2023

SIFCO INDUSTRIES, INC.

SIFCO Industries, Inc.

2023 Annual Report

To our Shareholders:

A very eventful year for SIFCO Industries; looking back it is proving to be a turning point for the business. Beginning the year, our served markets continued to be in recovery mode both from Covid 19 and, in the case of Commercial Aerospace, aircraft delivery issues caused by supply chain disruptions. At the end of our 1st quarter in 2023, we experienced a cyber incident that impacted our domestic sites. We took immediate action to contain the threat, followed our internal protocols, and involved the appropriate governmental agencies as we worked to isolate the damage and regain the use of our systems. We were successful in doing so, but with impact to operations that spanned months. There were lessons learned and actions implemented that will allow us to respond and recover quickly in the event that something like this happens again. In the second half of the fiscal year our firm backlog grew very quickly across our served markets as the global economy strengthened, resulting in a record high backlog at the end of the fiscal year. We were awarded eighty-six new products during the year, eclipsing the previous record of seventy set just last year. Helping to develop new alloys and new applications for existing alloys continued to be a focus. We look forward to developing these new opportunities and ramping production as we move forward.

Though the Ukraine conflict continues, Western European markets have demonstrated a strong resilience. This and other market factors have provided a robust Energy market resurgence after multiple challenging years. Our backlog has directly benefited from this. We look forward to serving our customers well in this segment as they grow.

Commercial and Military Aerospace, our core markets, returned to normal procurement patterns in the second half of the year, again reflected in our firm backlog. Commercial Space is an exciting opportunity, and our support has grown substantially. Finally, we now have three customers in the semiconductor industry providing products that are used in the manufacture of microchips.

Our conservative financial approach over the past number of years positioned us well as we navigated the cyber incident, allowing continued investment in the business. The SIFCO team remained focused on safely providing class leading quality and delivery to our customers.

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

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, 2023

or

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

For the transition period from ________________ to ____________________

Commission file number 1-5978

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 every Interactive Data File required to be submitted 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. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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 $13,037,758.

The number of the Registrant's Common Shares outstanding at November 30, 2023 was 6,104,439.

Documents incorporated by reference: Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on January 31, 2024 (including Part III thereof).

Annual Report on Form 10-K
For the Year-ended September 30, 2023

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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.

Cybersecurity Incident

As reported on Forms 8-K filed January 6, 2023 and February 10, 2023, the Company became aware of unauthorized access to the Company's systems on December 30, 2022. The Company's domestic operations were impacted by this Cybersecurity Incident ("Cyber Incident") which resulted in production delays and delayed shipments due to information access limitations. The Company immediately initiated response protocols and an investigation, engaging cyber security experts to assist with the assessment of the incident and to help determine what data was impacted. The Company has since completed data recovery and restoration from the cyber incident. See Note 11*, Commitments and Contingencies.*

B. Principal Products and Services

Operations

SIFCO is a manufacturer of forgings and machined components for the Aerospace and Defense, Energy and Commercial Space 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"), Tier 1 and Tier 2 suppliers, and aftermarket service providers 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 2023, commercial and military revenues accounted for 55.6% and 44.4% of revenues, respectively, compared with 47.4% in commercial revenues and 52.6% in military revenues in fiscal 2022. 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 regained such NADCAP Certification in Orange in the first quarter of fiscal 2023 and was able to fully resume operations.

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

Raw Materials

While the residual 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 residual impacts of COVID-19 continue to be assessed by the Company. While demand for travel declined at a rapid pace beginning in the second half of our fiscal 2020, commercial air travel has progressively shown signs of recovery to pre-pandemic levels in fiscal 2023 with increasing air traffic, in both domestic and international markets.

- 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), C-130, F-18 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 components for commercial aircraft, principally for large aircraft produced by Boeing and Airbus, and for general aviation. Domestic and international travel are now at pre-pandemic levels. 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. In fiscal year 2023, build rates on these platforms continued to rebound.

- 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 supplies components to the commercial space industry, which is rapidly evolving. An increasing number of companies are participating in the space launch and reentry programs, 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.

- SIFCO supplies components to the semiconductor industry, for use in the manufacture of microchips. These components require very challenging material properties and purity. Our technical expertise has allowed SIFCO to gain customer certifications for a variety of materials in the this application. We believe this market holds growth opportunity for SIFCO.

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 2023, SIFCO had one direct customer that accounted for 12% of consolidated net sales; and 32% of the Company's consolidated net sales were from three customers and their direct subcontractors, which individually accounted for 12%, 10% and 10% 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*.

Backlog of Orders
SIFCO's total backlog as of September 30, 2023 increased to $120.1 million, compared with $81.9 million as of September 30, 2022. Orders for delivery scheduled in the upcoming fiscal year 2024 increased to $89.6 million compared with $65.5 million scheduled in fiscal 2023. Orders may be subject to modification or cancellation by the customer with limited charges. The increase in total backlog as of September 30, 2023 compared with the previous year is primarily due to timing of annual awards, SIFCO's customers adjusting orders due to recovery within the commercial airline industry, new content awarded, and extended raw material lead times. 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 348 full-time employees at the beginning of fiscal 2023, which increased to approximately 368 employees at the end of fiscal 2023.

The Company's employees include full-time, part-time, and temporary employees. Approximately 68% of our employees were located within the U.S. and 32% of our employees were located in Italy. Approximately 61% 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, promotes value-based recognition programs and engages employees in continuous improvement activities.

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.

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. Residual negative impacts of the COVID-19 pandemic on the commercial aerospace industry may continue for a prolonged period of time. We continue to experience changes in demand from our customers in this market and a reduction in demand for commercial aircraft will adversely impact our net sales and operating results.

There is risk that the industry reintroduces mitigation strategies in response to residual impacts from COVID-19, which could include reduced capacity and shifting route patterns. Furthermore, airlines may experience reduced demand due to reluctance by the flying public to travel due to travel restrictions and/or social distancing requirements. The residual impacts from 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, 2023, our total backlog was $120.1 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 few 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 2023, one direct customer accounted for approximately 12% percent of our consolidated net sales and three direct customers and their direct subcontractors accounted for approximately 32% 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.

We continue to provide 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 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 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. 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, 2023, management determined that SIFCO’s internal control over financial reporting and its disclosure controls and procedures were not effective. Management identified deficiencies in its oversight and backup and recovery controls that represent a material weakness in internal control over financial reporting. 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, 2023, we employed approximately 378 people. We face competition for management and employees from other companies and organizations. If we continue to experience 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

A decline in operating results or access to financing may have an adverse impact on our liquidity position.

Our ability to make required payments of principal and interest on our debt will depend in part on our future performance, which, to a certain extent, is subject to general economic, financial, competitive, political and other factors, some of which are beyond our control. Accordingly, conditions could arise that could limit our ability to generate sufficient cash flows or to access borrowings to enable us to fund our liquidity needs, which could further limit our financial flexibility or impair our ability to obtain alternative financing sufficient to repay our debt at maturity. We believe that our cash on hand, together with funds generated by our operations and borrowings under our existing credit facilities, will provide us with sufficient liquidity and capital resources to meet our operating needs for the foreseeable future. Significant assumptions underlie this belief however, including, among other things, assumptions relating to future sales volumes, the successful implementation of our business strategies and that there will be no material adverse developments in our competitive market position, business, liquidity or capital requirements. In the event that we do not have sufficient liquidity, we may be required to seek additional capital, reduce or cut back our operating activities, capital expenditures or otherwise alter our business strategy. If we obtain additional capital by issuing equity, the interests of our existing stockholders will be diluted. If we incur additional debt, the agreements governing that debt may contain significant financial and other covenants that may materially restrict our operations. The Company may not be able to obtain refinancing or additional financing on favorable terms or at all.

The Company has identified certain risks related to the Company's ability to continue as a going concern. See Note 1, *Going Concern* for further information.

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.

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. 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.

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 various macroeconomic 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, 2023, goodwill was $3.5 million and other intangible assets were $0.3 million of our total assets of $96.5 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.

We have continued to see a prolonged residual impact of the COVID-19 pandemic 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 continue to be impacted by the COVID-19 pandemic. As a result of the residual impacts of the pandemic, we 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 expect to continue to experience unpredictable changes in demand from the markets we serve. The A&E industries continue to be negatively impacted by the residual impacts of the COVID-19 pandemic and its effects as a result of various restrictions on air travel, supply chain disruptions and labor shortages. 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 previously led to a softening of the energy market. If the residual impact of 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 residual impacts of 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 residual impacts of the coronavirus outbreak may be difficult to assess or predict, the resurgence 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 residual 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 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 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, 2023 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*, 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	62	President and Chief Executive Officer since June 2016. Prior to joining SIFCO, Mr. Knapper worked for the TECT Corporation, holding positions including Vice President of Operations of TECT Power, Corporate Director of Strategy and Site Development, and President of TECT Aerospace. In addition, Mr. Knapper held progressive leadership roles for other companies including Rolls Royce Energy Systems, Inc., a subsidiary of Rolls-Royce Holdings plc, and GE Aircraft Engines. Mr. Knapper has 38 years of experience in Aerospace and related industries.
Thomas R. Kubera	64	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 aerospace and energy (or "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 (19) the continued long term impact of the COVID-19 pandemic and related residual negative impact on the global economy, which may exacerbate the above factors and/or impact our results of operations and financial condition; and (20) in connection with its entry into the Ninth Amendment (the "Ninth Amendment") to its Credit Agreement and Fourth Amendment (the "Fourth Amendment") to its Export Credit Agreement, and as a condition to the consummation by the Company's senior lender of the transactions contemplated thereby: (a) the Company incurred a secured subordinated loan from Garnet Holdings, Inc., a California corporation owned and controlled by Mark J. Silk ("GHI") (Mr. Silk is a member of the Board of Directors of the Company and considered a related party), in the original principal amount of $3.0 million, which subordinated loan is subject to the terms and conditions of an Intercreditor and Subordination Agreement by and among the Company, GHI and the Company's senior lender; and (b) Mr. Silk executed and delivered a personal guaranty in favor of the Company's senior lender of certain Company indebtedness under the Credit Agreement and the Export Credit Agreement. The Company is evaluating available financial alternatives, including obtaining acceptable alternative financing. If the Company is unable to restructure existing debt obligations, obtain capital or enter into a strategic alternative transaction which provides sufficient funding for the refinancing of its outstanding indebtedness prior to the maturity date of its obligations by the terms of the Ninth Amendment, the lender under the Credit Agreement may choose to accelerate repayment. The Company cannot provide assurances that it will be successful in restructuring the existing debt obligations, obtaining capital or entering into a strategic alternative transaction which provides sufficient funding for the refinancing of its outstanding indebtedness prior to the maturity date of its obligations under the Credit Agreements.

