunee Scientific Corporation	Net earnings attributable to Kewaunee Scientific Corporation	—	—	—	2,474	—	2,474																														
Other comprehensive loss	Other comprehensive loss	—	—	—	—	(144)	(144)																														
Stock-based compensation	Stock-based compensation	185	(494)	—	—	—	(309)																														
Balance at July 31, 2023	Balance at July 31, 2023	\$7,269	\$ 4,565	\$ (53)	\$ 31,235	\$ (3,586)	\$ 39,430																														
Net earnings attributable to Kewaunee Scientific Corporation	Net earnings attributable to Kewaunee Scientific Corporation	—	—	—	2,732	—	2,732																														
Other comprehensive loss	Other comprehensive loss	—	—	—	—	(251)	(251)																														
Stock-based compensation	Stock-based compensation	—	241	—	—	—	241																														
Purchase of Treasury Stock, 2,423 shares	Purchase of Treasury Stock, 2,423 shares	—	—	(44)	—	—	(44)																														
Balance at October 31, 2023	Balance at October 31, 2023	\$7,269	\$ 4,806	\$ (97)	\$ 33,967	\$ (3,837)	\$ 42,108																														
Net earnings attributable to Kewaunee Scientific Corporation	Net earnings attributable to Kewaunee Scientific Corporation	—	—	—	—	—	—																														
Other comprehensive loss	Other comprehensive loss	—	—	—	—	—	—																														
Stock-based compensation	Stock-based compensation	—	—	—	—	—	—																														
Purchase of Treasury Stock, 27,033 shares	Purchase of Treasury Stock, 27,033 shares	—	—	—	—	—	—																														

Balance at
January 31,
2024

		Total						Additional Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Comprehensive Loss	Stockholders' Equity	Additional Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Comprehensive Loss	Total Kewaunee Corporation Stockholders' Equity	
		Kewaunee Scientific Corporation			Accumulated Other	Scientific	Corporation													
		Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Comprehensive Loss	Stockholders' Equity													
Balance at April 30, 2022	Balance at April 30, 2022	\$6,983	\$ 4,483	\$ (53)	\$ 28,023	\$ (3,742)	\$ 35,694													
Net loss attributable to Kewaunee Scientific Corporation	Net loss attributable to Kewaunee Scientific Corporation	—	—	—	(747)	—	(747)													
Other comprehensive loss	Other comprehensive loss	—	—	—	—	(224)	(224)													
Stock-based compensation	Stock-based compensation	97	(134)	—	—	—	(37)													
Balance at July 31, 2022	Balance at July 31, 2022	\$7,080	\$ 4,349	\$ (53)	\$ 27,276	\$ (3,966)	\$ 34,686													
Net loss attributable to Kewaunee Scientific Corporation	Net loss attributable to Kewaunee Scientific Corporation	—	—	—	(243)	—	(243)													
Other comprehensive loss	Other comprehensive loss	—	—	—	—	(237)	(237)													
Stock-based compensation	Stock-based compensation	4	192	—	—	—	196													
Balance at October 31, 2022	Balance at October 31, 2022	\$7,084	\$ 4,541	\$ (53)	\$ 27,033	\$ (4,203)	\$ 34,402													
Net earnings attributable to Kewaunee Scientific Corporation																				
Other comprehensive income																				
Stock-based compensation																				
Balance at January 31, 2023																				

See accompanying notes to Condensed Consolidated Financial Statements.

**Kewaunee Scientific Corporation
Condensed Consolidated Balance Sheets**

(\$ and shares in thousands, except per share amounts)

October
31, 2023
April 30,
2023

		January 31, 2024		January 31, 2024		April 30, 2023	
		(Unaudited)		(Unaudited)			
<u>Assets</u>		<u>Assets</u>					
Current Assets:	Current Assets:						
Current Assets:							
Current Assets:							
Cash and cash equivalents							
Cash and cash equivalents							
Cash and cash equivalents		Cash and cash equivalents		\$ 13,722	\$ 8,078		
Restricted cash	Restricted cash			7,989	5,737		
Receivables, less allowance; \$566; \$476, on each respective date				42,600	46,081		
Receivables, less allowance; \$589; \$476, on each respective date							
Inventories	Inventories			21,666	21,889		
Prepaid expenses and other current assets							
Prepaid expenses and other current assets							
Prepaid expenses and other current assets		Prepaid expenses and other current assets		4,899	6,135		
Total Current Assets	Total Current Assets			90,876	87,920		
Property, plant and equipment, at cost	Property, plant and equipment, at cost			63,733	61,368		
Accumulated depreciation	Accumulated depreciation			(45,899)	(44,966)		
Net Property, Plant and Equipment	Net Property, Plant and Equipment			17,834	16,402		
Right of use assets	Right of use assets			8,393	9,170		
Other assets	Other assets			4,605	5,406		
Other assets							
Other assets							
Total Assets	Total Assets			\$121,708	\$118,898		
<u>Liabilities and Stockholders' Equity</u>	<u>Liabilities and Stockholders' Equity</u>						
Current Liabilities:	Current Liabilities:						
Current Liabilities:							
Current Liabilities:							
Short-term borrowings							
Short-term borrowings							
Short-term borrowings	Short-term borrowings			\$ 5,855	\$ 3,587		

Current portion of financing liability	Current portion of financing liability	677	642		
Current portion of financing lease liabilities	Current portion of financing lease liabilities	108	85		
Current portion of operating lease liabilities	Current portion of operating lease liabilities	2,141	1,967		
Accounts payable	Accounts payable	19,172	23,599		
Employee compensation and amounts withheld	Employee compensation and amounts withheld	5,010	4,304		
Deferred revenue	Deferred revenue	4,919	4,097		
Other accrued expenses	Other accrued expenses	850	1,772		
Total Current Liabilities	Total Current Liabilities	38,732	40,053		
Long-term portion of financing liability	Long-term portion of financing liability	27,782	28,132		
Long-term portion of financing lease liabilities	Long-term portion of financing lease liabilities	259	148		
Long-term portion of operating lease liabilities	Long-term portion of operating lease liabilities	6,193	7,136		
Accrued pension and deferred compensation costs	Accrued pension and deferred compensation costs	3,839	3,546		
Deferred income taxes	Deferred income taxes	1,051	943		
Other non-current liabilities	Other non-current liabilities	438	455		
Total Liabilities	Total Liabilities	78,294	80,413		
Commitments and Contingencies	Commitments and Contingencies	Commitments and Contingencies			
Stockholders' Equity:	Stockholders' Equity:				
Common stock, \$2.50 par value, Authorized – 5,000 shares; Issued – 2,907 shares; 2,833 shares; – Outstanding – 2,902 shares; 2,830 shares, on each respective date	7,269	7,084			
Common stock, \$2.50 par value, Authorized – 5,000 shares; Issued – 2,908 shares; 2,833 shares; – Outstanding – 2,875 shares; 2,830 shares, on each respective date					
Common stock, \$2.50 par value, Authorized – 5,000 shares; Issued – 2,908 shares; 2,833 shares; – Outstanding – 2,875 shares; 2,830 shares, on each respective date					

Common stock, \$2.50 par value, Authorized – 5,000 shares; Issued – 2,908 shares; 2,833 shares; – Outstanding – 2,875 shares; 2,830 shares, on each respective date			
Additional paid-in-capital	Additional paid-in-capital	4,806	5,059
Retained earnings	Retained earnings	33,967	28,761
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(3,837)	(3,442)
Common stock in treasury, at cost, 5 shares; 3 shares, on each respective date		(97)	(53)
Common stock in treasury, at cost, 33 shares; 3 shares, on each respective date			
Total Kewaunee Scientific Corporation Stockholders' Equity	Total Kewaunee Scientific Corporation Stockholders' Equity	42,108	37,409
Non-controlling interest	Non-controlling interest	1,306	1,076
Total Stockholders' Equity	Total Stockholders' Equity	43,414	38,485
Total Liabilities and Stockholders' Equity	Total Liabilities and Stockholders' Equity	<u>\$121,708</u>	<u>\$118,898</u>

See accompanying notes to Condensed Consolidated Financial Statements.

