

REFINITIV

DELTA REPORT

10-Q

ESCA - ESCALADE INC

10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS 166

■ CHANGES 56

■ DELETIONS 46

■ ADDITIONS 64

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 **March 31, 2024** **June 30, 2024** or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____

Commission File Number 0-6966

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

Indiana
(State of incorporation)

13-2739290
(I.R.S. EIN)

817 Maxwell Ave, Evansville, Indiana
(Address of principal executive office)

47711
(Zip Code)

812-467-1358
(Registrant's Telephone Number)

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

| <u>Title of each class</u> | <u>Trading Symbol</u> | <u>Name of Exchange on which registered</u> |
|----------------------------|-----------------------|---|
| Common Stock, No Par Value | ESCA | The NASDAQ Stock Market LLC |

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and

“emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

| <u>Class</u> | <u>Outstanding at</u> <u>April 19, 2024</u> <u>July 22, 2024</u> |
|----------------------|--|
| Common, no par value | <u>13,861,552</u> <u>13,877,302</u> |

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PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

ESCALADE, INCORPORATED AND SUBSIDIARIES CONSOLIDATED CONDENSED BALANCE SHEETS

| All Amounts in Thousands Except Share Information | March 31, | December 31, | March 31, | June 30, | December | June 30, |
|--|-------------|--------------|-------------|-------------|-------------|-------------|
| | 2024 | 2023 | 2023 | 2024 | 31, 2023 | 2023 |
| | (Unaudited) | (Audited) | (Unaudited) | (Unaudited) | (Audited) | (Unaudited) |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and cash equivalents | \$ 283 | \$ 16 | \$ 6,064 | \$ 362 | \$ 16 | \$ 577 |
| Receivables, less allowance of \$882; \$652; and \$490; respectively | 52,274 | 49,985 | 50,468 | | | |

| | | | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Receivables, less allowance of \$489; \$652; and \$355; respectively | | | | 47,829 | 49,985 | 54,975 |
| Inventories | 95,991 | 92,462 | 122,453 | 86,571 | 92,462 | 111,676 |
| Prepaid expenses | 2,949 | 4,280 | 4,879 | 2,461 | 4,280 | 3,925 |
| Prepaid income tax | - | 88 | 175 | 1,829 | 88 | 1,518 |
| TOTAL CURRENT ASSETS | 151,497 | 146,831 | 184,039 | 139,052 | 146,831 | 172,671 |
| Property, plant and equipment, net | 23,420 | 23,786 | 24,679 | 23,441 | 23,786 | 24,261 |
| Assets held for sale | 2,480 | 2,653 | 2,823 | 2,459 | 2,653 | 2,823 |
| Operating lease right-of-use assets | 8,118 | 8,378 | 8,844 | 7,905 | 8,378 | 8,669 |
| Intangible assets, net | 28,047 | 28,640 | 30,500 | 27,456 | 28,640 | 29,880 |
| Goodwill | 42,326 | 42,326 | 42,326 | 42,326 | 42,326 | 42,326 |
| Other assets | 459 | 391 | 376 | 427 | 391 | 455 |
| TOTAL ASSETS | \$ 256,347 | \$ 253,005 | \$ 293,587 | \$ 243,066 | \$ 253,005 | \$ 281,085 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | |
| Current Liabilities: | | | | | | |
| Current portion of long-term debt | \$ 7,143 | \$ 7,143 | \$ 7,143 | \$ 7,143 | \$ 7,143 | \$ 7,143 |
| Trade accounts payable | 15,981 | 9,797 | 17,232 | 12,798 | 9,797 | 14,680 |
| Accrued liabilities | 9,484 | 15,283 | 10,500 | 9,222 | 15,283 | 9,897 |
| Income tax payable | 441 | - | - | | | |
| Current operating lease liabilities | 1,055 | 1,041 | 991 | 1,077 | 1,041 | 1,002 |
| TOTAL CURRENT LIABILITIES | 34,104 | 33,264 | 35,866 | 30,240 | 33,264 | 32,722 |
| Other Liabilities: | | | | | | |
| Long-term debt | 46,383 | 43,753 | 88,082 | 36,024 | 43,753 | 76,809 |
| Deferred income tax liability | 3,125 | 3,125 | 4,516 | 3,125 | 3,125 | 4,516 |
| Operating lease liabilities | 7,628 | 7,897 | 8,398 | 7,398 | 7,897 | 8,222 |
| Other liabilities | 387 | 387 | 407 | 297 | 387 | 407 |
| TOTAL LIABILITIES | 91,627 | 88,426 | 137,269 | 77,084 | 88,426 | 122,676 |
| Stockholders' Equity: | | | | | | |
| Preferred stock: | | | | | | |
| Authorized 1,000,000 shares; no par value, none issued | | | | | | |
| Common stock: | | | | | | |
| Authorized 30,000,000 shares; no par value, issued and outstanding – 13,861,552; 13,736,800; and 13,729,859; shares respectively | 4,909 | 4,480 | 2,879 | | | |

| | | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| Authorized 30,000,000 shares; no par value, issued and outstanding – 13,877,302; 13,736,800; and 13,736,800; shares respectively | | | | 5,406 | 4,480 | 3,389 |
| Retained earnings | 159,811 | 160,099 | 153,439 | 160,576 | 160,099 | 155,020 |
| TOTAL STOCKHOLDERS' EQUITY | 164,720 | 164,579 | 156,318 | 165,982 | 164,579 | 158,409 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 256,347 | \$ 253,005 | \$ 293,587 | \$ 243,066 | \$ 253,005 | \$ 281,085 |

See notes to Consolidated Condensed Financial Statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

| All Amounts in Thousands Except Per Share Data | Three Months Ended | | Three Months Ended | | Six Months Ended | |
|--|--------------------|----------------|--------------------|---------------|------------------|---------------|
| | March 31, 2024 | March 31, 2023 | June 30, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| Net sales | \$ 57,304 | \$ 56,931 | \$ 62,526 | \$ 67,771 | \$ 119,830 | \$ 124,702 |
| Costs and Expenses | | | | | | |
| Cost of products sold | 42,950 | 45,879 | 47,415 | 51,124 | 90,365 | 97,003 |
| Selling, administrative and general expenses | 10,701 | 10,283 | 10,063 | 9,769 | 20,764 | 20,052 |
| Amortization | 593 | 620 | 591 | 620 | 1,184 | 1,240 |
| Operating Income | 3,060 | 149 | 4,457 | 6,258 | 7,517 | 6,407 |
| Other Income (Expense) | | | | | | |
| Interest expense | (735) | (1,375) | (730) | (1,580) | (1,465) | (2,955) |
| Other income | 3 | 18 | 3 | 7 | 6 | 25 |
| Income (Loss) Before Income Taxes | 2,328 | (1,208) | 3,730 | 4,685 | 6,058 | 3,477 |
| Income Before Income Taxes | | | | | | |
| Provision (Benefit) for Income Taxes | 553 | (256) | 886 | 1,043 | 1,439 | 787 |
| Provision for Income Taxes | | | | | | |
| Net Income (Loss) | \$ 1,775 | \$ (952) | | | | |

| | | | | | | | |
|-----------------------------------|----|------|----|-----------------|-----------------|-----------------|-----------------|
| Net Income | | | | <u>\$ 2,844</u> | <u>\$ 3,642</u> | <u>\$ 4,619</u> | <u>\$ 2,690</u> |
| Earnings (Loss) Per Share Data: | | | | | | | |
| Basic earnings (loss) per share | \$ | 0.13 | \$ | (0.07) | | | |
| Diluted earnings (loss) per share | \$ | 0.13 | \$ | (0.07) | | | |
| Earnings Per Share Data: | | | | | | | |
| Basic earnings per share | \$ | 0.21 | \$ | 0.27 | \$ | 0.33 | \$ 0.20 |
| Diluted earnings per share | \$ | 0.20 | \$ | 0.26 | \$ | 0.33 | \$ 0.20 |
| Dividends declared | \$ | 0.15 | \$ | 0.15 | \$ | 0.30 | \$ 0.30 |