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 2023 or fiscal 2022. 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 growth. Additionally, the Company's ability to declare or pay cash dividends is limited by its credit agreement. At November 30, 2023, there were approximately 298 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 Aerospace and Defense, Energy and Commercial Space 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.

Cybersecurity Incident

As reported on Forms 8-K filed January 6, 2023 and February 10, 2023, the Company became aware of unauthorized access to the Company's systems on December 30, 2022. The Company's domestic operations were impacted by this Cybersecurity Incident which resulted in production delays and delayed shipments due to information access limitations. The Company initiated response protocols and an investigation, engaging cyber security experts to assist with the assessment of the incident and to help determine what data was impacted. The Company has since completed data recovery and restoration from the cyber incident. See Note 11*, Commitments and Contingencies.*

Fiscal Year 2023 Compared with Fiscal Year 2022

Net Sales

Net sales comparative information for fiscal 2023 and 2022, respectively, is as follows:

(Dollars in millions)	Years Ended September 30,		Year Over Year Increase
Net Sales	**2023**	**2022**	**(Decrease)**
Aerospace components for:			
Fixed wing aircraft	$ 40.1	$ 39.5	$ 0.6
Rotorcraft	16.4	15.6	0.8
Energy components for power generation units	23.0	17.4	5.6
Commercial product and other revenue	7.5	11.4	(3.9)
Total	$ 87.0	$ 83.9	$ 3.1

Net sales in fiscal 2023 increased 3.7%, or $3.1 million to $87.0 million, compared with $83.9 million in fiscal 2022. The timing of shipments, coupled with increased demand in the steam turbine power generation market, have contributed to the increase in deliveries in fiscal 2023 than in fiscal 2022. Fixed wing aircraft sales increased $0.6 million compared with the same period last year primarily due to F35, 737 and 787 programs. Rotorcraft sales increased $0.8 million in fiscal 2023 compared to the same period in fiscal 2022 primarily due to commercial and Blackhawk programs. The energy components for power generation units increased $5.6 million compared with the same period last year due to growth in the steam turbine markets. Commercial products and other revenue decreased $3.9 million in fiscal 2023 compared to the same period in fiscal 2022, primarily due to timing of orders related to a munitions program partially offset by an increase in commercial space.

Commercial net sales were 55.6% of total net sales and military net sales were 44.4% of total net sales in fiscal 2023, compared with 47.4% and 52.6%, respectively, in the comparable period in fiscal 2022. Commercial net sales increased $8.6 million to $48.4 million in fiscal 2023, compared to $39.8 million in fiscal 2022 primarily due to growth in the energy components for power generation units (steam turbine markets) and the increase in build rates in the commercial aerospace industry. Military net sales decreased $5.4 million to $38.7 million in fiscal 2023, compared to $44.1 million in fiscal 2022 primarily due to V22 demand reduction and timing of orders related to a munition program.

Cost of Goods Sold

Cost of goods sold ("COGS") decreased by $6.3 million, or 7.3%, to $79.5 million, or 91.3% of net sales, during fiscal 2023, compared with $85.8 million or 102.2% of net sales in the comparable period of fiscal 2022. The decrease was primarily due to increased volume, ERC benefit of $1.5 million and reduction of net realizable value ("NRV") reserve of $0.9 million and lower idle expense of $0.9 million. Current year results include $2.1 million of idle expense and $0.9 million benefit associated with NRV compared with prior year costs of $3.1 million and $1.5 million, respectively.

Gross Profit (Loss)

Gross profit increased by $9.4 million, to $7.5 million during fiscal 2023, compared with a loss of $1.9 million in fiscal 2022. Gross margin percent of sales was 8.7% during fiscal 2023, compared with (2.2%) in fiscal 2022, primarily due to increased volume, ERC benefit of $1.5 million, reduction of NRV reserve and idle expense, and lower outside processing costs compared with the prior year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $14.0 million, or 16.1% of net sales, during fiscal 2023, compared with $11.9 million, or 14.2% of net sales, in fiscal 2022. The increase in selling, general and administrative expenses is primarily due to incremental IT costs related to the cybersecurity incident of $1.3 million and professional fees primarily related to the ERC credit of $0.4 million partially offset by ERC benefit of $0.2 million. See Note 11, *Commitments and Contingencies* for further discussion on cyber incident.

Amortization of Intangibles

Amortization of intangibles decreased $0.1 million to $0.2 million during fiscal 2023, compared with $0.3 million in the comparable period of fiscal 2022. The decrease was primarily due to certain intangible assets that were fully amortized during fiscal 2023.

Other/General

The Company recorded an operating loss of $6.7 million during fiscal 2023, compared with an operating loss of $14.1 million in fiscal 2022.

Prior year results included 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 and Subsequent Event* for further discussion.

Net interest expense was $1.3 million in fiscal 2023 compared with $0.6 million in fiscal 2022. The increase was due to higher interest rates and higher average borrowings compared with the prior year. See Note 5, *Debt and Subsequent Event* for further discussion.

The following table sets forth the weighted average interest rates and weighted average outstanding balances under the Company’s debt agreements in fiscal 2023 and 2022:

	Weighted Average Interest Rate Years Ended September 30,		Weighted Average Outstanding Balance Years Ended September 30,	
	2023	**2022**	**2023**	**2022**
Revolving credit agreement	6.9%	2.6%	$ 13.1 million	$ 10.4 million
Foreign term debt	4.6%	2.8%	$ 7.1 million	$ 6.2 million
Other debt	1.5%	0.7%	$ 0.5 million	$ 1.9 million

The Company believes that inflation did not materially impact its results of operations in either fiscal 2023 or 2022.

Income Taxes

The Company's effective tax rate in fiscal 2023 was (1.9%) compared with 0.4% in fiscal 2022. The decrease in the effective tax rate in fiscal 2023 is primarily attributable to changes in jurisdictional mix of income in fiscal 2023 compared with the same period in fiscal 2022. 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 Loss

Net loss was $8.7 million during fiscal 2023, compared with $9.6 million in fiscal 2022. The decrease in net loss in the current period was primarily due to increased volume, ERC refund benefit, reduction of NRV reserve and idle expense, lower outside processing costs and stabilized raw material pricing partially offset by cybersecurity incident costs. Prior year results included a $5.1 million gain on debt extinguishment previously noted.

Non-GAAP Financial Measures

Presented below is certain financial information based on the Company's EBITDA and Adjusted EBITDA. References to "EBITDA" mean earnings (losses) from continuing 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 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 management 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 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 income (loss), to measure operating performance. Neither EBITDA nor Adjusted EBITDA is a measurement of financial performance under GAAP, and neither should be considered as an alternative to net loss or cash flow from operations determined in accordance with GAAP. 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, 2023	Years Ended September 30, 2022
Net loss	$ (8,692)	$ (9,640)
Adjustments:		
Depreciation and amortization expense	6,404	6,348
Interest expense, net	1,348	646
Income tax expense (benefit)	159	(43)
EBITDA	(781)	(2,689)
Adjustments:		
Foreign currency exchange loss, net (1)	9	15
Other loss (income), net (2)	275	(149)
Loss (gain) on disposal of assets (3)	1	(7)
Gain on debt extinguishment (4)	—	(5,106)
Equity compensation expense (5)	375	428
Pension settlement/curtailment benefit (6)	108	208
LIFO impact (7)	(305)	729
IT incident costs, net (8)	1,275	—
Strategic alternative expense (9)	86	—
Adjusted EBITDA	$ 1,043	$ (6,571)

(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.

(4) 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.

(5) 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.

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

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

(8) Represents incremental information technology costs as it relates to the cybersecurity incident and loss on insurance recovery.

(9) Represents expense related to evaluation of strategic alternatives.

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 Company's liquidity could be negatively affected if the Company is unable to restructure existing debt obligations, obtain capital or enter into a strategic alternative transaction which provides sufficient funding for the refinancing of its outstanding indebtedness prior to the maturity date of its obligations under the Credit Agreements, by customers extending payment terms to the Company and/or the decrease in demand for our products. The Company and management will continue to assess and actively manage liquidity needs. See Note 5*, Debt and Subsequent Event*.

Cash and cash equivalents decreased to $0.4 million at September 30, 2023 compared with $1.2 million at September 30, 2022. At September 30, 2023 and 2022, cash included financing proceeds for capital investment and a nominal amount 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 used $1.4 million of cash in fiscal 2023, compared with $0.3 million provided in fiscal 2022. The cash used by operating activities in fiscal 2023 was primarily due to net operating loss of $8.7 million, adjusted for non-cash items such as change in NRV reserve $1.1 million, and LIFO benefit of $0.3 million, partially offset by depreciation and amortization of $6.4 million, equity based compensation of $0.3 million and sources of working capital of $1.7 million. The source of cash from working capital of $1.7 million was primarily due to increase in accounts payable due to timing of payments and lower inventories due to extended lead times, partially offset by higher accounts receivable due to increased sales at the end of the fiscal year.

The Company's operating activities provided $0.3 million of cash in fiscal 2022. 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 of $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.

Investing Activities

Cash used for investing activities was $2.4 million in fiscal 2023, compared with $3.2 million in fiscal 2022. Fiscal 2023 and fiscal 2022 expenditures were used primarily for manufacturing enhancement and maintenance capital. Capital commitments at September 30, 2023 were $1.1 million. The Company anticipates the total fiscal 2024 capital expenditures will be within the range of $3.5 million to $4.5 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 $2.9 million in fiscal 2023 compared to cash provided by financing activities of $3.7 million in fiscal 2022.

