2022

SIFCO INDUSTRIES, INC.

SIFCO Industries, Inc.

2022 Annual Report

To our Shareholders:

During turbulent times, there is opportunity to take advantage of market volatility by providing superior service and leveraging existing capacity to increase penetration in served markets and diversifying into adjacent markets. At SIFCO, we are aggressively reaching into new markets, including Space and Semiconductors, to further diversify the business and strengthen our long-term position. We achieved increased revenue from the Space segment and have added two additional customers in the Semiconductor industry. Fiscal 2022 was a difficult year in our primary served markets of Commercial and Military Aerospace. Commercial Aerospace is finally showing signs of recovery. Military Aerospace experienced a timing change in requirements after advance ordering in 2020 to help the overall Supply Chain through the effects of the COVID-19 pandemic. Despite these challenges, our efforts resulted in winning seventy new products during the fiscal year, a new standard for our company. We are excited about developing and ramping these new products into production.

The Ukraine conflict and the response to it impacted lead times and costs for the supply chain supporting Western Europe primarily but also the rest of the world. Our location in Italy witnessed these challenges most acutely and navigated them successfully with the aid of some of our key customers.

We continued to safely provide class leading quality and delivery to our customers. This was driven by our workforce's relentless commitment to excellence in all that we do. In the most challenging labor market in decades, we retained top talent, attracted new talent, and created employee growth opportunities that will benefit the business in the coming years.

In Energy, we were able to enter the Central American region as a supplier of forged solutions. We believe this market diversification will serve us well as we move forward.

As mentioned, the Company is looking to take advantage of market volatility by diversifying its markets. To further execute on this goal we have collaborated with external companies that have complementary capabilities and enable us to jointly provide a larger suite of services to our customers has become a focus and has resulted in gaining access to more opportunities for us. We're excited to continue this approach to further differentiate SIFCO as a solution provider.

Our conservative financial approach over the past number of years positioned us well in the face of unforeseen circumstances, such as COVID-19 so that we may continue to invest in the business and withstand the Aerospace market uncertainty that has extended over more than two years.

Our vision and mission have not changed. We strive to be the forged products supplier of choice to the markets we serve.

Thank you for your support of SIFCO.

Peter W. Knapper
President and Chief Executive Officer

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

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

For the fiscal year ended September 30, 2022

or

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

For the transition period from ________________ to ____________________

Commission file number 1-5978

SIFCO Industries, Inc.

(Exact name of registrant as specified in its charter)

Ohio	34-0553950
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
970 East 64th Street, Cleveland Ohio	44103
(Address of principal executive offices)	(Zip Code)

(216) 881-8600
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares	SIF	NYSE American

Securities registered pursuant to Section 12(g) of the Securities Exchange Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act).

large accelerated filer ☐ accelerated filer ☐ non-accelerated filer ☒ smaller reporting company ☒ emerging growth company ☐

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

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 has filed a report on an attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, as of the last business day of the registrant's most recently completed second fiscal quarter is $14,747,885.

The number of the Registrant's Common Shares outstanding at November 30, 2022 was 6,098,217.

Documents incorporated by reference: Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on January 31, 2023 (Part III).

Annual Report on Form 10-K
For the Year-ended September 30, 2022

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PART I

Item 1. Business

A. The Company

SIFCO Industries, Inc. ("SIFCO," "Company," "we" or "our"), an Ohio corporation, was incorporated in 1916. The executive offices of the Company are located at 970 East 64th Street, Cleveland, Ohio 44103, and its telephone number is (216) 881-8600.

SIFCO is engaged in the production of forgings, sub-assemblies, and machined components primarily for the Aerospace and Energy ("A&E") markets. The processes and services include forging, heat-treating, chemical processing and machining. The Company's operations are conducted in a single business segment. Information relating to the Company's financial results is set forth in the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

Impact of COVID-19 & Other Factors

The lingering impact and residual effects of the coronavirus ("COVID-19") pandemic, along with other factors, such as ongoing geopolitical tensions, have created strains on supply chains, and general economic conditions. While the exact timing and pace of recovery in our markets continues to be indeterminable, there are indications that commercial air travel is steadily recovering in certain areas. The long-term outlook remains positive given the nature of the industry, there continues to be uncertainty with respect to when commercial air traffic will return to pre-COVID-19 levels. Given the fluidity of the situation, it is still unclear how lasting and deep the ongoing economic impacts of COVID-19 will last.

During fiscal 2022, the effects of COVID-19 continued to have an impact on the Company's results of operations. The Company has been impacted by delays in receiving orders and obtaining materials required to produce certain products. As sales volumes have fluctuated, the Company has taken measures to reduce costs by furloughing certain of its employees from time to time at one of its plant locations. Additionally, our operations are subject to global economic and geopolitical risks. For example, while the Company does not have a presence in these regions, the ongoing conflict between Russia and Ukraine has impacted economic activity as well as the availability and price of raw materials and energy. The Company continues to actively monitor these factors and find ways to mitigate the impact on its operations.

B. Principal Products and Services

Operations

SIFCO is a manufacturer of forgings and machined components for the A&E markets. We provide our customers with envelope and precision forgings, rough and finished machined components, as well as sub-assemblies. SIFCO services both original equipment manufacturers ("OEM") and aftermarket customers with products that range in size from approximately 2 to 1,200 pounds. The Company's strategic vision is to build a leading A&E company positioned for long-term, stable growth and profitability.

SIFCO's long-term plan is to have a balance comprised of military and commercial aerospace revenues, supplemented with energy, commercial space, and adjacent market components. In fiscal 2022, commercial and military revenues accounted for 47.4% and 52.6% of revenues, respectively, compared with 36.7% in commercial revenues and 63.3% in military revenues in fiscal 2021. The Company's capabilities are focused on supplying critical components, consisting primarily of steel, high temperature alloys, nickel alloys, titanium and aluminum.

SIFCO operates from multiple locations. SIFCO manufacturing facilities are located in Cleveland, Ohio ("Cleveland"); Orange, California ("Orange"); and Maniago, Italy ("Maniago"). SIFCO's operations are AS 9100D and/or ISO 9001:2015 certified and the Company also holds multiple National Aerospace and Defense Contractors Accreditation Program ("NADCAP") certifications and site approvals from key OEM customers. During fiscal year 2022, the Company was subject to a NADCAP audit in Orange pursuant to which maintenance issues were identified that required remediation in order to meet the requisite qualifications for NADCAP Certification. The Company temporarily lost NADCAP Certification at its Orange location in the third quarter of fiscal 2022 and was required to outsource the process that required such certification to a third party. The Company has since regained such NADCAP Certification in Orange in the first quarter of fiscal 2023 and has been able to fully resume operations.

The Company's success is not dependent on patents, trademarks, licenses or franchises.

Raw Materials
While the effects from the COVID-19 pandemic disrupted the global supply chain and availability of raw materials, SIFCO generally has multiple sources for its raw materials, which consist primarily of high-quality metals essential to its business. Suppliers of such materials are located principally in North America and Europe. SIFCO generally does not depend on a single source for the supply of its materials. Due to the limited supply of certain raw materials, some material is provided by a small number of suppliers; however, SIFCO believes that its sources are adequate for its business. The Company has experienced delays in the supply chain, which could effect our ability to timely obtain materials and components from our suppliers in the quantities we require or on favorable terms. As a result of supply chain disruptions and inflationary pressures, the Company has experienced increases in pricing for raw materials which could effect our customer demand and cost. However, SIFCO believes that its ability to pass through raw material costs on certain contractual agreements and discrete orders limits this exposure. For those contractual agreements, in which pass through pricing is not permissible, a material adverse effect upon the profitability of one or more of the affected contracts, future period financial reporting and performance may result.

Products
SIFCO's products are made primarily of steel, high temperature alloys, nickel alloy, titanium and aluminum. SIFCO's product offerings include: OEM and aftermarket components for aircraft and industrial gas turbine engines; steam turbine blades; structural airframe components; aircraft landing gear components; aircraft wheels and brakes; critical rotating components for helicopters; and commercial/industrial products. SIFCO also provides heat-treatment, surface-treatment, non-destructive testing and select machining and sub-assembly of forged components.

Industry
The performance of the domestic and international air transport industry, the energy industry, as well as government defense spending, directly and significantly impact the performance of SIFCO. The impact of COVID-19 continues to be assessed by the Company as it has significantly impacted the commercial aerospace industry through the ongoing disruption of global travel, which remains uncertain. Therefore, as the effects of the pandemic continue to be fluid and ever changing, the shape and speed of recovery for the commercial aerospace industry remain uncertain. While demand for travel declined at a rapid pace beginning in the second half of our fiscal 2020 and has remained depressed compared to pre-pandemic levels, commercial air travel has progressively shown signs of recovery in recent months with increasing air traffic, primarily in certain domestic markets. The recovery in international commercial air travel has been slower with international travel moderately recovered from COVID-19 pandemic lows. The exact pace and timing of the commercial air travel recovery remains uncertain and is expected to continue to be uneven depending on factors such as trends in the number of COVID-19 infections (e.g., impact of new variants of COVID-19 resurfacing), the continued efficacy and public acceptance of vaccines and easing of quarantines and travel restrictions, among other factors.

- SIFCO supplies new and spare components to the U.S. military for aircraft, helicopters, vehicles, and munitions. The Company's top programs include Blackhawk (H60), V-22, C-130 and F-35. The defense budget in the United States varies from year to year, driven by defense procurement policy and government budget constraints. Coming out of the pandemic, the defense aerospace market has been impacted by COVID overproduction and build rates. Uncertainty may arise if the government reprioritizes funding as a result of, among other factors, potential changes in the threat environment, defense spending levels, government priorities, political leadership, procurement strategy, military strategy and planning, and broader changes in social, economic or political demands or priorities. Certain programs in which the Company participates have seen favorable trends, which are expected to continue.

- SIFCO supplies new and spare components for commercial aircraft, principally for large aircraft produced by Boeing and Airbus. As the pandemic has continued, the decrease in passenger air travel demand has impacted and continues to impact our customers' orders for new aircraft. Current estimates regarding the return of passenger air traffic to pre-COVID-19 levels is another two to four years as recovery has been extremely uneven. Increases in domestic leisure travel has led to some recovery and domestic business travel is expected to pick-up later into 2023, while international travel continues to lag as individual countries and regions have experienced varied recovery from, and resurgences in, the spread of COVID-19. Therefore, build rates, particularly the Boeing 777-9 (formerly 777X), 787, 737 Max and the Airbus A350, declined and partially rebounded in 2022, but not as quickly as previously anticipated.

- SIFCO supplies new and spare components to the energy industry, particularly the industrial gas and steam turbine markets. While alternative energy markets continue to strengthen, oil and gas prices are expected to rebound given rising gas prices from historic lows. As such, it's currently anticipated that purchases of parts and supplies within the industry will increase. SIFCO has positioned itself to be less dependent on OEM production, but with flexibility to address the demand cycle in this segment as well as continuing to support the aftermarket.

- SIFCO also supplies components to the commercial space industry, which is rapidly evolving. An increasing number of commercial companies are participating in the space launch and reentry industry, which brings continuous development, innovation in technologies, and new approaches in this market. We believe there is an opportunity for SIFCO to gain an increased market share as this industry continues to evolve and grow.

Competition

SIFCO competes with numerous companies, both in and tangential to the A&E industry, of which fifteen are known by SIFCO. SIFCO competes with both U.S. and non-U.S. suppliers of forgings, some of which are significantly larger than SIFCO; however, our competitors range from companies focused on the A&E markets to large diversified corporations that may also have business interests outside of the A&E markets to smaller companies that offer a limited portfolio of products in this market. SIFCO believes that it has an advantage and distinguishes itself in the primary markets it serves due to its: (i) demonstrated A&E expertise; (ii) focus on quality and customer service; (iii) operating initiatives such as SMART (Streamlined Manufacturing Activities to Reduce Time/Cost) and Six Sigma; and (iv) broad range of capabilities and offerings. As customers establish and utilize new facilities throughout the world, SIFCO will continue to encounter non-U.S. competition. SIFCO believes it can expand its market share by (i) continuing to increase capacity utilization; (ii) broadening its product lines through investment in equipment that expands its manufacturing capabilities; and (iii) developing new customers in markets where the participants require similar technical competence and service as those in the A&E industries. See further discussion of the risks relating to competition SIFCO faces in Item 1A. *Risk Factors*.

Government Contracts

Companies, such as SIFCO, that supply equipment and products to the U.S. military are subject to certain risks related to commercial relationships with the U.S. government and its agencies. Under the terms of these agreements, it is possible for demand and build rates to fluctuate or for the U.S. government to terminate existing contracts.

Customers

During fiscal 2022, SIFCO had one direct customer that accounted for 11% of consolidated net sales; and 23% of the Company's consolidated net sales were from two customers and their direct subcontractors, which individually accounted for 12% and 11% of net sales, respectively. SIFCO believes that the loss of sales to such customers would result in a material adverse impact on the business. However, SIFCO has maintained a business relationship with these customers for many years and is currently conducting business with them under multi-year agreements. Although there is no assurance that these relationships will continue, as one or more major customers have reduced their purchases, SIFCO has generally been successful in gaining new business, thereby avoiding a material adverse impact on the Company. SIFCO relies on its ability to adapt its services and operations to changing requirements of the market in general and its customers in particular. No material part of SIFCO's business is seasonal. For additional financial information about geographic areas, refer to Note 12, *Business Information,* of the consolidated financial statements.

Backlog of Orders

SIFCO's total backlog as of September 30, 2022 increased to $81.9 million, compared with $77.2 million as of September 30, 2021. Orders for delivery scheduled in the upcoming fiscal year 2023 increased to $65.5 million compared with $59.3 million scheduled in fiscal 2022. Orders may be subject to modification or cancellation by the customer with limited charges. The increase in total backlog as of September 30, 2022 compared with the previous year is primarily due to timing of annual awards and SIFCO's customers adjusting orders due to recovery within the commercial airline industry. The continuing uncertainty regarding the COVID-19 pandemic and its impact on the commercial airline industry is expected and may continue to impact sales order backlog growth in that market into fiscal 2024. Backlog information may not be indicative of future sales.

C. Regulatory Matters

The Company is subject to a number of domestic and foreign regulations relating to our operations worldwide and is required to comply with various environmental, health, and employee safety laws and regulations. The Company believes that it is in compliance with these laws and regulations. Historically, compliance with such laws and regulations have not had, and are not presently expected to have a material effect on capital expenditures, earnings or competitive position of the Company or its subsidiaries under existing regulations and interpretations. Nevertheless, the Company cannot guarantee that, in the future, it will not incur additional costs for compliance or that such costs will not be material.

D. Human Capital Management

SIFCO employed approximately 378 full-time employees at the beginning of fiscal 2022, which decreased to approximately 348 employees at the end of fiscal 2022. In response to the impact of COVID-19 on the commercial aerospace industry (including declines in revenues of our customers), during fiscal 2022, the Company experienced one shutdown at its Orange facility, which primarily manufactures commercial aerospace product. While the Company has brought back the workforce subject to the shutdown, the Company has experienced a decrease in the number of employees.

The Company's employees include full-time, part-time, and temporary employees. Approximately 67% of our employees were located within the U.S. and 33% of our employees were located in Italy. Approximately 65% of our workforce within the U.S. is composed of skilled and unskilled labor, and the remaining population includes management, corporate, administrative and support staff.

The Company is a party to collective bargaining agreements ("CBA") with certain employees within the Cleveland location. The Company ratified its CBA with one such bargaining unit in December 2019 and ratified its CBA with the second bargaining unit in December 2021. The Maniago location is party to the National Collective Agreement in Metalworking, which renewed in February 2021.

The skills, experience and industry knowledge of our employees significantly benefit our operations and performance. There are several ways in which we attract, develop, and retain highly qualified talent and measure the ongoing effectiveness of our human capital management practices, including by making the safety and health of our employees a top priority. The Company is focused on ensuring the health of our employees through the implementation of standards, controls, and inspections to help ensure that our operations and premises comply with national and local regulations. In addition, the Company conducts annual employee development reviews, identifies growth opportunities, which include employee rotations, and engages employees in continuous improvement activities.

During fiscal 2022, we experienced increased turnover, along with a shortage of applicants to fill staffing requirements at our U.S. locations due to the current labor shortage affecting most businesses across the United States. While this has adversely affected our operating efficiency, quality and delivery continue to meet or exceed customer standards as reflected in our customer scorecards. The steps we have taken to attract and retain labor include attending hiring events, broadening our recruitment platforms, paying retention bonuses, offering enhanced wages and paying sign-on bonuses.

We continue to implement, maintain, and, to the extent needed, update or modify, procedures and protocols developed in response to the COVID-19 pandemic to minimize the risk to the health and safety of our employees continuing to operate our facilities and provide products to our customers on a timely basis. We have consistently been able to meet our customers' demands for our products, while at the same time making the necessary investments to ensure that we prioritize the health, safety and welfare of our employees

E. Non-U.S. Operations

The Company's products are distributed in the U.S. as well as non-U.S. markets.

Financial information about the Company's U.S. and non-U.S. operations is set forth in Note 12, *Business Information,* of the consolidated financial statements.

F. Available Information

The Company files annual, quarterly, and current reports, proxy statements, and other documents with the SEC under the Securities Exchange Act of 1934, as amended. The SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The public can obtain any documents that are filed by the Company at http://www.sec.gov.

In addition, our annual reports on Form 10-K, as well as our quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to all of the foregoing reports, are made available free of charge on or through the "Investor Relations" section of our website at www.sifco.com as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC.

Information relating to our corporate governance at SIFCO, including the Audit Committee, Corporate Governance and Nominating Committee and Compensation Committee Charters, as well as the Corporate Governance Guidelines and Policies and the Code of Conduct & Ethics adopted by our Board of Directors, is available free of charge on or through the "Investor Relations" section of our website at www.sifco.com. References to our website or the SEC's website do not constitute incorporation by reference of the information contained on such websites, and such information is not part of this Form 10-K.

Item 1A. Risk Factors

Set forth below are material risks and uncertainties that could negatively affect our business and financial condition and could cause our actual results to differ materially from those expressed in forward-looking statements contained in this report. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations and financial condition. We face risks related to the COVID-19 pandemic, its affects, and actions in response thereto, which have exacerbated or could further exacerbate conditions in our risk factors noted below.

Risks Related to Our Business and Operations

We are subject to the cyclical nature of the A&E industries and the continuing or further downturn in these industries could adversely impact the demand for our products.

The commercial aerospace industry is historically driven by the demand from commercial airlines for new aircraft. Demand for commercial aircraft is influenced by airline industry profitability, trends in airline passenger traffic, the state of U.S. and world economies, the ability of aircraft purchasers to obtain required financing and numerous other factors including the effects of terrorism, health and safety concerns and environmental constraints imposed upon aircraft operators. The commercial aerospace industry has been significantly impacted by the COVID-19 pandemic and may continue to be negatively impacted for a prolonged period of time and the magnitude of the impacts of the COVID-19 pandemic on this industry cannot be fully understood at this time. We have experienced changes in demand from our customers in this market and the reduction in demand for commercial aircraft will adversely impact our net sales and operating results.

In addition to the near term impact of the COVID-19 pandemic on the commercial aerospace industry, there is risk that the industry implements longer-term strategies involving reduced capacity, shifting route patterns, and mitigation strategies related to impacts from COVID-19 and the risk of future public health crises. Furthermore, airlines may experience reduced demand due to reluctance by the flying public to travel due to travel restrictions and/or social distancing requirements. As a result, there is significant uncertainty with respect to when commercial air traffic levels will fully recover, and whether and at what point capacity will return to and/or exceed pre-COVID-19 levels. The COVID-19 pandemic also has increased uncertainty with respect to global trade volumes, which could put negative pressure on cargo traffic levels. Any of these factors would have a significant impact on the demand within the commercial aerospace industry. In addition, a lengthy period of reduced industry-wide demand for commercial aircraft could put additional pressure on our suppliers, resulting in increased procurement costs and/or additional supply chain disruption. To the extent that the COVID-19 pandemic or its aftermath further impacts demand for our products and services or impairs the viability of some of our customers and/or suppliers, our financial condition, results of operations, and cash flows could be adversely affected, and those impacts could be material.

The military aerospace cycle is highly dependent on U.S. and foreign government funding; as well as the effects of terrorism, a changing global political environment, U.S. foreign policy, the retirement of older aircraft and technological improvements to new engines. Accordingly, the timing, duration and severity of cyclical upturns and downturns cannot be forecast with certainty. Downturns or reductions in demand could have a material adverse effect on our business.

The energy industry is also cyclical in nature. Demand for our new and spare components in this industry is, in turn, driven by the global demand for energy, which is affected by, among other factors, the state of the world economies, the political environments of numerous countries and environmental constraints. The availability of alternative energy to oil and gas, and related prices, also have a large impact on demand. Reductions in demand for products in this market could have a material adverse effect on our business.

Cyclical declines or sustained weakness in these markets could have a material adverse effect on our business.

Government spending priorities and terms may change in a manner adverse to our business.

At times, our supplying of products to the U.S. military has been adversely affected by significant changes in U.S. defense and national security budgets. Budget changes that result in a decline in overall spending, program delays, program cancellations or a slowing of new program starts on programs in which we participate could materially adversely affect our business, prospects, financial condition or results of operations. Future levels of expenditures and authorizations for defense-related programs by the U.S. government may decrease, remain constant or shift to programs in areas where we do not currently provide products, thereby reducing the chances that we will be awarded new contracts.

SIFCO has contracts for programs where the period of performance may exceed one year. Congress and certain foreign governments must usually approve funds for a given program each fiscal year and may significantly reduce funding of a program in a particular year. Significant reductions in these appropriations or the amount of new defense contracts awarded may affect our ability to complete contracts, obtain new work and grow our business. At times when there are perceived threats to national security, U.S. defense spending can increase; at other times, defense spending can decrease. Future levels of defense spending are uncertain and subject to congressional debate. Any reduction in future U.S. defense spending levels could adversely impact our sales, operating profit and cash flow.

Furthermore, business conducted pursuant to U.S. government contracts is subject to extensive procurement regulations and other unique risks. New procurement regulations, or changes to existing requirements, could increase compliance costs or otherwise have a material impact on the operating margins of the portion of our business derived from contracts with the U.S. government. The U.S. government contracting party may modify, curtail, or terminate its contracts and subcontracts with the company without prior notice either at its convenience or for default based on performance, and funding pursuant to our U.S. government contracts may be reduced or withheld as a part of the appropriations process due to fiscal constraints or due to changes in foreign or domestic policy strategy.

Failure to retain existing contracts or win new contracts under competitive bidding processes may adversely affect our sales.