See notes to Consolidated Condensed Financial Statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENT STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

| All Amounts in Thousands | Common Stock | | Retained | | Common Stock | | Retained | |
|--------------------------------------|---------------|-----------------|-------------------|-------------------|---------------|-----------------|-------------------|-------------------|
| | Shares | Amount | Earnings | Total | Shares | Amount | Earnings | Total |
| Balances at December 31, 2022 | 13,594 | \$ 2,025 | \$ 156,450 | \$ 158,475 | | | | |
| Balances at March 31, 2023 | | | | | 13,730 | \$ 2,879 | \$ 153,439 | \$ 156,318 |
| Net loss | | | (952) | (952) | | | | |
| Net income | | | | | | | 3,642 | 3,642 |
| Expense of restricted stock units | | 459 | - | 459 | | 458 | - | 458 |
| Settlement of restricted stock units | 105 | - | - | - | 3 | - | - | - |
| Dividends declared | | | (2,059) | (2,059) | | | (2,061) | (2,061) |
| Issuance of common stock for service | 31 | 395 | - | 395 | 4 | 52 | - | 52 |
| Balances at March 31, 2023 | <u>13,730</u> | <u>\$ 2,879</u> | <u>\$ 153,439</u> | <u>\$ 156,318</u> | | | | |
| Balances at June 30, 2023 | | | | | <u>13,737</u> | <u>\$ 3,389</u> | <u>\$ 155,020</u> | <u>\$ 158,409</u> |
| Balances at December 31, 2023 | 13,737 | \$ 4,480 | \$ 160,099 | \$ 164,579 | | | | |
| Balances at December 31, 2022 | | | | | 13,594 | \$ 2,025 | \$ 156,450 | \$ 158,475 |
| Net income | | | 1,775 | 1,775 | | | 2,690 | 2,690 |
| Expense of restricted stock units | | 429 | - | 429 | | 917 | - | 917 |
| Settlement of restricted stock units | 125 | - | - | - | 108 | - | - | - |

| | | | | | | | |
|--------------------------------------|--------|----------|--------------|------------|------------|------------|-----------------------|
| Dividends declared | | | (2,063) | (2,063) | | (4,120) | (4,120) |
| Issuance of common stock for service | | | | | 35 | 447 | - 447 |
| Balances at March 31, 2024 | 13,862 | \$ 4,909 | \$ 159,811 | \$ 164,720 | | | |
| Balances at June 30, 2023 | | | | | 13,737 | \$ 3,389 | \$ 155,020 \$ 158,409 |
| | | | Common Stock | | Retained | | |
| All Amounts in Thousands | | | Shares | Amount | Earnings | Total | |
| Balances at March 31, 2024 | | | 13,862 | \$ 4,909 | \$ 159,811 | \$ 164,720 | |
| Net income | | | | | 2,844 | 2,844 | |
| Expense of restricted stock units | | | | 497 | - | 497 | |
| Settlement of restricted stock units | | | 15 | - | - | - | |
| Dividends declared | | | | | (2,079) | (2,079) | |
| Balances at June 30, 2024 | | | 13,877 | \$ 5,406 | \$ 160,576 | \$ 165,982 | |
| Balances at December 31, 2023 | | | 13,737 | \$ 4,480 | \$ 160,099 | \$ 164,579 | |
| Net income | | | | | 4,619 | 4,619 | |
| Expense of restricted stock units | | | | 926 | | 926 | |
| Settlement of restricted stock units | | | 140 | - | | - | |
| Dividends declared | | | | | (4,142) | (4,142) | |
| Balances at June 30, 2024 | | | 13,877 | \$ 5,406 | \$ 160,576 | \$ 165,982 | |

See notes to Consolidated Condensed Financial Statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

| All Amounts in Thousands | Three Months Ended | | Six Months Ended | |
|--------------------------|--------------------|----------------|------------------|---------------|
| | March 31, 2024 | March 31, 2023 | June 30, 2024 | June 30, 2023 |
| | | | | |

| | | | | |
|--|----------|----------|----------|----------|
| Operating Activities: | | | | |
| Net income (loss) | 1,775 | \$ (952) | | |
| Net income | | | \$ 4,619 | \$ 2,690 |
| Depreciation and amortization | 1,373 | 1,396 | 2,751 | 2,798 |
| Allowance for credit losses | 222 | - | 325 | 35 |
| Stock-based compensation | 429 | 459 | 926 | 917 |
| Loss on disposal of assets | 67 | - | 54 | - |
| Common stock issued in lieu of bonus to officers | - | 395 | - | 395 |
| Adjustments necessary to reconcile net income to net cash provided by operating activities | (3,859) | 3,218 | | |
| Director stock compensation | | | - | 52 |
| Changes in assets and liabilities | | | 4,624 | 6,009 |
| Net cash provided by operating activities | 7 | 4,516 | 13,299 | 12,896 |
| Investing Activities: | | | | |
| Purchase of property and equipment | (357) | (704) | (1,174) | (1,068) |
| Proceeds from sale of property and equipment | 50 | - | 92 | - |
| Net cash used by investing activities | (307) | (704) | (1,082) | (1,068) |
| Financing Activities: | | | | |
| Proceeds from issuance of long-term debt | 36,798 | 35,231 | 67,161 | 62,196 |
| Payments on long-term debt | (34,168) | (34,887) | (74,890) | (73,125) |
| Deferred financing fees | | | - | (169) |
| Cash dividends paid | (2,063) | (2,059) | (4,142) | (4,120) |
| Net cash provided (used) by financing activities | 567 | (1,715) | | |
| Net increase in cash and cash equivalents | 267 | 2,097 | | |
| Net cash used by financing activities | | | (11,871) | (15,218) |
| Net increase (decrease) in cash and cash equivalents | | | 346 | (3,390) |
| Cash and cash equivalents, beginning of period | 16 | 3,967 | 16 | 3,967 |
| Cash and cash equivalents, end of period | \$ 283 | \$ 6,064 | \$ 362 | \$ 577 |

See notes to Consolidated Condensed Financial Statements.

ESCALADE, INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

Note A – Summary of Significant Accounting Policies

Presentation of Consolidated Condensed Financial Statements – The significant accounting policies followed by the Company and its wholly owned subsidiaries for interim financial reporting are consistent with the accounting policies followed for its annual financial reporting. All adjustments that are of a normal recurring nature and are in the opinion of management necessary for a fair statement of the results for the periods reported have been included in the accompanying consolidated condensed financial statements. The consolidated condensed balance sheet of the Company as of December 31, 2023 has been derived from the audited consolidated balance sheet of the Company as of that date. Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K annual report for 2023 filed with the Securities and Exchange Commission.