As discussed in Note 5, *Debt and Subsequent Event*, the Company amended the Credit Agreement and the Export Agreement on August 9, 2023. The combined maximum borrowings decreased to $30.0 million from $35.0 million. The Seventh Amendment (the "Seventh Amendment") to the Credit Agreement (as amended, the "Credit Agreement") consists of a senior secured revolving credit facility with a maximum borrowing of $23.0 million, previously $28.0 million. The revolving commitment through the Third Amendment (the "Third Amendment") of the Export Credit Agreement, which lends amounts to the Company on foreign receivables remained unchanged at $7.0 million. The Seventh Amendment, among other things, (i) advanced the loan maturity date to December 31, 2023; (ii) provided a waiver of Existing Defaults and concludes the forbearance period as described under the Forbearance Agreement dated April 28, 2023; (iv) the aggregate outstanding principal balance of the Revolving Exposure under the ABL Credit Agreement and Export Revolving Loan may not at any time exceed the lesser of Revolving Commitment, less the Availability Block, if applicable, the Borrowing Base, and in combination with the Export Revolving Loan under the Export Credit Agreement to $18.0 million through September 30, 2023 and $19.0 million thereafter; (v) the Reserves under the Borrowing Base in the ABL Credit Agreement were reduced to $1.5 million through September 30, 2023 and $2.0 million thereafter. The Third Amendment amends the Export Credit Agreement to (i) modified the loan maturity date to December 31, 2023 and (ii) provided waiver of Existing Defaults and concludes the forbearance period as described under the Forbearance Agreement dated April 28, 2023. The Seventh Amendment was subject to satisfaction of certain post closing deliverables, including: (i) one or more proposed term sheets which provide for the refinancing of all of the Obligations under the current Credit Agreement, in each case in an amount sufficient to repay the Obligations in full, by no later than September 19, 2023; (ii) a Confidential Information Memorandum ("CIM"), by no later than September 20, 2023; and (iii) a duly executed term sheet providing for the refinancing of all of the Obligations in an amount sufficient to repay the Obligations in full, by no later than October 8, 2023. All post closing deliverables were satisfied as required under the Seventh Amendment.

As discussed in Note 5, *Debt and Subsequent Event*, on November 8, 2023, the Company entered into the Eighth Amendment to the Credit Agreement (the "Eighth Amendment") with its Lender. The Eighth Amendment, among other things, reduced the Reserves under the Borrowing Base in the Credit Agreement to $1.5 million, or such lesser amount, if any, as may be agreed upon in writing by the Lender in its sole discretion.

As discussed in Note 5, *Debt and Subsequent Event*, on December 21, 2023 the Company entered into the Ninth Amendment (the "Ninth Amendment") to the Credit Agreement and the Fourth Amendment (the "Fourth Amendment") to the Export Credit Agreement with its lender JPMorgan Chase Bank, N.A. (the "Lender") The Ninth Amendment amends the Credit Agreement to, among other things, to: (i) reflect the incurrence by borrowers of the Subordinated Loan and the execution and delivery by borrowers, the Lender and GHI of the Subordinated Loan Documents, and the receipt by borrowers of $3.0 million immediately available funds on the Ninth Amendment Effective Date; (ii) delay the maturity date from December 31, 2023 to October 4, 2024, or any earlier date on which the Revolving Commitment is reduced to zero or otherwise terminated pursuant to the terms of the Credit Agreement; (iii) reduce the Revolving Commitment from $23.0 million to $19.0 million; (iv) modify the Reserves of $1.5 million, increasing on the first day of each month by $0.3 million, commencing on May 1, 2024 and continuing until (and including) August 1, 2024, or such lesser amount, if any, as may be agreed upon in writing by the Lender in its sole discretion (which may be by email from the Lender), plus (d) the PP&E Component; (v) modify the Applicable Margin schedule to reflect the following applicable rates 2.75% (SOFR Spread), and 0.50% (Commitment Fee Rate). The Fourth Amendment of the Export Credit Agreement, to, among other things, to: (i) reflect the incurrence by borrowers of the Subordinated Loan and the execution and delivery by borrowers, the Lender and GHI of the Subordinated Loan Documents, and the receipt by borrowers of $3.0 million in immediately available funds on the Ninth Amendment Effective Date; and (ii) delay the maturity date to October 4, 2024, or any earlier date on which the Revolving Commitment is reduced to zero or otherwise terminated pursuant to the terms thereof.

The Company incurred a secured subordinated loan from Garnet Holdings, Inc., a California corporation owned and controlled by Mark J. Silk (“GHI”) (Mr. Silk is a member of the Board of Directors of the Company and considered a related party), in the original principal amount of $3.0 million (the “Subordinated Loan”) as a condition to the consummation of the transactions contemplated by the Ninth Amendment to the Credit Agreement. See Note 13*, Related Party Transactions* and Note 14*, Subsequent Event* for further discussion.

As discussed in Note 5, *Debt and Subsequent Event*, the Company's Maniago, Italy location did not obtain any new borrowings in fiscal 2023. The Company repaid $2.0 million of its Company's foreign term loans in 2023.

In fiscal 2022, the Company's Maniago, Italy location obtained borrowings from two separate lenders. 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.

The Company had net borrowings under its revolving credit facility of $5.1 million in fiscal 2023 and $2.2 million in fiscal 2022. 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 7.68% at September 30, 2023 and the Export Credit Agreement, as discussed in Note 5, *Debt and Subsequent Event,* has a rate based on SOFR plus a 1.75% spread, which was 7.18% at September 30, 2023. 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 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 and Subsequent Event*. The availability at September 30, 2023 was $2.8 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 $1.5 million Reserve minimum as of September 30, 2023, 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.

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. 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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Estimates are revised as additional information becomes available. The Company believes that the accounting estimates employed and the resulting balances are reasonable; however, actual results in these areas could differ from the management's estimates under different assumptions or conditions.

Significant accounting policies used in the preparation of the consolidated financial statements are discussed in Note 1, *Summary of Significant Accounting Policies*. The Company believes that the assumptions and estimates associated with allowance for doubtful accounts, inventory valuation, goodwill, contract balances, and income taxes have the greatest potential impact on our financial statements because they are inherently uncertain, involve significant judgements, and include areas where different estimates reasonably could materially impact the financial statements. The Company believes that the critical accounting estimates employed and the resulting balances are reasonable; however, actual results in these areas could differ from management's estimates under different assumptions or conditions.

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 19% 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 proper write down for obsolete and excess inventory. 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 evaluates net realizable value on a quarterly basis. See Note 2, *Inventories* for further discussion.

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 whenever events or changes in circumstances indicate that the carrying amount of the long-lived asset (group) might not be recoverable. 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.

2023 Long-Lived Asset Recoverability Tests

In the first, second, third and fourth quarters, the Company evaluated triggering events and did not identify any indicators that the asset groups might be impaired.

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.

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.

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 not to exceed the amount of goodwill recorded.

2023 Annual Goodwill Impairment Tests

SIFCO performed its annual test as of July 31, 2023. Goodwill existed at one of the Company's reporting units, Cleveland, Ohio as of July 31, 2023 and September 30, 2023. 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*.

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 July 31, 2022 and 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.*

Defined Benefit Pension Plan Expense

The Company maintains four 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 four 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-term rate of return on assets for the Company's pension plans as of September 30, 2023.

Change in Assumptions	Impact on Fiscal 2023 Benefits Expense	Impact on September 30, 2023 Projected Benefit Obligation for Pension Plans
	(In thousands)	
25 basis point decrease in discount rate	$ 17	$ 403
25 basis point increase in discount rate	$ (17)	$ (403)
100 basis point decrease in expected long-term rate of return on assets	$ 181	$ —
100 basis point increase in expected long-term rate of return on assets	$ (181)	$ —

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, 2023 and 2022, SIFCO used the following weighted-average assumptions:

	Years Ended September 30,	
	2023	2022
Discount rate for liabilities	5.6 %	5.2 %
Discount rate for expenses	5.1 %	2.9 %
Expected return on assets	6.2 %	6.4 %

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 2023. Accordingly, the Company maintained its valuation allowance on its U.S. deferred tax assets as of the fourth quarter of fiscal year 2023.

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* for further discussion.

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, this ASU is effective for the Company beginning October 1, 2023. The effect of adopting this ASU is not expected to have a material impact to the Company's results within the consolidated statements of operations and financial condition.

In July 2023, the FASB issued ASU 2023-03, "*Presentation of Financial Statement (Topic 205), Income Statement - Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation - Stock Compensation (Topic 718)*", to amend various SEC paragraphs in the Accounting Standards Codification to reflect the issuance of SEC Staff Accounting Bulletin No. 120, among other things. The ASU does not provide any new guidance so there is no transition or effective date associated with it. The Company is currently assessing the impact of adopting ASU 2023-03 on the consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures"*, that would enhance disclosures for significant segment expenses for all public entities required to report segment information in accordance with ASC 280. ASC 280 requires a public entity to report for each reportable segment a measure of segment profit or loss that its chief operating decision maker ("CODM") uses to assess segment performance and to make decisions about resource allocations. The amendments in ASU 2023-07 improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more useful financial analyses. Currently, *Topic 280* requires that a public entity disclose certain information about its reportable segments. For example, a public entity is required to report a measure of segment profit or loss that the CODM uses to assess segment performance and make decisions about allocating resources. ASC 280 also requires other specified segment items and amounts such as depreciation, amortization and depletion expense to be disclosed under certain circumstances. The amendments in ASU 2023-07 do not change or remove those disclosure requirements. The amendments in ASU 2023-07 also do not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments in ASU 2023-07 retrospectively to all prior periods presented in the financial statements. The Company is currently assessing the impact of adopting ASU 2023-07 on the consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures"*. ASU 2023-09 is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 address investor requests for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. Early adoption is permitted. A public entity should apply the amendments in ASU 2023-09 prospectively to all annual periods beginning after December 15, 2024. The Company is currently evaluating the impact of this standard on our consolidated financial statements and related disclosures.

Item 8. Financial Statements and Supplementary Data

Financial Statements

[1] Report provided in connection with audited financial statements for fiscal year ended 2023.
[2] Report provided in connection with audited financial statements for fiscal year ended 2022.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of SIFCO Industries, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of SIFCO Industries, Inc. and its subsidiaries (the Company) as of September 30, 2023, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements and financial statement schedule included under Item 15(a) (collectively, 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, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has debt maturing in October 2024 and an alternate financing arrangement has yet to be executed. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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 audit. 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 U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit 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 audit 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 audit 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 audit 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 audit provides 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 a critical audit matter 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.

Goodwill Impairment Assessment

As discussed in Notes 1 and 3 to the consolidated financial statements, the Company's goodwill balance was $3.5 million at September 30, 2023 and is recorded at the Cleveland, Ohio ("Cleveland") reporting unit. At July 31, 2023, the Company performed its annual goodwill impairment test by performing a quantitative analysis in lieu of a qualitative analysis and concluded there was no impairment of goodwill. The fair value of the Cleveland reporting unit for the goodwill impairment assessment is estimated utilizing a combination of income (discounted cash flow method) and market valuation (market comparable method) approaches. The income approach involves using cash flow projections developed by management to calculate discounted cash flows, the sum of which is subject to certain adjustments to estimate the business enterprise value. The market approach involves performing research on guideline public companies that are similar in nature to the Company to develop an appropriate valuation multiple to estimate the business enterprise value. The estimated fair values determined by the income approach and market approach are then weighted to estimate the fair value of the Cleveland reporting unit. Significant judgment is required to forecast future cash flows, determine the discount rate applicable to the Cleveland reporting unit, select the appropriate guideline public companies and determine the appropriate market multiples from those guideline public companies.

