

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 28, 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 1-4415

**PARK AEROSPACE CORP.**

(Exact Name of Registrant as Specified in Its Charter)

New York

(State or Other Jurisdiction of  
Incorporation or Organization)

11-1734643

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

1400 Old Country Road, Westbury, New York

(Address of Principal Executive Offices)

11590

(Zip Code)

(631) 465-3600

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year,  
if Changed Since Last Report)

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

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$.10 per share	PKE	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes** ☒ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large

accelerated filer”, “accelerated filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☐ Non-Accelerated Filer ☒ Smaller Reporting Company ☒  
Emerging Growth Company ☐

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date: 20,250,211 as of July 3, 2023.

# PARK AEROSPACE CORP. AND SUBSIDIARIES

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### PART I. FINANCIAL INFORMATION

#### **Item 1. Financial Statements.**

**PARK AEROSPACE CORP. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands)

	<b>May 28, 2023</b> <b>(unaudited)</b>	<b>February 26,</b> <b>2023*</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,836	\$ 4,237
Marketable securities (Note 3)	75,269	101,203
Accounts receivable, less allowance for doubtful accounts of \$124 and \$120, respectively	11,600	9,989
Inventories (Note 4)	7,911	6,768
Prepaid expenses and other current assets	2,691	2,844
<b>Total current assets</b>	<b>103,307</b>	<b>125,041</b>
Property, plant and equipment, net	24,112	24,251
Operating right-of-use assets (Note 5)	136	150
Goodwill and other intangible assets	9,783	9,783
Other assets	105	108
<b>Total assets</b>	<b>\$ 137,443</b>	<b>\$ 159,333</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,859	\$ 4,545
Operating lease liability (Note 5)	53	53
Accrued liabilities	1,984	1,346
Dividend payable	-	20,471
Income taxes payable	3,902	2,171
<b>Total current liabilities</b>	<b>9,798</b>	<b>28,586</b>
Long-term operating lease liability (Note 5)	118	129
Non-current income taxes payable (Note 9)	9,255	10,938
Deferred income taxes (Note 9)	1,996	1,995
Other liabilities	1,782	1,751
<b>Total liabilities</b>	<b>22,949</b>	<b>43,399</b>
Commitments and contingencies (Note 11)		
<b>Shareholders' equity (Note 8)</b>		
Common stock	2,096	2,096
Additional paid-in capital	170,150	169,932
Accumulated deficit	(43,399)	(42,694)
Accumulated other comprehensive earnings	(3,528)	(4,244)
	<b>125,319</b>	<b>125,090</b>
Less treasury stock, at cost	(10,825)	(9,156)
<b>Total shareholders' equity</b>	<b>114,494</b>	<b>115,934</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 137,443</b>	<b>\$ 159,333</b>

\* The balance sheet at February 26, 2023 has been derived from the audited consolidated financial statements at that date.

See Notes to Condensed Consolidated Financial Statements (Unaudited).

**PARK AEROSPACE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in thousands, except per share amounts)

	<b>13 Weeks Ended (Unaudited)</b>	
	<b>May 28, 2023</b>	<b>May 29, 2022</b>
Net sales	\$ 15,551	\$ 12,783
Cost of sales	10,718	8,691
<b>Gross profit</b>	<b>4,833</b>	<b>4,092</b>
Selling, general and administrative expenses	2,615	1,633
<b>Earnings from operations</b>	<b>2,218</b>	<b>2,459</b>
Interest and other income	324	133
<b>Earnings from operations before income taxes</b>	<b>2,542</b>	<b>2,592</b>
Income tax provision (Note 9)	688	682
<b>Net earnings</b>	<b>\$ 1,854</b>	<b>\$ 1,910</b>
<b>Earnings per share (Note 7)</b>		
Basic:		
Basic earnings per share	\$ 0.09	\$ 0.09
Basic weighted average shares	20,461	20,458
Diluted:		
Diluted earnings per share	\$ 0.09	\$ 0.09
Diluted weighted average shares	20,526	20,504

See Notes to Condensed Consolidated Financial Statements (Unaudited).