SIFCO obtains most of its contracts through a competitive bidding process, and substantially all of the business that we expect to seek in the foreseeable future likely will be subject to a competitive bidding process. Competitive bidding presents a number of risks, including:

a. the need to compete against companies or teams of companies with more financial and marketing resources and more experience in bidding on and performing major contracts than we have;
b. the need to compete against companies or teams of companies that may be long-term, entrenched incumbents for a particular contract for which we are competing and that have, as a result, greater domain expertise and better customer relations;
c. the need to compete to retain existing contracts that have in the past been awarded to us on a sole-source basis or that have been incumbent for a long time;
d. the award of contracts to providers offering solutions at the "lowest price technically acceptable," which may lower the profit we may generate under a contract awarded using this pricing method or prevent us from submitting a bid for such work due to us deeming such work to be unprofitable;
e. the reduction of margins achievable under any contracts awarded to us;
f. the need to bid on some programs in advance of the completion of their specifications, which may result in unforeseen technological difficulties or increased costs that lower our profitability;
g. the substantial cost and managerial time and effort, including design, development and marketing activities, necessary to prepare bids and proposals for contracts that may not be awarded to us;
h. the need to develop, introduce and implement new and enhanced solutions to our customers' needs;
i. the need to locate and contract with teaming partners and subcontractors;
j. the need to accurately estimate the resources and cost structure that will be required to perform any contract that we are awarded; and
k. long term agreements - changes in our cost profile over the life of a long-term agreement.

If SIFCO wins a contract, and upon expiration, the customer requires further services of the type provided by the contract, there is frequently a competitive rebidding process. There can be no assurance that we will win any particular bid, that we will win the contract at the same profit margin, or that we will be able to replace business lost upon expiration or completion of a contract.

If SIFCO is unable to consistently retain existing contracts or win new contract awards, our business, prospects, financial condition and results of operations may be adversely affected.

The Company may not receive the full amounts estimated under the contracts in our total backlog, which could reduce our sales in future periods below the levels anticipated, and which makes backlog an uncertain indicator of future operating results.

As of September 30, 2022, our total backlog was $81.9 million. Orders may be canceled and scope adjustments may occur, and we may not realize the full amounts of sales that we anticipate in our backlog numbers. Further, there is no assurance that our customers will purchase all the orders represented in our backlog, due in part to the U.S. government's ability to modify, curtail or terminate major programs. Additionally, the timing of receipt of orders, if any, on contracts included in our backlog could change. The failure to realize amounts reflected in our backlog could materially adversely affect our business, financial condition and results of operations in future periods.

SIFCO business is dependent on a small number of direct and indirect customers.

A substantial portion of SIFCO's business is conducted with a relatively small number of large direct and indirect customers. In fiscal 2022, one direct customer accounted for approximately 11% percent of our consolidated net sales and two direct customers and their direct subcontractors accounted for approximately 23% of the Company's consolidated net sales. A financial hardship experienced by any one of these key customers, the loss of any of them or a reduction in or substantial delay of orders from any of them could have a material adverse effect on our business.

The Company's failure to identify, attract and retain qualified personnel could adversely affect our existing business, financial condition and results of operations.

SIFCO may not be able to identify, attract or retain qualified technical personnel, sales and customer service personnel, employees with expertise in forging, or management personnel to supervise such activities. We may also not attract and retain employees who share the Company's core values, who can maintain and grow our existing business, and who are suited to work in a public company environment, which could adversely affect our financial condition and results of operations.

The Company's business could be negatively affected by cybersecurity threats, information systems interruptions, intrusions or new software implementations and other disruptions.

SIFCO faces cyber threats, as well as the potential for business disruptions associated with information technology failures and interruptions, new software implementation, and damaging weather or other acts of nature, and pandemics or other public health crises, which may adversely affect our business.

Although we continue to review and enhance our systems and cybersecurity controls, SIFCO has experienced and expects to continue to experience cybersecurity threats, including threats to our information technology infrastructure and attempts to gain access to the Company's sensitive information, as do our customers, suppliers and subcontractors. Although we maintain information security policies and procedures to prevent, detect, and mitigate these threats, information system disruptions, equipment failures or cybersecurity attacks, such as unauthorized access, malicious software and other intrusions, could still occur and may lead to potential data corruption, exposure of proprietary and confidential information. Further, while SIFCO works cooperatively with its customers, suppliers and subcontractors to seek to minimize the impacts of cyber threats, other security threats or business disruptions, in addition to our internal processes, procedures and systems, it must also rely on the safeguards put in place by those entities.

Any intrusion, disruption, breach or similar event may cause operational stoppages, fines, penalties, diminished competitive advantages through reputational damages and increased operational costs. The costs related to cyber or other security threats or disruptions may not be fully mitigated by insurance or other means.

In connection with the COVID-19 pandemic, we provided for remote work for certain of our employees, which may increase our vulnerability to cyber and other information technology risks. In addition to existing risks, any adoption or deployment of new technologies via acquisitions or internal initiatives may increase our exposure to risks, breaches, or failures, which could materially adversely affect our results of operations or financial condition. Furthermore, the Company may have access to sensitive, confidential, or personal data or information that may be subject to privacy and security laws, regulations, or other contractually-imposed controls. Despite our use of reasonable and appropriate controls, material security breaches, theft, misplaced, lost or corrupted data, programming, or employee errors and/or malfeasance could lead to the compromise or improper use of such sensitive, confidential, or personal data or information, resulting in possible negative consequences, such as fines, ransom demands, penalties, loss of reputation, competitiveness or customers, or other negative consequences resulting in adverse impacts to our results of operations or financial condition.

SIFCO relies on our suppliers to meet the quality and delivery expectations of our customers.

The ability to deliver SIFCO's products on schedule is dependent upon a variety of factors, including execution of internal performance plans, availability of raw materials, internal and supplier produced parts and structures, conversion of raw materials into parts and assemblies, and performance of suppliers and others. We rely on numerous third-party suppliers for raw materials and a large proportion of the components used in our production process. Certain of these raw materials and components are available only from single sources or a limited number of suppliers, or similarly, customers' specifications may require SIFCO to obtain raw materials and/or components from a single source or certain suppliers. Many of our suppliers are small companies with limited financial resources and manufacturing capabilities. We do not currently have the ability to manufacture these components ourselves. Consequently, we risk disruptions in our supply of key products and components if our suppliers fail or are unable to perform because of shortages in raw materials, operational problems, strikes, natural disasters, health crises (such as the COVID-19 or other pandemics) or other factors. We have and may continue to experience delays in the delivery of such products as a result of increased demands and pressures on the supply chain, customs, labor issues, geopolitical pressures, disruptions associated with the COVID-19 or other pandemics, changes in political, economic, and social conditions, weather, laws and regulations. Unfavorable fluctuations in price, international trade policies, quality, delivery, and availability of these products could continue to adversely affect the Company's ability to meet demands of customers and cause negative impacts to the Company's cost structure, profitability and its cash flow. It is unclear how our supply chain could be further impacted by COVID-19, including the spread of new variants, and there are many unknowns including how long we will be impacted, the severity of the impacts and the probability of a recurrence of COVID-19 or similar regional or global pandemics. If we were unsuccessful in obtaining those products from other sources or at comparable cost, a disruption in our supply chain could adversely affect our sales, earnings, financial condition, and liquidity.

We may have disputes with our vendors arising from, among other things, the quality of products and services or customer concerns about the vendor. If any of our vendors fail to timely meet their contractual obligations or have regulatory compliance or other problems, our ability to fulfill our obligations may be jeopardized. Economic downturns can adversely affect a vendor's ability to manufacture or deliver products. Further, vendors may also be enjoined from manufacturing and distributing products to us as a result of litigation filed by third parties, including intellectual property litigation. If SIFCO were to experience difficulty in obtaining certain products, there could be an adverse effect on its results of operations and on its customer relationships and our reputation. Additionally, our key vendors could also increase pricing of their products, which could negatively affect our ability to win contracts by offering competitive prices.

Any material supply disruptions could adversely affect our ability to perform our obligations under our contracts and could result in cancellation of contracts or purchase orders, penalties, delays in realizing revenues, and payment delays, as well as adversely affect our ongoing product cost structure.

Failure to perform by our subcontractors could materially and adversely affect our contract performance and its ability to obtain future business.

The performance of contracts often involves subcontractors, upon which we rely to complete delivery of products to our customers. SIFCO may have disputes with subcontractors. A failure by a subcontractor to satisfactorily deliver products can adversely affect our ability to perform our obligations as a prime contractor. Any subcontractor performance deficiencies could result in the customer terminating our contract for default, which could expose us to liability for excess costs of re-procurement by the customer and have a material adverse effect on our ability to compete for other contracts.

The Company's future success depends on the ability to meet the needs of its customer requirements in a timely manner.

The Company believes that the commercial A&E markets in which we operate require sophisticated manufacturing and system-integration techniques and capabilities using composite and metallic materials. The Company's success depends to a significant extent on our ability to acquire, develop, execute and maintain such sophisticated techniques and capabilities to meet the needs of our customers and to bring those products to market quickly and at cost-effective prices. If we are unable to acquire and/or develop, execute and maintain such techniques and capabilities, we may experience an adverse effect to our business, financial condition or results of operation.

The Company faces certain significant risk exposures and potential liabilities that may not be covered adequately by insurance or indemnity.

We are exposed to liabilities that are unique to the products we provide. While we maintain insurance for certain risks, the amount of insurance or indemnity may not be adequate to cover all claims or liabilities, and we may be forced to bear substantial costs from an accident or incident. It also is not possible for SIFCO to obtain insurance to protect against all operational risks and liabilities. Substantial claims resulting from an incident in excess of the indemnification we receive and our insurance coverage would harm our financial condition, results of operations and cash flows. Moreover, any accident or incident for which we are liable, even if fully insured, could negatively affect our standing with our customers and the public, thereby making it more difficult for us to compete effectively, and could significantly impact the cost and availability of adequate insurance in the future.

The Company's business is subject to risks associated with international operations.

SIFCO has operations in Maniago, Italy and operates internationally. A number of risks inherent in international operations could have a material adverse effect on our results of operations, including:

a. fluctuations in U.S. dollar value arising from transactions denominated in foreign currencies and the translation of certain foreign currency subsidiary balances;
b. difficulties in staffing and managing multi-national operations;
c. general economic and political uncertainties and potential for social unrest in countries in which we or our customers operate;
d. other deterioration of economic conditions, including the effect of inflation on our customers and suppliers;
e. limitations on our ability to enforce legal rights and remedies;
f. restrictions on the repatriation of funds;
g. changes in trade policies, laws, regulations, political leadership and environment, and/or security risks;

h. tariff regulations;
i. difficulties in obtaining export and import licenses and compliance with export/import controls and regulations;
j. the risk of government financed competition;
k. compliance with a variety of international laws as well as U.S. regulations, rules and practices affecting the activities of companies abroad; and
l. difficulties in managing and staffing international operations and the required infrastructure costs, including legal, tax, accounting, and information technology.

We operate in a highly competitive and price sensitive industry, and customer pricing pressures could reduce the demand and/or price for our products and services.

The end-user markets SIFCO serves are highly competitive and price sensitive. We compete globally with a number of domestic and international companies that have substantially greater manufacturing, purchasing, marketing and financial resources than we do. Many of SIFCO's customers have the in-house capability to fulfill their manufacturing requirements. SIFCO's larger competitors may be able to vie more effectively for very large-scale contracts than we can by providing different or greater capabilities or benefits such as technical qualifications, past performance on large-scale contracts, geographic presence, price and availability of key professional personnel. If SIFCO is unable to successfully compete for new business, our net sales growth and operating margins may decline. Competitive pricing pressures may have an adverse effect on our financial condition and operating results. Further, there can be no assurance that competition from existing or potential competitors will not have a material adverse effect on our financial results. If SIFCO does not continue to compete effectively and win contracts, our future business, financial condition, results of operations and our ability to meet its financial obligations may be materially compromised.

The Company uses estimates when pricing contracts and any changes in such estimates could have an adverse effect on our profitability and our overall financial performance.

When agreeing to contractual terms, some of which extend for multiple years, SIFCO makes assumptions and projections about future conditions and events. These projections assess the productivity and availability of labor, complexity of the work to be performed, cost and availability of materials, impact of delayed performance and timing of product deliveries. Contract pricing requires judgment relative to assessing risks, estimating contract revenues and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenues and costs at completion is complicated and subject to many variables. For example, assumptions are made regarding the length of time to complete a contract since costs also include expected increases in wages, prices for materials and allocated fixed costs. Similarly, assumptions are made regarding the future impact of our efficiency initiatives and cost reduction efforts. Incentives, awards or penalties related to performance on contracts are considered in estimating revenue and profit rates and are recorded when there is sufficient information to assess anticipated performance. Suppliers' assertions are also assessed and considered in estimating costs and profit rates.

Because of the significance of the judgment and estimation processes described above, it is possible that materially different amounts could be obtained if different assumptions were used or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances or estimates may have a material adverse effect upon the profitability of one or more of the affected contracts, future period financial reporting and performance, as pass through pricing is not always permissible.

Our technologies could become obsolete, reducing our revenues and profitability.

Technologies related to our products have undergone, and in the future may undergo, significant changes and the future of our business will depend in large part upon the continuing relevance of our forging capabilities. SIFCO could encounter competition from new or revised technologies that render its technologies and equipment less profitable or obsolete in our chosen markets and our operating results may suffer.

If the Company fails to maintain an effective system of internal control over financial reporting, it may not be able to accurately or timely report its financial results. As a result, current and potential shareholders could lose confidence in the Company's financial reporting, which would harm the business and the trading price of its common stock.

The Sarbanes-Oxley Act, among other things, requires that we maintain effective internal controls for financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluations and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Compliance with Section 404 may require that we incur substantial accounting expenses and expend significant management efforts. Our testing has, as described below, and in the future may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. In the event we identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner, the market price of our stock could decline if investors and others lose confidence in the reliability of our financial statements and we could be subject to sanctions or investigations by the SEC or other applicable regulatory authorities.

As further described in Item 9A in our Annual Report on Form 10-K, for the fiscal year ended September 30, 2022, management determined that SIFCO's internal control over financial reporting and its disclosure controls and procedures were not effective. Management identified a material weakness related to lack of precise review controls associated with the valuation of inventory at the Orange location and long-lived asset impairment triggering event indicators in the fourth quarter at the Orange location. Until remediated, this material weakness could result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected on a timely basis. As with any internal control deficiency, there can be no assurance that our remedial measures will be successful or otherwise sufficient to address the material weakness. If the Company is unable to remediate the material weakness, or is otherwise unable to maintain effective internal control over financial reporting or disclosure controls and procedures, or if additional material weaknesses or significant deficiencies in our internal control over financial reporting are discovered or occur in the future, the Company's ability to record, process and report financial information accurately, and to prepare financial statements within required time periods, could be adversely affected, which could subject the Company to litigation or investigations requiring management resources and payment of legal and other expenses, including civil penalties, negatively affect investor confidence in our financial statements and adversely impact our stock price.

Labor disruptions by our employees or personnel turnover and/or shortage could adversely affect our business.

As of September 30, 2022, we employed approximately 348 people. We face competition for management and employees from other companies and organizations. At various points since the start of the COVID-19 pandemic, we furloughed or terminated portions of our workforce as a result of the negative impact the pandemic and its effects had on the demand for our products and services. Although we took measures to maintain good relationships with our workforce, there can be no assurance that the act of furloughing or terminating our employees did not damage employee relations or our ability to attract and retain talent at all levels. As the demand for employees returns to pre-COVID-19 levels, if we continue to experience increased turnover and/or are unable to quickly hire employees and subsequently retain our workforce, or we experience a significant or prolonged work stoppage in such an environment, we may experience increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain employees, and our ability to secure new work and our results of operations and financial condition could be adversely affected. Additionally, two of our locations are parties to collective bargaining agreements. Although we have not experienced any material labor-related work stoppage and consider our relations with our employees to be good, labor stoppages may occur in the future. If the unionized workers were to engage in a strike or other work stoppage, or if SIFCO is unable to negotiate acceptable collective bargaining agreements with the unions, or if other employees were to become unionized, we could experience a significant disruption of our operations, higher ongoing labor costs and possible loss of customer contracts, which could have an adverse effect on our business and results of operations.

The price and availability of oil and other energy sources worldwide could adversely impact our results of operations. Unexpected pricing of fuel or a shortage of, or disruption in, the supply of fuel or other energy sources could have a material adverse effect on our and our customers' business, results of operations and financial condition.

Our results of operations can be directly affected, positively and negatively, by volatility in the cost and availability of energy, which is subject to global supply and demand and other factors beyond our control. The ongoing conflict between Russia and Ukraine has impacted global energy markets, particularly in Europe, leading to high volatility and increasing prices for crude oil, natural gas and other energy supplies. Our customers' businesses are significantly impacted by the availability and pricing of fuel. Weather-related events, natural disasters, terrorism, wars, political disruption or instability involving oil-producing countries, changes in governmental or cartel policy concerning crude oil or aircraft fuel production, labor strikes, cyberattacks or other events affecting refinery production, transportation, taxes, marketing, environmental concerns, market manipulation, price speculation and other unpredictable events may drive actual or perceived fuel supply shortages. In particular, the recent conflict between Russia and Ukraine has caused shortages in the availability of fuel. In the event that the supply of natural gas from Russia stops or is significantly reduced, there may be supply disruptions, increased prices, shutdowns of manufacturing facilities, or further rationing of energy supply within countries where we and/or our customers do business, which could have a material adverse impact on our and our customers' business or results of operations in those countries.

Risks Related to Financial Matters

Global economic conditions may adversely impact our business, operating results or financial condition.

Disruption and volatility in global financial markets may lead to increased rates of default and bankruptcy and may negatively impact consumer and business spending levels. Since 2020, the widespread public health crisis caused by the COVID-19 outbreak has adversely impacted the economies and financial markets as well as various industries worldwide, resulting in a downturn that has adversely impacted many businesses, including ours. The ongoing pandemic and other events could adversely affect our business, operating results or financial condition. Current or potential customers may delay or decrease spending on our products and services as their business and/or budgets are impacted by economic conditions. The inability of current and potential customers to pay SIFCO for its products and services may adversely affect its earnings and cash flows.

Further, we are exposed to fluctuations in inflation, which could negatively affect our business, financial condition and results of operation. The United States and other jurisdictions have recently experienced high levels of inflation. If the inflation rate continues to increase, it will likely affect our expenses, including, but not limited to, employee compensation and labor expenses and increased costs for supplies, and we may not be successful in offsetting such cost increases.

We cannot predict changes in worldwide or regional economic conditions and government policies, as such conditions are highly volatile and beyond our control. If these conditions deteriorate for extended periods, however, our business, results of operations and financial condition could be materially adversely affected.

Our indebtedness and restrictive covenants under our credit facilities could limit our operational and financial flexibility.

We have incurred indebtedness, and may incur additional debt in the future. Our ability to make interest and scheduled principal payments and operate within restrictive covenants could be adversely impacted by changes in the availability, terms and cost of capital, changes in interest rates or changes in our credit ratings or our outlook. These changes could increase our cost of business, limiting our ability to pursue acquisition opportunities, react to market conditions and meet operational and capital needs, thereby placing us at a competitive disadvantage.

The funding and costs associated with our pension plans and significant changes in key estimates and assumptions, such as discount rates and assumed long-term returns on assets, actual investment returns on our pension plan assets, and legislative and regulatory actions could affect our earnings, equity and contributions to our pension plans in future periods.

Certain of the Company's employees are covered by its noncontributory defined benefit pension plans (“Plans”). The impact of these Plans on our earnings may be volatile in that the amount of expense we record and may materially change from year to year because those calculations are sensitive to changes in several key economic assumptions, including discount rates, inflation, expected return on plan assets, retirement rates and mortality rates. These pension costs are dependent on significant judgment in the use of various estimates and assumptions, particularly with respect to the discount rate and expected long-term rates of return on plan assets. Changes to these estimates and assumptions could have a material adverse effect on our financial position, results of operations or cash flows. Differences between actual investment returns and our assumed long-term returns on assets will result in changes in future pension expense and the funded status of our Plans, and could increase future funding of the Plans. Changes in these factors affect our plan funding, cash flows, earnings, and shareholders’ equity. Additionally, the Company contributed to a multi-employer retirement plan. While the Company withdrew from this plan to mitigate future costs, the Company may be subject to liability in connection with such withdrawal (see Note 8, *Retirement Benefit Plans*).

Market volatility and adverse capital or credit market conditions may affect our ability to access cost-effective sources of funding and may expose SIFCO to risks associated with the financial viability of suppliers.

The financial markets can experience high levels of volatility and disruption, reducing the availability of credit for certain issuers and the financial markets have undergone significant volatility in reaction to the COVID-19 pandemic and various economic factors.

The tightening of the credit market and standards, as well as capital market volatility, could negatively impact our ability to obtain additional debt financing on terms equivalent to our existing Credit Agreement. Capital market uncertainty and volatility, together with the Company’s market capitalization and status as a smaller reporting company, could also negatively impact our ability to obtain capital market financing or bank financing on favorable terms, or at all, which could have a material adverse effect on our financial position, results of operations or cash flows.

Tightening credit markets could also adversely affect our suppliers' ability to obtain financing. Delays in suppliers' ability to obtain financing, or the unavailability of financing, could negatively affect their ability to perform their contracts with SIFCO and cause our inability to meet our contract obligations. The inability of our suppliers to obtain financing could also result in the need for us to transition to alternate suppliers, which could result in significant incremental costs and delays.

A write-off of all or part of our goodwill or other intangible assets could adversely affect our operating results and net worth.

Goodwill and other intangible assets are a component of our assets. At September 30, 2022, goodwill was $3.5 million and other intangible assets were $0.5 million of our total assets of $97.3 million. We may have to write off all or part of our goodwill or other intangible assets if their value becomes impaired. Although this write-off would be a non-cash charge, it could reduce our earnings and our financial condition.

General Risks

Our business is subject to risks associated with widespread public health crises, including the current COVID-19 pandemic.

In March 2020, the outbreak of COVID-19 was recognized as a pandemic by the World Health Organization, and the outbreak subsequently became increasingly widespread in the United States and other countries in which we conduct business. While we continue to actively monitor the pandemic and take steps to mitigate the risks posed by its spread, there is no guarantee that our efforts will mitigate the adverse impacts of COVID-19 or will be effective. Uncertain factors relating to the COVID-19 pandemic continue to include the duration of the outbreak, the severity of the disease, and the actions taken, or perception of actions that may be taken, to contain or treat its impact, including declarations and/or re-instituting states of emergency, business closures, manufacturing restrictions and a prolonged period of travel, commercial and/or other similar restrictions and limitations. We have continued to see a prolonged impact on the economy, our industry, and our business, with increased challenges for customers, labor shortages, supply chain disruptions, and increasing inflation, among others.