Correction of Immaterial Errors

During the year ended December 31, 2023, management became aware of an error in reporting of common stock value within the consolidated balance sheet and statement of stockholders' equity. Common stock previously was reported with a \$1.00 stated value even though, per the Company's Articles of Incorporation, the common stock has no par value. Additionally, components of equity that should have been reflected within common stock were improperly reported within retained earnings. We have reviewed historical activity reflected in common stock and retained earnings and have identified adjustments to be made to correct the immaterial reporting error. The consolidated balance sheet and consolidated statement of stockholders' equity have been corrected and have been updated for prior years within this Form 10-Q.

We assessed the materiality of this error on prior periods' financial statements in accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 99, *Materiality*, codified in Accounting Standards Codification (ASC) 250, *Presentation of Financial Statements*. We concluded that the error was not material to any prior annual or interim period and therefore, amendments of previously filed reports are not required. In accordance with ASC 250, we have corrected the reporting for all prior periods presented by revising the consolidated financial statements appearing herein. Periods not presented herein will be revised, as applicable, in future filings. The revisions had no impact on total assets, total liabilities, total shareholders' equity, net income or the cash flow statement.

The impact of this revision on our consolidated balance sheet and consolidated statement of stockholders' equity as of **March 31, 2023** **June 30, 2023** was as follows:

| | As Previously Reported | Correction | As Corrected |
|----------------------------|---------------------------|--------------|-------------------|
| In Thousands | | | |
| Common Stock | \$ 13,730 | \$ (10,851) | \$ 2,879 |
| Retained Earnings | 142,588 | 10,851 | 153,439 |
| Total Stockholders' Equity | <u>\$ 156,318</u> | <u>-</u> | <u>\$ 156,318</u> |
| | As Previously Reported | Correction | As Corrected |
| In Thousands | | | |
| Common Stock | \$ 13,737 | \$ (10,348) | \$ 3,389 |
| Retained Earnings | 144,672 | 10,348 | 155,020 |
| Total Stockholders' Equity | <u>\$ 158,409</u> | <u>-</u> | <u>\$ 158,409</u> |

Note B - Seasonal Aspects

The results of operations for the three and six months ended **March 31, 2024** **June 30, 2024** and **March 31, 2023** **June 30, 2023** are not necessarily indicative of the results to be expected for the full year.

Note C - Inventories

| In thousands | March 31, 2024 | December 31, 2023 | March 31, 2023 | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|------------------|-------------------|----------------------|-------------------|---------------------|-------------------------|-------------------|
| Raw materials | \$ 3,665 | \$ 4,050 | \$ 7,311 | \$ 3,629 | \$ 4,050 | \$ 6,537 |
| Work in progress | 2,595 | 2,308 | 3,386 | 2,576 | 2,308 | 2,910 |
| Finished goods | 89,731 | 86,104 | 111,756 | 80,366 | 86,104 | 102,229 |
| | <u>\$ 95,991</u> | <u>\$ 92,462</u> | <u>\$ 122,453</u> | <u>\$ 86,571</u> | <u>\$ 92,462</u> | <u>\$ 111,676</u> |

Note D – Fair Values of Financial Instruments

Accounting Standard Codification (“ASC”) 820, “*Fair Value Measurement and Disclosures*,” outlines a valuation framework and creates a fair value hierarchy for assets and liabilities as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3: Unobservable inputs for which little or no market data exists, therefore requiring the Company to develop its own assumptions.

Due to their short-term nature, the fair value of cash and cash equivalents, accounts receivable, accounts payable and certain other liabilities approximated their carrying values at **March 31, 2024** **June 30, 2024**, December 31, 2023 and **March 31, 2023** **June 30, 2023**. The Company believes the carrying value of borrowings under our senior secured revolving credit facility, due to variable rate interest, adequately reflects the fair value of these instruments.

The Company discloses the fair value of its term loan using Level 2 inputs, which are estimated using treasury rates for a similar instrument, as follows:

| March 31, 2024 | December 31, 2023 | March 31, 2023 | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|----------------|----------------------|----------------|---------------|----------------------|---------------|
|----------------|----------------------|----------------|---------------|----------------------|---------------|

| In thousands | Carrying Value | Fair Value |
|--------------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|----------------|------------|
| Term Loan Facility | \$ 30,952 | \$ 27,844 | \$ 32,738 | \$ 29,439 | \$ 38,095 | \$ 33,734 | \$ 29,167 | \$ 26,390 | \$ 32,738 | \$ 29,439 | \$ 36,310 | \$ 31,984 |

Note E – Stock Compensation

The fair value of stock-based compensation is recognized in accordance with the provisions of FASB ASC 718, *Stock Compensation*.

For During the three six months ended March 31, 2024 and March 31, 2023, the Company recognized stock based compensation expense of \$429 thousand and \$459 thousand, respectively. At March 31, 2024 and March 31, 2023, respectively, there was \$991 thousand and \$2,816 thousand in unrecognized stock-based compensation expense related to non-vested stock awards. The unrecognized compensation expense of unvested restricted stock awards net yet recognized as of March 31, 2024 are expected to be recognized over the weighted average period of 1.3 years.

On April 3, 2024 June 30, 2024, the Company awarded 12,900 restricted stock units to directors and 130,800 restricted stock units to employees. The restricted stock units awarded to directors time vest over two years (one-half one year from grant date and one-half two years from grant date) provided that the director is still a director of the Company at the vest date. Director restricted stock units are subject to forfeiture, except for termination of services as a result of retirement, death or disability, if on the vesting date the director no longer holds a position with the Company. The 2024 restricted stock units awarded to employees time vest over three years (one-third one year from grant, one-third two years from grant and one-third three years from grant) provided that the employee continues to serve as an employee, director or consultant of the Company on the vesting date.

For the three and six months ended June 30, 2024, the Company recognized stock based compensation expense of \$497 thousand and \$926 thousand, respectively compared to stock based compensation expense of \$458 thousand and \$917 thousand for the same periods in the prior year. At June 30, 2024 and June 30, 2023, respectively, there was \$2,341 thousand and \$2,525 thousand in unrecognized stock-based compensation expense related to non-vested stock awards. The unrecognized compensation expense of unvested restricted stock awards net yet recognized as of June 30, 2024 are expected to be recognized over the weighted average period of 1.6 years.

Note F - Segment Information

| In thousands | As of and for the Three Months Ended March 31, 2024 | | | For the Three Months Ended June 30, 2024 | | |
|----------------------------------|---|---------|-----------|--|-------|-----------|
| | Sporting Goods | Corp. | Total | Sporting Goods | Corp. | Total |
| Revenues from external customers | \$ 57,304 | \$ - | \$ 57,304 | \$ 62,526 | \$ - | \$ 62,526 |
| Operating income (loss) | 4,100 | (1,040) | 3,060 | 5,106 | (649) | 4,457 |

| | | | | | | | |
|-------------------|----|---------|-------|-------|-------|---------|-------|
| Net income (loss) | | 2,442 | (667) | 1,775 | 3,176 | (332) | 2,844 |
| Total assets | \$ | 254,816 | \$ | 1,531 | \$ | 256,347 | |

| In thousands | As of and for the Three Months Ended March 31, 2023 | | | As of and for the Six Months Ended June 30, 2024 | | |
|----------------------------------|--|----------|------------|---|----------|------------|
| | Sporting Goods | Corp. | Total | Sporting Goods | Corp. | Total |
| Revenues from external customers | \$ 56,931 | \$ - | \$ 56,931 | \$ 119,830 | \$ - | \$ 119,830 |
| Operating income (loss) | 690 | (541) | 149 | 9,206 | (1,689) | 7,517 |
| Net loss | (484) | (468) | (952) | | | |
| Net income (loss) | | | | 5,618 | (999) | 4,619 |
| Total assets | \$ 284,252 | \$ 9,335 | \$ 293,587 | \$ 240,639 | \$ 2,427 | \$ 243,066 |

| In thousands | For the Three Months Ended June 30, 2023 | | |
|----------------------------------|---|-------|-----------|
| | Sporting Goods | Corp. | Total |
| Revenues from external customers | \$ 67,771 | \$ - | \$ 67,771 |
| Operating income (loss) | 6,837 | (579) | 6,258 |
| Net income (loss) | 3,817 | (175) | 3,642 |

| In thousands | As of and for the Six Months Ended June 30, 2023 | | |
|----------------------------------|---|----------|------------|
| | Sporting Goods | Corp. | Total |
| Revenues from external customers | \$ 124,702 | \$ - | \$ 124,702 |
| Operating income (loss) | 7,527 | (1,120) | 6,407 |
| Net income (loss) | 3,333 | (643) | 2,690 |
| Total assets | \$ 278,734 | \$ 2,351 | \$ 281,085 |