We identified the Company's annual goodwill impairment test for the Cleveland reporting unit as a critical audit matter because of the significant assumptions management used in its annual impairment test, including the revenue growth rates and margin percentages used in the projected cash flows, the determination of the discount rate applicable to the reporting unit, the identification of comparable guideline public companies and the determination of the appropriate market multiples. Auditing management's assumptions involved a high degree of auditor judgment and an increase in audit effort, including the use of our valuation specialists, due to the impact these assumptions have on the accounting estimate.

Our audit procedures related to the Company's annual goodwill impairment test included the following, among others:

a. We tested the underlying data used by management in its model for completeness and accuracy.
b. We developed an independent estimate of the Cleveland reporting unit's fair value under both the income and market valuation approaches using publicly available market data for the Cleveland reporting unit's industry and compared our independent estimate to management's estimate of fair value.
c. We utilized our valuation specialists to assist in the following procedures, among others:
    i. Testing the reasonableness of the discount rate by comparing the inputs used by management to publicly available market data.
    ii. Evaluating the comparability of the guideline public companies identified by management based upon publicly available market data.
    iii. Corroborating the market multiples selected by the Company by comparing them publicly available market data.
    iv. Evaluating the appropriateness of the valuation models used by management and testing their mathematical accuracy.

/s/ RSM US LLP
We have served as the Company's auditor since 2023.

Cleveland, Ohio
December 29, 2023

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 sheet of SIFCO Industries, Inc. (an Ohio corporation) and subsidiaries (the "Company") as of September 30, 2022, the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for the year then ended, 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 the results of its operations and its cash flows for the year then ended, 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 audit. 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 audit 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 audit 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

/s/ GRANT THORNTON LLP

We served as the Company's auditor from 2002 to 2023.

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,	
	2023	**2022**
Net sales	$ 87,022	$ 83,902
Cost of goods sold	79,492	85,757
Gross profit (loss)	7,530	(1,855)
Selling, general and administrative expenses	14,029	11,909
Amortization of intangible assets	233	313
Loss (gain) on disposal of operating assets	1	(7)
Operating loss	(6,733)	(14,070)
Interest expense, net	1,348	645
Gain on debt extinguishment	—	(5,106)
Foreign currency exchange loss, net	9	15
Other expense, net	443	59
Loss before income tax expense (benefit)	(8,533)	(9,683)
Income tax expense (benefit)	159	(43)
Net loss	$ (8,692)	$ (9,640)
Net loss per share:		
Basic	$ (1.47)	$ (1.65)
Diluted	$ (1.47)	$ (1.65)
Weighted-average number of common shares (basic)	5,929	5,830
Weighted-average number of common shares (diluted)	5,929	5,830

See notes to consolidated financial statements.

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

	Years Ended September 30,	
	2023	2022
Net loss	$ (8,692)	$ (9,640)
Other comprehensive loss:		
Foreign currency translation adjustment, net of tax	268	(837)
Retirement plan liability adjustment, net of tax	1,768	1,211
Interest rate swap agreement adjustment, net of tax	(3)	12
Comprehensive loss	$ (6,659)	$ (9,254)

See notes to consolidated financial statements.

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

	September 30, 2023	September 30, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 368	$ 1,174
Receivables, net of allowance for doubtful accounts of $242 and $111, respectively	20,196	16,515
Contract asset	10,091	10,172
Inventories, net	8,853	8,969
Refundable income taxes	84	97
Prepaid expenses and other current assets	1,882	1,851
Total current assets	41,474	38,778
Property, plant and equipment, net	36,287	39,272
Operating lease right-of-use assets, net	14,380	15,167
Intangible assets, net	278	477
Goodwill	3,493	3,493
Other assets	81	79
Total assets	$ 95,993	$ 97,266
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 3,820	$ 4,379
Revolver	16,289	11,163
Short-term operating lease liabilities	869	792
Accounts payable	13,497	10,387
Accrued liabilities	6,477	5,868
Total current liabilities	40,952	32,589
Long-term debt, net of current maturities	2,457	3,508
Long-term operating lease liabilities, net of short-term	14,020	14,786
Deferred income taxes, net	142	137
Pension liability	3,417	4,812
Other long-term liabilities	670	744
Shareholders' equity:		
Serial preferred shares, no par value, authorized 1,000 shares; 0 shares issued and outstanding at September 30, 2023 and 2022	—	—
Common shares, par value $1 per share, authorized 10,000 shares; issued and outstanding shares 6,105 at September 30, 2023 and 6,040 at September 30, 2022	6,105	6,040
Additional paid-in capital	11,626	11,387
Retained earnings	23,264	31,956
Accumulated other comprehensive loss	(6,660)	(8,693)
Total shareholders' equity	34,335	40,690
Total liabilities and shareholders' equity	$ 95,993	$ 97,266

See notes to consolidated financial statements.

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

	Years Ended September 30, 2023	2022
Cash flows from operating activities:		
Net (loss)	$ (8,692)	$ (9,640)
Adjustments to reconcile net (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	6,404	6,348
Amortization of debt issuance costs	44	40
(Gain) loss on disposal of operating assets	1	(7)
Loss on insurance proceeds received for damaged property	60	—
Gain on extinguishment of debt	—	(5,106)
Inventory valuation accounts	(1,149)	1,639
LIFO effect	(305)	729
Share transactions under employee stock plan	304	322
Deferred income taxes	5	(48)
Other long-term liabilities	269	19
Changes in operating assets and liabilities:		
Receivables	(3,304)	2,633
Contract assets	81	2,702
Inventories	1,872	443
Refundable income taxes	13	4
Prepaid expenses and other current assets	(76)	(138)
Other assets	60	(4)
Accounts payable	2,575	808
Accrued liabilities	322	(419)
Accrued income tax and other	153	(27)
Net cash (used in) provided by operating activities	(1,363)	298
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	20	7
Capital expenditures	(2,454)	(3,199)
Net cash used for investing activities	(2,434)	(3,192)
Cash flows from financing activities:		
Proceeds from term note	—	261
Proceeds from long term debt	—	2,245
Repayments of long-term debt	(1,086)	(1,243)
Proceeds from revolving credit agreement	80,041	79,802
Repayments of revolving credit agreement	(74,915)	(77,569)
Proceeds from short-term debt borrowings	5,483	4,132
Repayments of short-term debt borrowings	(6,642)	(3,894)
Net cash provided by financing activities	2,881	3,734
Increase (decrease) in cash and cash equivalents	(916)	840
Cash and cash equivalents at beginning of year	1,174	346
Effects of exchange rate changes on cash and cash equivalents	110	(12)
Cash and cash equivalents at end of year	$ 368	$ 1,174

See notes to consolidated financial statements.

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

	Years Ended September 30,	
	2023	**2022**
Cash paid during the year:		
Cash paid for interest	$ (1,324)	$ (585)
Cash paid for income tax, net	$ (16)	$ (19)
Non-cash investing and financing activities:		
Additions to property, plant & equipment - incurred but not yet paid	$ 230	$ 372

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, 2021	5,987	$ 11,118	$ 41,596	$ (9,079)	$ 49,622
Comprehensive (loss) income	—	—	(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
Comprehensive (loss) income	—	—	(8,692)	2,033	(6,659)
Performance and restricted share expense	—	375	—	—	375
Share transactions under employee stock plans	65	(136)	—	—	(71)
Balance - September 30, 2023	6,105	$ 11,626	$ 23,264	$ (6,660)	$ 34,335

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"), Defense and Commercial Space markets. The Company's operations are conducted in a single business segment, "SIFCO" or the "Company." SIFCO operates from multiple locations. SIFCO manufacturing facilities are located in Cleveland, Ohio ("Cleveland"); Orange, California ("Orange"); and Maniago, Italy ("Maniago").

Cybersecurity Incident

During fiscal 2023, the Company's domestic operations were impacted by the Cybersecurity Incident ("Cyber Incident") which resulted in production delays and delayed shipments due to information access limitations. The Company has since completed data recovery and restoration from the cyber incident. See Note 11*, Commitments and Contingencies.*

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 non-U.S. 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 which approximate the rates in effect at the date of the transaction. 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, 2023 and 2022.

D. CONCENTRATIONS OF CREDIT RISK

Receivables are presented net of allowance for doubtful accounts of $242 and $111 at September 30, 2023 and 2022, 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 2023 $16 of accounts receivable were written off against the allowance for doubtful accounts, while $53 were written off in fiscal 2022. Bad debt expense totaled $143 in fiscal 2023 and was a $3 benefit in fiscal 2022.

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 2023, 12% of the Company's consolidated net sales were from one of its largest customers; and 32% of the Company's consolidated net sales were from the three largest customers and their direct subcontractors, which individually accounted for 12%, 10% and 10%, of consolidated net sales, respectively. 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 two of the largest customers and their direct subcontractors which individually accounted for 12%, and 11%, 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 2023 and 2022.

At September 30, 2023, one of the Company's largest customers had an outstanding net accounts receivable balance of 11% of the total net accounts receivable; and one of the largest customers and their direct subcontractors collectively had an outstanding net accounts receivable which accounted for 13% of total net accounts receivable. At September 30, 2022, three of the Company's largest customers had outstanding net accounts receivable 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. 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, 2023.

E. INVENTORY VALUATION

For a portion of the Company's inventory, cost is determined using the last-in, first-out ("LIFO") method. For approximately 19% and 42% of the Company's inventories at September 30, 2023 and 2022, 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, and accrued reserves of $669 and $1,538 as of September 30, 2023 and 2022, 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. In order to accurately reflect the value of inventory, the Company wrote down inventory for obsolete and excess inventory, and accrued reserves of $3,380 and $3,546 as of September 30, 2023 and 2022.

F. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost net of accumulated depreciation. 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:

	2023	2022
Property, plant and equipment:		
Land	$ 949	$ 913
Buildings	17,016	16,553
Machinery and equipment	96,874	93,510
Total property, plant and equipment	114,839	110,976
Less: Accumulated depreciation	78,552	71,704
Property, plant and equipment, net	$ 36,287	$ 39,272

Depreciation expense was $6,170 and $6,035 in fiscal 2023 and 2022, respectively.