The pandemic has affected and is expected to continue to affect certain elements of our operations and business. As a result, we have been operating in industries which have been significantly impacted by the COVID-19 pandemic. As a result of the ongoing impacts of the pandemic, we have experienced, and may in the future experience, production site shutdowns, and workplace disruptions and restrictions on the movement of people, raw materials and goods, both at our own facilities and at the facilities operated by our customers and suppliers. Further or a more prolonged suspension of operations or delayed recovery in our operations, and/or any similar suspension of operations or delayed recovery at one or more of our key suppliers, or the failure of any of our key suppliers, would result in further challenges to our business, leading to a further material adverse effect on our business, financial condition, results of operations, and cash flows.

We have experienced and expect to continue to experience unpredictable changes in demand from the markets we serve. The A&E industries have been negatively impacted by the COVID-19 pandemic and its effects as a result of various restrictions on air travel and concern regarding air travel during a pandemic. These factors have caused reductions in demand for commercial aircraft, which have adversely impacted our net sales and operating results and may continue to do so for an extended period of time. Further, an overall reduction in business activity as a result of the disruption has led to a continued softening of the energy market. If the pandemic continues and/or conditions worsen, we may experience additional adverse impacts on our operations, costs, customer orders, and collections of accounts receivable, which may be material. While we are unable to predict the magnitude of the impact of these factors at this time, the loss of, or significant reduction in, purchases by our large customers could have a material adverse effect on our business, financial condition, and results of operations.

Additionally, the pandemic could lead to an extended disruption of economic activity whereby the impact on our consolidated results of operations, financial position and cash flows could be material. While the potential economic impact brought by and the duration of the coronavirus outbreak may be difficult to assess or predict, the continuation of a widespread pandemic could result in significant or sustained disruption of global financial markets, reducing our ability to access capital, which could in the future negatively affect our liquidity. While the Company believes it has adequate cash/liquidity available to finance its operations, our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, depends on our future performance, which is subject to general economic, financial, competitive and other factors (including the continued impact of COVID-19) beyond our control. In addition, while we believe we have taken appropriate steps to maintain a safe workplace to protect our employees from contracting and spreading the coronavirus, we may not be able to prevent the spread of the virus among our employees, face litigation or other proceedings making claims related to unsafe working conditions, inadequate protection of our employees or other claims. Any of these claims, even if without merit, could result in costly litigation or divert management's attention and resources. Furthermore, we may face a sustained disruption to our operations due to one or more of the factors described above.

The impact of the COVID-19 pandemic and its effects may also exacerbate other risks and uncertainties the Company faces or may face. The impact depends on the severity and duration of the current COVID-19 pandemic and actions taken by governmental authorities and other third parties in response, each of which is uncertain, rapidly changing and difficult to predict.

The price of our common stock may fluctuate significantly.

An active, liquid and orderly market for our common stock may not be sustained, which could depress the trading price of our common stock.

Volatility in the market price of our common stock may prevent you from being able to sell your shares at or above the price you paid for your shares or at all. The market price of our common stock could fluctuate significantly for various reasons, which include:

a. our quarterly or annual earnings or those of our competitors or our significant customers;
b. the public's reaction to our press releases, our other public announcements and our filings with the Securities and Exchange Commission;
c. changes in earnings estimates or recommendations by research analysts who track the stocks of our competitors;
d. new laws or regulations or new interpretations of laws or regulations applicable to our business;
e. changes in accounting standards, policies, guidance, interpretations or principles;
f. changes in general conditions in the domestic and global economies or financial markets, including those resulting from war, incidents of terrorism, health crises (such as the ongoing COVID-19 pandemic) or responses to such events;
g. litigation involving our company or investigations or audits by regulators into the operations of our company or our competitors;
h. strategic action by our competitors;
i. sales of common stock by our directors, executive officers and significant shareholders; and
j. our stock being closely held by insider holdings and is thinly traded which impacts price volatility.

In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may significantly affect the market price of our common stock, regardless of actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. If litigation is instituted against us, it could result in substantial costs and a diversion of our management's attention and resources.

Unanticipated changes in our tax provisions or exposure to additional income tax liabilities could affect our profitability and cash flow.

SIFCO is subject to income taxes in the United States, Italy and Ireland. Significant judgment is required in determining our provision for income taxes. In the ordinary course of business, there are many transactions and calculations where the ultimate tax determination is uncertain. Changes in applicable income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates or changes in the taxability of certain sales or the deductibility of certain expenses, thereby affecting our income tax expense and profitability. In addition, the final results of any tax audits or related litigation could be materially different from our related historical income tax provisions and accruals. Additionally, changes in our tax rate as a result of changes in our overall profitability, changes in tax legislation, changes in the valuation of deferred tax assets and liabilities, changes in differences between financial reporting income and taxable income, the examination of previously filed tax returns by taxing authorities and continuing assessments of our tax exposures can also impact our tax liabilities and affect our income tax expense, profitability and cash flow.

Damage or destruction of our facilities caused by storms, earthquakes or other causes could adversely affect our financial results and financial condition.

We have operations located in regions of the world that may be exposed to damaging storms, earthquakes and other natural disasters as well as other events outside of our control, such as fires, floods and other catastrophic events. We maintain standard property casualty insurance coverage for our properties and may be able to recover costs associated with certain natural disasters through insurance; however, even if covered by insurance, any significant damage or destruction of our facilities due to such events could result in our inability to meet customer delivery schedules and may result in the loss of customers and significant additional costs to SIFCO. Thus, any significant damage or destruction of our properties could have a material adverse effect on our business, financial condition or results of operations.

The occurrence of litigation where we could be named as a defendant is unpredictable.

From time to time, we are involved in various legal and other proceedings that are incidental to the conduct of our business. While we believe no current proceedings, if adversely determined, could have a material adverse effect on our financial results, no assurances can be given. Any such claims may divert financial and management resources that would otherwise be used to benefit our operations and could have a material adverse effect on our financial results.

Our operations are subject to environmental laws, and complying with those laws may cause us to incur significant costs.

Our operations and facilities are subject to numerous stringent environmental laws and regulations. Although we believe that we are in compliance with these laws and regulations, future changes in these laws, regulations or interpretations of them, or changes in the nature of our operations may require us to make significant capital expenditures to ensure compliance.

Item 2. Properties

The Company's property, plant and equipment include the facilities described below and a substantial quantity of machinery and equipment, most of which consists of industry specific machinery and equipment using special dies, jigs, tools and fixtures and in many instances having automatic control features and special adaptations. In general, the Company's property, plant and equipment are in good operating condition, are well maintained, and its facilities are in regular use. The Company considers its investment in property, plant and equipment as of September 30, 2022 suitable and adequate given the current product offerings for the respective operations in the current business environment. The square footage numbers set forth in the following paragraph are approximations:

- SIFCO operates and manufactures in multiple facilities—(i) an owned 280,000 square foot facility located in Cleveland, Ohio, which is also the site of the Company's corporate headquarters, (ii) leased facilities aggregating approximately 70,500 square feet located in Orange, California, and (iii) owned facilities aggregating approximately 91,000 square feet located in Maniago, Italy.

Item 3. Legal Proceedings

In the normal course of business, the Company may be involved in ordinary, routine legal actions. The Company cannot reasonably estimate future costs, if any, related to these matters and does not believe any such matters are material to its financial condition or results of operations. The Company maintains various liability insurance coverages to protect its assets from losses arising out of or involving activities associated with ongoing and normal business operations; however, it is possible that the Company's future operating results could be affected by future costs of litigation. See Note 11, *Commitments and Contingencies*, of the consolidated financial statements for more information regarding the legal proceedings in which the Company is involved.

Item 4A. Executive Officers of the Registrant

Set forth below is certain information concerning the Company's executive officers. The executive officers are appointed annually by the Board of Directors.

- Peter W. Knapper - President and Chief Executive Officer
- Thomas R. Kubera - Chief Financial Officer

Name	Age	Title and Business Experience
Peter W. Knapper	61	President and Chief Executive Officer since June 2016. Prior to joining SIFCO, Mr. Knapper worked for the TECT Corporation from 2007 to 2016 and was the Director of Strategy and Site Development. TECT offers the aerospace, power-generation, transportation, marine, and medical industries a combination of capabilities unique among metal component manufacturers. Prior to this role, Mr. Knapper served as President of TECT Aerospace and Vice President of Operations of TECT Power. In addition, Mr. Knapper spent five years at Rolls Royce Energy Systems, Inc., a subsidiary of Rolls-Royce Holdings plc, as the Director of Component Manufacturing and Assembly. Mr. Knapper brings his strategic and industry experience to his role in management and to the Board of the Company.
Thomas R. Kubera	63	Chief Financial Officer since August 8, 2018. Prior to his appointment, Mr. Kubera was Interim Chief Financial Officer from July 1, 2017 to August 7, 2018 and Chief Accounting Officer since January 31, 2018. Mr. Kubera was Corporate Controller from May 2014 and had served as Interim Chief Financial Officer from April 2015 to May 2015. Prior to joining SIFCO, Mr. Kubera was previously at Cleveland-Cliffs, Inc. (previously known as Cliffs Natural Resources, Inc.) from April 2005 through 2014, most recently as the Controller of Global Operations Services. He also held several assistant controller positions and was a Senior Manager of External Reporting while at Cleveland-Cliffs, Inc.

PART II

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K may contain various forward-looking statements and includes assumptions concerning the Company’s operations, future results and prospects. The words "will," "may," "designed to," "outlook," "believes," "should," "anticipates," "plans," "expects," "intends," "estimates," "forecasts" and similar expressions identify certain of these forward-looking statements. These forward-looking statements are based on current expectations and are subject to risk and uncertainties. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, the Company provides this cautionary statement identifying important economic, political and technological factors, among others, the absence or effect of which could cause the actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions. Such factors include the following: (1) the impact on business conditions in general, and on the demand for product in the A&E industries in particular, of the global economic outlook, including the continuation of military spending at or near current levels and the availability of capital and liquidity from banks, the financial markets and other providers of credit; (2) the future business environment, including capital and consumer spending; (3) competitive factors, including the ability to replace business that may be lost at comparable margins; (4) metals and commodities price increases and the Company’s ability to recover such price increases; (5) successful development and market introduction of new products and services; (6) continued reliance on consumer acceptance of regional and business aircraft powered by more fuel efficient turboprop engines; (7) continued reliance on military spending, in general, and/or several major customers, in particular, for revenues; (8) the impact on future contributions to the Company’s defined benefit pension plans due to changes in actuarial assumptions, government regulations and the market value of plan assets; (9) stable governments, business conditions, laws, regulations and taxes in economies where business is conducted; (10) the ability to successfully integrate businesses that may be acquired into the Company’s operations; (11) cyber and other security threats or disruptions faced by us, our customers or our suppliers and other partners; (12) our exposure to additional risks as a result of our international business, including risks related to geopolitical and economic factors, suppliers, laws and regulations; (13) the ability to maintain a qualified workforce; (14) the adequacy and availability of our insurance coverage; (15) our ability to develop new products and technologies and maintain technologies, facilities, and equipment to win new competitions and meet the needs of our customers; (16) our ability to realize amounts in our backlog; (17) investigations, claims, disputes, enforcement actions, litigation and/or other legal proceedings; (18) extraordinary or force majeure events affecting the business or operations of our business; and (19) the impact of the novel COVID-19 pandemic and related impact on the global economy, which may exacerbate the above factors and/or impact our results of operations and financial condition.

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company’s Common Shares are traded on the NYSE American exchange under the symbol “SIF.”

Dividends and Shareholders

The Company did not declare a cash dividend during fiscal 2022 or fiscal 2021. The Company will continue to evaluate the payment of dividends annually based on its relative profitability, available resources, and investment strategies. The Company currently intends to retain a significant majority of its earnings for operations, focusing on its long-term plan and mitigating the uncertainty of the continuing impact of the COVID-19 pandemic. Additionally, the Company’s ability to declare or pay cash dividends is limited by its credit agreement. At November 30, 2022, there were approximately 355 shareholders of record of the Company’s Common Shares, as reported by Computershare, Inc., the Company’s Transfer Agent and Registrar, which maintains its U.S. corporate offices at 250 Royall Street, Canton, MA 02021.

Reference Part III, Item 12. “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” for information related to the Company’s equity compensation plans.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

SIFCO is engaged in the production of forgings and machined and sub-assembled components primarily for the A&E markets. The processes and services include forging, heat-treating, chemical processing and machining. The Company operates under one business segment.

When planning and evaluating its business operations, the Company takes into consideration certain factors, including the following: (i) the projected build rate for commercial, business and military aircraft, as well as the engines that power such aircraft; (ii) the projected build rate for industrial steam and gas turbine engines; and (iii) the projected maintenance, repair and overhaul schedules for commercial, business and military aircraft, as well as the engines that power such aircraft.

The Company operates within a cost structure that includes a significant fixed component. Therefore, higher net sales volumes are expected to result in greater operating income because such higher volumes allow the business operations to better leverage the fixed component of their respective cost structures. Conversely, the opposite effect is expected to occur at lower net sales and related production volumes.

A. Results of Operations

Overview

The Company produces forged components for (i) turbine engines that power commercial, business and regional aircraft as well as military aircraft and armored military vehicles; (ii) airframe applications for a variety of aircraft; (iii) industrial gas and steam turbine engines for power generation units; and (iv) other commercial applications.

Impact of COVID-19 & Other Factors

As previously noted, the lingering impact and residual effects of the COVID-19 pandemic, along with other factors such as ongoing geopolitical tensions, continue to impact the United States and other countries in which the Company operates, including strains on supply chains and inflationary impacts. During fiscal 2022, the ongoing impact of the COVID-19 pandemic continued to effect the Company's results of operations. Given the long lead times for certain of the Company's products, the Company has continued to see an impact related to the effects of COVID-19 on orders and deliveries in fiscal 2022. While the exact timing and pace of recovery in our markets continues to be indeterminable, there are indications that commercial air travel is steadily recovering. While the long-term outlook remains positive given the nature of the industry, there continues to be uncertainty with the respect to when commercial air traffic will return to pre-COVID-19 levels. Given the fluidity of the situation, it is still unclear how lasting and deep the ongoing economic impacts of COVID-19 will last.

In response to the uncertain environment created by the COVID-19 pandemic and its effects, the Company has, at various points in fiscal 2022 and prior periods, taken measures to reduce costs by furloughing and laying off certain of its employees from one of its plant locations that has experienced reduced sales of commercial aerospace products. Such employees have since returned to work.

Additionally, our operations are subject to global economic and geopolitical risks. For example, while the Company does not have a presence in these regions, the ongoing conflict between Russia and Ukraine has impacted economic activity as well as the availability and price of raw materials and energy. The Company continues to actively monitor these factors and find ways to mitigate the impact on its operations.

Fiscal Year 2022 Compared with Fiscal Year 2021

Net Sales

Net sales comparative information for fiscal 2022 and 2021, respectively, is as follows:

(Dollars in millions)	Years Ended September 30,		
Net Sales	**2022**	**2021**	**Increase (Decrease)**
Aerospace components for:			
Fixed wing aircraft	$ 39.5	$ 38.5	$ 1.0
Rotorcraft	15.6	27.2	(11.6)
Energy components for power generation units	17.4	20.4	(3.0)
Commercial product and other revenue	11.4	13.5	(2.1)
Total	$ 83.9	$ 99.6	$ (15.7)

Net sales in fiscal 2022 decreased 15.8%, or $15.7 million to $83.9 million, compared with $99.6 million in fiscal 2021. Given the long lead times for certain of the Company's products, the Company has seen a greater impact related to the effects of COVID-19 on orders and deliveries in fiscal 2022 than in fiscal 2021. Fixed wing aircraft sales increased $1.0 million compared with the same period last year due to timing of customer orders, an increase in build rates in certain commercial programs and sales for military programs. Rotorcraft sales decreased $11.6 million in fiscal 2022 compared to the same period in fiscal 2021 primarily due to a timing change in requirements after advance ordering from customers in fiscal 2021 to help the overall supply chain through the effects of the COVID-19 pandemic. The energy components for power generation units decreased $3.0 million compared with the same period last year due to customer order reductions.

Commercial net sales were 47.4% of total net sales and military net sales were 52.6% of total net sales in fiscal 2022, compared with 36.7% and 63.3%, respectively, in the comparable period in fiscal 2021. Commercial net sales (which includes energy components) increased $3.2 million to $39.8 million in fiscal 2022, compared to $36.6 million in fiscal 2021 primarily due to the increase in build rates in the commercial aerospace industry. Military net sales decreased $18.9 million to $44.1 million in fiscal 2022, compared to $63.0 million in fiscal 2021 primarily due to timing of orders related to certain military programs as a result of advance ordering in fiscal 2021 and lower munition program volumes, such as H60 and Hellfire missile due to timing.

Cost of Goods Sold

Cost of goods sold ("COGS") decreased by $2.6 million, or 3.0%, to $85.8 million, or 102.2% of net sales, during fiscal 2022, compared with $88.4 million or 88.7% of net sales in the comparable period of fiscal 2021. The decrease was primarily due to lower volume from the military and munitions programs, increased raw material pricing and outside processing costs, inventory write down to net realizable value ("NRV") of $1.5 million and idle expense of $3.1 million partially offset by cost controlling measures including lower payroll costs of $1.8 million. Net sales decreased at a greater rate than COGS, leading COGS as a percent of net sales to be greater in fiscal 2022 than in fiscal 2021. This was primarily a result of the Company recording idle expense of $3.1 million, an inventory write down to NRV of $1.5 million, and experiencing increased outside processing and raw material costs. Prior year results included $2.1 million of idle expense and $0.3 million of inventory write down to NRV.

Gross Profit (Loss)

Gross profit (loss) decreased by $13.1 million, or 116.6%, to a loss of $1.9 million during fiscal 2022, compared with $11.2 million profit in fiscal 2021. Gross margin percent of sales was (2.2%) during fiscal 2022, compared with 11.3% in fiscal 2021, primarily due to lower volume, inventory write down to NRV of $1.5 million and incremental idle costs of $1.0 million, higher raw material prices, and outside processing costs in fiscal 2022 compared with the prior year, partially offset by lower payroll.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $11.9 million, or 14.2% of net sales, during fiscal 2022, compared with $13.5 million, or 13.5% of net sales, in fiscal 2021. The decrease in selling, general and administrative expenses is due to the continued cost reduction efforts by management, including lower wages, commissions and travel expenses, partially offset by higher legal and professional costs.

Amortization of Intangibles

Amortization of intangibles decreased $0.7 million to $0.3 million during fiscal 2022, compared with $1.0 million in the comparable period of fiscal 2021. Such decrease was primarily due to certain intangible assets that were fully amortized during fiscal 2022.

Other/General

The Company recorded an operating loss of $14.1 million during fiscal 2022, compared with an operating loss of $1.1 million in fiscal 2021.

Included in the current year results, the Company recognized a gain on extinguishment of debt related to the PPP loan, that was forgiven by the SBA, for $5.1 million. See Note 5, *Debt* for further discussion. Prior year results included a gain on insurance recoveries of $2.4 million a gain on debt extinguishment of $0.3 million due to partial loan forgiveness at the Company's Maniago location.

Interest expense was $0.6 million in fiscal 2022 and fiscal 2021. See Note 5, *Debt,* of the consolidated financial statements for further information.

The following table sets forth the weighted average interest rates and weighted average outstanding balances under the Company's debt agreements in fiscal 2022 and 2021:

	Weighted Average Interest Rate Years Ended September 30,		Weighted Average Outstanding Balance Years Ended September 30,	
	2022	2021	2022	2021
Revolving credit agreement	2.6%	1.5%	$ 10.4 million	$ 9.1 million
Foreign term debt	2.8%	3.5%	$ 6.2 million	$ 7.0 million
Other debt	0.7%	0.9%	$ 1.9 million	$ 5.7 million

The Company believes that inflation did not materially impact its results of operations in either fiscal 2022 or 2021. However, the Company does expect inflationary pressures to have some impact in fiscal 2023.

Income Taxes

The Company's effective tax rate in fiscal 2022 was 0.4% compared with 62.2% in fiscal 2021. The decrease in the effective tax rate in fiscal 2022 is primarily attributable to tax benefits from adjusting deferred taxes recorded in Italy applied against a year-to-date loss in fiscal 2021 which was non-recurring in fiscal 2022 and changes in jurisdictional mix of income in fiscal 2022 compared with the same period in fiscal 2021. The effective tax rate differs from the U.S. federal statutory rate due primarily to the valuation allowance against the Company's U.S. deferred tax assets and income in foreign jurisdictions that are taxed at different rates than the U.S. statutory tax rate.

Net Income (Loss)

Net loss was $9.6 million during fiscal 2022, compared with net loss of $0.7 million in fiscal 2021. The decrease in income in the current period was primarily due to lower volume, increased inventory write down to NRV, higher idle expense, raw material prices as a result of supply chain constraints, excess and obsolete costs, and outside processing expenses, partially offset by the gain on debt extinguishment of debt related to the PPP loan and lower payroll and selling, general and administrative expenses.

Non-GAAP Financial Measures

Presented below is certain financial information based on our EBITDA and Adjusted EBITDA. References to "EBITDA" mean earnings (losses) from operations before interest, taxes, depreciation and amortization, and references to "Adjusted EBITDA" mean EBITDA plus, as applicable for each relevant period, certain adjustments as set forth in the reconciliations of net income (loss) to EBITDA and Adjusted EBITDA.

Neither EBITDA nor Adjusted EBITDA is a measurement of financial performance under generally accepted accounting principles in the United States of America ("GAAP"). The Company presents EBITDA and Adjusted EBITDA because it believes that they are useful indicators for evaluating operating performance and liquidity, including the Company's ability to incur and service debt and it uses EBITDA to evaluate prospective acquisitions. Although the Company uses EBITDA and Adjusted EBITDA for the reasons noted above, the use of these non-GAAP financial measures as analytical tools has limitations. Therefore, reviewers of the Company's financial information should not consider them in isolation, or as a substitute for analysis of the Company's results of operations as reported in accordance with GAAP. Some of these limitations include:

- Neither EBITDA nor Adjusted EBITDA reflects the interest expense, or the cash requirements necessary to service interest payments, on indebtedness;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and neither EBITDA nor Adjusted EBITDA reflects any cash requirements for such replacements;
- The omission of the substantial amortization expense associated with the Company's intangible assets further limits the usefulness of EBITDA and Adjusted EBITDA; and
- Neither EBITDA nor Adjusted EBITDA includes the payment of taxes, which is a necessary element of operations.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered as measures of discretionary cash available to the Company to invest in the growth of its businesses. Management compensates for these limitations by not viewing EBITDA or Adjusted EBITDA in isolation and specifically by using other GAAP measures, such as net income (loss), net sales, and operating profit (loss), to measure operating performance. The Company's calculation of EBITDA and Adjusted EBITDA may not be comparable to the calculation of similarly titled measures reported by other companies.