Note G – Dividend Payment

On January 12, 2024, the Company paid a quarterly dividend of \$0.15 per common share to all shareholders of record on January 5, 2024. The total amount of the dividend was approximately \$2.1 million and was charged against retained earnings.

On April 22, 2024, the Company paid a quarterly dividend of \$0.15 per common share to all shareholders of record on April 15, 2024. The total amount of the dividend was approximately \$2.1 million and was charged against retained earnings.

On July 15, 2024, the Company paid a quarterly dividend of \$0.15 per common share to all shareholders of record on July 8, 2024. The total amount of the dividend was approximately \$2.1 million and was charged against retained earnings.

Note H - Earnings Per Share

The shares used in computation of the Company's basic and diluted earnings per common share are as follows:

| In thousands | Three Months Ended | | Three Months Ended | | Six Months Ended | |
|---|--------------------|-----------|--------------------|--------|------------------|--------|
| | March 31, | March 31, | June | June | June | June |
| | 2024 | 2023 | 30, | 30, | 30, | 30, |
| | | | 2024 | 2023 | 2024 | 2023 |
| Weighted average common shares outstanding | 13,786 | 13,648 | 13,871 | 13,733 | 13,828 | 13,691 |
| Dilutive effect of stock options and restricted stock units | 104 | - | 183 | 109 | 195 | 102 |
| Weighted average common shares outstanding, assuming dilution | 13,890 | 13,648 | 14,054 | 13,842 | 14,023 | 13,793 |

Note I – New Accounting Standards and Changes in Accounting Principles

With the exception of that discussed below, there have been no recent accounting pronouncements or changes in accounting pronouncements during the three and six months ended March 31, 2024 and June 30, 2024, as compared to the recent accounting pronouncements described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, that are of significance, or potential significance to the Company.

In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which enhances reporting requirements under Topic 280. ASU 2023-07 requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within the segment measure of profit or loss, an amount and description of its composition for other segment items to reconcile to segment profit or loss, and the title and position of the entity's CODM. ASU 2023-07 will be applied retrospectively and is effective for annual reporting periods in fiscal years beginning after December 15, 2023, and interim reporting periods in fiscal years beginning after December 31, 2024.

Note J – Revenue from Contracts with Customers

Revenue Recognition – Revenue is recognized when a contract exists with a customer that specifies the goods to be provided at an agreed upon sales price and when the performance obligations under the terms of the contract are satisfied; generally this occurs with the transfer of control of our goods at a point in time based on shipping terms and transfer of title. Sales are made on normal and customary short-term credit terms or upon delivery of point-of-sale transactions. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods. Sales commissions are expensed as incurred. The Company expenses incremental costs of obtaining a contract due to the short-term nature of the contracts. These costs are recorded in selling, general and administrative expenses in the accompanying consolidated statements of operations. Sales, value add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. Shipping and handling fees charged to customers are reported within revenue.

The Company enters into contractual arrangements with customers in the form of customer orders that specify goods, quantity, pricing, and associated order terms. The Company does not have long-term contracts that are satisfied over time. Due to the nature of the contracts, no significant judgment exists in relation to the identification of the customer contract, satisfaction of the performance obligations, or transaction price. The Company expenses incremental costs of obtaining a contract due to the short-term nature of the contracts.

Gross-to-net sales adjustments – We recognize revenue net of various sales adjustments to arrive at net sales as reported on the statement of operations. These adjustments are referred to as gross-to-net sales adjustments and primarily fall into one of three categories: returns, warranties and customer allowances.

Returns – The Company records an accrued liability and reduction in sales for estimated product returns based upon historical experience. An accrued liability and reduction in sales is also recorded for approved return authorizations that have been communicated by the customer.

Warranties – Limited warranties are provided on certain products for varying periods. We record an accrued liability and reduction in sales for estimated future warranty claims based upon historical experience and management's estimate of the level of future claims. Changes in the estimated amounts recognized in prior years are recorded as an adjustment to the accrued liability and sales in the current year. The accrued liability amount attributable to warranties was \$610 thousand as of June 30, 2024. There were no changes to the accrual due to a change in estimate during the current period.

Customer Allowances – Customer allowances are common practice in the industries in which the Company operates. These agreements are typically in the form of advertising subsidies, volume rebates and catalog allowances and are accounted for as a reduction to gross sales. The Company reviews such allowances on an ongoing basis and accruals are adjusted, if necessary, as additional information becomes available.

Contract Balances – Amounts relating to returns and customer allowances create contract liabilities, which were \$4,662 thousand, \$5,325 thousand and \$5,866 thousand as of June 30, 2024, December 31, 2023, and December 31, 2022.

Disaggregation of Revenue – We generate revenue from the sale of widely recognized sporting goods brands in basketball goals, archery, indoor and outdoor game recreation and fitness products. These products are sold through multiple sales channels that include: mass merchants, specialty dealers, key on-line retailers (“E-commerce”) and international. The following table depicts the disaggregation of revenue according to sales channel:

| Three Months Ended | Three Months Ended | Six Months Ended |
|--------------------|--------------------|------------------|
|--------------------|--------------------|------------------|

| All Amounts in Thousands | March 31, 2024 | March 31, 2023 | June 30, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
|---|-------------------|-------------------|---------------------|---------------------|-------------------|-------------------|
| Gross Sales by Channel: | | | | | | |
| Mass Merchants | \$ 21,025 | \$ 16,690 | \$ 19,127 | \$ 19,480 | \$ 40,152 | \$ 36,170 |
| Specialty Dealers | 20,995 | 21,615 | 21,278 | 23,850 | 42,273 | 45,465 |
| E-commerce | 18,363 | 20,592 | 25,442 | 27,135 | 43,805 | 47,727 |
| International | 2,856 | 3,041 | 3,668 | 3,187 | 6,524 | 6,228 |
| Other | 808 | 1,035 | 994 | 1,279 | 1,802 | 2,314 |
| Total Gross Sales | 64,047 | 62,973 | 70,509 | 74,931 | 134,556 | 137,904 |
| Less: Gross-to-Net Sales Adjustments | | | | | | |
| Returns | 1,836 | 1,512 | 1,965 | 2,034 | 3,801 | 3,546 |
| Warranties | 445 | 440 | 410 | 190 | 855 | 630 |
| Customer Allowances | 4,462 | 4,090 | 5,608 | 4,936 | 10,070 | 9,026 |
| Total Gross-to-Net Sales Adjustments | 6,743 | 6,042 | 7,983 | 7,160 | 14,726 | 13,202 |
| Total Net Sales | \$ 57,304 | \$ 56,931 | \$ 62,526 | \$ 67,771 | \$ 119,830 | \$ 124,702 |

Note K – Leases

We have operating leases for office, manufacturing and distribution facilities as well as for certain equipment. Our leases have remaining lease terms of 1 year to 8 years. As of **March 31, 2024** **June 30, 2024**, the Company has not entered into any lease arrangements classified as a finance lease.