Kewaunee Scientific Corporation
Condensed Consolidated Statements of Cash Flows

(Unaudited)
(\$ in thousands)

	Six Months Ended October 31,		Nine Months Ended January 31,		2023	
	2023	2022	2024			
Cash flows from operating activities:						
Net earnings (loss)	\$ 5,345	\$ (833)				
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:						
Net earnings						
Net earnings						
Net earnings						

Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation	Depreciation		
Depreciation	Depreciation	1,488	1,433
Bad debt provision	Bad debt provision	185	(8)
Stock-based compensation expense	Stock-based compensation expense	424	368
Deferred income taxes	Deferred income taxes	108	(22)
Change in assets and liabilities: and liabilities:	Change in assets and liabilities: and liabilities:		
Receivables	Receivables	3,296	(209)
Receivables	Receivables		
Receivables			
Inventories	Inventories	223	(706)
Accounts payable and other accrued expenses	Accounts payable and other accrued expenses		
Accounts payable and other accrued expenses	Accounts payable and other accrued expenses		
Accounts payable and other accrued expenses	Accounts payable and other accrued expenses	(4,660)	(6,412)
Deferred revenue	Deferred revenue	822	7,869
Other, net	Other, net	1,688	(2,066)
Net cash provided by (used in) operating activities	Net cash provided by (used in) operating activities	8,919	(586)
Cash flows from investing activities:	Cash flows from investing activities:		
Capital expenditures	Capital expenditures	(2,919)	(919)
Capital expenditures	Capital expenditures		
Capital expenditures			
Net cash used in investing activities	Net cash used in investing activities	(2,919)	(919)
Cash flows from financing activities:	Cash flows from financing activities:		
Proceeds from short-term borrowings	Proceeds from short-term borrowings		
Proceeds from short-term borrowings	Proceeds from short-term borrowings		

Proceeds from short-term borrowings	Proceeds from short-term borrowings	79,116	4,431
Repayments on short-term borrowings	Repayments on short-term borrowings	(76,847)	(6,019)
Proceeds from sale-leaseback financing transaction	Proceeds from sale-leaseback financing transaction	—	13,456
Payments on sale-leaseback financing transaction	Payments on sale-leaseback financing transaction	(316)	(282)
Proceeds from long-term lease obligations	Proceeds from long-term lease obligations	202	—
Payments on long-term lease obligations	Payments on long-term lease obligations	(67)	(61)
Purchase of treasury stock			
Net cash provided by financing activities		2,088	11,525
Net cash (used in) provided by financing activities			
Net cash (used in) provided by financing activities			
Net cash (used in) provided by financing activities			
Effect of exchange rate changes on cash, cash equivalents and restricted cash	Effect of exchange rate changes on cash, cash equivalents and restricted cash	(192)	(597)
<i>Increase in cash, cash equivalents and restricted cash</i>	<i>Increase in cash, cash equivalents and restricted cash</i>		
<i>Increase in cash, cash equivalents and restricted cash</i>	<i>Increase in cash, cash equivalents and restricted cash</i>	7,896	9,423
<i>Cash, cash equivalents and restricted cash, beginning of period</i>	<i>Cash, cash equivalents and restricted cash, beginning of period</i>	13,815	6,894
<i>Cash, cash equivalents and restricted cash, end of period</i>	<i>Cash, cash equivalents and restricted cash, end of period</i>	<u><u>\$21,711</u></u>	<u><u>\$16,317</u></u>

See accompanying notes to Condensed Consolidated Financial Statements.

Kewaunee Scientific Corporation
 Notes to Condensed Consolidated Financial Statements
 (unaudited)

A. Financial Information

The unaudited interim Condensed Consolidated Financial Statements of Kewaunee Scientific Corporation (the "Company") have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These interim Condensed Consolidated Financial Statements include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of these financial statements and should be read in conjunction with the Consolidated Financial Statements and Notes included in the Company's 2023 Annual Report on [Form 10-K](#). The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year. The Condensed Consolidated Balance Sheet as of April 30, 2023 included in this interim period filing has been derived from the audited consolidated financial statements at that date, but does not include all of the information and related notes required by GAAP for complete financial statements.

The preparation of the interim Condensed Consolidated Financial Statements requires management to make certain estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

B. Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less. During the **six** **nine** months ended **October 31, 2023** **January 31, 2024** and twelve months ended April 30, 2023, the Company had cash deposits in excess of FDIC insured limits. The Company has not experienced any losses from such deposits. Restricted cash includes bank deposits of subsidiaries used for performance guarantees against customer orders and domestic bank deposits used as collateral for an outstanding letter of credit.

The Company includes restricted cash along with the cash balance for presentation in the Condensed Consolidated Statements of Cash Flows. The reconciliation between the Condensed Consolidated Balance Sheet and the Condensed Consolidated Statement of Cash Flows is as follows:

	October 31, 2023	April 30, 2023		
	January 31, 2024		January 31, 2024	April 30, 2023
Cash and cash equivalents	Cash and cash equivalents	\$ 13,722	\$ 8,078	
Restricted cash	Restricted cash	7,989	5,737	
Total cash, cash equivalents and restricted cash	Total cash, cash equivalents and restricted cash	<u>\$ 21,711</u>	<u>\$13,815</u>	

C. Revenue Recognition

The Company recognizes revenue when control of a good or service promised in a contract (i.e., performance obligation) is transferred to a customer. Control is obtained when a customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. The majority of the Company's revenues are recognized over time as the customer receives control as the Company performs work under a contract. However, a portion of the Company's revenues are recognized at a point-in-time as control is transferred at a distinct point in time per the terms of a contract.

Disaggregated Revenue

A summary of net sales transferred to customers over time and at a point in time for the periods ended **October 31, 2023** **January 31, 2024** and **October 31, 2022** **January 31, 2023** is as follows (in thousands):

Three Months Ended			Three Months Ended			Three Months Ended		
			January 31, 2024	January 31, 2023	January 31, 2022	January 31, 2023	January 31, 2022	January 31, 2021
Domestic	International	Total	Domestic	International	Total	Domestic	International	Total

Over	Over						
Time	Time	\$32,769	\$ 16,251	\$49,020	\$36,374	\$ 16,573	\$52,947
Point	Point						
in	in						
Time	Time	1,416	—	1,416	1,617	—	1,617
Total	Total	\$34,185	\$ 16,251	\$50,436	\$37,991	\$ 16,573	\$54,564
Six Months Ended							
Nine Months Ended							
October 31, 2023				January 31, 2024			
Domestic	International	Total	Domestic	International	Total	Domestic	International
Over	Over						
Time	Time	\$66,673	\$ 30,670	\$ 97,343	\$71,727	\$ 29,228	\$100,955
Point	Point						
in	in						
Time	Time	2,932	—	2,932	3,732	—	3,732
Total	Total	\$69,605	\$ 30,670	\$100,275	\$75,459	\$ 29,228	\$104,687

Contract Balances

The closing balances of contract assets included **\$13,015,000** **\$10,466,000** in accounts receivable and \$506,000 in other assets at **October 31, 2023** **January 31, 2024**. The opening balance of contract assets arising from contracts with customers included \$13,459,000 in accounts receivable and \$1,191,000 in other assets at April 30, 2023. The closing and opening balances of contract liabilities included in deferred revenue arising from contracts with customers were **\$4,919,000** **\$10,248,000** at **October 31, 2023** **January 31, 2024** and \$4,097,000 at April 30, 2023. The timing of revenue recognition, billings and cash collections results in accounts receivable, unbilled receivables, and deferred revenue which are disclosed in the Condensed Consolidated Balance Sheets and in the Notes to the Condensed Consolidated Financial Statements. In general, the Company receives payments from customers based on a billing schedule established in its contracts. Unbilled receivables represent amounts earned which have not yet been billed in accordance with contractually stated billing terms and are included in receivables on the Condensed Consolidated Balance Sheets. Receivables are recorded when the right to consideration becomes unconditional and the Company has a right to invoice the customer. Deferred revenue relates to payments received in advance of performance under the contract. Deferred revenue is recognized as revenue as (or when) the Company performs under the contract. Approximately 100% of the contract liability balances at April 30, 2023 and **October 31, 2023** **January 31, 2024** are expected to be recognized as revenue during the respective succeeding 12 months.