The following table sets forth a reconciliation of net loss to EBITDA and Adjusted EBITDA:

(Dollars in thousands)	Years Ended September 30, 2022	Years Ended September 30, 2021
Net loss	$ (9,640)	$ (743)
Adjustments:		
Depreciation and amortization expense	6,348	7,662
Interest expense, net	646	638
Income tax benefit	(43)	(1,222)
EBITDA	(2,689)	6,335
Adjustments:		
Foreign currency exchange loss, net (1)	15	23
Other (income) loss, net (2)	(149)	215
(Gain) loss on disposal of assets (3)	(7)	209
Gain on insurance recoveries (4)	—	(2,397)
Gain on debt extinguishment (5)	(5,106)	(287)
Equity compensation expense (6)	428	469
Pension settlement/curtailment benefit (7)	208	274
LIFO impact (8)	729	924
Adjusted EBITDA	$ (6,571)	$ 5,765

(1) Represents the gain or loss from changes in the exchange rates between the functional currency and the foreign currency in which the transaction is denominated.

(2) Represents miscellaneous non-operating income or expense, such as pension costs or grant income.

(3) Represents the difference between the proceeds from the sale of operating equipment and the carrying value shown on the Company's books or asset impairment of long-lived assets.

(4) Represents the difference between the insurance proceeds received for the damaged property and the carrying values shown on the Company's books for the assets that were damaged in the fire at the Orange location that occurred in December 2018.

(5) Represents the gain on extinguishment of debt and interest for the amount forgiven by the SBA as it relates to the PPP loan in fiscal 2022 and term debt forgiveness as is relates to foreign borrowings in fiscal 2021.

(6) Represents the equity-based compensation expense recognized by the Company under the 2016 Plan due to granting of awards, awards not vesting and/or forfeitures.

(7) Represents expense incurred by its defined benefit pension plans related to settlement of pension obligations.

(8) Represents the change in the reserve for inventories for which cost is determined using the last-in, first-out ("LIFO") method.

Reference to the above activities can be found in the consolidated financial statements included in Item 8 of this Annual Report on Form 10-K.

B. Liquidity and Capital Resources

Historically, the main sources of liquidity of the Company have been cash flows from operations and borrowings under our Credit Agreement (as defined below under "Financing Activities"). The ongoing impact and magnitude of the COVID-19 pandemic remain uncertain (including the pandemic's continued effects on the global economy and potential for market disruptions) with the commercial aerospace industry. Along with the global disruption in travel and, further, the pandemic and responses to the various resurgences and continued spread of the pandemic continue to cause interruptions to the business of our customers and suppliers, which in turn is likely to impact our business operations and results as well as our liquidity and capital resources. The Company's liquidity could be negatively affected by customers extending payment terms to the Company and/or the decrease in demand for our products as a result of COVID-19 on the commercial airline industry. As the impact of the COVID-19 pandemic on the economy and the Company's operations continues to evolve, the Company management will continue to assess and actively manage liquidity. See "Results of Operation - COVID-19" for further discussion on the impact of the pandemic.

Cash and cash equivalents increased to $1.2 million at September 30, 2022 compared with $0.3 million at September 30, 2021. At September 30, 2022 and 2021, cash included financing proceeds for capital investment and a nominal amount, respectively, of the Company's cash and cash equivalents were in the possession of its non-U.S. subsidiaries. Distributions from the Company's non-U.S. subsidiaries to the Company may be subject to adverse tax consequences.

Operating Activities

The Company's operating activities provided $0.3 million of cash in fiscal 2022, compared with $3.9 million in fiscal 2021. The cash provided by operating activities in fiscal 2022 was primarily due to non-cash items, such as depreciation and amortization of $6.3 million, inventory write down to NRV $1.5 million, LIFO effect of $0.7 million, equity based compensation of $0.3 million and source of working capital of $6.0 million, partially offset by the forgiveness of the PPP loan of $5.1 million and net loss of $9.6 million. The source of cash from working capital of $6.0 million was primarily due to reductions in receivables due to lower sales and improved collections as well as decreases in inventories, partially offset by payments to suppliers.

The Company's operating activities provided $3.9 million of cash in fiscal 2021. The cash provided by operating activities in fiscal 2021 was primarily due to non-cash items, such as depreciation and amortization of $7.7 million, LIFO effect of $0.9 million, inventory write down to NRV $0.3 million, equity based compensation, and source of working capital of $1.4 million, partially offset by a net gain on insurance recovery combined with loss on disposal of assets of $2.2 million and deferred income taxes of $1.3 million and net loss of $0.7 million. The source of cash from working capital of $1.4 million was primarily due to reductions in receivables due to lower sales and improved collections as well as decreases in inventories, partially offset by payments to suppliers and disbursements related to the fire recovery.

Investing Activities

Cash used for investing activities was $3.2 million in fiscal 2022, compared with $0.9 million in fiscal 2021. Fiscal 2022 expenditures were used primarily for manufacturing enhancement and maintenance capital. Fiscal 2021 included $4.1 million in proceeds received from insurance recovery on the damaged property related to the fire at the Orange location. Expenditures in fiscal 2021were used primarily for the restoration of the Orange location as a result of the fire, which were completed as of September 30, 2021. Capital commitments at September 30, 2022 were $1.6 million. The Company anticipates the total fiscal 2023 capital expenditures will be within the range of $3.5 million to $5.5 million and will relate principally to the further enhancement of production and product offering capabilities and operating cost reductions.

Financing Activities

Cash provided by financing activities was $3.7 million in fiscal 2022 compared to cash used by financing activities of $3.1 million in fiscal 2021.

As discussed in Note 5, *Debt*, the Company amended the Credit Agreement and the Export Agreement on March 23, 2022. The combined maximum borrowings remain unchanged at $35.0 million. The Sixth Amendment (the "Sixth Amendment") to the Credit Agreement (as amended, the "Credit Agreement") consists of a senior secured revolving credit facility with a maximum borrowing of $28.0 million, previously $30.0 million. The revolving commitment through the Second Amendment (the "Second Amendment") of the Export Credit Agreement, which lends amounts to the Company on foreign receivables increased its revolving commitment from $5.0 million to $7.0 million. The Sixth Amendment, among other things, (i) revises the fixed coverage ratio to exclude the first $1,500 of unfunded capital expenditures through April 20, 2023, (ii) increases the letter of credit sub-limit from $2,000 to $3,000, (iii) modifies the reference rate from the London interbank offered rate ("LIBOR") to the secured overnight financing rate ("SOFR") and (iv) revises the property, plant and equipment component of the borrowing base under the Credit Agreement.

As discussed in Note 5, *Debt*, the Company's Maniago, Italy location obtained borrowings from two separate lenders during fiscal 2022. The first loan was for $1.2 million with repayment terms of six years. A second loan with a five year term was obtained in the amount of $1.0 million. The proceeds of the first loan is to be used for working capital purposes, the proceeds of the second loan are earmarked for capital investment. The Company repaid $1.2 million of its Company's foreign term loans in 2022.

In addition to the two loans entered into in fiscal 2022, in the prior year, the Company received cash proceeds of $1.0 million from two new loans related to the Maniago location. A total of $0.4 million in cash was used to repay the Company's foreign term loans.

The Company had net borrowings under its revolving credit facility of $2.2 million in fiscal 2022 and net repayments of $3.9 million in fiscal 2021. Amounts borrowed under the Credit Agreement are secured by substantially all the assets of the Company and its U.S. subsidiaries and a pledge of 66.67% of the stock of its first-tier non-U.S. subsidiaries. Borrowings will bear interest at the lender's established domestic rate or SOFR, plus the applicable margin as set forth in the Credit Agreement. The revolver has a rate based on SOFR plus a 2.25% spread, which was 4.86% at September 30, 2022 and the Export Credit Agreement, as discussed in Note 5, *Debt,* of the consolidated financial statements, has a rate based on SOFR plus a 1.75% spread, which was 4.36% at September 30, 2022. The Company also has a commitment fee of 0.25% under the Credit Agreement to be incurred on the unused balance of the revolver.

As the Company's Credit Agreement is asset-based, a sustained significant decrease in revenue in the U.S. or excessive aging of the underlying receivables as a result of the impact of the COVID-19 pandemic could materially affect the collateral capacity limitation of the availability under the Credit Agreement and could impact our ability to comply with covenants in our Credit Agreement.

Under the Company's Credit Agreement, the Company is subject to certain customary loan covenants regarding availability as discussed in Note 5, *Debt,* of the consolidated financial statements. The availability at September 30, 2022 was $9.4 million. If the availability had fallen short, the Company would be required to meet the fixed charge coverage ratio ("FCCR") covenant, which must not be less than 1.1 to 1.0. In the event of a default, we may not be able to access our revolver, which could impact the ability to fund working capital needs, capital expenditures and invest in new business opportunities. Because the availability was greater than the 10.0% of the Revolving Commitment as of September 30, 2022, the FCCR calculation was not required.

Future cash flows from the Company's operations may be used to pay down amounts outstanding under the Credit Agreement and its foreign related debts. The Company believes it has adequate cash/liquidity available to finance its operations from the combination of (i) the Company's expected cash flows from operations and (ii) funds available under the Credit Agreement for its domestic locations. The Company was able to defer payments for certain debt obligations at its Maniago location along with obtaining new financing in the current year to provide Maniago with sufficient liquidity.

Additionally, the credit and capital markets saw significant volatility during the course of the pandemic. Tightening of the credit market and standards, as well as capital market volatility, could negatively impact our ability to obtain additional debt financing on terms equivalent to our existing Credit Agreement, in the event the Company seeks additional liquidity sources as a result of the continued impact of COVID-19. Capital market uncertainty and volatility, together with the Company's market capitalization and status as a smaller reporting company, could also negatively impact our ability to obtain equity financing.

C. Off-Balance Sheet Arrangements

In the normal course of business, the Company may be party to certain arrangements that are not reflected in the Consolidated Balance Sheets. The Company does not have obligations that meet the definition of an off-balance sheet arrangement that have had, or are reasonably likely to have, a material effect on the Company's financial condition or results of operations.

D. Critical Accounting Policies and Estimates

Allowances for Doubtful Accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of certain customers to make required payments. The Company evaluates the adequacy of its allowances for doubtful accounts each quarter based on the customers' credit-worthiness, current economic trends or market conditions, past collection history, aging of outstanding accounts receivable and specific identified risks. As these factors change, the Company's allowances for doubtful accounts may change in subsequent periods. Historically, losses have been within management's expectations and have not been significant.

Inventories

Approximately 42% of the Company's inventory is valued using the last-in, first-out ("LIFO") method with the remaining valued using the first-in, first-out ("FIFO") method stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less reasonably predictable costs of completion.

The Company evaluates obsolete and excess inventory on a quarterly basis. The Company maintains a formal policy, which requires at a minimum, that amounts are written down based on an analysis of the age of the inventory. In addition, if the Company learns of specific obsolescence, other than that identified by the aging criteria, an additional write down will be recognized. Specific obsolescence may arise due to a technological or market change or based on cancellation of an order.

Management's judgment is necessary in determining the net realizable value of these products to arrive at the proper write down for obsolete and excess inventory.

Revenue Recognition

The Company recognizes revenue using the five-step revenue recognition model in which it depicts the transfer of goods to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. The revenue standard also requires disclosure sufficient to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments and assets recognized from the cost to obtain or fulfill a contract.

Contract Balances

Contract assets on the consolidated balance sheets are recognized when a good is transferred to the customer and the Company does not have the contractual right to bill for the related performance obligations. In these instances, revenue recognized exceeds the amount billed to the customer and the right to payment is not solely subject to the passage of time. Amounts do not exceed their net realizable value. Contract liabilities relate to payments received in advance of the satisfaction of performance under the contract. Payment from customers are received based on the terms established in the contract with the customer.

Impairment of Long-Lived Assets

The Company reviews the carrying value of its long-lived assets when events and circumstances warrant such a review. This review involves judgment and is performed using estimates of future undiscounted cash flows, which include proceeds from disposal of assets and which the Company considers a critical accounting estimate. The Company would assess the fair value of the asset group and compare it to its carrying value. Under the Accounting Standard Codification ("ASC") 360 ("Topic 360"), if the carrying value of a long-lived asset or asset group is greater than the estimated undiscounted future cash flows, then the long-lived asset or asset group is considered impaired and an impairment charge is recorded for the amount by which the carrying value of the long-lived asset or asset group exceeds its fair value.

In projecting future undiscounted cash flows, the Company relies on internal budgets and forecasts, and projected proceeds upon disposal of long-lived assets. The Company's budgets and forecasts are based on historical results and anticipated future market conditions, such as the general business climate and the effectiveness of competition. The Company believes that its estimates of future undiscounted cash flows and fair value are reasonable; however, changes in estimates of such undiscounted cash flows and fair value could change the Company's estimates, which could result in future impairment charges.

2022 Long-Lived Asset Recoverability Tests

In the third and fourth quarters, certain qualitative factors, including operating results, at the Orange, California ("Orange") location, triggered recoverability tests. The results of both indicated that the long-lived assets, right-of-use assets and definite lived intangible assets were recoverable and did not require further review for impairment.

2021 Long-Lived Asset Recoverability Tests

In the fourth quarter, certain qualitative factors, including operating results, at the Orange location, triggered a recoverability test. The results indicated that the long-lived assets, right-of-use assets and definite lived intangible assets were recoverable and did not require further review for impairment.

Impairment of Goodwill

Goodwill is tested for impairment annually as of July 31. If circumstances change during interim periods between annual tests that would more likely than not reduce the fair value of a reporting unit below its carrying value, the Company will test goodwill for impairment. Factors that would necessitate an interim goodwill impairment assessment include a sustained decline in the Company's stock price, prolonged negative industry or economic trends, or significant under-performance relative to expected, historical or projected future operating results. Management uses judgment to determine whether to use a qualitative analysis or a quantitative fair value measurement for its goodwill impairment testing. The Company's fair value measurement approach combines the income and market valuation techniques for each of the Company's reporting units that carry goodwill. These valuation techniques use estimates and assumptions including, but not limited to, the determination of appropriate market comparables, projected future cash flows (including timing and profitability), discount rate reflecting the risk inherent in future cash flows, perpetual growth rate, and projected future economic and market conditions.

As permitted, if the reporting unit fails the impairment test, the Financial Accounting Standards Board ("FASB") issued an Accounting Standard Update ("ASU") removing step two from the goodwill impairment test. If a reporting unit fails the quantitative impairment test, impairment expense is immediately recorded as the difference between the reporting unit's fair value and carrying value. The Company adopted this standard effective March 31, 2017.

2022 Annual Goodwill Impairment Tests

SIFCO performed its annual test as of July 31, 2022. Goodwill existed at one of the Company's reporting units, Cleveland, Ohio as of September 30, 2022. No impairment charge was identified in connection with the annual goodwill impairment test with respect to the Cleveland reporting unit. Refer to Note 3, *Goodwill and Intangible Assets,* of the consolidated financial statements for further details.

2021 Annual Goodwill Impairment Tests

SIFCO performed its annual test as of July 31, 2021. Goodwill existed at one of the Company's reporting units, Cleveland, Ohio as of September 30, 2021. No impairment charge was identified in connection with the annual goodwill impairment test with respect to the Cleveland reporting unit. Refer to Note 3, *Goodwill and Intangible Assets,* of the consolidated financial statements for further details.

Defined Benefit Pension Plan Expense

The Company maintains three defined benefit pension plans in accordance with the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). The amounts recognized in the consolidated financial statements for pension benefits under these three defined benefit pension plans are determined on an actuarial basis utilizing various assumptions. The following table illustrates the sensitivity to change in the assumed discount rate and expected long-rate of return on assets for the Company's pension plans as of September 30, 2022.

Change in Assumptions	Impact on Fiscal 2022 Benefits Expense	Impact on September 30, 2022 Projected Benefit Obligation for Pension Plans
	(In thousands)	
25 basis point decrease in discount rate	$ 22	$ 553
25 basis point increase in discount rate	$ (22)	$ (553)
100 basis point decrease in expected long-term rate of return on assets	$ 211	$ —
100 basis point increase in expected long-term rate of return on assets	$ (211)	$ —

The discussion that follows provides information on the significant assumptions/elements associated with these defined benefit pension plans.

The Company determines the expected return on plan assets principally based on (i) the expected return for the various asset classes in the respective plans' investment portfolios and (ii) the targeted allocation of the respective plans' assets. The expected return on plan assets is developed using historical asset return performance as well as current and anticipated market conditions such as inflation, interest rates and market performance. Should the actual rate of return differ materially from the assumed/ expected rate, the Company could experience a material adverse effect on the funded status of its plans and, accordingly, on its related future net pension expense.

The discount rate for each plan is determined, as of the fiscal year end measurement date, using prevailing market spot-rates (from an appropriate yield curve) with maturities corresponding to the expected timing/date of the future defined benefit payment amounts for each of the respective plans. Such corresponding spot-rates are used to discount future years' projected defined benefit payment amounts back to the fiscal year end measurement date as a present value. A composite discount rate is then developed for each plan by determining the single rate of discount that will produce the same present value as that obtained by applying the annual spot-rates. The discount rate may be further revised if the market environment indicates that the above methodology generates a discount rate that does not accurately reflect the prevailing interest rates as of the fiscal year end measurement date. The Company computes a weighted-average discount rate taking into account anticipated plan payments and the associated interest rates from the USI Consulting Group Pension Discount Curve.

As of September 30, 2022 and 2021, SIFCO used the following assumptions:

	Years Ended September 30,	
	2022	2021
Discount rate for expenses	2.9 %	3.1 %
Expected return on assets	6.4 %	7.0 %

Deferred Tax Valuation Allowance

The Company accounts for deferred taxes in accordance with the provisions of the Accounting Standards Codification guidance related to accounting for income taxes, whereby the Company recognizes an income tax benefit related to income tax credits, loss carryforwards and deductible temporary differences between financial reporting basis and tax reporting basis.

A high degree of judgment is required to determine the extent a valuation allowance should be provided against deferred tax assets. On a quarterly basis, the Company assesses the likelihood of realization of its deferred tax assets considering all available evidence, both positive and negative. In determining whether a valuation allowance is warranted, the Company evaluates factors such as prior earnings history, expected future earnings, carry-back and carry-forward periods and tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified. It is generally difficult to outweigh objectively verifiable negative evidence of recent financial reporting losses. Based on the weight of available evidence, the Company determines if it is more likely than not that its deferred tax assets will be realized in the future. As a result of losses incurred in recent years, the Company entered into a three-year cumulative loss position in the U.S. jurisdiction during the fourth quarter of fiscal 2016 and remains in a cumulative loss position at the conclusion of fiscal 2022. Accordingly, the Company maintained its valuation allowance on its U.S. deferred tax assets as of the fourth quarter of fiscal year 2022.

Uncertain Tax Positions

The calculation of the Company's tax liabilities also involves considering uncertainties in the application of complex tax regulations. SIFCO recognizes liabilities for uncertain income tax positions based on its estimate of whether it is more likely than not that additional taxes will be required, and it reports related interest and penalties as income taxes. Refer to Note 7, *Income Taxes*, of the consolidated financial statements.

E. Impact of Newly Issued Accounting Standards

In June 2016, the FASB issued ASU 2016-13, *"Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"* and subsequent updates. ASU 2016-13 changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The new guidance will replace the current incurred loss approach with an expected loss model. The new expected credit loss impairment model will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt instruments, net investments in leases, loan commitments and standby letters of credit. Upon initial recognition of the exposure, the expected credit loss model requires entities to estimate the credit losses expected over the life of an exposure (or pool of exposures). The estimate of expected credit losses should consider historical information, current information and reasonable and supportable forecasts, including estimates of prepayments. Financial instruments with similar risk characteristics should be grouped together when estimating expected credit losses. ASU 2016-13 does not prescribe a specific method to make the estimate, so its application will require significant judgment. ASU 2016-13 is effective for public companies in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. However, in November 2019, the FASB issued ASU 2019-10, *"Financial Instruments - Credit Loss (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842),"* which defers the effective date for public filers that qualify as a smaller reporting company ("SRC"), as defined by the Securities and Exchange Commission, to fiscal years after December 15, 2022, including interim periods within those fiscal years. Because SIFCO is considered a SRC, the Company does not need to implement until October 1, 2023. The Company will continue to evaluate the effect of adopting ASU 2016-13 will have on the Company's results within the consolidated statements of operations and financial condition.

In March 2020, the FASB issued ASU 2020-04, *"Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,"* which is intended to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burden related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. This ASU, along with recently issued ASU 2021-01, which further clarifies the scope of Topic 848, is available immediately and may be implemented in any period prior to the guidance expiration on December 31, 2022. ASU 2020-04 was effective beginning on March 12, 2020, and the Company may elect to apply the amendments prospectively through December 31, 2022. The Company has not applied any optional expedients and exceptions to date, and will continue to evaluate the impact of the guidance and whether it will apply the optional expedients and exceptions.

Item 8. Financial Statements and Supplementary Data

Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

SIFCO Industries, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of SIFCO Industries, Inc. (an Ohio corporation) and subsidiaries (the "Company") as of September 30, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the two years in the period ended September 30, 2022 and the related notes and financial statement schedule included under Item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended September 30, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Recoverability of long-lived assets at Orange, California

As described further in Note 1 to the financial statements, the Company reviews the carrying value of its long-lived assets when events and circumstances indicate a triggering event has occurred. This review is performed using estimates of future undiscounted cash flows. If the carrying value of a long-lived asset or asset group is greater than the estimated undiscounted future cash flows, the long-lived asset or asset group is considered impaired and an impairment charge is recorded for the amount by which the carrying value exceeds its fair value. We identified the recoverability of long-lived assets at Orange, California as a critical audit matter.

The principal considerations for our determination that the recoverability of long-lived assets at Orange, California is a critical audit matter are the high degree of auditor judgement necessary in evaluating certain inputs and assumptions made by management in the undiscounted cash flow analysis. Those assumptions include forecasted revenue and EBITDA and estimated sale price of the asset group at the end of the useful life, which contribute significantly to the undiscounted cash flows of the asset group.

Our audit procedures related to the analysis included the following, among others.

- We obtained an understanding of and evaluated the design of controls relating to management's recoverability of long-lived assets analysis, including controls over the determination of the undiscounted cash flows of the asset group and review controls over the reasonableness of key inputs and assumptions.
- We assessed the reasonableness of the methodologies and significant inputs used to estimate the future cash flows of the asset group, including the revenue and EBITDA growth rates.
- We assessed the reasonableness of the estimated sale value of the asset group at the end of the useful life.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2002.