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, current operating lease liabilities and operating lease liabilities on our consolidated balance **sheet. sheets**. The Company has elected an accounting policy to not recognize short-term leases (one year or less) on the balance sheet. The Company also elected the package of practical expedients which applies to leases that commenced before the adoption date. By electing the package of practical expedients, the Company did not need to reassess the following; whether any existing contracts are or contain leases, the lease classification for any existing leases and initial direct costs for any existing leases.

ROU assets and operating lease liabilities are recognized based on the present value of future minimum lease payments over the lease term at commencement date. When the implicit rate of the lease is not provided or cannot be determined, we use our incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments. Lease terms may include options to extend or terminate the lease **and recognized in the presentation of the ROU assets and operating lease liabilities** when it is reasonably certain that we will exercise those options. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Components of lease expense and other information is as follows:

| All Amounts in Thousands | Three Months Ended | | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------|--------------------|----------|------------------|----------|
| | March 31, | March 31, | June 30, | June 30, | June 30, | June 30, |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Lease Expense | | | | | | |
| Operating Lease Cost | \$ 375 | \$ 374 | \$ 376 | \$ 375 | \$ 751 | \$ 749 |
| Short-term Lease Cost | 357 | 612 | 382 | 611 | 739 | 1,223 |
| Variable Lease Cost | 165 | 129 | 143 | 169 | 308 | 298 |
| Total Operating Lease Cost | \$ 897 | \$ 1,115 | \$ 901 | \$ 1,155 | \$ 1,798 | \$ 2,270 |
| Operating Lease – Operating Cash Flows | \$ 255 | \$ 245 | \$ 260 | \$ 248 | \$ 515 | \$ 493 |
| New ROU Assets – Operating Leases (non-cash) | \$ - | \$ - | | | | |
| Weighted Average Remaining Lease Term – Operating Leases (years) | 7.89 | 8.79 | | | | |
| Weighted Average Discount Rate – Operating Leases | 5.20% | 5.05% | | | | |
| New ROU Assets – Operating Leases | | | \$ 52 | \$ 83 | \$ 52 | \$ 83 |

Other information about lease amounts recognized in our consolidated financial statements is summarized as follows:

| All Amounts in Thousands | Six Months Ended | |
|---|------------------|---------------|
| | June 30, 2024 | June 30, 2023 |
| Weighted Average Remaining Lease Term – Operating Leases (in years) | 7.67 | 8.57 |
| Weighted Average Discount Rate – Operating Leases | 5.19% | 5.09% |

Future minimum lease payments under non-cancellable leases as of **March 31, 2024** **June 30, 2024** were as follows:

| All Amounts in Thousands | | |
|-------------------------------------|----------|----------|
| Year 1 | \$ 1,111 | |
| Remainder of Year 1 | | \$ 750 |
| Year 2 | 1,445 | 1,460 |
| Year 3 | 1,401 | 1,416 |
| Year 4 | 1,314 | 1,327 |
| Year 5 | 1,074 | 1,077 |
| Thereafter | 4,257 | 4,257 |
| Total future minimum lease payments | 10,602 | 10,287 |
| Less imputed interest | (1,919) | (1,812) |
| Total | \$ 8,683 | \$ 8,475 |

| Reported as of March 31, 2024 | | |
|---------------------------------------|-----------------|-----------------|
| Reported as of June 30, 2024 | | |
| Current operating lease liabilities | 1,055 | 1,077 |
| Long-term operating lease liabilities | 7,628 | 7,398 |
| Total | <u>\$ 8,683</u> | <u>\$ 8,475</u> |

Note L – Commitments and Contingencies

The Company is involved in litigation arising in the normal course of business. The Company does not believe that the disposition or ultimate resolution of existing claims or lawsuits will have a material adverse effect on the business or financial condition of the Company.

Note M – Debt

On January 21, 2022, the Company entered into an Amended and Restated Credit Agreement (“Restated Credit Agreement”) with its issuing bank, JP Morgan Chase Bank, N.A. (“Chase”), and the other lenders identified in the Restated Credit Agreement (collectively, the “Lender”). Under the terms of the Restated Credit Agreement, Old National Bank has been added as a Lender. The Lenders have now made available to the Company a senior revolving credit facility with increased maximum availability of \$65.0 million (the “Revolving Facility”), up from \$50.0 million, plus an accordion feature that would allow borrowings up to \$90.0 million under the Revolving Facility subject to certain terms and conditions. The maturity date of the revolving credit facility was extended to January 21, 2027. The Company may prepay the Revolving Facility, in whole or in part, and reborrow prior to the revolving loan maturity date. The Restated Credit Agreement further extended the maturity date for the term loan facility to January 21, 2027.

On July 18, 2022, the Company entered into the First Amendment to the Restated Credit Agreement. Under the terms of the First Amendment, the Lender increased the maximum availability under the senior revolving credit facility from \$65.0 million to \$75.0 million pursuant to the accordion feature in the Restated Credit Agreement. The First Amendment also adjusted the funded debt to EBITDA ratio financial covenant to 3:00 to 1:00 as of the end of the Company’s third and fourth fiscal quarters of 2022.

On October 26, 2022, the Company entered into the Second Amendment (“Second Amendment”) to the Restated Credit Agreement. Under the terms of the Second Amendment, the Lender increased the maximum availability under the senior revolving credit facility from \$75.0 million to \$90.0 million pursuant to the accordion feature in the Restated Credit Agreement. The Second Amendment adjusted the funded debt to EBITDA ratio financial covenant to 3:25 to 1:00 as of the end of the Company’s third and fourth fiscal quarters of 2022 and 3:00 to 1:00 as of the end of the Company’s first fiscal quarter of 2023. The Second Amendment also modified the EBITDA definition to permit add-backs of a) up to \$2.0 million for disposition related expenses; and b) up to \$2.0 million for unusual or non-recurring expenses which are incurred prior to the end of fiscal year 2023 and which are subject to the approval of the Administrative Agent.

On May 8, 2023, the Company entered into the Third Amendment (the “Third Amendment”) to the Restated Credit Agreement. The Third Amendment adjusted the funded debt to EBITDA ratio financial covenant to 4:25 to 1:00 as of the end of the Company’s second fiscal quarter

of 2023, 3:00 to 1:00 as of the end of the Company's third fiscal quarter of 2023, and 2:75 to 1:00 as of the end of the Company's fourth fiscal quarter of 2023 and thereafter. The Third Amendment adjusted the fixed charge coverage ratio covenant to 1:10 to 1:00 commencing as of the Company's fourth fiscal quarter of 2023 and 1:25 to 1:00 as of the end of the Company's first fiscal quarter of 2024 and thereafter. For the Company's second and third fiscal quarters in 2023, the Third Amendment suspended the fixed charge coverage ratio covenant and added a minimum EBITDA covenant of \$22.5 million as of the end of each such fiscal quarter. Under the terms of the Third Amendment, the Company and the Lender also agreed to decrease the maximum availability under the senior revolving credit facility from \$90.0 million to \$75.0 million, upon the consummation of the sale of the Company's Mexican subsidiary and the dissolution of Escalade Insurance, Inc. The proceeds from such sale and dissolution, respectively, will be used to partially prepay the amounts outstanding under the revolving credit facility. As reflected in the Fourth Amendment to the Restated Credit Agreement effective September 1, 2023, the maximum availability of the senior revolving credit facility was reduced to \$85.0 million following the dissolution of Escalade Insurance, Inc. **The Company was in compliance with the debt covenants set forth in the Restated Credit Agreement as of June 30, 2024.**

As of **March 31, 2024** **June 30, 2024**, the outstanding principal amount of the term loan was **\$31.0 million** **\$29.2 million** and total amount drawn under the Revolving Facility was **\$22.5 million** **\$14.0 million**.