D. Inventories

The Company measures inventory using the first-in, first-out method at the lower of cost or net realizable value. Inventories consisted of the following (in thousands):

	October 31, 2023	April 30, 2023		January 31, 2024		April 30, 2023
January						
31, 2024						
Finished products	Finished products	\$ 2,897	\$ 3,412			
Work in process	Work in process	1,669	2,380			
Raw materials	Raw materials	17,100	16,097			
Total	Total	\$21,666	\$21,889			

The Company's International subsidiaries' inventories were **\$2,918,000** **\$2,869,000** at **October 31, 2023** **January 31, 2024** and \$2,740,000 at April 30, 2023 and are included in the above tables.

E. Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and equivalents, mutual funds, short-term borrowings, and the cash surrender value of life insurance policies. The carrying value of these assets and liabilities approximates their fair value. The following tables summarize the Company's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of **October 31, 2023** **January 31, 2024** and April 30, 2023 (in thousands):

Financial Assets	Financial Assets	October 31, 2023			January 31, 2024		
		Level 1	Level 2	Total	Financial Assets	Level 1	Level 2

Trading securities held in non-qualified compensation plans ⁽¹⁾	Trading securities held in non-qualified compensation plans ⁽¹⁾	\$1,316	\$ —	\$1,316
Cash surrender value of life insurance policies ⁽¹⁾	Cash surrender value of life insurance policies ⁽¹⁾	—	1,340	1,340
Total	Total	\$1,316	\$1,340	\$2,656
<u>Financial Liabilities</u>	<u>Financial Liabilities</u>			
Non-qualified compensation plans ⁽²⁾	Non-qualified compensation plans ⁽²⁾	\$ —	\$3,123	\$3,123
Non-qualified compensation plans ⁽²⁾	Non-qualified compensation plans ⁽²⁾	—	—	—
Total	Total	\$ —	\$3,123	\$3,123

April 30, 2023

Financial Assets	Level 1	Level 2	Total
Trading securities held in non-qualified compensation plans ⁽¹⁾	\$ 1,105	\$ —	\$ 1,105
Cash surrender value of life insurance policies ⁽¹⁾	—	1,358	1,358
Total	\$ 1,105	\$ 1,358	\$ 2,463
<u>Financial Liabilities</u>			
Non-qualified compensation plans ⁽²⁾	\$ —	\$ 2,910	\$ 2,910
Total	\$ —	\$ 2,910	\$ 2,910

(1) The Company maintains two non-qualified compensation plans which include investment assets in a rabbi trust. These assets consist of marketable securities, which are valued using quoted market prices multiplied by the number of shares owned, and life insurance policies, which are valued at their cash surrender value.

(2) Plan liabilities are equal to the individual participants' account balances and other earned retirement benefits.

F. Long-term Debt and Other Credit Arrangements

At April 30, 2023, advances of \$3.5 million were outstanding under the Company's Revolving Credit Facility. Amounts available under the Revolving Credit Facility were \$10.3 million at April 30, 2023. The borrowing rate under the Revolving Credit Facility was 9.02% as of April 30, 2023. The Company's International subsidiaries had a balance outstanding at April 30, 2023 of \$39,000 in short-term borrowings related to overdraft protection and short-term loan arrangements. At April 30, 2023, the Company was in compliance with all of the financial covenants under its Revolving Credit Facility.

At **October 31, 2023** **January 31, 2024**, advances of **\$5.0 million** **\$3.0 million** were outstanding under the Revolving Credit Facility, with remaining borrowing capacity under the Revolving Credit Facility of **\$7.4 million** **\$9.3 million**. The borrowing rate under the Revolving Credit Facility was **9.53%** **9.57%** as of **October 31, 2023** **January 31, 2024**. In addition, the Company's International subsidiaries **have had** a balance outstanding of **\$855,000** **\$184,000** in short-term borrowings related to overdraft protection and short-term loan arrangements at **October 31, 2023** **January 31, 2024**. The Company was in compliance with all of the financial covenants under its Revolving Credit Facility as of **October 31, 2023** **January 31, 2024**.

G. Sale-Leaseback Financing Transaction

On December 22, 2021, the Company entered into an Agreement for Purchase and Sale of Real Property with CAI Investments Sub-Series 100 LLC, a Nevada limited liability company (the "Buyer"), for the Company's headquarters and manufacturing facilities located at 2700 West Front Street in Statesville, North Carolina (the "Sale Agreement").

The Sale Agreement was finalized on March 24, 2022 and coincided with the Company and CAI Investments Medical Products I Master Lessee LLC ("Lessor") entering into a lease agreement. The lease arrangement is for a 20-year term, with four renewal options of five years each. Under the terms of the lease agreement, the Company's initial basic rent is approximately \$158,000 per month, with annual increases of approximately 2% each year of the initial term.

The Company accounted for the Sale-Leaseback Arrangement as a financing transaction as the lease agreement was determined to be a finance lease due to the significance of the present value of the lease payments, using a discount rate of 4.75% to reflect the Company's incremental borrowing rate, compared to the fair value of the leased property as of

the lease commencement date. In measuring the lease payments for the present value analysis, the Company elected the practical expedient to combine the lease component (the leased facilities) with the non-lease component (property management provided by the Buyer/Lessor) into a single lease component.

The presence of a finance lease indicates that control of the property has not transferred to the Buyer/Lessor and, as such, the transaction was deemed a failed sale-leaseback and accounted for as a financing arrangement. As a result of this determination, the Company is viewed as having received the sale proceeds from the Buyer/Lessor in the form of a hypothetical loan collateralized by its leased facilities. The hypothetical loan is payable as principal and interest in the form of "lease payments" to the Buyer/Lessor. As such, the Company will not derecognize the property from its books for accounting purposes until the lease ends. No gain or loss was recognized under GAAP related to the Sale-Leaseback Arrangement.

As of **October 31, 2023** **January 31, 2024**, the carrying value of the financing liability was **\$28,459,000** **\$28,298,000**, net of **\$677,000** **\$663,000** in debt issuance costs, of which **\$677,000** **\$695,000** was classified as current on the Consolidated Balance Sheet with **\$27,782,000** **\$27,603,000** classified as long-term. As of April 30, 2023, the carrying value of the financing liability was \$28,774,000, net of \$708,000 in debt issuance costs, of which \$642,000 was classified as current on the Consolidated Balance Sheet with \$28,132,000 classified as long-term. The monthly lease payments are split between a reduction of principal and interest expense using the effective interest rate method. Interest expense associated with the financing arrangement was **\$322,000** **\$321,000** and **\$330,000** **\$329,000** for the three months ended **October 31, 2023** **January 31, 2024** and **October 31, 2022** **January 31, 2023**, respectively. Interest expense associated with the financing arrangement was **\$647,000** **\$968,000** and **\$662,000** **\$990,000** for the **six** **nine** months ended **October 31, 2023** **January 31, 2024** and **October 31, 2022** **January 31, 2023**, respectively.

The Company will depreciate the building down to zero over the 20-year assumed economic life of the Property so that at the end of the lease term, the remaining carrying amount of the financing liability will equal the carrying amount of the land of \$41,000.