Cleveland, Ohio
December 22, 2022

SIFCO Industries, Inc. and Subsidiaries
Consolidated Statements of Operations
(Amounts in thousands, except per share data)

	Years Ended September 30,	
	2022	**2021**
Net sales	$ 83,902	$ 99,591
Cost of goods sold	85,757	88,386
Gross (loss) profit	(1,855)	11,205
Selling, general and administrative expenses	11,909	13,484
Amortization of intangible assets	313	1,011
(Gain) loss on disposal or impairment of operating assets	(7)	209
Gain on insurance recoveries	—	(2,397)
Operating (loss)	(14,070)	(1,102)
Interest expense, net	645	638
Gain on debt extinguishment	(5,106)	(287)
Foreign currency exchange loss, net	15	23
Other expense, net	59	489
(Loss) before income tax benefit	(9,683)	(1,965)
Income tax benefit	(43)	(1,222)
Net (loss)	$ (9,640)	$ (743)
Net (loss) per share:		
Basic	$ (1.65)	$ (0.13)
Diluted	$ (1.65)	$ (0.13)
Weighted-average number of common shares (basic)	5,830	5,759
Weighted-average number of common shares (diluted)	5,830	5,759

See notes to consolidated financial statements.

SIFCO Industries, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income (Loss)
(Amounts in thousands)

	Years Ended September 30,	
	2022	**2021**
Net (loss)	$ (9,640)	$ (743)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment, net of tax $0 and $0, respectively	(837)	(102)
Retirement plan liability adjustment, net of tax $0 and $0, respectively	1,211	4,491
Interest rate swap agreement adjustment, net of tax $0 and $0, respectively	12	—
Comprehensive (loss) income	$ (9,254)	$ 3,646

See notes to consolidated financial statements.

SIFCO Industries, Inc. and Subsidiaries
Consolidated Balance Sheets
(Amounts in thousands, except per share data)

	September 30, 2022	September 30, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,174	$ 346
Receivables, net of allowance for doubtful accounts of $111 and $167, respectively	16,515	19,914
Contract asset	10,172	12,874
Inventories, net	8,969	12,546
Refundable income taxes	97	101
Prepaid expenses and other current assets	1,851	1,792
Total current assets	38,778	47,573
Property, plant and equipment, net	39,272	42,708
Operating lease right-of-use assets, net	15,167	15,943
Intangible assets, net	477	874
Goodwill	3,493	3,493
Other assets	79	77
Total assets	$ 97,266	$ 110,668
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 4,379	$ 9,566
Revolver	11,163	8,930
Short-term operating lease liabilities	792	788
Accounts payable	10,387	9,811
Accrued liabilities	5,868	6,871
Total current liabilities	32,589	35,966
Long-term debt, net of current maturities	3,508	2,669
Long-term operating lease liabilities, net of short-term	14,786	15,439
Deferred income taxes	137	158
Pension liability	4,812	6,073
Other long-term liabilities	744	741
Shareholders' equity:		
Serial preferred shares, no par value, authorized 0 shares	—	—
Common shares, par value $1 per share, authorized 10,000 shares; issued and outstanding shares 6,040 at September 30, 2022 and 5,987 at September 30, 2021	6,040	5,987
Additional paid-in capital	11,387	11,118
Retained earnings	31,956	41,596
Accumulated other comprehensive loss	(8,693)	(9,079)
Total shareholders' equity	40,690	49,622
Total liabilities and shareholders' equity	$ 97,266	$ 110,668

See notes to consolidated financial statements.

SIFCO Industries, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Amounts in thousands)

	Years Ended September 30, 2022	Years Ended September 30, 2021
Cash flows from operating activities:		
Net (loss)	$ (9,640)	$ (743)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Depreciation and amortization	6,348	7,662
Amortization of debt issuance costs	40	72
(Gain) loss on disposal of operating assets or impairment of operating assets	(7)	209
Gain on insurance proceeds received for damaged property	—	(2,397)
Gain on extinguishment of debt	(5,106)	(287)
Inventory valuation accounts	1,639	92
LIFO effect	729	924
Share transactions under employee stock plan	322	453
Deferred income taxes	(48)	(1,288)
Other long-term liabilities	19	375
Changes in operating assets and liabilities:		
Receivables	2,633	3,244
Contract assets	2,702	(877)
Inventories	443	1,952
Refundable income taxes	4	2
Prepaid expenses and other current assets	(138)	157
Other assets	(4)	61
Accounts payable	808	(4,443)
Accrued liabilities	(419)	(1,279)
Accrued income tax and other	(27)	3
Net cash provided by operating activities	298	3,892
Cash flows from investing activities:		
Insurance proceeds received for damaged property	—	4,101
Proceeds from disposal of property, plant and equipment	7	—
Capital expenditures	(3,199)	(4,979)
Net cash used for investing activities	(3,192)	(878)
Cash flows from financing activities:		
Proceeds from term note	261	1,020
Proceeds from long term debt	2,245	—
Repayments of long-term debt	(1,243)	(405)
Proceeds from revolving credit agreement	79,802	89,264
Repayments of revolving credit agreement	(77,569)	(93,204)
Proceeds from short-term debt borrowings	4,132	3,613
Repayments of short-term debt borrowings	(3,894)	(3,354)
Payments for debt issuance costs	—	(45)
Net cash provided by (used for) financing activities	3,734	(3,111)
Increase (decrease) in cash and cash equivalents	840	(97)
Cash and cash equivalents at beginning of year	346	427
Effects of exchange rate changes on cash and cash equivalents	(12)	16
Cash and cash equivalents at end of year	$ 1,174	$ 346

See notes to consolidated financial statements.

SIFCO Industries, Inc. and Subsidiaries
Supplemental disclosure of Cash Flow Information
(Amounts in thousands)

	Years Ended September 30, 2022	Years Ended September 30, 2021
Cash paid during the year:		
Cash paid for interest	$ (585)	$ (397)
Cash paid for income tax, net	$ (19)	$ (62)
Non-cash investing and financing activities:		
Additions to property, plant & equipment - incurred but not yet paid	$ 372	$ 257

See notes to consolidated financial statements.

SIFCO Industries, Inc. and Subsidiaries
Consolidated Statements of Shareholders' Equity
(Amounts in thousands)

	Common Shares	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance - September 30, 2020	$ 5,916	$ 10,736	$ 42,339	$ (13,468)	$ 45,523
Comprehensive income (loss)	—	—	(743)	4,389	3,646
Performance and restricted share expense	—	469	—	—	469
Share transactions under employee stock plans	71	(87)	—	—	(16)
Balance - September 30, 2021	5,987	11,118	41,596	(9,079)	49,622
Comprehensive income (loss)	—	—	(9,640)	386	(9,254)
Performance and restricted share expense	—	428	—	—	428
Share transactions under employee stock plans	53	(159)	—	—	(106)
Balance - September 30, 2022	$ 6,040	$ 11,387	$ 31,956	$ (8,693)	$ 40,690

See notes to consolidated financial statements.

SIFCO Industries, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Amounts in thousands, except per share data)

1. Summary of Significant Accounting Policies

A. DESCRIPTION OF BUSINESS

SIFCO Industries, Inc. and its subsidiaries are engaged in the production of forgings and machined components primarily in the Aerospace and Energy ("A&E") market. The Company's operations are conducted in a single business segment, "SIFCO" or the "Company."

Impact of COVID-19 & Other Factors

The lingering impact and residual effects of the coronavirus ("COVID-19") pandemic, along with other factors, such as ongoing geopolitical tensions, have created strains on supply chains, and general economic conditions. While the exact timing and pace of recovery in our markets continues to be indeterminable, there are indications that commercial air travel is steadily recovering in certain areas. While the long-term outlook remains positive given the nature of the industry, there continues to be uncertainty with the respect to when commercial air traffic will return to pre-COVID-19 levels. Given the fluidity of the situation, it is still unclear how lasting and deep the ongoing economic impacts of COVID-19 will last.

During fiscal 2022, the effects of COVID-19 continued to have an impact on the Company's results of operations. The Company has been impacted by delays in receiving orders and obtaining materials required to produce certain products. As sales volumes have fluctuated, the Company has taken measures to reduce costs by furloughing certain of its employees from time to time at one of its plant locations. Additionally, our operations are subject to global economic and geopolitical risks. For example, while the Company does not have a presence in these regions, the ongoing conflict between Russia and Ukraine has impacted economic activity as well as the availability and price of raw materials and energy. The Company continues to actively monitor these factors and find ways to mitigate the impact on its operations.

B. PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. The U.S. dollar is the functional currency for all the Company's U.S. operations and its non-operating subsidiaries. For these operations, all gains and losses from completed currency transactions are included in income. The functional currency for the Company's other non-U.S. subsidiaries is the Euro. Assets and liabilities are translated into U.S. dollars at the rates of exchange at the end of the period, and revenues and expenses are translated using average rates of exchange. Foreign currency translation adjustments are reported as a component of accumulated other comprehensive loss in the consolidated statements of shareholders' equity.

C. CASH EQUIVALENTS

The Company considers all highly liquid short-term investments with original maturities of three months or less to be cash equivalents. A substantial majority of the Company's cash and cash equivalent bank balances exceed federally insured limits as of September 30, 2022 and 2021.

D. CONCENTRATIONS OF CREDIT RISK

Receivables are presented net of allowance for doubtful accounts of $111 and $167 at September 30, 2022 and 2021, respectively. Accounts receivable outstanding longer than the contractual payment terms are considered past due. The Company writes off accounts receivable when they become uncollectible. In fiscal 2022 $53 of accounts receivable were written off against the allowance for doubtful accounts, while in fiscal 2021 $9 of accounts receivable were recovered against the allowance for doubtful accounts. Bad debt benefit totaled $3 and $91 in fiscal 2022 and fiscal 2021, respectively.

Most of the Company's receivables represent trade receivables due from manufacturers of turbine engines and aircraft components as well as turbine engine overhaul companies located throughout the world, including a significant concentration of U.S. based companies. In fiscal 2022, 11% of the Company's consolidated net sales were from one of its largest customers; and 23% of the Company's consolidated net sales were from the two largest customers and their direct subcontractors, which individually accounted for 12% and 11%, of consolidated net sales, respectively. In fiscal 2021, 20% of the Company's consolidated net sales were from two of its largest customers; and 38% of the Company's consolidated net sales were from three of the largest customers and their direct subcontractors which individually accounted for 17%, 11%, and 10%, of consolidated net sales, respectively. Other than what has been disclosed, no other single customer or group represented greater than 10% of total net sales in fiscal 2022 and 2021.

At September 30, 2022, three of the Company's largest customers had outstanding net accounts receivable balances that were 15%, 11% and 10%, respectively of the total net accounts receivable; and four of the largest customers and their direct subcontractors collectively had outstanding net accounts receivable which accounted for 15%, 11%, 11% and 10%, respectively of total net accounts receivable. At September 30, 2021, none of the Company's largest customers had outstanding net accounts receivable which individually accounted for 10% or more of total net accounts receivable; and one of the largest customers and their direct subcontractors had outstanding net accounts receivable which accounted for 17%, of total net accounts receivable, respectively. The Company performs ongoing credit evaluations of its customers' financial conditions. The Company believes its allowance for doubtful accounts is sufficient based on the credit exposures outstanding at September 30, 2022.

E. INVENTORY VALUATION

For a portion of the Company's inventory, cost is determined using the last-in, first-out ("LIFO") method. For approximately 42% and 39% of the Company's inventories at September 30, 2022 and 2021, respectively, the LIFO method is used to value the Company's inventories. The first-in, first-out ("FIFO") method is used to value the remainder of the Company's inventories, which are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less reasonably predictable costs of completion. In order to accurately reflect inventory, the Company wrote down inventory to realizable value of $1,538 and $325 for years ended September 30, 2022 and 2021, respectively.

The Company writes down inventory for obsolete and excess inventory each quarter and requires at a minimum that the write down be established based on an analysis of the age of the inventory. In addition, if the Company identifies specific obsolescence, other than that identified by the aging criteria, an additional write down will be recognized. Specific obsolescence and excess write down requirements may arise due to technological or market changes or based on cancellation of an order. The Company did not have a significant write down for obsolete and excess inventory for the years ended September 30, 2022 and 2021.

F. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost. Depreciation is generally computed using the straight-line method. Depreciation is provided in amounts sufficient to amortize the cost of the assets over their estimated useful lives. Depreciation provisions are based on estimated useful lives: (i) buildings, including building improvements - 5 to 40 years; (ii) machinery and equipment, including office and computer equipment - 3 to 20 years; (iii) software - 3 to 7 years (included in machinery and equipment); and (iv) leasehold improvements - 6 to 15 years range represent the remaining life or length of the lease, whichever is less (included in buildings).

The Company's property, plant and equipment assets by major asset class at September 30 consist of:

	2022	2021
Property, plant and equipment:		
Land	$ 913	$ 994
Buildings	16,553	16,931
Machinery and equipment	93,510	92,871
Total property, plant and equipment	110,976	110,796
Less: Accumulated depreciation	71,704	68,088
Property, plant and equipment, net	$ 39,272	$ 42,708

Depreciation expense was $6,035 and $6,651 in fiscal 2022 and 2021, respectively.

G. ASSET IMPAIRMENT

The Company reviews the carrying value of its long-lived assets ("asset groups"), when events and circumstances indicate a triggering event has occurred. This review is performed using estimates of future undiscounted cash flows, which include proceeds from disposal of assets. Under the Accounting Standard Codification ("ASC") 360 ("Topic 360"), if the carrying value of a long-lived asset is greater than the estimated undiscounted future cash flows, then the long-lived asset is considered impaired and an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value.

Fiscal 2022

The Company continuously monitors triggers to determine if further testing is necessary. In the third and fourth quarters, further assessment was necessary as certain qualitative factors, such as, operating results, historical and forecasted market conditions and projected undiscounted future cash flows triggered a recoverability test on its Orange, California ("Orange") location. The results indicated that the long-lived assets, right-of-use assets and definite lived intangible assets were recoverable and did not require further review for impairment.

Fiscal 2021

The Company continuously monitors triggers to determine if further testing is necessary. In the fourth quarter, further assessment was necessary as certain qualitative factors, such as, operating results, historical and forecasted market conditions and projected undiscounted future cash flows triggered a recoverability test on its Orange location. The results indicated that the long-lived assets, right-of-use assets and definite lived intangible assets were recoverable and did not require further review for impairment.

H. GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of the purchase price paid over the fair value of the net assets of an acquired business. Goodwill is subject to impairment testing if triggered in the interim, and if not, on an annual basis. The Company has selected July 31 as the annual impairment testing date. The first step of the goodwill impairment test compares the fair value of a reporting unit (as defined) with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired. However, if the carrying amount exceeds the fair value, the Company should recognize an impairment charge for the amount by which the carrying amount exceeds the fair value, not to exceed the total amount of goodwill allocated to that reporting unit. See Note 3, *Goodwill and Intangibles Assets*, of the consolidated financial statements for further discussion of the July 31, 2022 and 2021 annual impairment test results. The Company monitors for triggering events outside of the annual impairment assessment date and no potential triggers were identified through September 30, 2022.

Intangible assets consist of identifiable intangibles acquired or recognized in the accounting for the acquisition of a business and include such items as a trade name, a non-compete agreement, below market lease, customer relationships and order backlog. Intangible assets are amortized over their useful lives ranging from one year to ten years. Identifiable intangible assets assessment for impairment is evaluated when events and circumstances warrant such a review, as noted within Note 1, *Summary of Significant Accounting Policies - Asset Impairment,* of the consolidated financial statements.

I. NET (LOSS) PER SHARE

The Company's net loss per basic share has been computed based on the weighted-average number of common shares outstanding. Due to the net loss in the reporting period, zero restricted shares and performance shares are included in the calculation of diluted earnings per share because the effect would be anti-dilutive. In the prior period, net loss per diluted share reflects the effect of the Company's outstanding restricted shares and performance shares under the treasury method. The dilutive effect is as follows:

	September 30, 2022	September 30, 2021
Net (loss)	$ (9,640)	$ (743)
Weighted-average common shares outstanding (basic and diluted)	5,830	5,759
Net (loss) income per share – basic and diluted:	$ (1.65)	$ (0.13)
Anti-dilutive weighted-average common shares excluded from calculation of diluted earnings per share	270	412

J. REVENUE RECOGNITION

The Company recognizes revenue using the five-step revenue recognition model in which it depicts the transfer of goods to customers in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. The revenue standard also requires disclosure sufficient to enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, including qualitative and quantitative disclosures about contracts with customers, significant judgments and changes in judgments and assets recognized from the cost to obtain or fulfill a contract.

The Company recognizes revenue in the following manner using the five-step revenue recognition model. A contract exists when there is approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Revenue is recognized when performance obligations under the terms of the contract with a customer of the Company are satisfied. A portion of the Company's contracts are from purchase orders ("PO's"), which continue to be recognized as of a point in time when products are shipped from the Company's manufacturing facilities or at a later time when control of the products transfers to the customer. Under the revenue standard, the Company recognizes certain revenue over time as it satisfies the performance obligations because the conditions of transfer of control to the applicable customer are as follows:

- Certain military contracts, which relate to the provisions of specialized or unique goods to the U.S. government with no alternative use, include provisions within the contract that are subject to the Federal Acquisition Regulation ("FAR"). The FAR provision allows the customer to unilaterally terminate the contract for convenience and requires the customer to pay the Company for costs incurred plus reasonable profit margin and take control of any work in process.

- For certain commercial contracts involving customer-specific products with no alternative use, the contract may fall under the FAR clause provisions noted above for military contracts or may include certain provisions within their contract that the customer controls the work in process based on contractual termination clauses or restrictions of the Company's use of the product and the Company possesses a right to payment for work performed to date plus reasonable profit margin.

As a result of control transferring over time for these products, revenue is recognized based on progress toward completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products to be provided. The Company elected to use the cost to cost input method of progress based on costs incurred for these contracts because it best depicts the transfer of goods to the customer based on incurring costs on the contracts. Under this method, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenues are recorded proportionally as costs are incurred.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods. An accounting policy election to exclude from transaction price was made for sales, value add, and other taxes the Company collects concurrent with revenue-producing activities when applicable. The Company has elected to recognize incremental costs incurred to obtain contracts, which primarily represent commissions paid to third party sales agents where the amortization period would be less than one year, as selling, general and administrative expenses in the consolidated statements of operations as incurred.

The Company elected a practical expedient under Topic 606 to not adjust the promised amount of consideration for the effects of any significant financing component where the Company expects, at contract inception, that the period between when the Company transfers a promised good to a customer and when the customer pays for that good will be one year or less. Finally, the Company's policy is to exclude performance obligations resulting from contracts with a duration of one year or less from its disclosures related to remaining performance obligations.

The amount of consideration to which the Company expects to be entitled in exchange for the goods is not generally subject to significant variations.

The Company elected to recognize the cost of freight and shipping when control of the products has transferred to the customer as an expense in cost of goods sold on the consolidated statements of operations, because those are costs incurred to fulfill the promise recognized, not a separate performance obligation. To the extent certain freight and shipping fees are charged to customers, the Company recognizes the amounts charged to customers as revenues and the related costs as an expense in cost of goods sold when control of the related products has transferred to the customer.

Contracts are occasionally modified to account for changes in contract specifications, requirements, and pricing. The Company considers contract modifications to exist when the modification either creates new or changes the existing enforceable rights and obligations. Substantially all of the Company's contract modifications are for goods that are distinct from the existing contract. Therefore, the effect of a contract modification on the transaction price and the Company's measure of progress for the performance obligation to which it relates is generally recognized on a prospective basis.

Contract Balances

Contract assets on the consolidated balance sheets are recognized when a good is transferred to the customer and the Company does not have the contractual right to bill for the related performance obligations. In these instances, revenue recognized exceeds the amount billed to the customer and the right to payment is not solely subject to the passage of time. Amounts do not exceed their net realizable value. Contract liabilities relate to payments received in advance of the satisfaction of performance under the contract. Payments from customers are received based on the terms established in the contract with the customer.

K. LEASES

The leasing standard requires lessees to recognize a Right-of-Use ("ROU") asset and a lease liability on the consolidated balance sheet, with the exception of short-term leases. The Company primarily leases its manufacturing buildings, specifically at its Orange location, as well as certain machinery and office equipment. The Company determines if a contract contains a lease based on whether the contract conveys the right to control the use of identified assets for a period in exchange for consideration. Upon identification and commencement of a lease, the Company establishes a ROU asset and a lease liability. Operating leases are included in ROU assets, short-term operating lease liabilities, and long-term operating lease liabilities on the consolidated balance sheets. Finance leases are included in property, plant, and equipment, current maturities of long-term debt and long-term debt on the consolidated balance sheets.

ROU assets and liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the leases do not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at commencement date and duration of the lease term in determining the present value of the future payments. Lease expense for operating leases is recognized on a straight-line basis over the lease term, while the expense for finance leases is recognized as depreciation expense and interest expense using the accelerated interest method of recognition.

L. IMPACT OF RECENTLY ADOPTED ACCOUNTING STANDARDS

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019-12, "*Income Taxes (ASC 740) – Simplifying the Accounting for Income Taxes*," which is intended to reduce complexity in the accounting for income taxes while maintaining or improving the usefulness of information provided to financial statement users. The guidance amends certain existing provisions under ASC 740 to address a number of distinct items. The Company adopted ASU 2019-12 effective October 1, 2021. Adoption of the amendments in this ASU did not have an impact to the Company's results of operations and financial condition.

M. IMPACT OF NEWLY ISSUED ACCOUNTING STANDARDS

In June 2016, the FASB issued ASU 2016-13, "*Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*" and subsequent updates. ASU 2016-13 changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The new guidance will replace the current incurred loss approach with an expected loss model. The new expected credit loss impairment model will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt instruments, net investments in leases, loan commitments and standby letters of credit. Upon initial recognition of the exposure, the expected credit loss model requires entities to estimate the credit losses expected over the life of an exposure (or pool of exposures). The estimate of expected credit losses should consider historical information, current information and reasonable and supportable forecasts, including estimates of prepayments. Financial instruments with similar risk characteristics should be grouped together when estimating expected credit losses. ASU 2016-13 does not prescribe a specific method to make the estimate, so its application will require significant judgment. ASU 2016-13 is effective for public companies in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. However, in November 2019, the FASB issued ASU 2019-10, *"Financial Instruments - Credit Loss (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*," which defers the effective date for public filers that qualify as a smaller reporting company ("SRC"), as defined by the Securities and Exchange Commission, to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Because SIFCO is considered a SRC, the Company does not need to implement this standard until October 1, 2023. The Company will continue to evaluate the effect of adopting ASU 2016-13 will have on the Company's results within the consolidated statements of operations and financial condition.