G. LONG-LIVED 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. A triggering event is a change in circumstances that indicates the carrying value of the asset group may not be recoverable. 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 2023

The Company continuously monitors potential triggering events to determine if further testing is necessary. In the first, second, third and fourth quarters, the Company evaluated triggering events and did not identify any indicators that the asset groups might be impaired.

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.

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*, for further discussion of the July 31, 2023 and 2022 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, 2023.

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 - Long-Lived Asset Impairment* for further discussion.

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,	
	2023	2022
Net loss	$ (8,692)	$ (9,640)
Weighted-average common shares outstanding (basic and diluted)	5,929	5,830
Net loss per share – basic and diluted:	$ (1.47)	$ (1.65)
Anti-dilutive weighted-average common shares excluded from calculation of diluted earnings per share	202	270

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 determination 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. When the criteria to recognize revenue over time are not met, revenue is recognized at point in time. Under this method, transferring control of the good or service to the customer satisfies the performance obligation to recognize revenue at a point in time. Transfer of control is satisfied when the Company has the right to present for payment and/or the customer has legal title, physical possession, significant risks and rewards of ownership and/or accepted the asset.

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 after 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 control is transferred to the customer over-time 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. EMPLOYEE RETENTION CREDIT

Under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Employee Retention Credit ("ERC") is a refundable payroll tax credit for businesses and tax-exempt organizations that were affected during the COVID-19 pandemic. Eligible businesses, both for-profit and not-for-profit, that experienced a full or partial government-ordered suspension of operations or a "significant" decline in gross receipts in any quarter (more than 50% decrease in 2020 from 2019, and more than 20% in 2021) could receive a quarterly refundable payroll tax credit. The Company, with reasonably assured qualification, submitted and received approval for refunds under the ERC program.

As no authoritative guidance exists under U.S. GAAP for reporting ERCs, the Company adopted International Accounting Standards (“IAS”) 20 – *Accounting for Government Grants and Disclosure of Government Assistance* which permits the recording and presentation of either the gross amount as other income or netting the credit against related expense. The Company recorded a gross benefit of $1,772, which represented $1,688 claimed as refund and $84 in interest income. The ERC was recognized as a reduction in other manufacturing and selling, general and administrative expenses and allocated to the financial statement categories from which the payroll taxes were originally incurred. The Company recorded benefits to cost of goods sold of $1,452, selling, general and administrative expense of $236 and interest income $84, respectively and recorded selling, general and administrative expense of $354 for professional fees related to the tax credit in the consolidated condensed statements of operations during the twelve months ended September 30, 2023.

M. IMPACT OF RECENTLY ADOPTED ACCOUNTING STANDARDS

None.

N. 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, this ASU is effective for the Company beginning October 1, 2023. The effect of adopting this ASU is not expected to have a material impact to the Company's results within the consolidated statements of operations and financial condition.

In July 2023, the FASB issued ASU 2023-03, "*Presentation of Financial Statement (Topic 205), Income Statement - Reporting Comprehensive Income (Topic 220), Distinguishing Liabilities from Equity (Topic 480), Equity (Topic 505), and Compensation - Stock Compensation (Topic 718)*", to amend various SEC paragraphs in the Accounting Standards Codification to reflect the issuance of SEC Staff Accounting Bulletin No. 120, among other things. The ASU does not provide any new guidance so there is no transition or effective date associated with it. The Company is currently assessing the impact of adopting ASU 2023-03 on the consolidated financial statements and related disclosures.

In November 2023, the FASB issued ASU 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures"*, that would enhance disclosures for significant segment expenses for all public entities required to report segment information in accordance with ASC 280. ASC 280 requires a public entity to report for each reportable segment a measure of segment profit or loss that its chief operating decision maker ("CODM") uses to assess segment performance and to make decisions about resource allocations. The amendments in ASU 2023-07 improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more useful financial analyses. Currently, *Topic 280* requires that a public entity disclose certain information about its reportable segments. For example, a public entity is required to report a measure of segment profit or loss that the CODM uses to assess segment performance and make decisions about allocating resources. ASC 280 also requires other specified segment items and amounts such as depreciation, amortization and depletion expense to be disclosed under certain circumstances. The amendments in ASU 2023-07 do not change or remove those disclosure requirements. The amendments in ASU 2023-07 also do not change how a public entity identifies its operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments in ASU 2023-07 retrospectively to all prior periods presented in the financial statements. The Company is currently assessing the impact of adopting ASU 2023-07 on the consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures"*. ASU 2023-09 is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments in ASU 2023-09 address investor requests for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. Early adoption is permitted. A public entity should apply the amendments in ASU 2023-09 prospectively to all annual periods beginning after December 15, 2024. The Company is currently evaluating the impact of this standard on our consolidated financial statements and related disclosures.

O. 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.

P. RESEARCH AND DEVELOPMENT

Research and development costs are expensed as they are incurred. Research and development expenses were nominal in fiscal 2023 and 2022.

Q. 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.

R. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	2023	2022
Foreign currency translation adjustment, net of income tax	$ (5,928)	$ (6,196)
Net retirement plan liability adjustment, net of income tax	(741)	(2,509)
Interest rate swap agreement, net of income tax	9	12
Total accumulated other comprehensive loss	$ (6,660)	$ (8,693)

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, 2021	(5,359)	(3,720)	—	(9,079)
Other comprehensive (loss) income before reclassifications	(837)	527	12	(298)
Amounts reclassified from accumulated other comprehensive loss	—	684		684
Net current-period other comprehensive (loss) income	(837)	1,211	12	386
Balance at September 30, 2022	(6,196)	(2,509)	12	(8,693)
Other comprehensive income (loss) before reclassifications	268	1,341	(3)	1,606
Amounts reclassified from accumulated other comprehensive loss	—	427		427
Net current-period other comprehensive income (loss)	268	1,768	(3)	2,033
Balance at September 30, 2023	$ (5,928)	$ (741)	$ 9	$ (6,660)

The following table reflects the changes in accumulated other comprehensive loss related to the Company for September 30, 2023 and 2022:

	Amount reclassified from accumulated other comprehensive loss		
Details about accumulated other comprehensive loss components	**2023**	**2022**	Affected line item in the Consolidated Statement of Operations
Amortization of Retirement plan liability:			
Net actuarial gain	1,659	1,003	(1)
Settlements/curtailments	108	208	(1)
	1,767	1,211	Total before taxes
	—	—	Income tax expense
	$ 1,767	$ 1,211	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* for further discussion.

S. 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.

T. 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. Defined benefit plans can be valued using Level 1, Level 2, Level 3 or a combination of Level 1, 2 and 3 inputs. See Note 8, *Retirement Benefit Plans* for further discussion.

U. 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.

V. 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 its plans that are not yet fully implemented are probable of both being implemented and effective in alleviating that doubt. In the event substantial doubt is raised, disclosures in the notes to the consolidated financial statements of management's plans and management's conclusion as to whether the substantial doubt exists or has been alleviated are required. 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. This step shall 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.

The Company has debt maturing in October 2024. As a result of this condition, there is substantial doubt about the Company's ability to continue as a going concern.

The Company is evaluating available financial alternatives, including obtaining acceptable alternative financing. The Company cannot provide assurances that it will be successful in restructuring the existing debt obligations, obtaining capital or entering into a strategic alternative transaction which provides sufficient funding for the refinancing of its outstanding indebtedness prior to the maturity date of its obligations under the Credit Agreements. See Note 5*, Debt and Subsequent Event* and Note 14*, Subsequent Events.*

W. RECLASSIFICATIONS

None.

2. Inventories

Inventories at September 30 consist of:

	2023	2022
Raw materials and supplies	$ 1,684	$ 2,968
Work-in-process	4,061	3,356
Finished goods	3,108	2,645
Total inventories	$ 8,853	$ 8,969

If the FIFO method had been used for the entire Company, inventories would have been $9,634 and $9,939 higher than reported at September 30, 2023 and 2022, respectively. LIFO benefit was $305 in fiscal 2023 and expense of $729 in fiscal 2022.

In fiscal 2023, 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 $1,476 during fiscal 2023. 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 $180 of LIFO liquidation in fiscal 2022.

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 recorded an inventory reserve to adjust to net realizable value of $669 and $1,538 as of September 30, 2023 and 2022, respectively.

The Company recorded an inventory reserve to adjust for obsolete and excess inventory of $3,380 and $3,546 as of September 30, 2023 and 2022.

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 $2,149 and $3,087 for years ended September 30, 2023 and 2022, respectively.

3. Goodwill and Intangible Assets

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

September 30, 2023	**Weighted Average Life at September 30,**	**Original Cost**	**Accumulated Amortization**	**Impairment**	**Currency Translation**	**Net Book Value**
Intangible assets:						
Trade name	8 years	$ 1,876	$ 1,876	$ —	$ —	$ —
Technology asset	5 years	1,869	1,869	—	—	—
Customer relationships	10 years	13,589	13,346	—	35	278
Total intangible assets		$ 17,334	$ 17,091	$ —	$ 35	$ 278
September 30, 2022						
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

The amortization expense on identifiable intangible assets for fiscal 2023 and 2022 was $233 and $313, respectively.
Amortization expense associated with the identified intangible assets is expected to be as follows:

	Amortization Expense
Fiscal year 2024	$ 159
Fiscal year 2025	119

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.

2023 and 2022 Annual Goodwill Impairment Tests

SIFCO performed its annual impairment test as of July 31, 2023 and 2022, respectively, for the Cleveland, Ohio ("Cleveland") reporting unit which is the only reporting unit that carries goodwill. 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, 2023 and 2022, respectively.