Remaining future cash payments related to the financing liability as of **October 31, 2023** **January 31, 2024** are as follows:

(\$ in thousands)	(\$ in thousands)	
Remainder of 2024		
Remainder of 2024	Remainder of 2024	\$ 967
2025	2025	1,970
2026	2026	2,009
2027	2027	2,050
2028	2028	2,090
Thereafter	Thereafter	33,867
Total Minimum Liability Payments	Total Minimum Liability Payments	42,953
Imputed Interest	Imputed Interest	(14,494)
Total	Total	\$ 28,459

H. Leases

The Company recognizes lease assets and lease liabilities reflecting the rights and obligations created by operating type leases for real estate and equipment in both the U.S. and internationally and financing leases for vehicles and IT equipment in the U.S. At **October 31, 2023** **January 31, 2024** and April 30, 2023, right-of-use assets totaled **\$8,393,000** **\$7,827,000** and **\$9,170,000**, respectively. Operating cash paid to settle lease liabilities was **\$1,282,000** **\$1,930,000** and **\$1,026,000** **\$1,652,000** for the **six** **nine** months ended **October 31, 2023** **January 31, 2024** and **October 31, 2022** **January 31, 2023**, respectively. The Company's leases have remaining lease terms of up to 8 years. In addition, some of the leases may include options to extend the leases for up to 5 years or options to terminate the leases within 1 year. Operating lease expenses were **\$847,000** **\$862,000** and **\$1,714,000** **\$2,576,000** for the three and **six** **nine** months ended **October 31, 2023** **January 31, 2024**, inclusive of period cost for short-term leases, not included in lease liabilities, of **\$204,000** **\$214,000** and **\$432,000** **\$646,000**. Operating lease expenses were **\$900,000** **\$825,000** and **\$1,734,000** **\$2,528,000** for the three and **six** **nine** months ended **October 31, 2022** **January 31, 2023**, inclusive of period cost for short-term leases, not included in lease liabilities, of **\$398,000** **\$199,000** and **\$708,000** **\$876,000**.

At **October 31, 2023** **January 31, 2024**, the weighted average remaining lease term for the capitalized operating leases was **4.6** **4.5** years and the weighted average discount rate was 5.1%. For the financing leases, the weighted average remaining lease term was **5.0** **4.7** years and the weighted average discount rate was **8.5%** **8.3%**. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of those lease payments. The Company uses the implicit rate when readily determinable.

Future minimum lease payments under non-cancelable leases as of **October 31, 2023** **January 31, 2024** were as follows:

	Operating		Operating	Financing
		Operating	Financing	
Remainder of fiscal 2024				
Remainder of fiscal 2024				
Remainder of fiscal 2024	Remainder of fiscal 2024	\$ 1,294	\$ 36	
2025	2025	2,286	131	
2026	2026	1,933	111	
2027	2027	1,654	40	
2028	2028	1,120	40	
Thereafter	Thereafter	1,370	95	

Total Minimum Lease Payments	Total Minimum Lease Payments	9,657	453
Imputed Interest	Imputed Interest	(1,323)	(86)
Total	Total	\$ 8,334	\$ 367

Subsequent to October 31, 2023, in November 2023, the Company entered into a new lease that has not yet commenced as of October 31, 2023 January 31, 2024 with future minimum lease payments in aggregate of \$681,000 that are not yet reflected on the Condensed Consolidated Balance Sheet. This lease is expected to commence in the second quarter of fiscal year 2025 with a lease term of 3 years.

I. Stockholders' Equity

Common Stock

The Company is authorized to issue 5,000,000 shares of Common Stock, par value of \$2.50 per share. Holders of the Company's Common Stock are entitled to one vote per share. As of October 31, 2023 January 31, 2024 and April 30, 2023, there were approximately 2,902,000 2,875,000 and 2,830,000 shares, respectively, of Common Stock issued and outstanding. The Company has not declared or paid any dividends with respect to its Common Stock during the three and six nine months ended October 31, 2023 January 31, 2024. The declaration and payment of any future dividends is at the discretion of the Board of Directors and will depend upon many factors, including the Company's earnings, capital requirements, investment and growth strategies, financial conditions, the terms of the Company's indebtedness, which contains provisions that could limit the payment of dividends in certain circumstances, and other factors that the Board of Directors may deem to be relevant.

Share Repurchase Program

On August 31, 2023, the Board of Directors of the Company adopted a share repurchase program with authorization to repurchase up to 100,000 shares. There is no expiration date and currently, management has no plans to terminate this program. For the three months ended October 31, 2023 January 31, 2024, the Company repurchased 2,423 27,033 shares of the Company's common stock for approximately \$44,000 \$745,000, excluding other costs such as broker commissions and fees. For the nine months ended January 31, 2024, the Company repurchased 29,456 shares of the Company's common stock for approximately \$788,000, excluding other costs such as broker commissions and fees. As of October 31, 2023 January 31, 2024, the total remaining purchase authorization was 97,577 70,544 shares.

J. Earnings Per Share

Basic earnings per share is based on the weighted average number of common shares outstanding during the year. Diluted earnings per share reflects the assumed exercise of outstanding options and the conversion of restricted stock units ("RSUs") under the Company's various stock compensation plans, except when RSUs and options have an antidilutive effect. There were 19,200 15,000 and 94,930 31,500 antidilutive RSUs and options outstanding at October 31, 2023 January 31, 2024 and October 31, 2022 January 31, 2023, respectively. The following is a reconciliation of basic to diluted weighted average common shares outstanding (in thousands):

	Three Months				Nine Months Ended			
	Ended		Six Months Ended		January 31, 2024		January 31, 2023	
	October 31, 2023	October 31, 2022	October 31, 2023	October 31, 2022	January 31, 2024	January 31, 2023	January 31, 2024	January 31, 2023
31, 2023 2022 31, 2023 31, 2022								
Basic	Basic	2,903	2,830	2,882	2,819			
Dilutive effect of stock options and RSUs	Dilutive effect of options and RSUs	28	—	26	—			
Weighted average common shares outstanding - diluted	Weighted average common shares outstanding - diluted	2,931	2,830	2,908	2,819			

K. Stock Options and Stock-based Compensation

The Company recognizes compensation costs related to stock options and other stock awards granted by the Company as operating expenses over their vesting period.

In June 2023, the Company granted 87,220 RSUs under the 2017 Omnibus Incentive Plan ("2017 Plan"). These RSUs include both a service and a performance component, vesting over a three-year period. The recognized expense is based upon the vesting period for service criteria and estimated attainment of the performance criteria at the end of the three-year period, based on the ratio of cumulative days of service to total days over the three-year period. The Company recorded stock-based compensation expense under the 2017 Plan of \$241,000 and \$414,000 \$655,000 during the three and six nine months ended October 31, 2023 January 31, 2024 with the remaining estimated stock-based compensation expense of \$1,791,000 \$1,550,000 to be recorded over the remaining vesting periods. The Company recorded stock-based compensation expense under the 2017 Plan of \$196,000 \$332,000 and \$327,000 \$658,000 during the three and six nine months ended October 31, 2022 January 31, 2023.

In August 2023, the stockholders approved the 2023 Omnibus Incentive Plan ("2023 Plan"), which enables the Company to grant equity-based awards, with potential recipients including directors, consultants, and employees. This plan replaces the 2017 Plan. No new awards will be granted under the prior plans. All outstanding options granted under the prior plans remain subject to, and will be settled upon exercise under, the prior plans. At the date of approval of the 2023 Plan, there were 64,633 shares available for issuance under the prior plan. These shares and any outstanding awards that subsequently cease to be subject to such awards are available under the 2023 Plan. The 2023 Plan also increased the total number of shares reserved for issuance under the Company's equity compensation plans by 310,000, for a total of 374,633 shares reserved for issuance under the 2023 Plan. The Company did not issue any RSUs under the 2023 Plan during the three months ended **October 31, 2023** **January 31, 2024**.

Directors' fees paid with shares of common stock in lieu of cash in accordance with Director compensation guidelines were \$10,000 and \$41,000 for the **six nine** month periods ended **October 31, 2023** **January 31, 2024** and **October 31, 2022** **January 31, 2023**, respectively, and were also included in the stock-based compensation on the Condensed Consolidated Statements of Cash Flows.

L. Income Taxes

Income tax expense of **\$2,015,000** **\$982,000** and **\$2,912,000** **\$3,894,000** was recorded for the three and **six nine** months ended **October 31, 2023** **January 31, 2024**, respectively. Income tax expense of **\$570,000** **\$962,000** and **\$949,000** **\$1,911,000** was recorded for the three and **six nine** months ended **October 31, 2022** **January 31, 2023**, respectively. The effective tax rate was **41.6%** **27.9%** and **35.3%** **33.1%** for the three and **six nine** months ended **October 31, 2023** **January 31, 2024**, respectively. The effective tax rate for the current three and **six nine** month periods reflects the impact of foreign operations which are taxed at different rates than the U.S. tax rate of 21%, combined with expected current year tax expense for the Company's domestic operations and estimated increases in the domestic valuation allowance required for the fiscal year. In addition, the income tax expense recorded for the three and **six nine** months ended **October 31, 2023** **January 31, 2024** was unfavorably impacted by additional **foreign** tax expense of **\$534,000** **\$387,000** related to India tax matters. This one-time expense is related to management's decision to discontinue management fees, citing challenges associated with the Indian tax authority and cost benefit analysis. The effective tax rate was **125.0%** **46.7%** and **818.1%** **87.8%** for the three and **six nine** months ended **October 31, 2022** **January 31, 2023**, respectively. The **higher effective tax rates for the prior year effective tax rate was influenced by foreign operations taxed at varying rates, as well as periods were primarily due to the inclusion of a valuation allowance against deferred tax assets**, which led to the nullification of any U.S. income tax benefit for pre-tax losses incurred in the corresponding periods.