In March 2020, the FASB issued ASU 2020-04, *"Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting,"* which is intended to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burden related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. This ASU, along with recently issued ASU 2021-01, which further clarifies the scope of Topic 848, is available immediately and may be implemented in any period prior to the guidance expiration on December 31, 2022. ASU 2020-04 was effective beginning on March 12, 2020, and the Company may elect to apply the amendments prospectively through December 31, 2022. The Company has not applied any optional expedients and exceptions to date, and will continue to evaluate the impact of the guidance and whether it will apply the optional expedients and exceptions.

N. USE OF ESTIMATES

Accounting principles generally accepted in the U.S. require management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent liabilities, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period in preparing these financial statements. Actual results could differ from those estimates.

O. RESEARCH AND DEVELOPMENT

Research and development costs are expensed as they are incurred. Research and development expenses were nominal in fiscal 2022 and 2021.

P. DEBT ISSUANCE COSTS

Debt issuance costs are capitalized and amortized over the life of the related debt. Amortization of debt issuance costs is included in interest expense in the consolidated statements of operations.

Q. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss as shown on the consolidated balance sheets at September 30 are as follows:

	2022	2021
Foreign currency translation adjustment, net of income tax benefit of $0 and $0, respectively	$ (6,196)	$ (5,359)
Net retirement plan liability adjustment, net of income tax benefit of $(3,758) and $(3,758), respectively	(2,509)	(3,720)
Interest rate swap agreement, net of income tax benefit of $0 and $0, respectively	12	—
Total accumulated other comprehensive loss	$ (8,693)	$ (9,079)

The following table provides additional details of the amounts recognized into net earnings from accumulated other comprehensive loss, net of tax:

	Foreign Currency Translation Adjustment	Retirement Plan Liability Adjustment	Interest Rates Swap Adjustment	Accumulated Other Comprehensive Loss
Balance at September 30, 2020	$ (5,257)	$ (8,211)	$ —	$ (13,468)
Other comprehensive income (loss) before reclassifications	(102)	3,371	—	3,269
Amounts reclassified from accumulated other comprehensive loss	—	1,120	—	1,120
Net current-period other comprehensive income (loss)	(102)	4,491	—	4,389
Balance at September 30, 2021	(5,359)	(3,720)	—	(9,079)
Other comprehensive income (loss) before reclassifications	(837)	527	12	(298)
Amounts reclassified from accumulated other comprehensive loss	—	684		684
Net current-period other comprehensive income (loss)	(837)	1,211	12	386
Balance at September 30, 2022	$ (6,196)	$ (2,509)	$ 12	$ (8,693)

The following table reflects the changes in accumulated other comprehensive loss related to the Company for September 30, 2022 and 2021:

Details about accumulated other comprehensive loss components	Amount reclassified from accumulated other comprehensive loss		Affected line item in the Consolidated Statement of Operations
	2022	**2021**	
Amortization of Retirement plan liability:			
Net actuarial gain	1,003	4,217	(1)
Settlements/curtailments	208	274	(1)
	1,211	4,491	Total before taxes
	—	—	Income tax expense
	$ 1,211	$ 4,491	Net of taxes

(1) These accumulated other comprehensive loss components are included in the computation of net periodic benefit cost. See Note 8, *Retirement Benefit Plans*, of the consolidated financial statements for further information.

R. INCOME TAXES

The Company files a consolidated U.S. federal income tax return and tax returns in various state and local jurisdictions. The Company's Irish and Italian subsidiaries also file tax returns in their respective jurisdictions.

The Company provides deferred income taxes for the temporary difference between the financial reporting basis and tax basis of the Company's assets and liabilities. Such taxes are measured using the enacted tax rates that are assumed to be in effect when the differences reverse. Deductible temporary differences result principally from recording certain expenses in the financial statements in excess of amounts currently deductible for tax purposes. Taxable temporary differences result principally from tax depreciation in excess of book depreciation.

The Company evaluates for uncertain tax positions taken at each balance sheet date. The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest cumulative benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company's policy for interest and/or penalties related to underpayments of income taxes is to include interest and penalties in tax expenses.

The Company maintains a valuation allowance against its deferred tax assets when management believes it is more likely than not that all or a portion of a deferred tax asset may not be realized. Changes in valuation allowances are recorded in the period of change. In determining whether a valuation allowance is warranted, the Company evaluates factors such as prior earnings history, expected future earnings, carry-back and carry-forward periods and tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset.

The Tax Cut and Jobs Act (the "Act") includes provisions for Global Intangible Low-Taxed Income (“GILTI”) wherein minimum taxes are imposed on foreign income in excess of a deemed return on the tangible assets of foreign corporations. This income will effectively be taxed at a 10.5% tax rate. GILTI was effective for the Company starting in fiscal 2019. The Company has elected to account for GILTI as a component of tax expense in the period in which the Company is subject to the rules.

S. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. In determining fair value, the Company utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. Based on the examination of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.
Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3 - Unobservable inputs that are not corroborated by market data

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The book value of cash equivalents, accounts receivable, and accounts payable are considered to be representative of their fair values because of their short maturities. The carrying value of debt is considered to approximate the fair value based on the borrowing rates currently available to us for loans with similar terms and maturities. Fair value measurements of non-financial assets and non-financial liabilities are primarily used in goodwill, other intangible assets and long-lived assets impairment analysis, the valuation of acquired intangibles and in the valuation of assets held for sale. Goodwill and intangible assets are valued using Level 3 inputs.

T. SHARE-BASED COMPENSATION

Share-based compensation is measured at the grant date, based on the calculated fair value of the award and the probability of meeting its performance condition, and is recognized as expense when it is probable that the performance conditions will be met over the requisite service period (generally the vesting period). Share-based expense includes expense related to restricted shares and performance shares issued under the Company's 2007 Long-Term Incentive Plan (Amended and Restated as of November 16, 2016) (as further amended, the "2016 Plan"). The Company recognizes share-based expense within selling, general, and administrative expense and adjusts for any forfeitures as they occur.

U. GOING CONCERN

In accordance with ASU 2014-15, "*Presentation of Financial Statements—Going Concern (Subtopic 205-40) ("ASC 205-40")*", the Company has the responsibility to evaluate whether conditions and/or events raise substantial doubt about its ability to meet its future financial obligations as they become due within one year after the date that the financial statements are issued. This evaluation requires management to perform two steps. First, management must evaluate whether there are conditions and events that raise substantial doubt about the entity’s ability to continue as a going concern. Second, if management concludes that substantial doubt is raised, management is required to consider whether it has plans in place to alleviate that doubt. This evaluation shall initially not take into consideration the potential mitigating effects of plans that have not been fully implemented as of the date the financial statements are issued. Disclosures in the notes to the consolidated financial statements are required if management concludes that substantial doubt exists or that its plans alleviate the substantial doubt that was raised. The consolidated financial statements have been prepared assuming that the Company will continue as a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

V. RECLASSIFICATIONS

Certain amounts in prior years have been reclassified to conform to the 2022 consolidated statement presentation. In fiscal 2022, the Company revised its classification within the Consolidated Statement of Cash Flows by moving a prior year amount of $325 of inventories from changes in operating assets and liabilities to adjustments to reconcile net loss to net cash provided by operating activities as this item is non-cash and is not a part of operating assets and liabilities.

2. Inventories

Inventories at September 30 consist of:

	2022	2021
Raw materials and supplies	$ 2,968	$ 4,111
Work-in-process	3,356	3,560
Finished goods	2,645	4,875
Total inventories	$ 8,969	$ 12,546

If the FIFO method had been used for the entire Company, inventories would have been $9,939 and $9,210 higher than reported at September 30, 2022 and 2021, respectively. LIFO expense was $729 in fiscal 2022 and $924 in fiscal 2021.

In fiscal 2022, results showed a reduction of inventory resulting in liquidations of LIFO inventory quantities. The estimated liquidation of LIFO inventory quantities results in a projected increase in cost of goods sold of approximately $180 during fiscal 2022. These inventories were carried in prior periods at the then prevailing costs, which were accurate at the time, but differ from the current manufacturing cost and/or material costs. There was $156 of LIFO liquidation in fiscal 2021.

For the portion of the Company's inventory not valued at LIFO, inventory is valued at FIFO and stated at the lower of cost or net realizable value. The Company wrote down inventory to net realizable value by $1,538 and $325 for the years ended September 30, 2022 and 2021, respectively.

The Company did not have a significant write down for obsolete and excess inventory for the years ended September 30, 2022 and 2021.

The allocation of production costs to inventory are based on a normal range of capacity in production. The amount of cost allocated to each unit of production is not increased as a consequence of low production or idle capacity. As a result, the Company recorded idle cost of $3,087 and $2,126 for years ended September 30, 2022 and 2021, respectively.

3. Goodwill and Intangible Assets

The Company's intangible assets by major asset class subject to amortization as of:

September 30, 2022	Weighted Average Life at September 30,	Original Cost	Accumulated Amortization	Impairment	Currency Translation	Net Book Value
Intangible assets:						
Trade name	8 years	$ 1,876	$ 1,868	$ —	$ —	$ 8
Technology asset	5 years	1,869	1,869	—	—	—
Customer relationships	10 years	13,589	13,036	—	(84)	469
Total intangible assets		$ 17,334	$ 16,773	$ —	$ (84)	$ 477
September 30, 2021						
Intangible assets:						
Trade name	8 years	$ 1,876	$ 1,850	$ —	$ —	$ 26
Technology asset	5 years	1,869	1,869	—	—	—
Customer relationships	10 years	13,589	12,736	—	(5)	848
Total intangible assets		$ 17,334	$ 16,455	$ —	$ (5)	$ 874

The amortization expense on identifiable intangible assets for fiscal 2022 and 2021 was $313 and $1,011, respectively. Amortization expense associated with the identified intangible assets is expected to be as follows:

	Amortization Expense
Fiscal year 2023	$ 222
Fiscal year 2024	149
Fiscal year 2025	106
Fiscal year 2026	—
Fiscal year 2027	—

Goodwill is not amortized, but is subject to an annual impairment test. The Company tests its goodwill for impairment in the fourth fiscal quarter, and in interim periods if certain events occur indicating that the carrying amount of goodwill may be impaired. Factors that would necessitate an interim goodwill impairment assessment include a sustained decline in the Company's stock price, prolonged negative industry or economic trends, or significant under-performance relative to expected, historical or projected future operating results.

The Company uses a fair value measurement approach which combines the income (discounted cash flow method) and market valuation (market comparable method) techniques for each of the Company's reporting units that carry goodwill. These valuation techniques use estimates and assumptions including, but not limited to, the determination of appropriate market comparable, projected future cash flows (including timing and profitability), discount rate reflecting the risk inherent in future cash flows, perpetual growth rate, and projected future economic and market conditions (Level 3 inputs).

Although the Company believes its assumptions are reasonable, actual results may vary significantly and may expose the Company to material impairment charges in the future. The methodology for determining fair values was consistent for the periods presented.

2022 and 2021 Annual Goodwill Impairment Tests

SIFCO performed its annual impairment test as of July 31, 2022 and 2021, respectively, for the Cleveland, Ohio ("Cleveland") reporting unit. Results determined that the fair value of the reporting unit exceeded the carrying value at each assessment date. As a result, no impairment was required as of September 30, 2022 and 2021, respectively.

Goodwill is expected to be deductible for tax purposes. Changes in the net carrying amount of goodwill were as follows:

Balance at September 30, 2020	$	3,493
Goodwill impairment adjustment		—
Currency translation		—
Balance at September 30, 2021		3,493
Goodwill impairment adjustment		—
Currency translation		—
Balance at September 30, 2022	$	3,493

4. Accrued Liabilities

Accrued liabilities at September 30 consist of:

		2022		2021
Accrued employee compensation and benefits	$	2,705	$	4,075
Accrued workers' compensation		912		888
Contract liabilities		807		236
Other accrued liabilities		1,444		1,672
Total accrued liabilities	$	5,868	$	6,871

5. Debt

Debt at September 30 consists of:

		2022		2021
Revolving credit agreement	$	11,163	$	8,930
Foreign subsidiary borrowings		7,101		6,632
Finance lease obligations		192		22
Other, net of unamortized debt issuance cost ($20) and $(32)		594		5,581
Total debt		19,050		21,165
Less – current maturities		(15,542)		(18,496)
Total long-term debt	$	3,508	$	2,669

Credit Agreement and Security Agreement

The Company's asset-based Credit Agreement (as amended, the "Credit Agreement"), Security Agreement ("Security Agreement") and Export Credit Agreement (as amended, the "Export Credit Agreement") are secured by substantially all the assets of the Company and its U.S. subsidiaries and a pledge of 66.67% of the stock of its first-tier non-U.S. subsidiaries. The Credit Agreement (as amended by Fifth Amendment (the "Fifth Amendment") described below), consists of a senior secured revolving credit facility with a maximum borrowing of $28,000. The revolving commitment through the Export Credit Agreement, as amended, which lends amounts to the Company on foreign receivables is $7,000. The Credit Agreement also has an accordion feature, which allows the Company to increase maximum borrowings by up to $10,000 upon consent of the Lender (as defined below) or upon additional lenders joining the Credit Agreement. The Credit Agreement and the Export Agreement were amended on February 19, 2021, when the Company and certain of its subsidiaries (collectively, the "borrowers") entered into the Fifth Amendment to the Credit Agreement and the First Amendment (the "First Amendment") to the Export Credit Agreement, in each case, with JPMorgan Chase Bank, N.A., a national banking association, (the "Lender"). The combined maximum borrowings remain unchanged at $35,000; however the maximum borrowing under the Credit Agreement was decreased to $28,000 (from $30,000) and the revolving commitment through the Export Agreement was increased to $7,000 (from $5,000). The Fifth Amendment, among other things, extended the maturity date from August 6, 2021 to February 19, 2024.

The Credit Agreement and the Export Credit Agreement were amended on March 23, 2022, when the Company entered into the Sixth Amendment to the Credit Agreement and the Second Amendment to the Export Agreement with its Lender. The Sixth Amendment, among other things, (i) revised the fixed coverage ratio to exclude the first $1,500 of unfunded capital expenditures through April 20, 2023, (ii) increased the letter of credit sub-limit from $2,000 to $3,000, (iii) modified the reference rate from the London interbank offered rate ("LIBOR") to SOFR and (iv) revised the property, plant and equipment component of the borrowing base under the Credit Agreement. The Second Amendment amends the Export Credit Agreement to replace the reference rate from LIBOR to SOFR.

The Credit Agreement contains affirmative and negative covenants and events of defaults. Prior to the Fifth Amendment, the Credit Agreement required the Company to maintain a fixed charge coverage ratio ("FCCR") of 1.1:1.0 any time the availability is equal to or less than 12.5% of the revolving commitment. However, the Fifth Amendment provides that the Company will not permit the fixed charge coverage ratio to be less than 1.1 to 1.0 as of the last day of any calendar month; provided that the fixed charge coverage ratio will not be tested unless (i) a default has occurred and is continuing, (ii) when the combined availability was less than or equal to the greater of (x) 10% of the lesser of the combined commitments or (y) 10% of the combined borrowing base, and $2,000, for three or more business days in any consecutive 30 day period. In the event of a default, the Company may not be able to access the revolver, which could impact the ability to fund working capital needs, capital expenditures and invest in new business opportunities. The total collateral at September 30, 2022 and September 30, 2021 was $22,711 and $25,370, respectively and the revolving commitment was $35,000 for both periods. Total availability at September 30, 2022 and September 30, 2021 was $9,403 and $14,570, respectively, which exceeds both the collateral and total commitment threshold. Since the availability was greater than the 10.0% of the revolving commitment as of September 30, 2022 and 10.0% of the revolving commitment at September 30, 2021, the FCCR calculation was not required. The Company's letters of credit balance was $1,970 and $1,800 as of September 30, 2022 and 2021, respectively.

Borrowings will bear interest at the Lender's established domestic rate or SOFR, plus the applicable margin as set forth in the Sixth Amendment. The revolver has a rate based on SOFR plus 2.25% spread, which was 4.86% at September 30, 2022 and a rate based on LIBOR plus 1.75% spread, which was 1.84% at September 30, 2021. The Export Credit Agreement has a rate based on SOFR plus 1.75% spread, which was 4.36% at September 30, 2022 and a rate based on LIBOR plus 1.25% spread, which was 1.3% at September 30, 2021, respectively. The Company also has a commitment fee of 0.25% under the Credit Agreement as amended to be incurred on the unused balance of the revolver.

Foreign subsidiary borrowings

Foreign debt at September 30 consists of:

		2022		2021
Term loan	$	3,818	$	3,127
Short-term borrowings		2,289		1,867
Factor		994		1,638
Total debt	$	7,101	$	6,632
Less – current maturities		(4,078)		(4,551)
Total long-term debt	$	3,023	$	2,081
Receivables pledged as collateral	$	792	$	485

Interest rates are based on Euribor rates plus spread which range from 1.5% to 5.1%. In September 2020, Maniago entered into a long-term term debt agreement in the amount of $1,465, which was used to repay existing debt and for working capital purposes. The long-term loan repayment schedule is over a 72 month period and has a rate based on Euribor plus 3.20% spread, which was 2.7% at September 30, 2020. To assist with the preservation of liquidity and uncertainty of COVID-19, subsequent to September 30, 2020, Maniago finalized with certain lenders a deferment of payments ranging between 6 to 12 months which has been reflected within the future minimum payment schedule.

The Company factors receivables from one of its customers. The factoring programs are uncommitted, whereby the Company offers receivables for sale to an unaffiliated financial institution, which are then subject to acceptance by the unaffiliated financial institution. Following the sale and transfer of the receivables to the unaffiliated financial institution, the receivables are not isolated from the Company, and effective control of the receivables is not passed to the unaffiliated financial institution, which does not have the right to pledge or sell the receivables. The Company accounts for the pledge of receivables under this agreement as short-term debt and continues to carry the receivables on its consolidated balance sheets.

The Maniago location obtained borrowings from two separate lenders in fiscal 2022. The first loan agreement was entered into in October 2021, in the amount of $1,200 with a repayment term of six years. The second loan agreement was entered into in September 2022, in the amount of $1,100 with a repayment term of five years. The proceeds from the first loan were used for working capital and the proceeds from the second loan for capital investment.

The Maniago location obtained borrowings from two separate lenders in fiscal 2021. The first loan was for $717 with repayment terms of approximately seven years, of which $287 was forgiven in the same period and was recorded in other income within the consolidated statements of operations and treated as a gain on debt extinguishment. A second loan with a repayment term of five years was obtained in the amount of $303. The proceeds of these loans were used for working capital purposes.

Payments on debt under foreign debt and other debt (excluding finance lease obligations, see Note 10, *Leases*, of the consolidated financial statements) over the next 5 years are as follows:

	Minimum debt payments
2023	$ 4,299
2024	1,215
2025	889
2026	818
2027	450
Thereafter	44
Total Minimum long-term debt payments	$ 7,715

Debt issuance costs

The Company had debt issuance costs of $86, which are included in the consolidated balance sheets as a deferred charge in other current assets, net of amortization of $46 and $17 at September 30, 2022 and 2021, respectively.

Other

On April 10, 2020, the Company entered into an unsecured promissory note under the Paycheck Protection Program (the “PPP Loan”). The PPP Loan had an aggregate principal amount of $5,025. The loan proceeds were used for payroll payments and the SBA granted full forgiveness on January 25, 2022. The Company elected to treat the PPP Loan as debt under FASB Topic 470. As such, the Company derecognized the liability in the second quarter of fiscal 2022 when the loan was forgiven. As of September 30, 2022 and 2021 the PPP loan balance was $0 and $4,764, respectively.

6. Revenue

The Company produces forged components for (i) turbine engines that power commercial, business and regional aircraft as well as military aircraft and armored military vehicles; (ii) airframe applications for a variety of aircraft; (iii) industrial gas and steam turbine engines for power generation units; and (iv) other commercial applications.

The following table represents a breakout of total revenue by customer type:

	Years Ended September 30, 2022	Years Ended September 30, 2021
Commercial revenue	$ 39,786	$ 36,587
Military revenue	44,116	63,004
Total	$ 83,902	$ 99,591

The following table represents revenue by the various components:

Net Sales	Years Ended September 30, 2022	Years Ended September 30, 2021
Aerospace components for:		
Fixed wing aircraft	$ 39,474	$ 38,474
Rotorcraft	15,602	27,214
Energy components for power generation units	17,396	20,390
Commercial product and other revenue	11,430	13,513
Total	$ 83,902	$ 99,591

The following table represents revenue by geographic region based on the Company's selling operation locations:

Net Sales	Years Ended September 30, 2022	Years Ended September 30, 2021
North America	$ 68,333	$ 81,719
Europe	15,569	17,872
Total	$ 83,902	$ 99,591

In addition to the disaggregating revenue information provided above, approximately 56% and 65% of total net sales as of September 30, 2022 and 2021, respectively, was recognized on an over-time basis because of the continuous transfer of control to the customer, with the remainder recognized as a point in time.

Contract Balances

Generally, payment is due shortly after the shipment of goods. For performance obligations recognized at a point in time, a contract asset is not established as the billing and revenue recognition occur at the same time. For performance obligations recognized over time, a contract asset is established for revenue that is recognized prior to billing and shipment. Upon shipment and billing, the value of the contract asset is reversed and accounts receivable is recorded. In circumstances where prepayments are required and payment is made prior to satisfaction of performance obligations, a contract liability is established. If the satisfaction of the performance obligation occurs over time, the contract liability is reversed over the course of production. If the satisfaction of the performance obligation is point in time, the contract liability reverses upon shipment.

The following table contains a roll forward of contract assets and contract liabilities for the period ended September 30, 2022 and 2021:

Contract assets - Ending balance, September 30, 2020	$	11,997
Additional revenue recognized over-time		64,384
Less amounts billed to the customers		(63,507)
Contract assets - Ending balance, September 30, 2021	$	12,874
Additional revenue recognized over-time		46,747
Less amounts billed to the customers		(49,449)
Contract assets - Ending balance, September 30, 2022	$	10,172

Contract liabilities (included within Accrued liabilities) - Ending balance, September 30, 2020	$	(636)
Payments received in advance of performance obligations		(829)
Performance obligations satisfied		1,229
Contract liabilities (included within Accrued liabilities) - Ending balance, September 30, 2021	$	(236)
Payments received in advance of performance obligations		(1,691)
Performance obligations satisfied		1,120
Contract liabilities (included within Accrued liabilities) - Ending balance, September 30, 2022	$	(807)

There were no impairment losses recorded on contract assets during the year ended September 30, 2022 and 2021, respectively.

Remaining performance obligations

As of September 30, 2022 and 2021, the Company has $81,852 and $77,198, respectively, of remaining performance obligations, the majority of which are anticipated to be completed within the next twelve months.