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

Balance at September 30, 2021	$	3,493
Goodwill impairment adjustment		—
Currency translation		—
Balance at September 30, 2022		3,493
Goodwill impairment adjustment		—
Currency translation		—
Balance at September 30, 2023	$	3,493

4. Accrued Liabilities

Accrued liabilities at September 30 consist of:

		2023		2022
Accrued employee compensation and benefits	$	2,888	$	2,705
Accrued workers' compensation		648		912
Contract liabilities		1,150		807
Other accrued liabilities		1,791		1,444
Total accrued liabilities	$	6,477	$	5,868

5. Debt and Subsequent Event

Debt at September 30 consists of:

		2023		2022
Revolving credit agreement	$	16,289	$	11,163
Foreign subsidiary borrowings		5,771		7,101
Finance lease obligations		142		192
Other, net of unamortized debt issuance cost $9 and $20		364		594
Total debt		22,566		19,050
Less – current maturities		(20,109)		(15,542)
Total long-term debt	$	2,457	$	3,508

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 Seventh Amendment (the "Seventh Amendment") described below), consists of a senior secured revolving credit facility with a maximum borrowing of $23,000. The revolving commitment through the Export Credit which lends amounts to the Company on foreign receivables is $7,000. The Credit Agreement and the Export Agreement were amended on August 9, 2023, when the Company and certain of its subsidiaries (collectively, the "borrowers") entered into the Seventh Amendment to the Credit Agreement and the Third Amendment (the "Third 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 was reduced to $30,000 (from $35,000); and the maximum borrowing under the Credit Agreement was decreased to $23,000 (from $28,000) and the revolving commitment through the Export Agreement remained unchanged at $7,000. The Seventh Amendment amends the Credit Agreement to, among other things, (i) advanced the loan maturity date to December 31, 2023; (ii) provided a waiver of Existing Defaults and concludes the forbearance period as described under the Forbearance Agreement dated April 28, 2023; (iv) the aggregate outstanding principal balance of the Revolving Exposure under the ABL Credit Agreement and Export Revolving Loan may not at any time exceed the lesser of Revolving Commitment, less the Availability Block, if applicable, the Borrowing Base, and in combination with the Export Revolving Loan under the Export Credit Agreement to $18,000 through September 30, 2023 and $19,000 thereafter; (v) the Reserves under the Borrowing Base in the ABL Credit Agreement were reduced to $1,500 through September 30, 2023 and $2,000 thereafter. The Third Amendment amends the Export Credit Agreement to (i) modified the loan maturity date to December 31, 2023 and (ii) provided waiver of Existing Defaults and concludes the forbearance period as described under the Forbearance Agreement dated April 28, 2023. Lender's agreement was subject to satisfaction of certain post closing deliverables, including: (i) one or more proposed term sheets which provide for the refinancing of all of the Obligations, in each case in an amount sufficient to repay the Obligations in full, by no later than September 19, 2023; (ii) a Confidential Information Memorandum ("CIM"), by no later than September 20, 2023; and (iii) a duly executed term sheet providing for the refinancing of all of the Obligations in an amount sufficient to repay the Obligations in full, by no later than October 8, 2023.

The Credit Agreement contains affirmative and negative covenants and events of defaults. Prior to the Seventh Amendment, the Credit Agreement required the Company to maintain a fixed charge coverage ratio ("FCCR") 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. However, the Seventh 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 availability falls below the Reserves under the Borrowing Base in the ABL Credit Agreement of $1,500.

On November 8, 2023, the Company entered into the Eighth Amendment to the Credit Agreement (the "Eighth Amendment") with its Lender. The Eighth Amendment, among other things, reduced the Reserves under the Borrowing Base in the Credit Agreement to $1,500, or such lesser amount, if any, as may be agreed upon in writing by the Lender in its sole discretion. See Note 14*, Subsequent Event* for further discussion.

On December 21, 2023, the Company entered into the Ninth Amendment (the "Ninth Amendment") to the Credit Agreement and the Fourth Amendment (the "Fourth Amendment") to the Export Credit Agreement with its lender. The Ninth Amendment amends the Credit Agreement to, among other things, to: (i) reflect the incurrence by borrowers of the Subordinated Loan and the execution and delivery by borrowers, the Lender and Silk (Mr. Silk is a member of the Board of Directors of the Company and considered a related party) of the Subordinated Loan Documents, and the receipt by borrowers of $3,000 in immediately available funds on the Ninth Amendment Effective Date; (ii) delay the maturity date from December 31, 2023 to October 4, 2024, or any earlier date on which the Revolving Commitment is reduced to zero or otherwise terminated pursuant to the terms of the Credit Agreement; (iii) reduce the Revolving Commitment to $19,000 from $23,000; (iv) modify the definition of Borrowing Base to mean, at any time, the sum of (a) 85% of Eligible Accounts at such time, plus (b) the lesser of (1) 70% of Eligible Inventory, valued at the lower of cost or market value, determined on a first-in-first-out basis, at such time and (2) the product of 85% multiplied by the NOLV Percentage identified in the most recent inventory appraisal ordered by the Lender multiplied by Eligible Inventory, valued at the lower of cost or market value, determined on a first-in-first-out basis, at such time, minus (c) Reserves of $1,500, increasing on the first day of each month by $250, commencing on May 1, 2024 and continuing until (and including) August 1, 2024, or such lesser amount, if any, as may be agreed upon in writing by the Lender in its sole discretion (which may be by email from the Lender), plus (d) the PP&E Component; (v) modify the Applicable Margin schedule to reflect the following applicable rates: 2.75% (CBFR REVSOFR30), 0.25% (CBFR Spread (CB Floating Rate)), 2.75% (SOFR Spread), and 0.50% (Commitment Fee Rate); and (vi) amend and restate subsection (l) of the Reporting Schedule to require, by the 17th day of every month, the delivery of a rolling 13 week cash flow forecast in form acceptable to Lender, which must include a projected to actual results comparison for the week then ended and on a cumulative basis from the beginning of the cash flow forecast. The Fourth Amendment of the Export Credit Agreement, to, among other things, to: (i) reflect the incurrence by borrowers of the Subordinated Loan and the execution and delivery by borrowers, the Lender and Silk of the Subordinated Loan Documents, and the receipt by borrowers of $3.0 million in immediately available funds on the Ninth Amendment Effective Date; and (ii) delay the maturity date to October 4, 2024, or any earlier date on which the Revolving Commitment is reduced to zero or otherwise terminated pursuant to the terms thereof. See Note 14*, Subsequent Event* for further discussion.

The Seventh Amendment provides that the Company maintains the Reserves under the Borrowing Base in the ABL Credit Agreement at $1,500. 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, 2023 and September 30, 2022 was $21,089 and $22,711, respectively and the revolving commitment was $30,000 and $35,000, respectively. Total availability at September 30, 2023 and September 30, 2022 was $2,830 and $9,403, respectively, which exceeds both the collateral and total commitment threshold. Since the availability exceeded the Reserves minimum of $1,500 as of September 30, 2023 and 10.0% of the revolving commitment at September 30, 2022, the FCCR calculation was not required. The Company's letters of credit balance was $1,970 for both periods.

Borrowings will bear interest at the Lender's established domestic rate or SOFR, plus the applicable margin as set forth in the Seventh Amendment. The revolver has a rate based on SOFR plus 2.25% spread, which was 7.68% at September 30, 2023 and a rate based on SOFR plus 2.25% spread, which was 4.86% at September 30, 2022. The Export Credit Agreement has a rate based on SOFR plus 1.75% spread, which was 7.18% at September 30, 2023 and a rate based on SOFR plus 1.75% spread, which was 4.36% at September 30, 2022, 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.

Subordinated Promissory Note and Guarantee

The Company, in connection with and as a condition to the agreement by JPMorgan Chase Bank, N.A. to consummate the transactions contemplated by the Ninth Amendment and the Fourth Amendment, incurred a secured subordinated loan from Garnet Holdings, Inc., a California corporation owned and controlled by Mark J. Silk (“GHI”) (Mr. Silk is a member of the Board of Directors of the Company and considered a related party), in the original principal amount of $3,000 (the “Subordinated Loan”) on the terms and subject to the conditions of a Subordinated Secured Promissory Note (the “Subordinated Promissory Note”). The obligations of borrowers under the Subordinated Loan mature on October 4, 2024. Interest accrues on the then-outstanding principal amount at a rate of 14% per annum and shall be paid in kind (and not in cash) by capitalization as additional principal ("PIK Interest") each six-month period after the date hereof in arrears. The Company agreed to pay to Mr. Silk a fully earned and non-refundable fee in an amount equal to $150, which fee shall be due and payable in full on, and subject to the occurrence of the Maturity Date or such earlier date on which the Company’s obligations under the Subordinated Promissory Note are accelerated pursuant to the terms thereof. Borrower’s obligations under the Subordinated Promissory Note are secured by a first priority lien, subject to any liens granted to Lender as described in the Subordination Agreement, on all of borrowers’ accounts, deposit accounts, contract rights, documents, equipment, general intangibles, instruments, inventory, investment property, commercial tort claims, all other goods and personal property whether tangible or intangible and wherever located, and all proceeds of the foregoing. See Note 13, *Related Party Transactions* and Note 14*, Subsequent Event*.

The Ninth Amendment, was also subject to including, but not limited to, the execution and delivery by Mark. J. Silk, a member of the Board of Directors of the Company (“Silk”), of a Guaranty Agreement (the “Guaranty”) in favor of Lender pursuant to which Silk guarantees the obligations of borrowers under the Credit Agreement and Export Credit Agreement. The Fee Letter requires the borrowers to pay Silk a fee in an amount equal to $760 (the “Guaranty Fee”) in consideration for his agreement to execute and deliver the Guaranty. The Guaranty Fee becomes due and payable on the maturity date. See Note 13*, Related Party Transactions* and Note 14*, Subsequent Event*.

Foreign subsidiary borrowings

Foreign debt at September 30 consists of:

		2023		2022
Term loan	$	3,293	$	3,818
Short-term borrowings		1,862		2,289
Factor		616		994
Total debt	$	5,771	$	7,101
Less – current maturities		(3,386)		(4,078)
Total long-term debt	$	2,385	$	3,023
Receivables pledged as collateral	$	1,247	$	792

Interest rates are based on Euribor rates plus spread which range from 0.5% to 7.9%. 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 6.96% at September 30, 2023. 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 Maniago location 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 did not obtain any new borrowings in fiscal 2023. In fiscal 2022, the location obtained borrowings from two separate lenders. 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*) over the next 5 fiscal years are as follows:

		Minimum debt payments
2024	$	20,047
2025		961
2026		884
2027		493
2028		48
Thereafter		—
Total minimum debt payments	$	22,433

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 $78 and $46 at September 30, 2023 and 2022, 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, 2023 and 2022 the PPP loan balance was $0 and $0, 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,	
	2023	2022
Commercial revenue	$ 48,358	$ 39,786
Military revenue	38,664	44,116
Total	$ 87,022	$ 83,902

The following table represents revenue by the various components:

	Years Ended September 30,	
Net Sales	2023	2022
Aerospace components for:		
Fixed wing aircraft	$ 40,094	$ 39,474
Rotorcraft	16,369	15,602
Energy components for power generation units	23,033	17,396
Commercial product and other revenue	7,526	11,430
Total	$ 87,022	$ 83,902

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

	Years Ended September 30,	
Net Sales	2023	2022
North America	$ 66,067	$ 68,333
Europe	20,955	15,569
Total	$ 87,022	$ 83,902

In addition to the disaggregating revenue information provided above, approximately 46% and 56% of total net sales as of September 30, 2023 and 2022, respectively, was recognized on an over-time basis because of the continuous transfer of control to the customer, with the remainder recognized at a point in time.