Note N – Provision for Taxes

The effective tax rate for the three months ending June 30, 2024 was 23.8% compared to 22.3% for the same three month period last year. The effective tax rate for the first six months ending June 30, 2024 was 23.8% compared to 22.6% for the same period last year.

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

Forward-Looking Statements

This report contains forward-looking statements relating to present or future trends or factors that are subject to risks and uncertainties. These risks include, but are not limited to: Escalade's ability to achieve its business objectives; Escalade's ability to successfully achieve the anticipated results of strategic transactions, including the integration of the operations of acquired assets and businesses and of divestitures or discontinuances of certain operations, assets, brands, and products; the continuation and development of key customer, supplier, licensing and other business relationships; Escalade's ability to develop and implement our own direct to consumer e-commerce distribution channel; the impact of competitive products and pricing; product demand and market acceptance; new product development; Escalade's ability to successfully negotiate the shifting retail environment and changes in consumer buying habits; the financial health of our customers; disruptions or delays in our business operations, including without limitation disruptions or delays in our supply chain, arising from political unrest, war, **terrorism**, labor strikes, natural disasters, public health crises such as the coronavirus pandemic, and other events and circumstances beyond our control; the impact of management's conclusion, in consultation with the Audit Committee, that material weaknesses existed in the Company's internal control procedures over financial reporting; the evaluation and implementation of remediation efforts designed and implemented to enhance the Company's control environment, which remediation efforts are ongoing; the potential identification of one or more additional material weaknesses in the Company's internal control of which the Company is not currently aware or that have not yet been detected; the Company's inability or failure to fully remediate material weaknesses in our internal control procedures over financial reporting or any other material weaknesses in the future could result in material misstatements in our financial statements; Escalade's ability to control costs, including managing inventory levels; Escalade's ability to successfully implement actions to lessen the potential impacts of tariffs and other trade restrictions applicable to our products and raw materials, including impacts on the costs of producing our goods, importing products and materials into our markets for sale, and on the pricing of our products; general economic conditions, including inflationary pressures; fluctuation in operating results; changes in foreign currency exchange rates; changes in the

securities markets; continued listing of the Company's common stock on the NASDAQ Global Market; the Company's inclusion or exclusion from certain market indices; Escalade's ability to obtain financing, to maintain compliance with the terms of such financing and to manage debt levels; the availability, integration and effective operation of information systems and other technology, and the potential interruption of such systems or technology; the potential impact of actual or perceived defects in, or safety of, our products, including any impact of product recalls or legal or regulatory claims, proceedings or investigations involving our products; risks related to data security **of or** privacy breaches; the potential impact of regulatory claims, proceedings or investigations involving our products; potential residual impacts of the COVID-19 global pandemic on Escalade's financial condition and results of operations; and other risks detailed from time to time in Escalade's filings with the Securities and Exchange Commission. Escalade's future financial performance could differ materially from the expectations of management contained herein. Escalade undertakes no obligation to release revisions to these forward-looking statements after the date of this report.

Overview

Escalade, Incorporated (Escalade, the Company, we, us or our) is focused on growing its Sporting Goods business through organic growth of existing categories, strategic acquisitions, and new product development. The Sporting Goods business competes in a variety of categories including basketball goals, archery, billiards, indoor and outdoor game recreation and fitness products. Strong brands and on-going investment in product development provide a solid foundation for building customer loyalty and continued growth.

Within the sporting goods industry, the Company has successfully built a robust market presence in several niche markets. This strategy is heavily dependent on expanding our customer base, barriers to entry, strong brands, excellent customer service and a commitment to innovation. A key strategic advantage is the Company's established relationships with major customers that allow the Company to bring new products to market in a cost effective manner while maintaining a diversified portfolio of products to meet the demands of consumers. In addition to strategic customer relations, the Company has substantial manufacturing and import experience that enable it to be a low cost supplier.

To enhance growth opportunities, the Company has focused on promoting new product innovation and development and brand marketing. In addition, the Company has embarked on a strategy of acquiring companies or product lines that complement or expand the Company's existing product lines or provide expansion into new or emerging categories in sporting goods. A key objective is the acquisition of product lines with barriers to entry that the Company can take to market through its established distribution channels or through new market channels. Significant synergies are achieved through assimilation of acquired product lines into the existing Company structure.

Management believes that key indicators in measuring the success of these strategies are revenue growth, earnings growth, new product introductions, and the expansion of channels of distribution.

As the most significant impacts of the COVID-19 pandemic appear to have waned, consumer demand for the Company's products has slowed but remains above pre-COVID-19 demand. General economic conditions, inflation, recessionary fears, rising interest rates, changes in the housing market and declining consumer confidence also may impact the Company adversely. Management cannot predict the full impact of these factors on the Company. Due to the above circumstances and as described generally in this Form 10-Q, the Company's results of operations for the period ended **March 31, 2024** **June 30, 2024** are not necessarily indicative of the results to be expected for fiscal year 2024.

Results of Operations

The following schedule sets forth certain consolidated statement of operations data as a percentage of net revenue:

| | Three Months Ended | | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| | March 31, 2024 | March 31, 2023 | June 30, 2024 | June 30, 2023 | June 30, 2024 | June 30, 2023 |
| Net revenue | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of products sold | 75.0% | 80.6% | 75.8% | 75.4% | 75.4% | 77.8% |
| Gross margin | 25.0% | 19.4% | 24.2% | 24.6% | 24.6% | 22.2% |
| Selling, administrative and general expenses | 18.7% | 18.0% | 16.1% | 14.5% | 17.3% | 16.1% |
| Amortization | 1.0% | 1.1% | 1.0% | 0.9% | 1.0% | 1.0% |
| Operating income | 5.3% | 0.3% | 7.1% | 9.2% | 6.3% | 5.1% |

Revenue and Gross Margin

Sales increased 0.7% for Total net sales declined 7.7% on a year-over-year basis in the second quarter, due to softening consumer demand and channel inventory destocking, particularly in our indoor/outdoor games categories, partly offset by growth in our Stiga table tennis, Bear Archery, and Brunswick Billiards brands. Mass merchant, specialty dealer and third-party e-commerce channel sales were all soft during the quarter, partly offset by 15% growth in international sales and 28% growth in our owned e-commerce sales.

For the first quarter six months of 2024, total net sales declined 3.9% compared with to the same period in the prior year. Sales increased across several product categories, largely in the outdoor first half of 2023 again due to softening consumer demand and game related. These increases were partially channel destocking, partly offset by decreases growth in indoor our table tennis, basketball, and licensed product category sales. archery categories.