7. Income Taxes

The components of loss before income tax benefit are as follows:

	Years Ended September 30, 2022	2021
U.S.	$ (6,985)	$ (1,523)
Non-U.S.	(2,698)	(442)
Loss before income tax benefit	$ (9,683)	$ (1,965)

Income tax benefit consist of the following:

	Years Ended September 30, 2022	2021
Current income tax provision (benefit):		
U.S. federal	$ —	$ (1)
U.S. state and local	14	8
Non-U.S.	(9)	59
Total current tax provision	5	66
Deferred income tax provision (benefit):		
U.S. federal	10	10
U.S. state and local	3	(2)
Non-U.S.	(61)	(1,296)
Total deferred tax benefit	(48)	(1,288)
Income tax benefit	$ (43)	$ (1,222)

The income tax benefit in the accompanying consolidated statements of operations differs from amounts determined by using the statutory rate as follows:

	Years Ended September 30, 2022	2021
(Loss) before income tax benefit	$ (9,683)	$ (1,965)
Income tax (benefit) at U.S. federal statutory rates	$ (2,033)	$ (413)
Tax effect of:		
Foreign rate differential	(46)	(193)
Permanent items	(1,032)	27
State and local income taxes	18	6
Federal tax credits	(157)	(145)
Valuation allowance	3,198	601
Prior year tax adjustments	—	(1,115)
Other	9	10
Income tax benefit	$ (43)	$ (1,222)

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022, which includes a 15% minimum tax on book income of certain large corporations, a 1% excise tax on net stock repurchases after December 31, 2022, and several tax incentives to promote clean energy. The Company does not believe this legislation will have a material impact on the Company's consolidated financial statements and will continue to assess the implications.

Deferred tax assets and liabilities at September 30 consist of the following:

		2022		2021
Deferred tax assets:				
Net U.S. operating loss carryforwards	$	6,166	$	3,833
Net non-U.S. operating loss carryforwards		1,023		637
Employee benefits		1,514		1,761
Inventory reserves		1,045		897
Allowance for doubtful accounts		33		45
Intangibles		1,223		1,621
Foreign tax credits		1,724		1,724
Other tax credits		1,684		1,514
Other		1,171		1,216
Total deferred tax assets	$	15,583	$	13,248
Deferred tax liabilities:				
Depreciation		(7,298)		(7,948)
Prepaid expenses		(286)		(359)
Other		(419)		(458)
Total deferred tax liabilities	$	(8,003)	$	(8,765)
Net deferred tax assets		7,580		4,483
Valuation allowance		(7,717)		(4,641)
Net deferred tax liabilities	$	(137)	$	(158)

At September 30, 2022, the Company has a non-U.S. tax loss carryforward of approximately $7,190 related to the Company's non-operating and Italian subsidiaries. The Company's non-operating subsidiary ceased operations in 2007 and therefore, a valuation allowance has been recorded against the deferred tax asset related to the Irish tax loss carryforward because it is unlikely that such operating loss can be utilized unless the Irish subsidiary resumes operations. Additionally, a valuation allowance has been recorded against the deferred tax asset related to the Italian tax loss carryforward as it is not more-likely-than-not that the deferred tax asset will be realizable. The non-operating and Italian tax loss carryforwards do not expire.

The Company has $1,724 of foreign tax credit carryforwards that are subject to expiration in fiscal 2023-2028, $1,506 of U.S. general business tax credits that are subject to expiration in 2035-2042, $466 of interest expense carryforward that do not expire, and $25,038 of U.S. Federal tax loss carryforwards with $9,107 subject to expiration in fiscal 2037 and $15,931 that do not expire. A valuation allowance has been recorded against the deferred tax assets related to the foreign tax credit carryforwards, U.S. general business credits, and U.S. Federal tax loss carryforwards.

In addition, the Company has $178 of U.S. state tax credit carryforwards subject to expiration in fiscal 2022-2024 and $23,994 of U.S. state and local tax loss carryforwards subject to expiration in fiscal 2023-2042. The U.S. state tax credit carryforwards and U.S. state and local tax loss carryforwards have been fully offset by a valuation allowance.

The Company reported liabilities for uncertain tax positions, excluding any related interest and penalties, of $22 for both fiscal 2022 and 2021. If recognized, $22 of the fiscal 2022 uncertain tax positions would impact the effective tax rate. As of September 30, 2022, the Company had accrued interest of $16 and recognized $1 for interest and penalties in operations. The Company classifies interest and penalties on uncertain tax positions as income tax expense. A summary of activity related to the Company's uncertain tax position is as follows:

		2022		2021
Balance at beginning of year	$	22	$	22
Decrease due to lapse of statute of limitations		—		—
Balance at end of year	$	22	$	22

The Company is subject to income taxes in the U.S. federal jurisdiction, Ireland, Italy and various states and local jurisdictions. The Company believes it has appropriate support for its federal income tax returns. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for fiscal years prior to 2019, state and local income tax examinations for fiscal years prior to 2016, or non-U.S. income tax examinations by tax authorities for fiscal years prior to 2007.

The Company does not record deferred taxes on the undistributed earnings of its non-U.S. subsidiaries as it does not expect the temporary differences related to those unremitted earnings to reverse in the foreseeable future. As of September 30, 2022, the Company's non-U.S. subsidiaries had accumulated deficits of approximately $2,062. Future distributions of accumulated earnings of the Company's non-U.S. subsidiaries may be subject to nominal withholding taxes.

8. Retirement Benefit Plans

Defined Benefit Plans

The Company and certain of its subsidiaries sponsor four defined benefit pension plans covering some of its employees. The Company’s funding policy for its defined benefit pension plans is based on an actuarially determined cost method allowable under Internal Revenue Service regulations. One of the defined benefit pension plans covers non-union employees of the Company’s U.S. operations who were hired prior to March 1, 2003. Benefit accruals ceased in March 2003. A second defined benefit plan covered employees at a business location that closed in December 2013, at which time benefits accruals ceased. The third defined pension plan covers one of the Company's union groups at the Cleveland location. Benefits accruals under this plan ceased in March 2020, when the then-current union disclaimed all interest in the bargaining unit. Curtailment occurred; however, there was no impact to consolidated financial statements. A new union was certified and the collective bargaining agreement was finalized in December 2021, at which time it was agreed that the defined benefit plan would be frozen and retirement benefits are to be provided through a defined contribution plan. The Company sponsors a fourth defined benefit plan for certain employees at its Maniago location. The plan is a severance entitlement payable to the Italian employees who qualified prior to December 27, 2006. The plan is considered an unfunded defined benefit plan and its liability is measured as the actuarial present value of the vested benefits to which the employees would be entitled if they separated at the consolidated balance sheet date.

The Company uses a September 30 measurement date for its U.S. defined benefit pension plans. Net pension expense, benefit obligations and plan assets for the Company-sponsored defined benefit pension plans consist of the following:

	Years Ended September 30, 2022	Years Ended September 30, 2021
Service cost	$ 42	$ 131
Interest cost	714	699
Expected return on plan assets	(1,362)	(1,421)
Amortization of net loss	476	846
Settlement cost	208	274
Net pension expense for defined benefit plans	$ 78	$ 529

The status of all defined benefit pension plans at September 30 is as follows:

	2022	2021
Benefit obligations:		
Benefit obligations at beginning of year	$ 29,330	$ 31,793
Service cost	42	131
Interest cost	714	699
Actuarial (gain)	(5,265)	(967)
Benefits paid	(1,970)	(2,349)
Currency translation	(56)	23
Benefit obligations at end of year	$ 22,795	$ 29,330
Plan assets:		
Plan assets at beginning of year	$ 23,211	$ 21,609
Actual return on plan assets	(3,376)	3,825
Employer contributions	72	126
Benefits paid	(1,970)	(2,349)
Plan assets at end of year	$ 17,937	$ 23,211

As shown within the above table, there was a decrease in the benefit obligation of $6,535 to $22,795 at September 30, 2022 compared with $29,330 at September 30, 2021. The primary drivers that attributed to the change pertained to increase in the discount rate used partially offset by asset returns.

	Plans in which Benefit Obligations Exceed Assets at September 30,	
	2022	2021
Reconciliation of funded status:		
Plan assets less than projected benefit obligations	$ (4,858)	$ (6,119)
Amounts recognized in accumulated other comprehensive loss:		
Net loss	6,271	7,482
Net amount recognized in the consolidated balance sheets	$ 1,413	$ 1,363
Amounts recognized in the consolidated balance sheets are:		
Accrued liabilities	(46)	(46)
Pension liability	(4,812)	(6,073)
Accumulated other comprehensive loss – pretax	6,271	7,482
Net amount recognized in the consolidated balance sheets	$ 1,413	$ 1,363

Where applicable, the following weighted-average assumptions were used in developing the benefit obligation and the net pension expense for defined benefit pension plans:

	Years Ended September 30,	
	2022	2021
Discount rate for liabilities	5.2 %	2.6 %
Discount rate for expenses	2.9 %	3.1 %
Expected return on assets	6.4 %	7.0 %

The Company holds investments in pooled separate accounts and common/collective trusts, in which the fair value of assets of the underlying funds are determined in the following ways:

- U.S. equity securities are comprised of domestic equities that are priced using the closing price of the applicable nationally recognized stock exchange, as provided by industry standard vendors such as Interactive Data Corporation.

- Non-U.S. equity securities are comprised of international equities. These securities are priced using the closing price from the applicable foreign stock exchange.

- U.S. bond funds are comprised of domestic fixed income securities. Securities are priced by industry standards vendors, such as Interactive Data Corporation, using inputs such as benchmark yields, reported trades, broker/dealer quotes, or issuer spreads.

    - Included as part of the U.S. bond funds, are private placement funds, for which fair market value is not always commercially available, the fair value of these investments is primarily determined using a discounted cash flow model, which utilizes a discount rate based upon the average of spread surveys collected from private-market intermediaries who are active in both primary and secondary transactions, and takes into account, among other factors, the credit quality and industry sector of the issuer and the reduced liquidity associated with private placements.

- Non-U.S. bond funds are comprised of international fixed income securities. Securities are priced by Interactive Data Corporation, using inputs such as benchmark yields, reported trades, broker/dealer quotes, or issuer spreads.

- Stable value fund is comprised of short-term securities and cash equivalent securities, which seek to provide high current income consistent with the preservation of principal and liquidity. As permitted under relevant securities laws, securities in this type of fund are valued initially at cost and thereafter adjusted for amortization of any discount or premium.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. However, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement result.

The following tables set forth the asset allocation of the Company's defined benefit pension plan assets and summarize the fair values and levels within the fair value hierarchy for such plan assets as of September 30, 2022 and 2021:

September 30, 2022	Asset Amount	Level 2	Level 3
U.S. equity securities:			
Large value	$ 393	$ 393	$ —
Large blend	7,637	7,637	—
Large growth	302	302	—
Mid blend	167	167	—
Small blend	359	359	—
Non-U.S. equity securities:			
Foreign large blend	1,276	1,276	—
Diversified emerging markets	63	63	—
U.S. debt securities:			
Inflation protected bond	971	971	—
Intermediate term bond	6,332	4,503	1,829
High inflation bond	78	78	—
Stable value:			
Short-term bonds	359	359	—
Total plan assets at fair value	$ 17,937	$ 16,108	$ 1,829

September 30, 2021	Asset Amount	Level 2	Level 3
U.S. equity securities:			
Large value	$ 514	$ 514	$ —
Large blend	10,227	10,227	—
Large growth	519	519	—
Mid blend	223	223	—
Small blend	697	697	—
Non-U.S. equity securities:			
Foreign large blend	1,807	1,807	—
Diversified emerging markets	86	86	—
U.S. debt securities:			
Inflation protected bond	1,087	1,087	—
Intermediate term bond	7,396	5,288	2,108
High inflation bond	189	189	—
Non-U.S. debt securities:			
Emerging markets bonds	164	164	—
Stable value:			
Short-term bonds	302	302	—
Total plan assets at fair value	$ 23,211	$ 21,103	$ 2,108

Changes in the fair value of the Company's Level 3 investments during the years ending September 30, 2022 and 2021 were as follows:

	2022	2021
Balance at beginning of year	$ 2,108	$ 2,098
Actual return on plan assets	(279)	52
Purchases and sales of plan assets, net	—	(42)
Balance at end of year	$ 1,829	$ 2,108

Investment objectives relative to the assets of the Company's defined benefit pension plans are to (i) optimize the long-term return on the plans' assets while assuming an acceptable level of investment risk; (ii) maintain an appropriate diversification across asset categories and among investment managers; and (iii) maintain a careful monitoring of the risk level within each asset category. Asset allocation objectives are established to promote optimal expected returns and volatility characteristics given the long-term time horizon for fulfilling the obligations of the Company's defined benefit pension plans. Selection of the appropriate asset allocation for the plans' assets was based upon a review of the expected return and risk characteristics of each asset category in relation to the anticipated timing of future plan benefit payment obligations. The Company has a long-term objective for the allocation of plan assets. However, the Company realizes that actual allocations at any point in time will likely vary from this objective due principally to (i) the impact of market conditions on plan asset values and (ii) required cash contributions to and distribution from the plans. The "Asset Allocation Range" listed below anticipates these potential scenarios and provides flexibility for the plans' investments to vary around the objective without triggering a reallocation of the assets, as noted by the following:

	Percent of Plan Assets at September 30,		Asset Allocation
	2022	2021	Range
U.S. equities	49 %	53 %	30% to 70%
Non-U.S. equities	8 %	8 %	0% to 20%
U.S. debt securities	41 %	37 %	20% to 70%
Non-U.S. debt securities	— %	1 %	0% to10%
Other securities	2 %	1 %	0% to 60%
Total	100 %	100 %	

External consultants assist the Company with monitoring the appropriateness of the above investment strategy and the related asset mix and performance. To develop the expected long-term rate of return assumptions on plan assets, generally the Company uses long-term historical information for the target asset mix selected. Adjustments are made to the expected long-term rate of return assumptions when deemed necessary based upon revised expectations of future investment performance of the overall investments markets.

The Company anticipates making approximately $77 in contributions to its defined benefit pension plans during fiscal 2023. The Company has carryover balances from previous periods that may be available for use as a credit to reduce the amount of contributions that the Company is required to make to certain of its defined benefit pension plans in fiscal 2023. The Company's ability to elect to use such carryover balances will be determined based on the actual funded status of each defined benefit pension plan relative to the plan's minimum regulatory funding requirements.

The following defined benefit payment amounts are expected to be made in the future:

Years Ending September 30,	Projected Benefit Payments
2023	$ 2,355
2024	1,903
2025	1,968
2026	1,785
2027	1,732
2028-2032	8,032

Multi-Employer Plan

As noted within Note 12, *Business Information,* one of the bargaining units previously participated in a multi-employer plan; however, as part of the ratification of a new collective bargaining agreement in December 2019, there was a provision to withdraw from the existing multi-employer plan effective December 31, 2019. The withdrawal resulted in a liability of $739, which was recorded within the costs of goods sold line in fiscal 2020 of the consolidated statements of operations and is included in other long-term liabilities. The liability is payable in quarterly installments over the next 20 years. The next four quarterly installments are recorded in accrued liabilities of the consolidated balance sheet.

The Company's withdrawal from the multi-employer plan was to mitigate the risks associated with such type of plan. Subsequent to the withdrawal, the remaining risk to the Company is the potential occurrence of a "mass withdrawal" of all participating employers within three years of the Company's withdrawal date, in which case the Company could be assessed additional withdrawal liability.

Defined Contribution Plans

Substantially all non-union U.S. employees of the Company and its U.S. subsidiaries are eligible to participate in the Company’s U.S. defined contribution plan. The Company makes non-discretionary, regular matching contributions to this plan equal to an amount that represents one hundred percent (100%) of a participant’s deferral contribution up to one percent (1%) of eligible compensation plus eighty percent (80%) of a participant’s deferral contribution between one percent (1%) and six percent (6%) of eligible compensation. The Company’s regular matching contribution expense for its U.S. defined contribution plan in fiscal 2022 and 2021 was $528 and $571, respectively. This defined contribution plan provides that the Company may also make an additional discretionary matching contribution during those periods in which the Company achieves certain performance levels. The Company did not provide additional discretionary matching contributions in either fiscal 2022 and 2021.

The Company sponsors two defined contribution plans for the Cleveland bargaining units that either withdrew from the multi-employer plan (union) pension plan or bargained to freeze the company-sponsored pension plan. Impacted employees were enrolled into one of two newly formed defined contribution plans. The Company makes a non-elective contribution equal to $1.50 or $1.25 per work, vacation, or holiday hour, up to a maximum of 40 hours per week. The Company's non-elective contribution expense was $204 in fiscal 2022 and $112 in fiscal 2021.

The Company sponsors a defined contribution plan for certain of its Maniago union employees. The plan is a severance entitlement plan payable to Italian employees based on local government laws, which qualifies as a defined contribution plan.

9. Stock-Based Compensation

The Company has awarded performance and restricted shares under the Company's 2007 Long-Term Incentive Plan ("2007 Plan") and the Company's 2007 Long-Term Incentive Plan (Amended and Restated as of November 16, 2016) (as further amended, the "2016 Plan"). The aggregate number of shares that may be awarded by the Company under the 2016 Plan is 1,196 shares, less any shares previously awarded and subject to an adjustment for the forfeiture of any unvested shares. In addition, shares that may be awarded are subject to individual recipient award limitations. The shares awarded under the 2016 Plan may be made in multiple forms including stock options, stock appreciation rights, restricted or unrestricted stock, and performance related shares. Any such awards are exercisable no later than ten years from the date of grant.

The performance shares that have been awarded under both plans generally provide for the vesting of the Company's common shares upon the Company achieving certain defined financial performance objectives during a period up to three years following the granting of such award. The ultimate number of common shares of the Company that may be earned pursuant to an award ranges from a minimum of no shares to a maximum of 200% of the initial target number of performance shares awarded, depending on the level of the Company's achievement of its financial performance objectives. Beginning in fiscal 2020, the maximum shares that may be achieved was reduced to 150% of target.

With respect to such performance shares, compensation expense is being accrued based on the probability of meeting the performance target. The Company is not recognizing compensation expense for three tranches of awards as it has concluded it is not probable that the performance criteria for those awards will be met. During each future reporting period, such expense may be subject to adjustment based upon the Company's financial performance, which impacts the number of shares that it expects to vest upon the completion of a performance period. The performance shares were valued at the closing market price of the Company's common shares on the date of grant. The vesting of such shares is determined at the end of the performance period.

The Company has awarded restricted shares to certain of its directors, officers and other employees of the Company. The restricted shares were valued at the closing market price of the Company's common shares on the date of grant, and such value was recorded as unearned compensation. The unearned compensation is being amortized ratably over the restricted stock vesting period of one (1) year or three (3) years.

If all outstanding share awards are ultimately earned and vest at the target number of shares, there are approximately 473 shares that remain available for award at September 30, 2022. If any of the outstanding share awards are ultimately earned and vest at greater than the target number of shares, up to the maximum of 200% or 150% of such target, then a fewer number of shares would be available for award.

Stock-based compensation under the 2016 Plan was expense of $428 and $469 for fiscal 2022 and 2021, respectively. As of September 30, 2022, there was $275 of total unrecognized compensation cost related to the performance and restricted shares awarded under the 2016 Plan. The Company expects to recognize this cost over the next year.

The following is a summary of activity related to performance and restricted shares:

	2022		2021	
	Number of Shares	Weighted Average Fair Value at Date of Grant	Number of Shares	Weighted Average Fair Value at Date of Grant
Outstanding at beginning of year	406	$ 4.05	371	$ 4.14
Restricted shares awarded	72	7.18	79	5.76
Restricted shares earned	(75)	6.47	(107)	5.47
Performance shares awarded	44	8.00	71	3.74
Awards forfeited	(142)	4.73	(8)	3.18
Outstanding at end of year	305	$ 4.75	406	$ 4.05

10. Leases

The components of lease expense were as follows:

	Year Ended September 30, 2022	Year Ended September 30, 2021
Lease expense		
Finance lease expense:		
Amortization of right-of use assets on finance leases	$ 46	$ 55
Interest on lease liabilities	4	2
Operating lease expense	1,696	1,952
Variable lease cost	118	138
Total lease expense	$ 1,864	$ 2,147

The following table presents the impact of leasing on the consolidated balance sheet at September 30:

	Classification to the consolidated balance sheets	2022	2021
Assets:			
Finance lease assets	Property, plant and equipment, net	$ 202	$ 34
Operating lease assets	Operating lease right-of-use assets, net	15,167	15,943
Total lease assets		$ 15,369	$ 15,977
Current liabilities:			
Finance lease liabilities	Current maturities of long-term debt	$ 61	$ 17
Operating lease liabilities	Short-term operating lease liabilities	792	788
Non-current liabilities:			
Finance lease liabilities	Long-term debt, net of current maturities	131	5
Operating lease liabilities	Long-term operating lease liabilities, net of short-term	14,786	15,439
Total lease liabilities		$ 15,770	$ 16,249

Supplemental cash flow and other information related to leases were as follows:

	September 30, 2022	September 30, 2021
Other Information		
Cash paid for amounts included in measurement of liabilities:		
Operating cash flows from operating leases	$ 1,693	$ 1,952
Operating cash flows from finance leases	3	2
Financing cash flows from finance leases	53	59
Right-of-use assets obtained in exchange for new lease liabilities:		
Finance leases	$ 206	$ —
Operating leases	236	43

	September 30, 2022	September 30, 2021
Weighted-average remaining lease term (years):		
Finance leases	3.6	1.1
Operating leases	13.5	14.4
Weighted-average discount rate:		
Finance leases	4.70 %	2.83 %
Operating leases	5.93 %	5.89 %

Future minimum lease payments under non-cancellable leases as of September 30, 2022 were as follows:

Year ending September 30,	Finance Leases	Operating Leases
2023	$ 69	$ 1,662
2024	61	1,671
2025	33	1,669
2026	27	1,667
2027	19	1,680
Thereafter	—	14,280
Total lease payments	$ 209	$ 22,629
Less: Imputed interest	(17)	(7,051)
Present value of lease liabilities	$ 192	$ 15,578

11. Commitments and Contingencies

In the normal course of business, the Company may be involved in ordinary, routine legal actions. The Company cannot reasonably estimate future costs, if any, related to these matters; however, it does not believe any such matters are material to its financial condition or results of operations. The Company maintains various liability insurance coverages to protect its assets from losses arising out of or involving activities associated with ongoing and normal business operations; however, it is possible that the Company’s future operating results could be affected by future costs of litigation.