Contract Balances

Generally, payment is due upon 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, 2023 and 2022:

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
Additional revenue recognized over-time		40,265
Less amounts billed to the customers		(40,346)
Contract assets - Ending balance, September 30, 2023	$	10,091

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)
Payments received in advance of performance obligations		(2,242)
Performance obligations satisfied		1,899
Contract liabilities (included within Accrued liabilities) - Ending balance, September 30, 2023	$	(1,150)

There were no impairment losses recorded on contract assets during the year ended September 30, 2023 and 2022, respectively.

Remaining performance obligations

As of September 30, 2023 and 2022, the Company has $89,591 and $81,852, 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 provision (benefit) are as follows:

	Years Ended September 30,			
		2023		2022
U.S.	$	(10,260)	$	(6,985)
Non-U.S.		1,727		(2,698)
Loss before income tax benefit	$	(8,533)	$	(9,683)

Income tax provision (benefit) consist of the following:

	Years Ended September 30, 2023	2022
Current income tax provision (benefit):		
U.S. federal	$ —	$ —
U.S. state and local	2	14
Non-U.S.	152	(9)
Total current tax provision	154	5
Deferred income tax provision (benefit):		
U.S. federal	10	10
U.S. state and local	3	3
Non-U.S.	(8)	(61)
Total deferred tax provision (benefit)	5	(48)
Income tax provision (benefit)	$ 159	$ (43)

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

	Years Ended September 30, 2023	2022
Loss before income tax provision (benefit)	$ (8,533)	$ (9,683)
Income tax provision (benefit) at U.S. federal statutory rates	(1,792)	(2,033)
Tax effect of:		
Foreign rate differential	(331)	(46)
Permanent items	83	(1,032)
State and local income taxes	5	18
Federal tax credits	(179)	(157)
Valuation allowance	2,363	3,198
Other	10	9
Income tax provision (benefit)	$ 159	$ (43)

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

	2023	2022
Deferred tax assets:		
Net U.S. operating loss carryforwards	$ 8,107	$ 6,166
Net non-U.S. operating loss carryforwards	740	1,023
Employee benefits	1,088	1,514
Inventory reserves	569	1,045
Allowance for doubtful accounts	62	33
Intangibles	759	1,223
Foreign tax credits	1,724	1,724
Other tax credits	1,882	1,684
Other	2,130	1,171
Total deferred tax assets	$ 17,061	$ 15,583
Deferred tax liabilities:		
Depreciation	(6,548)	(7,298)
Prepaid expenses	(355)	(286)
Other	(408)	(419)
Total deferred tax liabilities	$ (7,311)	$ (8,003)
Net deferred tax assets	9,750	7,580
Valuation allowance	(9,892)	(7,717)
Net deferred tax liabilities	$ (142)	$ (137)

At September 30, 2023, the Company has a non-U.S. tax loss carryforward of approximately $5,988 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 2025-2028, $1,705 of U.S. general business tax credits that are subject to expiration in 2035-2043, $1,001 of interest expense carryforward that do not expire, and $33,205 of U.S. Federal tax loss carryforwards with $9,107 subject to expiration in fiscal 2037 and $24,098 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, interest expense carryforward, 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 2024 and $28,561 of U.S. state and local tax loss carryforwards subject to expiration in fiscal 2024-2043. 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 2023 and 2022. If recognized, $22 of the fiscal 2023 uncertain tax positions would impact the effective tax rate. As of September 30, 2023, the Company had accrued interest of $17 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:

	2023	2022
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 2020, state and local income tax examinations for fiscal years prior to 2017, 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, 2023, the Company's non-U.S. subsidiaries had accumulated deficits of approximately $731. 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, 2023	Years Ended September 30, 2022
Service cost	$ 24	$ 42
Interest cost	1,090	714
Expected return on plan assets	(1,101)	(1,362)
Amortization of net loss	319	476
Settlement cost	108	208
Net pension expense for defined benefit plans (non-operating expense)	$ 440	$ 78

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

	2023	2022
Benefit obligations:		
Benefit obligations at beginning of year	$ 22,795	$ 29,330
Service cost	24	42
Interest cost	1,090	714
Actuarial (gain)	(1,463)	(5,265)
Benefits paid	(1,814)	(1,970)
Currency translation	25	(56)
Benefit obligations at end of year	$ 20,657	$ 22,795
Plan assets:		
Plan assets at beginning of year	$ 17,937	$ 23,211
Actual return on plan assets	979	(3,376)
Employer contributions	92	72
Benefits paid	(1,814)	(1,970)
Plan assets at end of year	$ 17,194	$ 17,937
Underfunded status at end of year	$ (3,463)	$ (4,858)

As shown within the above table, there was a decrease in the benefit obligation of $2,138 to $20,657 at September 30, 2023 compared with $22,795 at September 30, 2022. 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,	
	2023	2022
Reconciliation of funded status:		
Plan assets less than projected benefit obligations	$ (3,463)	$ (4,858)
Amounts recognized in accumulated other comprehensive loss:		
Net loss	4,504	6,271
Net amount recognized in the consolidated balance sheets	$ 1,041	$ 1,413
Amounts recognized in the consolidated balance sheets are:		
Accrued liabilities	(46)	(46)
Pension liability	(3,417)	(4,812)
Accumulated other comprehensive loss – pretax	4,504	6,271
Net amount recognized in the consolidated balance sheets	$ 1,041	$ 1,413

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,	
	2023	2022
Discount rate for liabilities	5.6 %	5.2 %
Discount rate for expenses	5.1 %	2.9 %
Expected return on assets	6.2 %	6.4 %

The Company held investments in pooled separate accounts and common/collective trusts prior to February 2023, 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, was a 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.

During fiscal 2023, the Company transferred its investments to a new custodian. The Company held investments in mutual funds and money market funds, in which the fair value of assets of the underlying funds are determined in the following ways:

- Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

- Money market funds are valued at NAV, which approximates fair value.

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, 2023 and 2022:

September 30, 2023	Asset Amount	Level 1
U.S. equity securities:		
Large value	$ 879	$ 879
Large blend	3,124	3,124
Large growth	1,060	1,060
Mid blend	599	599
Small blend	499	499
Non-U.S. equity securities:		
Foreign large blend	615	615
Diversified emerging markets	272	272
Global equity securities	577	577
U.S. debt securities:		
Inflation protected bond	—	
Intermediate term bond	5,676	5,676
Multi-sector bond	2,044	2,044
Stable value:		
Cash or money market	1,849	1,849
Total plan assets at fair value	$ 17,194	$ 17,194

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	—
Non-U.S. debt securities:			
Emerging markets bonds	—	—	—
Stable value:			
Short-term bonds	359	359	—
Total plan assets at fair value	$ 17,937	$ 16,108	$ 1,829

Changes in the fair value of the Company's Level 3 investments during the years ending September 30, 2023 and 2022 were as follows:

	2023	2022
Balance at beginning of year	$ 1,829	$ 2,108
Actual return on plan assets	94	(279)
Purchases and sales of plan assets, net	(1,923)	—
Balance at end of year	$ —	$ 1,829

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
	2023	2022	Range
U.S. equities	36 %	49 %	30% to 70%
Non-U.S. equities	8 %	8 %	0% to 20%
U.S. debt securities	45 %	41 %	20% to 70%
Non-U.S. debt securities	— %	— %	0% to10%
Other securities	11 %	2 %	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 $93 in contributions to its defined benefit pension plans during fiscal 2024. 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 2024. 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
2024	$ 2,295
2025	1,893
2026	1,724
2027	1,669
2028	1,643
2029-2032	7,497

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.

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 2023 and 2022 was $516 and $528, 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 2023 and 2022.

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 $222 in fiscal 2023 and $204 in fiscal 2022.

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 420 shares that remain available for award at September 30, 2023. 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 $375 and $428 for fiscal 2023 and 2022, respectively. As of September 30, 2023, there was $259 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:

	2023		2022	
	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	305	$ 4.75	406	$ 4.05
Restricted shares awarded	97	3.08	72	7.18
Restricted shares earned	(126)	3.85	(75)	6.47
Performance shares awarded	27	2.84	44	8.00
Awards forfeited	(70)	3.67	(142)	4.73
Outstanding at end of year	233	$ 4.65	305	$ 4.75

10. Leases

The components of lease expense were as follows:

	Year Ended September 30, 2023	Year Ended September 30, 2022
Lease expense		
Finance lease expense:		
Amortization of right-of use assets on finance leases	$ 65	$ 46
Interest on lease liabilities	7	4
Operating lease expense	1,681	1,696
Variable lease cost	98	118
Total lease expense	$ 1,851	$ 1,864

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

	Classification to the consolidated balance sheets	2023	2022
Assets:			
Finance lease assets	Property, plant and equipment, net	$ 147	$ 202
Operating lease assets	Operating lease right-of-use assets, net	14,380	15,167
Total lease assets		$ 14,527	$ 15,369
Current liabilities:			
Finance lease liabilities	Current maturities of long-term debt	$ 61	$ 61
Operating lease liabilities	Short-term operating lease liabilities	869	792
Non-current liabilities:			
Finance lease liabilities	Long-term debt, net of current maturities	81	131
Operating lease liabilities	Long-term operating lease liabilities, net of short-term	14,020	14,786
Total lease liabilities		$ 15,031	$ 15,770

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

	September 30, 2023	September 30, 2022
Other Information		
Cash paid for amounts included in measurement of liabilities:		
Operating cash flows from operating leases	$ 1,681	$ 1,693
Operating cash flows from finance leases	8	3
Financing cash flows from finance leases	62	53
Right-of-use assets obtained in exchange for new lease liabilities:		
Finance leases	$ —	206
Operating leases	109	236

	September 30, 2023	September 30, 2022
Weighted-average remaining lease term (years):		
Finance leases	2.9	3.6
Operating leases	12.5	13.5
Weighted-average discount rate:		
Finance leases	5.13 %	4.70 %
Operating leases	5.93 %	5.93 %

Future minimum lease payments under non-cancellable leases as of September 30, 2023 were as follows:

Year ending September 30,	Finance Leases	Operating Leases
2024	$ 66	$ 1,699
2025	36	1,696
2026	29	1,693
2027	21	1,702
2028	—	1,557
Thereafter	—	12,740
Total lease payments	$ 152	$ 21,087
Less: Imputed interest	(10)	(6,198)
Present value of lease liabilities	$ 142	$ 14,889

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.