Gross margin increased decreased to 25.0% 24.2% for the first second quarter of 2024 compared to 19.4% 24.6% for the same period in 2024 2023 primarily driven by more favorable product mix, decreased inventory storage lower fixed cost absorption, increased customer program spending, and handling costs, and more favorable absorption. severance related expenses associated with the Company's ongoing asset optimization initiative.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) were \$10.7 million \$10.1 million for the first second quarter of 2024 compared to \$10.3 million \$9.8 million for the same period in the prior year, an increase of \$0.4 million \$0.3 million or 4.1% 3.0%. SG&A as a percent of sales is 18.7% 16.1% for the first second quarter of 2024 compared with 18.0% 14.5% for the same period in the prior year.

For the first six months of 2024, SG&A were \$20.8 million compared to \$20.1 million for the same period in the prior year, an increase of \$0.7 million, or 3.6%. SG&A as a percent of sales is 17.3% for the first six months of 2024 compared with 16.1% for the same period in the prior year.

Provision (Benefit) for Income Taxes

The effective tax rate for the first **three six** months of 2024 was 23.8% compared to **21.2%** **22.6%** for the same period last year.

Financial Condition and Liquidity

Total debt **at the end as of the first three months** **June 30, 2024** was \$43.2 million, a decrease of **2024** was \$53.5 million, an increase of **\$2.6 million** **\$7.7 million** from December 31, 2023. The following schedule summarizes the Company's total debt:

| In thousands | March 31, 2024 | December 31, 2023 | March 19, 2022 | June 30, 2024 | December 31, 2023 | June 30, 2023 |
|-----------------------------------|-------------------|----------------------|-------------------|---------------------|-------------------------|---------------------|
| Current portion of long-term debt | \$ 7,143 | \$ 7,143 | \$ 7,143 | \$ 7,143 | \$ 7,143 | \$ 7,143 |
| Long term debt | 46,383 | 43,753 | 88,082 | 36,024 | 43,753 | 76,809 |
| Total Debt | <u>\$ 53,526</u> | <u>\$ 50,896</u> | <u>\$ 95,225</u> | <u>\$ 43,167</u> | <u>\$ 50,896</u> | <u>\$ 83,952</u> |

As a percentage of stockholders' equity, total debt was **32.5%** **26.0%**, 30.9% and **60.9%** **53.0%** at **March 31, 2024** **June 30, 2024**, December 31, 2023, and **March 31, 2023** **June 30, 2023** respectively.

On January 21, 2022, the Company and its wholly owned subsidiary, Indian Industries, Inc. ("Indian"), entered into an Amended and Restated Credit Agreement (the "2022 Restated Credit Agreement") with its issuing bank, JPMorgan Chase Bank, N.A. ("Chase"), and the other lenders identified in the Restated Credit Agreement (collectively, the "Lenders"). The 2022 Restated Credit Agreement amended and restated the Amended and Restated Credit Agreement dated as of January 21, 2019, as amended, in its entirety, and continues the existing Company's credit facilities which have been in place since April 30, 2009. The Company's indebtedness under the 2022 Restated Credit Agreement continues to be collateralized by liens on all of the present and future equity of each of the Company's domestic subsidiaries and substantially all of the assets of the Company (excluding real estate). Under the terms of the 2022 Restated Credit Agreement, Old National Bank was added as a Lender. The Lenders made available to Escalade and Indian a senior revolving credit facility with increased maximum availability of \$65.0 million (the "Revolving Facility"), up from \$50.0 million, plus an accordion feature that would allow borrowings up to \$90.0 million under the Revolving Facility subject to certain terms and conditions. The maturity date of the revolving credit facility was extended to January 21, 2027. The Company may prepay the Revolving Facility, in whole or in part, and reborrow prior to the revolving loan maturity date. The 2022 Restated Credit Agreement further extended the maturity date for the existing \$50.0 million term loan facility to January 21, 2027.

In addition to the increased borrowing amount and extended maturity date, the 2022 Restated Credit Agreement provided a \$7.5 million swingline commitment by Chase, replaced LIBOR with the replacement benchmark secured overnight financing rate, and adjusted certain financial covenants relating to the fixed charge coverage ratio.

On July 18, 2022, the Company entered into the First Amendment to the 2022 Restated Credit Agreement. Under the terms of the First Amendment, the Lender increased the maximum availability under the senior revolving credit facility from \$65.0 million to \$75.0 million pursuant to the accordion feature in the 2022 Restated Credit Agreement. The First Amendment also adjusted the funded debt to EBITDA ratio financial covenant to 3:00 to 1:00 as of the end of the Company's third and fourth fiscal quarters of 2022.

On October 26, 2022, the Company entered into the Second Amendment ("Second Amendment") to the 2022 Restated Credit Agreement. Under the terms of the Second Amendment, the Lender increased the maximum availability under the senior revolving credit facility from

\$75.0 million to \$90.0 million pursuant to the accordion feature in the 2022 Restated Credit Agreement. The Second Amendment adjusted the funded debt to EBITDA ratio financial covenant to 3:25 to 1:00 as of the end of the Company's third and fourth fiscal quarters of 2022 and 3:00 to 1:00 as of the end of the Company's first fiscal quarter of 2023. The Second Amendment also modified the EBITDA definition to permit add-backs of a) up to \$2.0 million for disposition related expenses; and b) up to \$2.0 million for unusual or non-recurring expenses which are incurred prior to the end of fiscal year 2023 and which are subject to the approval of the Administrative Agent.

On May 8, 2023, the Company entered into the Third Amendment (the "Third Amendment") to the Restated Credit Agreement. The Third Amendment adjusted the funded debt to EBITDA ratio financial covenant to 4:25 to 1:00 as of the end of the Company's second fiscal quarter of 2023, 3:00 to 1:00 as of the end of the Company's third fiscal quarter of 2023, and 2:75 to 1:00 as of the end of the Company's fourth fiscal quarter of 2023 and thereafter. The Third Amendment adjusted the fixed charge coverage ratio covenant to 1:10 to 1:00 commencing as of the Company's fourth fiscal quarter of 2023 and 1:25 to 1:00 as of the end of the Company's first fiscal quarter of 2024 and thereafter. For the Company's second and third fiscal quarters in 2023, the Third Amendment suspended the fixed charge coverage ratio covenant and added a minimum EBITDA covenant of \$22.5 million as of the end of each such fiscal quarter. Under the terms of the Third Amendment, the Company and the Lender also agreed to decrease the maximum availability under the senior revolving credit facility from \$90.0 million to \$75.0 million, upon the consummation of the sale of the Company's Mexican subsidiary and the dissolution of Escalade Insurance, Inc. The proceeds from such sale and dissolution, respectively, will be used to partially prepay the amounts outstanding under the revolving credit facility. As reflected in the Fourth Amendment to the Restated Credit Agreement effective September 1, 2023, the maximum availability of the senior revolving credit facility was reduced to \$85.0 million following the dissolution of Escalade Insurance, Inc. **The Company was in compliance with the debt covenants set forth in the Restated Credit Agreement as of June 30, 2024.**

As of **March 31, 2024** **June 30, 2024**, the outstanding principal amount of the term loan was **\$31.0 million** **\$29.2 million** and total amount drawn under the Revolving Facility was **\$22.5 million** **\$14.0 million**.

The Company funds working capital requirements and shareholder dividends through operating cash flows and revolving credit agreements with its Lenders. The Company expects that cash generated from its 2024 operations and its access to adequate levels of revolving credit will provide it with sufficient cash flows for its operations and to meet growth needs.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Required.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Escalade maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rules 13a-15(e) and 15d-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, could provide only reasonable assurance of

achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

In connection with the preparation of the Company's financial statements for the fiscal year ended December 31, 2023, the Company evaluated the effectiveness of the Company's disclosure controls and procedures and identified material weaknesses in the Company's internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis.

The Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of **March 31, 2024** **June 30, 2024**. The Company did not design and maintain effective disclosure controls and procedures because of the following material weaknesses in internal control over financial reporting:

- Information technology general controls particularly as such controls related to user access, program change management, and ineffective complementary user-organization controls, which limited management's ability to rely on technology dependent controls relevant to the preparation of the Company's consolidated financial statements.
- Controls over the period end close process, including the review and approval process of journal entries, account reconciliations, segregation of duties conflicts, and consolidation of intercompany entries.
- Documentation and design of controls related to various key financial statement accounts and assertions.
- The risk assessment, control activities, information and communication, and monitoring components of the Company's internal control framework such that internal control weaknesses were not detected, communicated, addressed with mitigating control activities, or remediated.

These material weaknesses did not result in a misstatement of the Company's financial statements; however, they could have resulted in misstatements of interim or annual consolidated financial statements and disclosures that would result in a material misstatement that would not be prevented or detected.

Notwithstanding such material weaknesses, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's consolidated financial statements included in the Quarterly Report are fairly stated in all material respects in accordance with generally accepted accounting principles in the United States of America for each of the periods presented.

Remediation Plan and Status

The Company's management and the Company's Audit Committee are committed to achieving and maintaining a strong internal control environment. Management, with the Audit Committee's oversight, is actively engaged in the planning for, and implementation of, remediation efforts to address the above described material weaknesses.

In response to the material weaknesses discussed above, we plan to continue efforts already underway to remediate internal control over financial reporting, including the following:

- We have engaged with a third-party resource to support our internal control testing and remediation efforts, and we intend to bring in additional resources to oversee remediation efforts.

- We are in the process of hiring have hired an Internal Auditor, a senior level position.
- We are in the process of conducting a risk assessment over our internal control environment, and we are reviewing and prioritizing individual control deficiencies for remediation, including those which aggregated to the above material weaknesses.
- We are in the process of documenting and executing remediation action items, including expansion of mitigating controls where appropriate.
- We are exploring tools to enhance and centralize general information technology components.

Management and our Audit Committee will monitor these specific remedial measures and the effectiveness of our overall control environment. The identified material weaknesses in internal control over financial reporting will only be considered remediated when the relevant controls have operated effectively for a sufficient period of time for management to conclude that they have been remediated. We can provide no assurance as to when the remediation of these material weaknesses will be completed to provide for an effective control environment.

Changes in Internal Control over Financial Reporting

Management of the Company has evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act) during the first second quarter of 2024.

There have been no changes to the Company's internal control over financial reporting that occurred since the beginning of the Company's first quarter of 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS.

None.

Item 1A. RISK FACTORS.

In addition to the other information set forth in this report, you should carefully consider the risks and uncertainties disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. These risks and uncertainties could materially and adversely affect our business, consolidated financial condition, results of operations, or cash flows. Our operations could also be affected by additional risks or uncertainties that are not presently known to us or that we currently do not consider material to our business. As of the date of this filing, there have been no material changes in our risk factors from those disclosed in the above-referenced Form 10-K, which risk factors are incorporated herein by reference.

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

c) Issuer Purchases of Equity Securities

| Period | (a) Total Number of Shares (or Units) Purchased | (b) Average Price Paid per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---|---|--|---|---|
| Share purchases prior to 12/31/2023 under the current repurchase program. | 2,153,132 | \$13.38 | 2,153,132 | \$4,153,252 |
| First quarter purchases: | | | | |
| 1/1/2024-1/31/2024 | None | None | No Change | No Change |
| 2/1/2024-2/29/2024 | None | None | No Change | No Change |
| 3/1/2024-3/31/2024 | None | None | No Change | No Change |
| Total share purchases under the current program | 2,153,132 | \$13.38 | 2,153,132 | \$4,153,252 |

| Period | (a) Total Number of Shares (or Units) Purchased | (b) Average Price Paid per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|--|---|--|---|---|
| Share purchases prior to 3/31/2024 under the current repurchase program. | 2,153,132 | \$13.38 | 2,153,132 | \$4,153,252 |
| Second quarter purchases: | | | | |
| 4/1/2024-4/30/2024 | None | None | No Change | No Change |
| 5/1/2024-5/31/2024 | None | None | No Change | No Change |
| 6/1/2024-6/30/2024 | None | None | No Change | No Change |
| Total share purchases under the current program | 2,153,132 | \$13.38 | 2,153,132 | \$4,153,252 |

The Company has one stock repurchase program which was established in February 2003 by the Board of Directors and which initially authorized management to expend up to \$3,000,000 to repurchase shares on the open market as well as in private negotiated transactions. In February 2005, February 2006, August 2007 and February 2008 the Board of Directors increased the remaining balance on this plan to its original level of \$3,000,000. In September 2019, the Board of Directors increased the stock repurchase program from \$3,000,000 to \$5,000,000. In December 2020, the Board of Directors increased the stock repurchase program to \$15,000,000. From its inception date through **March 31, 2024** **June 30, 2024**, the Company has repurchased 2,153,132 shares of its common stock under this repurchase program for an aggregate price of \$28,812,686. The repurchase program has no termination date and there have been no share repurchases that were not part of a publicly announced program.

Item 3. DEFAULTS UPON SENIOR SECURITIES.

None.

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

Item 5. OTHER INFORMATION.

None.

Item 6. EXHIBITS

| Number | Description |
|---------|---|
| 3.1 | Articles of Incorporation of Escalade, Incorporated. Incorporated by reference from the Company's 2007 First Quarter Report on Form 10-Q. |
| 3.2 | Amended By-laws of Escalade, Incorporated, as amended August 10, 2022. Incorporated by reference from the Company's 2022 Third Quarter Report on Form 10-Q. |
| 31.1 | Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification. |
| 31.2 | Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification. |
| 32.1 | Chief Executive Officer Section 1350 Certification. |
| 32.2 | Chief Financial Officer Section 1350 Certification. |
| 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 |
| 101.INS | Inline XBRL Instance Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101) |

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.

ESCALADE, INCORPORATED

Date: **April 25, 2024** **July 25, 2024** /s/ Stephen R. Wawrin
 Vice President and Chief Financial Officer
 (On behalf of the registrant and in his
 capacities as Principal Financial Officer
 and Principal Accounting Officer)

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Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Walter P. Glazer, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Escalade, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers 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 15-15(f)) for the registrant and we 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 officers 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 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: April 25, 2024

July 25, 2024

/s/ Walter P. Glazer, Jr.

Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Stephen R. Wawrin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Escalade, Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers 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 15-15(f)) for the registrant and we 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 officers 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 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: April 25, 2024

July 25, 2024

/s/ Stephen R. Wawrin

Vice President and Chief Financial Officer

(On behalf of the registrant and in his capacities as Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Escalade, Incorporated (the "Company") on Form 10-Q for the period ended **March 31, 2024** **June 30, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Walter P. Glazer, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Walter P. Glazer, Jr.
Chief Executive Officer
April July 25, 2024

Exhibit 32.2

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

In connection with the Quarterly Report of Escalade, Incorporated (the "Company") on Form 10-Q for the period ended **March 31, 2024** **June 30, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen R. Wawrin, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Stephen R. Wawrin
Vice President and Chief Financial Officer
(On behalf of the registrant and in his
capacities as Principal Financial Officer
and Principal Accounting Officer)
April July 25, 2024

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