In August 2019, the Company revoked its indefinite reinvestment of foreign unremitting earnings position in compliance with ASC 740 "Income Taxes" and terminated its indefinite reinvestment of unremitting earnings assertion for the Singapore and Kewaunee Labway India Pvt. Ltd. international subsidiaries. The Company has a deferred tax liability of **\$1,421,000** **\$1,506,000** and \$1,318,000 for the withholding tax related to Kewaunee Labway India Pvt. Ltd. as of **October 31, 2023** **January 31, 2024** and April 30, 2023, respectively.

M. Defined Benefit Pension Plans

The Company has non-contributory defined benefit pension plans covering substantially all domestic salaried and hourly employees. These plans were amended as of April 30, 2005; no further benefits have been, or will be, earned under the plans, subsequent to the amendment date, and no additional participants will be added to the plans. There were no Company contributions paid to the plans for the three and **six nine** months ended **October 31, 2023** **January 31, 2024** and **October 31, 2022** **January 31, 2023**. The Company assumed an expected long-term rate of return of 7.75% for the periods ended **October 31, 2023** **January 31, 2024** and **October 31, 2022** **January 31, 2023**.

Pension expense consisted of the following (in thousands):

		Three Months Ended			
		October 31, 2023	October 31, 2022		
				Three Months Ended	
Service cost	Service cost	\$ —	\$ —	January 31, 2024	January 31, 2023
Interest cost	Interest cost	223	100		
Expected return on plan assets	Expected return on plan assets	(328)	(166)		
Recognition of net loss	Recognition of net loss	145	74		
Net periodic pension expense	Net periodic pension expense	\$ 40	\$ 8		
		Six Months Ended			
		October 31, 2023	October 31, 2022		
				Nine Months Ended	

	January 31, 2024	January 31, 2024	January 31, 2023
Service cost	Service cost	\$ — \$ —	
Interest cost	Interest cost	447 422	
Expected return on plan assets	Expected return on plan assets	(656) (701)	
Recognition of net loss	Recognition of net loss	290 314	
Net periodic pension expense	Net periodic pension expense	\$ 81 \$ 35	

N. Segment Information

The Company's operations are classified into two business segments: Domestic and International. The Domestic business segment principally designs, manufactures, and installs scientific and technical furniture, including steel and wood laboratory cabinetry, fume hoods, flexible systems, worksurfaces, workstations, workbenches, and computer enclosures. The International business segment, which consists of the Company's foreign subsidiaries, provides products and services, including facility design, detailed engineering, construction, and project management from the planning stage through testing and commissioning of laboratories. Intersegment transactions are recorded at normal profit margins. All intercompany balances and transactions have been eliminated. Certain corporate expenses shown below have not been allocated to the business segments.

The following tables provide financial information by business segment and unallocated corporate expenses for the periods ended **October 31, 2023** **January 31, 2024** and **2022** (in thousands):

	Domestic Operations	International Operations	Corporate / Eliminations	Total
Three Months Ended October 31, 2023				
Three Months Ended January 31, 2024				
Revenues from external customers				
Revenues from external customers				
Revenues from external customers	Revenues from external customers	\$ 34,185	\$ 16,251	\$ — \$50,436
Intersegment revenues	Intersegment revenues	374	1,155	(1,529) —
Earnings (loss) before income taxes	Earnings (loss) before income taxes	4,287	1,801	(1,243) 4,845
Three Months Ended October 31, 2022				
Three Months Ended January 31, 2023				
Three Months Ended January 31, 2023				
Revenues from external customers				
Revenues from external customers				

Revenues from external customers	Revenues from external customers	\$ 37,991	\$ 16,573	\$ —	\$ 54,564
Intersegment revenues	Intersegment revenues	650	3,335	(3,985)	—
Earnings (loss) before income taxes	Earnings (loss) before income taxes	491	1,856	(1,891)	456
	Domestic Operations	International Operations	Corporate / Eliminations	Total	
Six Months Ended October 31, 2023					
Nine Months Ended January 31, 2024	Domestic Operations	Domestic Operations	International Operations	Corporate / Eliminations	Total
Revenues from external customers					
Revenues from external customers					
Revenues from external customers	Revenues from external customers	\$ 69,605	\$ 30,670	\$ —	\$ 100,275
Intersegment revenues	Intersegment revenues	425	1,816	(2,241)	—
Earnings (loss) before income taxes	Earnings (loss) before income taxes	7,910	2,594	(2,247)	8,257
Six Months Ended October 31, 2022					
Nine Months Ended January 31, 2023					
Nine Months Ended January 31, 2023					
Nine Months Ended January 31, 2023	Revenues from external customers				
Revenues from external customers					
Revenues from external customers	Revenues from external customers	\$ 75,459	\$ 29,228	\$ —	\$ 104,687
Intersegment revenues	Intersegment revenues	1,446	4,956	(6,402)	—
Earnings (loss) before income taxes	Earnings (loss) before income taxes	589	2,950	(3,423)	116

O. New Accounting Standards

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," which replaces the current incurred loss method used for determining credit losses on financial assets, including trade receivables, with an expected credit loss method. This guidance is effective for fiscal years, and interim periods within those years,

beginning after December 15, 2022. The Company adopted this standard effective May 1, 2023. The adoption of this standard did not have a significant impact on the Company's consolidated financial position or results of operations.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures," which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company will adopt this standard in fiscal year 2025. The Company does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial position or results of operations.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740) - Improvements for Income Tax Disclosures," which requires public business entities to, on an annual basis, (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold. This ASU also provides for additional disclosure requirements to provide clarity for investors related to income tax disclosures. This guidance is effective for annual periods beginning after December 15, 2024. The Company will adopt this standard in fiscal year 2026. The Company does not expect the adoption of this standard to have a significant impact on the Company's consolidated financial position or results of operations.

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

The Company's 2023 Annual Report to Stockholders on [Form 10-K](#) contains management's discussion and analysis of the Company's financial condition and results of operations as of and for the fiscal year ended April 30, 2023. The following discussion and analysis describes material changes in the Company's financial condition since April 30, 2023. The analysis of results of operations compares the three and **six nine** months ended **October 31, 2023** **January 31, 2024** with the comparable periods of the prior year.

Results of Operations

Sales for the quarter were **\$50,436,000**, **\$46,778,000**, a decrease from sales of **\$54,564,000**, **\$60,821,000** in the comparable period of the prior year. Domestic sales for the quarter were **\$34,185,000**, **\$31,774,000**, down **10.0%** **12.1%** from sales of **\$37,991,000**, **\$36,134,000** in the comparable period of the prior year. The decrease in Domestic sales was predominantly related to the reduction of **installation** in non-product revenue related to the Company's decision to **no longer sell** **stop selling** directly to end users, which users. This revenue typically **included** **includes** freight, **installation services**, **services and buyouts**. International sales for the quarter were **\$16,251,000**, relatively flat **\$15,004,000**, down **39.2%** when compared to sales of **\$16,573,000**, **\$24,687,000** in the comparable period of the prior year. International sales decreased when compared to the prior year period due to the delivery of several large projects in the comparable prior year period that were booked in earlier fiscal years.