On December 30, 2022, the Company became aware of a cyber security issue involving unauthorized access to the Company's system. The Company immediately began an investigation and engaged cyber security experts to assist with the assessment of the incident and to help determine what data was impacted. The Company's investigation uncovered that the threat actor had gained access to certain areas of the Company's systems on or about December 27, 2022. With the assistance of outside cyber security experts, the Company located and closed the unauthorized access to our systems and identified compromised information, and notified those impacted in accordance with state and federal requirements. The Company undertook a number of other measures to demonstrate our continued support and commitment to data privacy and protection and coordinated with law enforcement.

The Company maintains $3,000 of cybersecurity insurance coverage to limit our exposure to losses such as those related to the Cyber Incident. The Company recorded costs of $60 to other expense (income), net of $3,000 insurance recovery and $1,215 to selling, general and administrative expense in the twelve months ended September 30, 2023, resulting in net IT incident costs of $1,275 in the twelve months ended September 30, 2023. The Company received the $3,000 of insurance proceeds on February 20, 2023. At September 30, 2023, the Company recorded $965 related to the Cyber Incident in accounts payable on the consolidated condensed balance sheets.

The Company has incurred, and may continue to incur, certain expenses related to this attack, including expenses associated with additional remediation measures. The Company will accrue these costs as incurred.

12. Business Information

The Company identifies itself as one operating 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 59% and 72% of consolidated net sales in fiscal 2023 and 2022, respectively. No other single country represents greater than 10% of consolidated net sales in fiscal 2023 and 2022. Net sales to unaffiliated customers located in various European countries accounted for 29% and 19% of consolidated net sales in fiscal 2023 and 2022, respectively. Net sales to unaffiliated customers located in various Asian countries accounted for 7% and 6% of consolidated net sales in fiscal 2023 and 2022, respectively. Other North American countries represent 6% and 3% of consolidated net sales in fiscal 2023 and 2022, respectively.

The majority 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, 2023 were $16,460, or 17% of total assets, compared with $15,219, of 16% of total assets, as of September 30, 2022.

		2023	2022
Long-Lived Assets			
United States	$	47,261	51,801
Europe		7,258	6,686
	$	54,519	58,487

At September 30, 2023, approximately 189 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. Related Party Transactions

On December 21, 2023, the Company entered into the Ninth Amendment to the Credit Agreement and Fourth Amendment to the Export Credit agreement with its lender incurring a secured subordinated loan from Garnet Holdings, Inc., a California corporation owned and controlled by Mark J. Silk (“GHI”), in the original principal amount of $3,000 (Mr. Silk is a member of the Board of Directors of the Company and considered a related party) and Mr. Silk delivered a personal guaranty in favor of the Company’s senior lender of certain Company indebtedness under the Credit Agreement and the Export Credit Agreement. See Note 5, *Debt and Subsequent Event* for further information.

14. Subsequent Events

The Company has evaluated subsequent events through December 29, 2023, the date the financial statements were available to be issued, and has determined that the following subsequent events require disclosure in the financial statements.

On November 8, 2023, the Company entered into the Eighth Amendment to the Credit Agreement with its lender which reduced the Reserves under the Borrowing Base in the Credit Agreement to $1,500, or such lesser amount, if any, as may be agreed upon in writing by the Lender in its sole discretion. See Note 5, *Debt and Subsequent Event* for more information.

On December 21, 2023, the Company entered into the Ninth Amendment to the Credit Agreement and the Fourth Amendment to the Export Credit Agreement with its lender. The Ninth Amendment amends the Credit Agreement to, among other things, (i) reduce the Revolving Credit Agreement to $19,000, (ii) modifies the loan maturity date to October 4, 2024; (iii) incurred a secured subordinated loan from Garnet Holdings, Inc., a California corporation owned and controlled by Mark J. Silk ("GHI") of $3,000 (iv) full personal guarantee from Mr. Silk; (v) maintains the Reserves under the Borrowing Base in the ABL Credit Agreement at $1,500, increasing on the first day of each month by $250, commencing on May 1, 2024 and continuing until (and including) August 1, 2024, or such a lesser amount, if any, as may be agreed upon in writing by the Lender in its sole discretion; (vi) modify the Applicable Margin schedule to reflect the following applicable rates to 2.75% (CBFR REVSOFR30), 0.25% (CBFR Spread (CB Floating Rate)), 2.75% (SOFR Spread), and 0.50% (Commitment Fee Rate) The Fourth Amendment of the Export Credit Agreement, which lends amounts to the Company on foreign receivables remained unchanged at $7,000 million, and extends the loan maturity date to October 4, 2024. See Note 5*, Debt and Subsequent Event* for further information.

On December 21, 2023, the Company issued a Subordinated Secured Promissory Note (the "Subordinated Promissory Note") in the original principal amount of $3,000, on the terms and subject to the conditions of: (a) a Subordinated Secured Promissory Note in the original principal amount of $3,000 issued by borrowers to GHI, (b) a Subordination and Intercreditor Agreement (the "Subordination Agreement") by and among borrowers, GHI and Lender, and (c) a Side Letter by and among borrowers and Mark J. Silk (the "Fee Letter," and together with the Subordinated Promissory Note and Subordination Agreement, the "Subordinated Loan Documents"). Interest accrues at a rate of 14% per annum. See Note 5, *Debt and Subsequent Event* for further information.

Schedule II

SIFCO Industries, Inc. and Subsidiaries
Valuation and Qualifying Accounts
Years Ended September 30, 2023 and 2022
(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, 2023					
Deducted from asset accounts					
Allowance for doubtful accounts	$ 111	$ 143	$ 4	$ (16) (a)	$ 242
Inventory valuation accounts[1]	5,084	188	—	(930) (b)	4,342
Inventory LIFO reserve	9,939	(305)	—	—	9,634
Deferred tax valuation allowance	7,717	2,574	(399)	—	9,892
Accrual for estimated liability					
Workers' compensation reserve	912	285	—	(638) (c)	559
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

[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, 2023. 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, 2023. 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 which continues to exist as of September 30, 2023:

- On December 30, 2022, the Company experienced a cybersecurity incident that led to a disruption of its domestic operations. As a result of the cyber incident and its residual effects, the Company identified deficiencies in its oversight and backup and recovery controls that represent a material weakness in internal control over financial reporting. See Note 11*, Commitments and Contingencies*.

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.

In response to the material weakness identified in our control environment, the Company has made progress in executing our remediation action plan, including the following:

- Implemented additional control activities to enhance backup and recovery controls, and increased oversight of information technology systems, with emphasis on endpoint protection and detection as well as monitoring backups.
- Further engaged with outside specialist resources to assist with our ongoing assessment of existing policies and procedures.

Although progress has been made, the Company, with oversight of senior management and the Company’s Board of Directors, is planning to incorporate additional enhancements to policies and procedures influencing the Company’s preventative controls to support remediation.

We will continue to execute and monitor the status of our remediation action plan in fiscal year 2024 but, at this time, cannot estimate the remaining time 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, 2023, 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.

As of March 31, 2023, management has designed and implemented additional controls to remediate the previously reported material weaknesses in Item 9A on Form 10-K for the fiscal year ended September 30, 2022 and in Item 4 on Form 10-Q for the first quarter ended December 31, 2022.

- 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 were not sufficient in preventing material errors.

Management, with the oversight of the Audit Committee, took the following steps as part of our remediation efforts:

- Implemented additional review controls related to certain accounting matters with manual calculations and financial statements disclosures to ensure appropriate valuation of inventory and identification and conclusion of indicators of impairment per ASC 360.

Given the remediation efforts noted above, testing of applicable controls completed during the second quarter and the determination that controls are designed and operating effectively, management has concluded that the material weakness in Item 9A on Form 10-K for the fiscal year ended September 30, 2022 has been remediated as of March 31, 2023.

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 29, 2023.

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 29, 2023.

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, 2023.

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)	232,577	N/A	419,666

(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*. 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 29, 2023.

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 29, 2023.

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 29, 2023.

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
10.26	Forbearance Agreement, dated April 28, 2023, by and among JPMorgan Chase Bank, N.A., SIFCO Industries, Inc., T&W Forge LLC, and Quality Aluminum Forge, LLC.
10.27	Seventh Amendment to Credit Agreement, dated August 9, 2023, 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 August 10, 2023, and incorporated herein by reference.
10.28	Third Amendment to Export Credit Agreement, dated August 9, 2023, 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 August 10, 2023, and incorporated herein by reference.
10.29	Eighth Amendment to Credit Agreement, dated November 8, 2023, 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 November 13, 2023, and incorporated herein by reference.
10.30	Ninth Amendment to Credit Agreement, dated December 21, 2023, 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 December 28, 2023, and incorporated herein by reference.
10.31	Fourth Amendment to Export Credit Agreement, dated December 21, 2023, 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 December 28, 2023, and incorporated herein by reference.
10.32	Subordinated Promissory Note - Garnet Holdings (M. Silk), dated December 21, 2023, 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 December 28, 2023, and incorporated herein by reference.

10.33	Silk Subordination and Intercreditor Agreement, dated December 21, 2023, 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 December 28, 2023, and incorporated herein by reference.
10.34	Side Letter - MS Guaranty, dated December 21, 2023, 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 December 28, 2023, 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
*23.2	Consent of Independent Registered Public Accounting Firm - Grant Thornton
*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
*97.1	Policy for the Recovery of Erroneously Awarded Compensation
*101	The following financial information from SIFCO Industries, Inc. Report on Form 10-K for the year ended September 30, 2023 filed with the SEC on December 29, 2023, formatted in XBRL includes: (i) Consolidated Statements of Operations for the years ended September 30, 2023 and 2022, (ii) Consolidated Statements of Comprehensive Income for the years ended September 30, 2023 and 2022, (iii) Consolidated Balance Sheets at September 30, 2023 and 2022, (iv) Consolidated Statements of Cash Flow for the years ended September 30, 2023 and 2022, (vi) Consolidated Statements of Shareholders' Equity for the years ended September 30, 2023 and 2022 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 29, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on December 29, 2023 by the following persons on behalf of the Registrant in the capacities indicated.

/s/ Alayne Reitman Alayne Reitman 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/ 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

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

Peter W. Knapper
President and Chief Executive Officer

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

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

RSM US LLP
Certified Public Accountants
127 Public Square Suite 2300
Cleveland, Ohio 44114

GENERAL COUNSEL

Benesch Friedlander Coplan & Aronoff LLP
127 Public Square, Suite 4900
Cleveland, Ohio 44114

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, 2023. 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, 2024.

970 East 64th Street • Cleveland, Ohio 44103-1694
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