A subsidiary of the Company, Quality Aluminum Forge, LLC ("Orange"), was a defendant in a lawsuit filed by Avco Corporation (“Avco”) in the Pennsylvania State Court, which was filed in August 2019, alleging that certain forged pistons delivered by the Orange plant failed to meet material specifications required by Avco. Avco also sued Arconic, Inc. (“Arconic”), which was the raw material supplier. The lawsuit has been resolved in a manner satisfactory to all parties pursuant to a confidential settlement agreement for an immaterial amount, and the case was dismissed on October 14, 2021.

The Company was a defendant in a purported class action lawsuit filed in the Superior Court of California, County of Orange, which was filed in August 2017, arising from employee wage-and-hour claims under California law for alleged meal period, rest break, hourly and overtime wage calculation, timely wage payment and necessary expenditure indemnification violations; failure to maintain required wage records and furnish accurate wage statements; and unfair competition. A settlement has been reached and the Company received preliminary court approval on July 13, 2020, following a brief delay caused by COVID-19 closures and restrictions. Class action notices were sent at the end of September 2020 and there were no objections to the settlement. On February 4, 2021, the court issued a tentative ruling to grant final approval. The final approval was granted and the previously recorded liability of $315 was paid on March 29, 2021.

In fiscal 2021, the insurance claim related to the fire on December 26, 2018 at the Orange location was finalized with the Company's insurance carrier. The Company completed the restoration of the final two of the six presses damaged in the fire at the end of the third quarter of fiscal 2021. The restoration of the building structure was completed as of September 30, 2021.

Having finalized the claim with its insurance carrier, cash proceeds of $4,548 were received in fiscal 2021. As noted in the table below, $3,001 was recognized within the consolidated statements of operations. The Company has business interruption insurance coverage, of which $546 of the amount received was reflected within the cost of goods line within the consolidated statement of operations.

Balance sheet (Other receivables):

September 30, 2020	$	1,547
Cash received		(4,548)
Capital expenditures (equipment)		2,397
Other expenses		58
Business interruption		546
September 30, 2021	$	—

The following table reflects how the proceeds received impacted the consolidated statements of operations as of September 30, 2021:

	Year Ended September 30, 2021					
	Balance without insurance proceeds		Insurance recoveries		Balance with insurance proceeds	
Cost of goods sold	$	88,990	$	(604)	$	88,386
Gain on insurance recoveries	$	—	$	(2,397)	$	(2,397)
(Loss) before income tax benefit	$	(4,966)	$	(3,001)	$	(1,965)

The following table demonstrates the total settlement amount since December 26, 2018:

		Total Claim
Property & damage **	$	20,364
Extra expense & mitigation expense		4,404
Business interruption		2,932
	$	27,700

**$3,640 of total was directed to the landlord of the property for the restoration of the building in response to the fire damage that occurred in 2018 as prescribed by the lease arrangement.

12. Business Information

The Company identifies itself as one reportable segment, SIFCO, which is a manufacturer of forgings and machined components for the A&E markets.

Geographic net sales are based on location of customer. The United States of America is the single largest country for unaffiliated customer sales, accounting for 72% and 66% of consolidated net sales in fiscal 2022 and 2021, respectively. No other single country represents greater than 10% of consolidated net sales in fiscal 2022 and 2021. Net sales to unaffiliated customers located in various European countries accounted for 19% and 18% of consolidated net sales in fiscal 2022 and 2021, respectively. Net sales to unaffiliated customers located in various Asian countries accounted for 6% and 8% of consolidated net sales in fiscal 2022 and 2021, respectively.

Substantially all of the Company's operations and identifiable assets are located within the United States with the exception of its non-U.S. subsidiary located in Maniago, Italy. The identifiable assets for the Company's foreign subsidiaries as of September 30, 2022 were $15,219 compared with $19,586 as of September 30, 2021.

		2022	2021
Long-Lived Assets			
United States	$	51,801	54,109
Europe		6,686	8,986
	$	58,487	63,095

At September 30, 2022, approximately 179 of the hourly plant personnel are represented by three separate collective bargaining agreements. The table below shows the expiration dates of the collective bargaining agreements.

Plant locations	Expiration date
Cleveland, Ohio (unit 1)	May 15, 2025
Cleveland, Ohio (unit 2)	March 31, 2025
Maniago, Italy	June 30, 2024

The Company is a party to collective bargaining agreements ("CBA") with certain employees located in Cleveland, which has two bargaining units. The Company's Cleveland bargaining unit 1 ratified its CBA in fiscal 2020. The second bargaining unit, under its new representative the International Brotherhood of Boilermakers, was ratified in fiscal 2022. The Maniago location is party to the National Collective Agreement in Metalworking, which was renewed in February 2021.

13. Subsequent events

The Company is not aware of any other subsequent events which would require recognition or disclosure in the consolidated financial statements.

Schedule II

SIFCO Industries, Inc. and Subsidiaries
Valuation and Qualifying Accounts
Years Ended September 30, 2022 and 2021
(Amounts in thousands)

	Balance at Beginning of Period	Additions (Reductions) Charged to Expense	Additions (Reductions) Charged to Other Accounts	Deductions	Balance at End of Period
Year Ended September 30, 2022					
Deducted from asset accounts					
Allowance for doubtful accounts	$ 167	$ (3)	$ —	$ (53) (a)	$ 111
Inventory valuation accounts[1]	3,769	1,983	11	(679) (b)	5,084
Inventory LIFO reserve	9,210	729	—	—	9,939
Deferred tax valuation allowance	4,641	3,360	(284)	—	7,717
Accrual for estimated liability					
Workers' compensation reserve	888	741	—	(717) (c)	912
Year Ended September 30, 2021					
Deducted from asset accounts					
Allowance for doubtful accounts	249	(91)	—	9 (a)	167
Inventory valuation accounts[1]	3,676	275	(180)	(2) (b)	3,769
Inventory LIFO reserve	8,286	924	—	—	9,210
Deferred tax valuation allowance	5,329	345	(1,033)	—	4,641
Accrual for estimated liability					
Workers' compensation reserve	546	1,241	(53)	(846) (c)	888

[1]Inventory valuation accounts, previously Inventory obsolescence reserve, reflect the impact of excess and obsolete and net realizable value inventory write downs.

(a) Accounts determined to be uncollectible, net of recoveries
(b) Inventory sold or otherwise disposed
(c) Payment of workers' compensation claims

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's management, including the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining effective disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the Company's SEC reports was recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving the desired control objectives. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met. Similarly, an evaluation of controls cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. If the Company fails to maintain the adequacy of its internal controls, including any failure to implement required new or improved controls, or if the Company experiences difficulties in their implementation, the Company's business and financial results could be harmed, and the Company could fail to meet its financial reporting obligations.

Management’s Report on Internal Control over Financial Reporting

Management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of September 30, 2022. In making this assessment, our management used the criteria for effective internal control over financial reporting described in the 2013 “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management has determined that due to the material weakness described below, our internal control over financial reporting was not effective as of September 30, 2022. 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 the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. Notwithstanding the identified material weakness described below, management does not believe that these deficiencies had an adverse effect on our reported operating results or financial condition and management has determined that the financial statements and other information included in this report and other periodic filings present fairly in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with accounting principles generally accepted in the United States ("GAAP").

The Company identified the following material weakness:

- Lack of precise review controls associated with the valuation of inventory at the Orange location and long-lived asset impairment triggering event indicators in the fourth quarter at the Orange location

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

Management and the Company's Board of Directors are committed to improving the Company's overall system of internal controls over financial reporting.

To address the material weakness identified in our control environment, the Company is taking the following actions to remediate the material weakness:

- Using a risk-based approach, management will implement additional monitoring controls through increased oversight and training local management to execute additional controls in detecting material errors.

With the oversight of senior management and the Company's Board of Directors, the Company continues to take steps and additional measures to remediate the underlying causes of the identified material weakness, including but not limited to continuing to strengthen organizational structure including holding individuals accountable for their internal control responsibilities.

Although we expect to make meaningful progress on our remediation plan during fiscal year 2023, we cannot estimate how long it will take to complete the process or the costs of actions required. There is no assurance that the aforementioned plans will be sufficient and that additional steps may not be necessary.

Changes in Internal Control over Financial Reporting and other Remediation

As of September 30, 2022, no material changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information about the Executive Officers of the Company appears in Part I of this Report.

The Company incorporates herein by reference the information required by this Item as to the Directors, procedures for recommending Director nominees and the Audit Committee appearing under the captions “Proposal 1 - To Elect Six (6) Directors,” and “Corporate Governance and Board of Director Matters” of the Company’s definitive Proxy Statement to be filed with the SEC on or about December 22, 2022.

The Directors of the Company are elected annually to serve for one-year terms or until their successors are elected and qualified.

The Company has adopted a Code of Ethics within the meaning of Item 406(b) of Regulation S-K under the Securities Exchange Act of 1934, as amended. The Code of Ethics is applicable to, among other people, the Company’s Chief Executive Officer, Chief Financial Officer, who is the Company’s Principal Financial Officer, and Principal Accounting Officer. The Company’s Code of Ethics (including any amendments to, or related waivers from, the Code of Ethics) is available on its website: www.sifco.com.

Item 11. Executive Compensation

The Company incorporates herein by reference the information appearing under the captions "Executive Compensation" and "Director Compensation" of the Company’s definitive Proxy Statement to be filed with the SEC on or about December 22, 2022.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information regarding Common Shares to be issued under the Company’s equity compensation plans as of September 30, 2022.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders:			
2016 Plan (1)	305,450	N/A	472,806

(1) Under the 2016 Plan, the aggregate number of common shares that are available to be granted is 1,196,401 shares, with a further limit of no more than 50,000 shares to any one person in any twelve-month period. For additional information concerning the Company’s equity compensation plans, refer to the discussion in Note 9, *Stock-Based Compensation*, of the consolidated financial statements. These securities are issued under time based vesting for retention and/or upon meeting performance objectives.

The Company incorporates herein by reference the beneficial ownership information appearing under the captions "Stock Ownership of Certain Beneficial Owners" and "Stock Ownership of Executive Officers, Director and Nominees" of the Company’s definitive Proxy Statement to be filed with the SEC on or about December 22, 2022.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The Company incorporates herein by reference the information required by this item appearing under the captions "Corporate Governance and Board of Director Matters" of the Company's definitive Proxy Statement to be filed with the SEC on or about December 22, 2022.

Item 14. Principal Accounting Fees and Services

The Company incorporates herein by reference the information required by this item appearing under the caption "Principal Accounting Fees and Services" of the Company's definitive Proxy Statement to be filed with the SEC on or about December 22, 2022.

Part IV

Item 15. Exhibits, Financial Statement Schedules

(a) (1) Financial Statements:

The following Consolidated Financial Statements; Notes to the Consolidated Financial Statements and the Report of Independent Registered Public Accounting Firm are included in Part II, Item 8 of the Annual Report on Form 10-K.

(a) (2) Financial Statement Schedules:

The following financial statement schedule is included in Item 8:

Schedule II – Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related regulations, are inapplicable, or the information has been included in the Notes to the Consolidated Financial Statements.

(a) (3) Exhibits:

The following exhibits are filed with this report or are incorporated herein by reference to a prior filing in accordance with Rule 12b-32 under the Securities and Exchange Act of 1934. (Asterisk denotes exhibits filed with this report)

*Filed herewith.

**Management contract or compensatory plan or arrangement.

Exhibit No.	Description
2.1	Stock Purchase Agreement between Riello Investimenti Partners SGR S.p.A., Giorgio Visentini, Giorgio Frassini, Giancarlo Sclabi and Matteo Talmassons and SIFCO Italy Holdings S.R.L (a wholly-owned subsidiary of SIFCO Industries Inc.) dated March 16, 2015 filed as Exhibit 2.1 to the Company's Form 8-K dated July 2, 2015, and incorporated herein by reference
2.2	Amendment to the Stock Purchase Agreement Riello Investimenti Partners SGR S.p.A., Giorgio Visentini, Giorgio Frassini, Giancarlo Sclabi and Matteo Talmassons and SIFCO Italy Holdings S.R.L (a wholly-owned subsidiary of SIFCO Industries Inc.) dated June 30, 2015 filed as Exhibit 2.2 to the Company's Form 8-K dated July 2, 2015, and incorporated herein by reference
3.1	Third Amended Articles of Incorporation of SIFCO Industries, Inc., filed as Exhibit 3(a) of the Company's Form 10-Q dated March 31, 2002, and incorporated herein by reference
3.2	SIFCO Industries, Inc. Amended and Restated Code of Regulations dated January 28, 2016, filed as Exhibit 3.2 of the Company's Form 10-K dated September 30, 2015, and incorporated herein by reference
*4.1	Description of securities.
9.1	Voting Trust Agreement dated January 31, 2013, filed as Exhibit 9.1 to the Company's Form 10-Q dated February 11, 2013 and incorporated herein by reference
9.2	Voting Trust Extension Agreement dated January 15, 2015, filed as Exhibit 9.2 to the Company's Form 10-Q dated February 3, 2015 and incorporated herein by reference
9.3	Voting Trust Agreement dated January 31, 2017, filed as Exhibit 9.3 to the Company's Form 10-Q dated December 31, 2016 and incorporated herein by reference
9.4	Voting Trust Extension Agreement dated January 18, 2019, filed as Exhibit 9.4 to the Company's Form 10-Q dated February 14, 2019, and incorporated herein by reference

9.5	Voting Trust Extension Agreement dated January 27, 2021, filed as Exhibit 9.5 to the Company's Form 10-Q dated February 5, 2021, and incorporated herein by reference
10.1**	SIFCO Industries, Inc. 2007 Long-Term Incentive Plan, filed as Exhibit A of the Company's Proxy and Notice of 2008 Annual Meeting to Shareholders dated December 14, 2007, and incorporated herein by reference
10.2**	Letter Agreement between the Company and Jeffrey P. Gotschall, dated August 12, 2009 filed as Exhibit 10.1 of the Company's Form 8-K dated August 12, 2009 and incorporated herein by reference
10.3**	Amendment No. 1 to the SIFCO Industries, Inc. 2007 Long-Term Incentive Plan, filed as Exhibit A of the Company's Proxy and Notice of 2011 Annual Meeting to Shareholders dated December 15, 2010, and incorporated herein by reference
10.4**	Change in control Agreement and Separation Agreement between the Company and Peter W. Knapper, effective June 29, 2022, filed as Exhibit 10.1 to the Company's Form 8-K dated June 29, 2022 and incorporated herein by reference.
10.5**	Form of SIFCO Industries, Inc. Long-term incentive plan performance share award, filed as Exhibit 10.6 to the Company's Form 10-Q dated May 16, 2016, and incorporated herein by reference
10.6**	Form of SIFCO Industries, Inc. Long-term incentive plan restricted share award, filed as Exhibit 10.7 to the Company's Form 10-Q dated May 16, 2016, and incorporated herein by reference
10.7	Credit Agreement, dated August 8, 2018, by and among SIFCO Industries, Inc. and Lender named therein and J.P. Morgan Chase Bank, N.A., filed as Exhibit 10.12 to the Company's Form 10-Q dated August 9, 2018, and incorporated herein by reference
10.8**	Amendment and Restatement to the SIFCO Industries, Inc. 2007 Long-Term Incentive Plan, filed as Exhibit A of the Company's Proxy and Notice of 2017 Annual Meeting to Shareholders dated December 6, 2016, and incorporated herein by reference
10.9**	Form of SIFCO Industries, Inc. Long-term incentive plan performance share award, filed as Exhibit 10.14 to the Company's Form 10-Q dated January 31, 2017, and incorporated herein by reference
10.10**	Form of SIFCO Industries, Inc. Long-term incentive plan restricted share award, filed as Exhibit 10.15 to the Company's Form 10-Q dated January 31, 2017, and incorporated herein by reference
10.11**	Form of SIFCO Industries, Inc. Long-term incentive plan restricted share award, filed as Exhibit 10.16 to the Company's Form 10-Q dated January 31, 2017, and incorporated herein by reference
10.12**	Change in Control Agreement and Separation Agreement between the Company and Thomas R. Kubera, effective June 29, 2019, filed as Exhibit 10.2 to the Company's Form 10-Q dated July 1, 2019, and incorporated herein by reference
10.13	First Amendment to Credit Agreement, dated November 5, 2018, by and among SIFCO Industries, Inc., T & W Forge, LLC, Quality Aluminum Forge, LLC, and JPMorgan Chase Bank, N.A., a national banking association, filed as Exhibit 10.1 to the Company's Form 8-K dated November 8, 2018, and incorporated herein by reference
10.14	Economic Development Administration Title IX Loan Agreement, dated November 8, 2018, by and between the City of Cleveland and SIFCO Industries, Inc., filed as exhibit 10.2 to the Company's Form 8-K dated November 8, 2018, and incorporated herein by reference
10.15	Second Amendment to Credit Agreement, dated December 17, 2018, by and among SIFCO Industries, Inc., T&W Forge, LLC., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.2 to the Company's Form 8-K dated December 19, 2018, and incorporated herein by reference
10.16	Export Credit Agreement, dated December 17, 2018, by and among SIFCO Industries, Inc., T & W Forge, LLC, Quality Aluminum Forge, LLC, and JPMorgan Chase Bank, N.A., a national banking association filed as Exhibit 10.1 to the Company's Form 8-K dated December 19, 2018 and incorporated herein by reference
10.17	Third Amendment to Credit Agreement, dated March 29, 2019, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.19 to the Company's Form 10-Q dated May 10, 2019
10.18	Fourth Amendment to Credit Agreement, dated March 29, 2019, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.1 to the Company's Form 8-K dated September 24, 2019
10.19	First Amendment to the SIFCO Industries, Inc. 2007 Long-term Incentive Plan (Amended and Restated as of November 16, 2016) filed as Exhibit A of the Company's Definitive Proxy Statement dated December 16, 2019, and incorporated herein by reference
10.20	Promissory Note, dated April 10, 2020, by and between SIFCO Industries, Inc. and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.1 to the Company's Form 8-K dated April 13, 2020, and incorporated herein by reference

10.21**	Form of SIFCO Industries, Inc. Long-term incentive plan restricted share award, filed as Exhibit 10.21 to the Company's Form 10-K dated December 23, 2020, and incorporated herein by reference
10.22	Fifth Amendment to the Credit Agreement, dated February 19, 2021, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.1 to the Company's Form 8-K dated February 22, 2021, and incorporated herein by reference.
10.23	First Amendment to the Export Credit Agreement, dated February 19, 2021, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC., and JPMorgan Chase Bank, N.A., a national banking association, filed as exhibit 10.2 to the Company's Form 8-K dated February 22, 2021, and incorporated herein by reference.
10.24	Sixth Amendment to the Credit Agreement, dated March 23, 2022, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC, and JPMorgan Chase Bank, N.A., a national banking association filed as Exhibit 10.1 to the Company's Form 8-K dated March 24, 2022, and incorporated herein by reference
10.25	Second Amendment to the Export Credit Agreement, dated March 23, 2022, by and among SIFCO Industries, Inc., Quality Aluminum Forge, LLC, and JPMorgan Chase Bank, N.A., a national banking association filed as Exhibit 10.2 to the Company's Form 8-K dated March 24, 2022, and incorporated herein by reference
14.1	Code of Ethics, filed as Exhibit 14.1 of the Company’s Form 8-K dated February 6, 2018, and incorporated herein by reference
*21.1	Subsidiaries of Company
*23.1	Consent of Independent Registered Public Accounting Firm
*31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) / 15d-14(a)
*31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) / 15d-14(a)
*32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
*32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350
*101	The following financial information from SIFCO Industries, Inc. Report on Form 10-K for the year ended September 30, 2022 filed with the SEC on December 22, 2022, formatted in XBRL includes: (i) Consolidated Statements of Operations for the years ended September 30, 2022 and 2021, (ii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2022 and 2021, (iii) Consolidated Balance Sheets at September 30, 2022 and 2021, (iv) Consolidated Statements of Cash Flow for the years ended September 30, 2022 and 2021, (vi) Consolidated Statements of Shareholders’ Equity for the years ended September 30, 2022 and 2021 and (v) the Notes to the Consolidated Financial Statements.
*104	Cover Page Interactive Data File: the cover page XBRL tags are embedded within the Inline XBRL document and are contained with Exhibit 101

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

SIFCO Industries, Inc.

By: /s/ Thomas R. Kubera

Thomas R. Kubera
Chief Financial Officer
(Principal Financial Officer)

Date: December 22, 2022

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on December 22, 2022 by the following persons on behalf of the Registrant in the capacities indicated.

/s/ Norman E. Wells, Jr. Norman E. Wells, Jr. Chairman of the Board	/s/ Peter W. Knapper Peter W. Knapper President and Chief Executive Officer (Principal Executive Officer)
/s/ Jeffrey P. Gotschall Jeffrey P. Gotschall Director	/s/ Donald C. Molten, Jr. Donald C. Molten, Jr. Director
/s/ Alayne L. Reitman Alayne L. Reitman Director	/s/ Mark J. Silk Mark J. Silk Director
/s/ Hudson D. Smith Hudson D. Smith Director	/s/ Thomas R. Kubera Thomas R. Kubera Chief Financial Officer (Principal Financial Officer)

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DIRECTORS

Jeffrey P. Gotschall
Chairman Emeritus

Norman E. Wells, Jr.
Partner and Operating Executive
SFW Capital Partners, LLC
Chairman of the Board

Peter W. Knapper
President and Chief Executive Officer

Donald C. Molten, Jr.
Formerly Managing Partner of Dimensional Analytics, LLC

Alayne L. Reitman
Formerly Vice President – Finance and Chief Financial Officer
The Tranzonic Companies, Inc.

Mark J. Silk
President
ThinKom Solutions, Inc.
Partner
Blue Sea Capital, LLC

Hudson D. Smith
President
Forged Aerospace Sales, LLC

OFFICERS

Peter W. Knapper
President and Chief Executive Officer

Thomas R. Kubera
Chief Financial Officer

AUDITORS

Grant Thornton LLP
Certified Public Accountants
1375 E. 9th Street, Suite 1500
Cleveland, Ohio 44114

GENERAL COUNSEL

Benesch Friedlander Coplan & Aronoff LLP
200 Public Square, Suite 2300
Cleveland, Ohio 44114-2378

COMPANY INFORMATION

Included with this Annual Report is a copy of SIFCO Industries, Inc.'s Form 10-K filed with the Securities and Exchange Commission for the year ended September 30, 2022. Additional copies of the Company's Form 10-K and other information are available to shareholders upon written request to:

Investor Relations
SIFCO Industries, Inc.
970 East 64th Street
Cleveland, Ohio 44103

We also invite you to visit our website: www.sifco.com.

ANNUAL MEETING

The annual meeting of shareholders of SIFCO Industries, Inc. will be held virtually at 9:30 a.m. EST on January 31, 2022.

INTEGRITY • RESPONSIVENESS • RESPECT • PASSION

SIFCO
INDUSTRIES, INC.

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Phone: (216) 881-8600 • www.sifco.com