Sales for the **six nine** months ended **October 31, 2023** **January 31, 2024** were **\$100,275,000**, **\$147,053,000**, a decrease from sales of **\$104,687,000**, **\$165,508,000** in the comparable period of the prior year. Domestic sales for the period were **\$69,605,000**, **\$101,379,000**, down **7.8%** **9.2%** from sales of **\$75,459,000**, **\$111,593,000** in the comparable period of the prior year. The decrease in Domestic sales was predominantly related to the reduction of **installation** in non-product revenue related to the Company's decision to **no longer sell** **stop selling** directly to end users, which users. This revenue typically **included** **includes** freight, **installation services**, **services and buyouts**. International sales for the period were **\$30,670,000**, up **4.9%** **\$45,674,000**, down **15.3%** from sales of **\$29,228,000**, **\$53,915,000** in the comparable period of the prior year. International sales increased/decreased when compared to the prior year period due to the delivery of several large projects in the comparable prior year period that were booked in the prior earlier fiscal year years.

The Company's order backlog was **\$146.3 million**, **\$152.3 million** at **October 31, 2023** **January 31, 2024**, as compared to **\$157.8**, **\$153.2 million** at **October 31, 2022** **January 31, 2023**, and **\$147.9 million** at April 30, 2023.

The gross profit margin for the three months ended **October 31, 2023** **January 31, 2024** was **26.7%** **25.7%** of sales, as compared to **15.9%** **17.0%** of sales in the comparable quarter of the prior year. The gross profit margin for the **six nine** months ended **October 31, 2023** **January 31, 2024** was **25.3%** **25.4%** of sales, as compared to **14.2%** **15.2%** of sales in the comparable prior year period. The increase in gross profit margin percentage for the three and **six nine** months ended **October 31, 2023** **January 31, 2024** is primarily being generated from Domestic operations. Specifically, the increase is primarily driven by improved manufacturing productivity, cost containment actions, and the pricing of new orders in response to higher raw material input costs when compared to the prior year periods.

Operating expenses for the three months ended **October 31, 2023** **January 31, 2024** were **\$8,359,000**, **\$8,223,000**, or **16.6%** **17.6%** of sales, as compared to **\$7,946,000**, **\$8,026,000**, or **14.6%** **13.2%** of sales, in the comparable period of the prior year. Operating expenses for the **six nine** months ended **October 31, 2023**

January 31, 2024 were **\$16,465,000**, **\$24,688,000**, or **16.4%** **16.8%** of sales, as compared to **\$14,538,000**, **\$22,564,000**, or **13.9%** **13.6%** of sales, in the comparable period of the prior year. The increase in operating expenses for the three months ended **October 31, 2023** was primarily due to increases in SG&A wages, benefits, incentive and stock based compensation of **\$635,000** and increases in international operating expenses of **\$317,000**, partially offset by decreases in consulting and professional fees of **\$324,000** and other taxes and fees of **\$163,000**. The increase in operating expenses for the six months ended **October 31, 2023** **January 31, 2024** was primarily due to increases in SG&A wages, benefits, incentive and stock-based compensation of **\$1,458,000**, **\$440,000**, corporate governance expenses of **\$34,000**, and depreciation expense of **\$51,000**, partially offset by decreases in international operating expenses of **\$227,000**, consulting and professional fees of **\$143,000** and bad debt expense of **\$193,000**, **\$44,000**. The increase in operating expenses for the nine months ended **January 31, 2024** was primarily due to increases in SG&A wages, benefits, incentive and stock-based compensation of **\$1,898,000**, corporate governance expenses of **\$138,000**, depreciation expense of **\$128,000**, bad debt expense of **\$149,000**, and increases in international operating expenses of **\$486,000**, **\$259,000**, partially offset by decreases in consulting and professional fees of **\$371,000** and other taxes and fees of **\$82,000**, **\$515,000**.

Interest expense, net was **\$372,000**, **\$411,000** and **\$802,000**, **\$1,213,000** for the three and **six nine** months ended **October 31, 2023** **January 31, 2024**, respectively, as compared to **\$370,000**, **\$436,000** and **\$754,000**, **\$1,190,000**, respectively, for the comparable periods of the prior year. The changes in interest expense were due to changes in the levels of bank borrowings and interest rates.

The effective income tax rate for the three and **six nine** months ended **October 31, 2023** **January 31, 2024** was **41.6%** **27.9%** and **35.3%** **33.1%**, respectively, as compared to **125.0%** **46.7%** and **818.1%** **87.8%** for the three and **six nine** months ended **October 31, 2022** **January 31, 2023**, respectively. Income tax expense of **\$2,015,000**, **\$982,000** and **\$570,000**, **\$962,000** was recorded for the three months ended **October 31, 2023** **January 31, 2024** and **2022**, **2023**, respectively. Income tax expense of **\$2,912,000**, **\$3,894,000** and **\$949,000**, **\$1,911,000** was recorded for the **six nine** months ended **October 31, 2023** **January 31, 2024** and **2022**, **2023**, respectively. The

effective tax rate for the three and **six nine** months ended **October 31, 2023** **January 31, 2024** reflects the impact of foreign operations which are taxed at different rates than the U.S. tax rate of 21%, combined with expected current year tax expense for the Company's domestic operations and estimated increases in the domestic valuation allowance required for

the fiscal year. In addition, the income tax expense recorded for the three and six nine months ended **October 31, 2023** **January 31, 2024** was unfavorably impacted by additional foreign tax expense of **\$534,000** **\$387,000** related to India tax matters. This one-time expense is related to management's decision to discontinue management fees, citing challenges associated with the Indian tax authority and cost benefit analysis. The effective rate for the three and six nine months ended **October 31, 2022** **January 31, 2023** was influenced by foreign operations taxed at varying rates, as well as the inclusion of a valuation allowance against deferred tax assets, which led to the nullification of any U.S. income tax benefit for pre-tax losses incurred in the corresponding periods. See [Note L](#), Income Taxes, of the Notes to Condensed Consolidated Financial Statements for additional information.

Non-controlling interests related to the Company's subsidiaries not 100% owned by the Company decreased net earnings by **\$98,000** **\$12,000** and **\$139,000** **\$151,000** for the three and six nine months ended **October 31, 2023** **January 31, 2024**, respectively, as compared to **\$129,000** **\$375,000** and **\$157,000**, **\$532,000**, respectively, for the comparable periods of the prior year. The change in the net earnings attributable to the non-controlling interest in the current period was due to changes in earnings (losses) of the subsidiaries in the related period.

Net earnings was **\$2,732,000**, **\$2,521,000**, or **\$0.93** **\$0.85** per diluted share, for the three months ended **October 31, 2023** **January 31, 2024**, compared to a net loss earnings of **\$243,000**, **\$723,000**, or **(\$0.09)** **\$0.25** per diluted share, in the prior year period. Net earnings was **\$5,206,000**, **\$7,727,000**, or **\$1.79** **\$2.64** per diluted share, for the six nine months ended **October 31, 2023** **January 31, 2024**, as compared to a net loss of **\$990,000**, **\$267,000**, or **(\$0.35)** **(\$0.09)** per diluted share, in the prior year period.

Liquidity and Capital Resources

Our principal sources of liquidity have historically been funds generated from operating activities, supplemented as needed by borrowings under our Revolving Credit Facility. Additionally, certain machinery and equipment are financed by non-cancellable operating and financing leases. The Company believes that these sources will be sufficient to support ongoing business requirements in the current fiscal year, including capital expenditures.

The Company had working capital of **\$52,144,000** **\$54,014,000** at **October 31, 2023** **January 31, 2024**, compared to **\$47,867,000** at April 30, 2023. The ratio of current assets to current liabilities was 2.3-to-1.0 at **October 31, 2023** **January 31, 2024**, compared to 2.2-to-1.0 at April 30, 2023.

The Company provided cash of **\$8,919,000** **\$18,419,000** during the six nine months ended **October 31, 2023** **January 31, 2024**, primarily from operations, and decreases in accounts receivable of **\$3.3 million** **\$4.7 million** and increases in deferred revenue of **\$822,000**, **\$6.2 million**, partially offset by increases decreases in accounts payable and other accrued expenses of **\$4.7 million** **\$3.8 million**. During the six nine months ended **October 31, 2023** **January 31, 2024**, the Company used net cash of **\$2,919,000** **\$3,394,000** in investing activities, all of which was used for capital expenditures. The Company's financing activities provided used cash of **\$2,088,000** **\$1,545,000** during the six nine months ended **October 31, 2023** **January 31, 2024**, primarily from a net increase decrease in borrowings under the Revolving Credit Facility and the purchase of treasury stock during the quarter. See [Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds](#) for more details.

The Company expects to contribute approximately **\$750,000** in the aggregate to its non-contributory defined benefit pension plans in 2024. See [Note M](#), Defined Benefit Pension Plans, of the Notes to Condensed Consolidated Financial Statements for additional information on the non-contributory defined benefit pension plans.

Outlook

The Company's ability to predict future demand for its products continues to be limited given its role as subcontractor or supplier to dealers for subcontractors. Demand for the Company's products is also dependent upon the number of laboratory construction projects planned and/or current progress in projects already under construction. The Company's earnings are also impacted by fluctuations in prevailing pricing for projects in the laboratory construction marketplace and costs of raw materials, including steel, wood, and epoxy resin.

The Company is operating more efficiently than in the past due to its ability to focus solely on supporting its dealers and distribution channel partners domestically while continuing to provide turnkey solutions in the international markets it serves. The improved focus of the organization, combined with a strong global management team, a healthy backlog, improved manufacturing capabilities, and end-use markets that continue to prioritize investment in projects that require the products Keweenaw designs and manufactures, positions the Company well.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Certain statements in this document constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). All statements other than statements of historical fact included in this Annual Report, including statements regarding the Company's future financial condition, results of operations, business operations and business prospects, are forward-looking statements. Words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "predict," "believe" and similar words, expressions and variations of these words and expressions are intended to identify forward-looking statements. Such forward-looking statements are subject to known and unknown risks, uncertainties, assumptions, and other important factors that could significantly impact results or achievements expressed or implied by such forward-looking statements. Such factors, risks, uncertainties and assumptions include, but are not limited to: competitive and general economic conditions, including disruptions from government mandates, both domestically and internationally, as well as supplier constraints and other supply disruptions; changes in customer demands; technological changes in our operations or in our industry; dependence on customers' required delivery schedules; risks related to fluctuations in the Company's operating results from quarter to quarter; risks related to international operations, including foreign currency fluctuations; changes in the legal and regulatory environment; changes in raw materials and commodity costs; acts of terrorism, war, governmental action, natural disasters and other Force Majeure events. The cautionary statements made pursuant to the Reform Act herein and elsewhere by us should not be construed as exhaustive. We cannot always predict what factors would cause actual results to differ materially from those indicated by the forward-looking statements. Over time, our actual results, performance, or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by our forward-looking statements, and such difference might be significant and harmful to our stockholders' interest. Many important factors that could cause such differences are described under the caption "Risk Factors" in [Item 1A](#) in the Company's 2023 Annual Report on Form 10-K and in [Item 1A](#) of Part II in this Quarterly Report on Form 10-Q, which you should review carefully. These forward-looking statements speak only as of the date of this document. The Company assumes no obligation, and expressly disclaims any obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There are no material changes to the disclosures made on this matter in the Company's Annual Report on [Form 10-K](#) for the fiscal year ended April 30, 2023.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of **October 31, 2023** **January 31, 2024**. Based on that evaluation, the Company's management, including the CEO and CFO, concluded that, as of **October 31, 2023** **January 31, 2024**, the Company's disclosure controls and procedures were adequate and effective and designed to ensure that all material information required to be filed in this quarterly report is made known to them by others within the Company and its subsidiaries.

(b) Changes in internal controls

There was no significant change in the Company's internal control over financial reporting that occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described in [Part I, Item 1A](#) of the Company's 2023 Annual Report on Form 10-K under the heading "Risk Factors," any one or more of which could, directly or indirectly, cause the Company's actual financial condition and operating results to vary materially from its past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company's business, financial condition, operating results and stock price. There have been no material changes to the Company's risk factors from those set forth in the Company's Annual Report on [Form 10-K](#) for the year ended April 30, 2023 as filed with the SEC on June 30, 2023 beyond those set forth below.

We cannot guarantee that our share repurchase program will enhance long-term stockholder value, or that it will successfully mitigate the dilutive effect of employee equity awards.

While our Board of Directors authorized a share repurchase program that does not have an expiration date, the program does not obligate us to acquire any particular amount of Common Stock and it may be terminated at any time. We cannot guarantee that the program will be fully consummated, that it will enhance long-term stockholder value, or that it will successfully mitigate the dilutive effect of employee equity awards. Any repurchases will reduce the amount of cash we have available to fund working capital, capital expenditures, strategic acquisitions or business opportunities, and other general corporate requirements. In addition, the program could affect the trading price of our Common Stock and increase volatility, and any announcement of a termination of this program may result in a decrease in the trading price of our Common Stock.

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

Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

The Company's share repurchase program was adopted on August 31, 2023. The following table summarizes share repurchase activity for the three months ended **October 31, 2023** **January 31, 2024**:

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Programs ⁽¹⁾	Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
August 1 - 31	N/A	N/A	N/A	N/A
September 1 - 30	—	\$ —	—	— 100,000
October 1 - 31	2,423	\$ 18.00	2,423	97,577
	2,423		2,423	

	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid Per Share ⁽²⁾	Total Number of Shares Purchased as Part of Publicly Announced Programs ⁽¹⁾	Number of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾
November 1 - 30	101	\$ 18.35	101	97,476
December 1 - 31	13,779	\$ 25.98	13,779	83,697
January 1 - 31	13,153	\$ 29.25	13,153	70,544
	27,033		27,033	

(1) On August 31, 2023, the Board of Directors of Kewaunee Scientific Corporation (the "Company") adopted a share repurchase program with authorization to repurchase up to 100,000 shares of our Company's common stock, which commenced on September 1, 2023 and has no expiration date. The share repurchase program is designed to help offset the impact of future share dilution from employee stock issuances. The timing and amount of any repurchases under this program will be determined by the Company's management at its discretion based upon its ongoing assessments of the capital needs of the business, the market price of the Company's common stock and general market conditions. Share repurchases under this program may be made through a variety of methods including open-market purchases, block trades, exchange transactions or any combination thereof. The program does not obligate the Company to acquire any particular amount of its common stock, and the share repurchase program may be suspended or discontinued at any time at the Company's discretion.

(2) Excludes other costs such as broker commissions and fees.

Item 5. Other Information

Securities Trading Plans of Directors and Executive Officers

Transactions in the Company's securities by its directors or executive officers are required to be made in accordance with its Insider Trading Policy, which, among other things, requires that the transaction be in accordance with applicable U.S. federal securities laws that prohibit trading while in the possession of material nonpublic information. Rule 10b5-1 under the Securities Exchange Act of 1934 provides an affirmative defense that enables prearranged transactions in securities in a manner that avoids concerns about initiating transactions at a future date while possibly in possession of material nonpublic information.

During the three months ended January 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) informed the Company of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as defined in Item 408 of Regulation S-K).

Item 6. Exhibits

10.1	Kewaunee Scientific Corporation 2023 Omnibus Incentive Plan, as amended	(1)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
101.INS	XBRL Instance Document	
101.SCH	XBRL Taxonomy Extension Schema Document	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	
10.1	Re-Established Retirement Plan for Salaried and Hourly Employees of Kewaunee Scientific Corporation (as amended and restated effective January 1, 2024)	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	
101.INS	Inline XBRL Instance Document	
101.SCH	Inline XBRL Taxonomy Extension Schema Document	
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	

(1) Filed as an exhibit to the Kewaunee Scientific Corporation Current Report on Form 8-K (Commission File No. 0-5286) filed with the Securities and Exchange Commission on August 25, 2023, and incorporated herein by reference.

SIGNATURE

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.

KEWAUNEE SCIENTIFIC CORPORATION
(Registrant)

Date: December 8, 2023 March 8, 2024

By /s/ Donald T. Gardner III

Donald T. Gardner III

(As duly authorized officer and Vice President, Finance and Chief Financial Officer)

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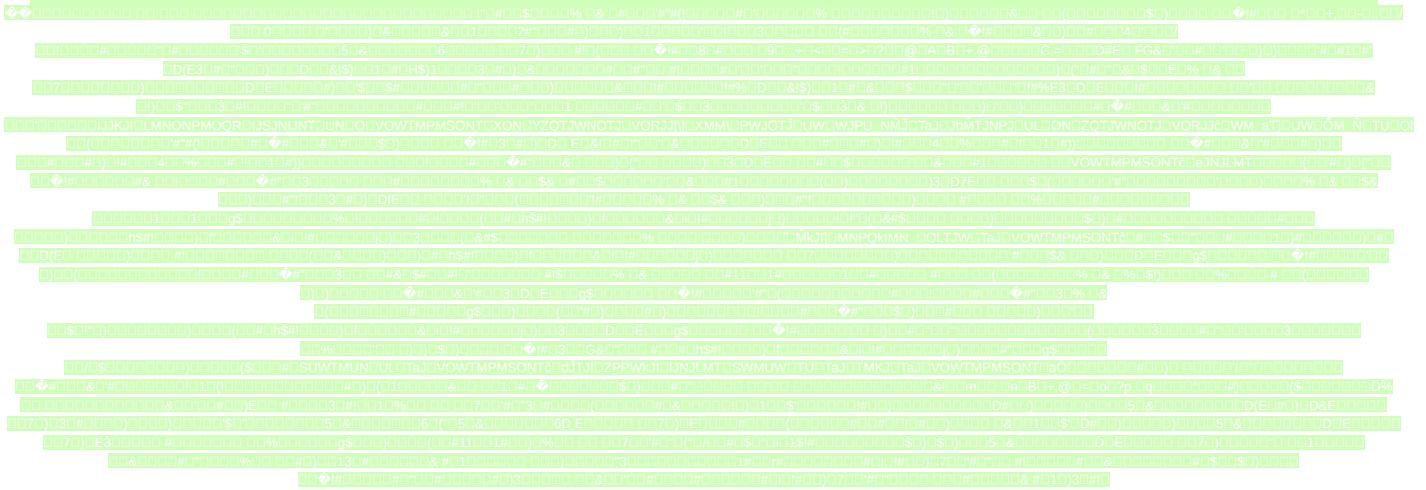
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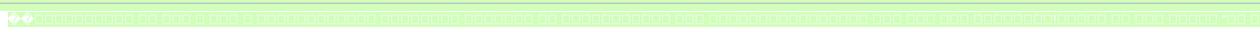
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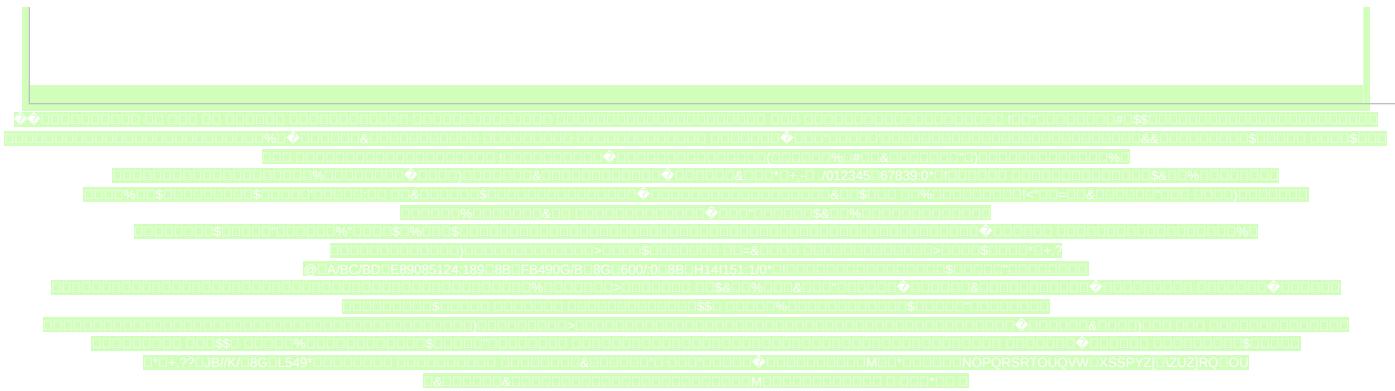
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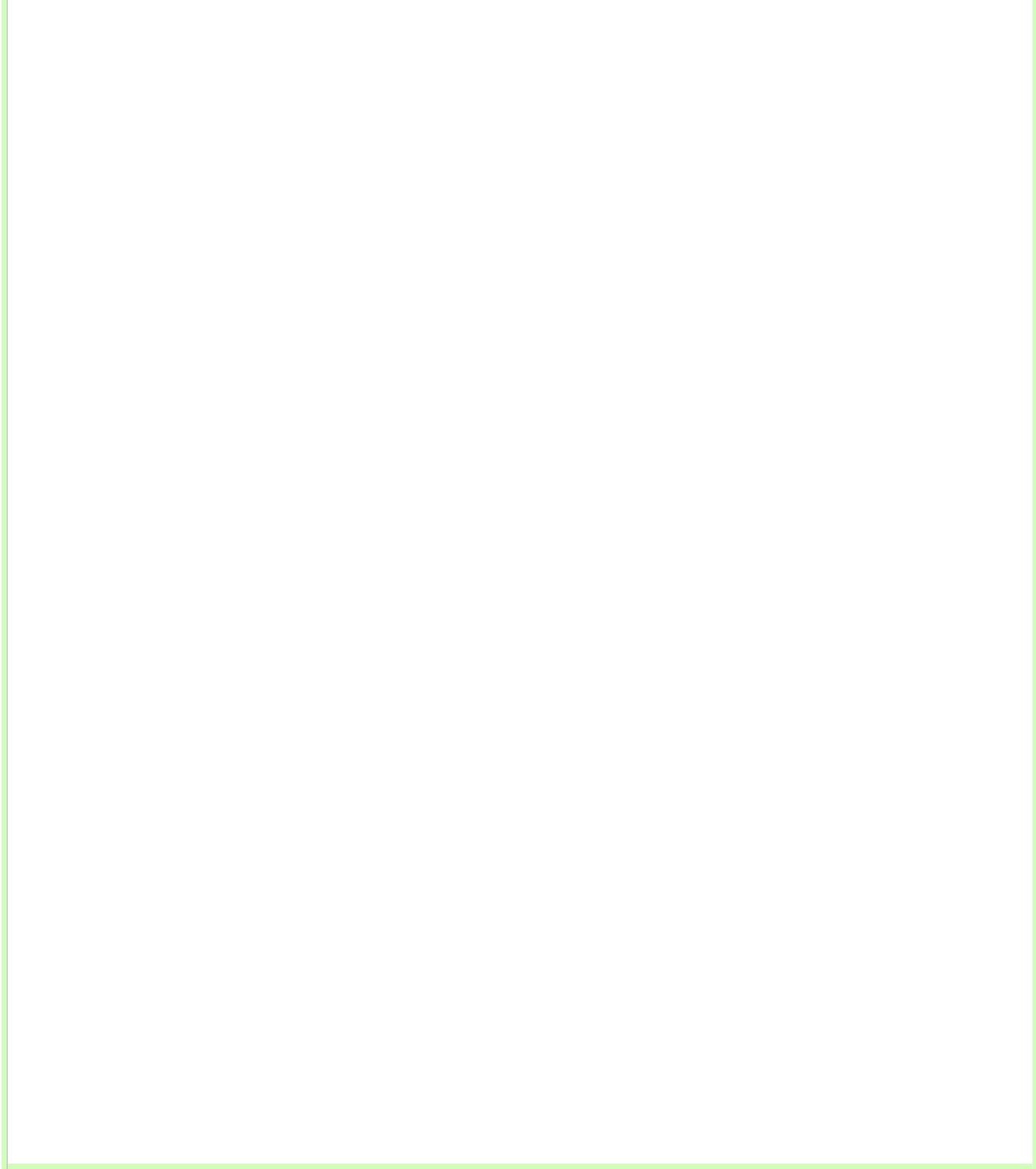
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December 8, 2023 March 8, 2024



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October 31, 2023 January 31, 2024

October 31, 2023 January 31, 2024

October 31, 2023 January 31, 2024

December 8, 2023 March 8, 2024



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