**PARK AEROSPACE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**  
(Amounts in thousands)

	<b>13 Weeks Ended (Unaudited)</b>	
	<b>May 28, 2023</b>	<b>May 29, 2022</b>
Net earnings	\$ 1,854	\$ 1,910
Other comprehensive (loss) earnings, net of tax:		
Unrealized gains on marketable securities:		
Unrealized holding gains arising during the period	592	9
Less: reclassification adjustment for gains included in net earnings	-	(7)
Unrealized losses on marketable securities:		
Unrealized holding losses arising during the period	-	(938)
Less: reclassification adjustment for losses included in net earnings	124	3
Other comprehensive earnings (loss)	716	(933)
<b>Total comprehensive earnings</b>	<b>\$ 2,570</b>	<b>\$ 977</b>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

**PARK AEROSPACE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(Amounts in thousands, except share and per share amounts)

	Common Stock		Additional	Accumulated	Accumulated Other	Treasury Stock	
	Shares	Amount	Paid-in Capital	Deficit	Comprehensive (Loss) Earnings	Shares	Amount
<b>Balance, February 26, 2023</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 169,932</b>	<b>\$ (42,694)</b>	<b>\$ (4,244)</b>	<b>493,934</b>	<b>\$ (9,156)</b>
Net earnings	-	-	-	1,854	-	-	-
Unrealized loss on marketable securities, net of tax	-	-	-	-	716	-	-
Stock-based compensation	-	-	218	-	-	-	-
Repurchase of treasury shares	-	-	-	-	-	129,654	(1,669)
Cash dividends (\$0.125 per share)	-	-	-	(2,559)	-	-	-
<b>Balance, May 28, 2023</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 170,150</b>	<b>\$ (43,399)</b>	<b>\$ (3,528)</b>	<b>623,588</b>	<b>\$ (10,825)</b>

  

	Common Stock		Additional	Accumulated	Accumulated Other	Treasury Stock	
	Shares	Amount	Paid-in Capital	Deficit	Comprehensive (Loss) Earnings	Shares	Amount
<b>Balance, February 27, 2022</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 169,665</b>	<b>\$ (24,767)</b>	<b>\$ (1,965)</b>	<b>506,934</b>	<b>\$ (9,397)</b>
Net earnings	-	-	-	1,910	-	-	-
Unrealized gain on marketable securities, net of tax	-	-	-	-	(933)	-	-
Stock-based compensation	-	-	85	-	-	-	-
Cash dividends (\$0.10 per share)	-	-	-	(2,046)	-	-	-
<b>Balance, May 29, 2022</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 169,750</b>	<b>\$ (24,903)</b>	<b>\$ (2,898)</b>	<b>506,934</b>	<b>\$ (9,397)</b>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

**PARK AEROSPACE CORP. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)

	<b>13 Weeks Ended (Unaudited)</b>	
	<b>May 28, 2023</b>	<b>May 29, 2022</b>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 1,854	\$ 1,910
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	305	260
Stock-based compensation	218	85
Deferred income taxes	2	107
Amortization of bond premium	237	11
Loss (gain) on sale of marketable securities	65	-
Changes in operating assets and liabilities	(2,564)	(2,329)
<b>Net cash provided by operating activities</b>	<b>117</b>	<b>44</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(167)	(88)
Purchases of marketable securities	-	(18,962)
Proceeds from sales and maturities of marketable securities	26,348	12,574
<b>Net cash provided by (used in) investing activities</b>	<b>26,181</b>	<b>(6,476)</b>
<b>Cash flows from financing activities:</b>		
Dividends paid	(23,030)	(2,046)
Purchase of treasury stock	(1,669)	-
<b>Net cash used in financing activities</b>	<b>(24,699)</b>	<b>(2,046)</b>
<b>Increase (decrease) in cash and cash equivalents:</b>	<b>1,599</b>	<b>(8,478)</b>
Cash and cash equivalents, beginning of period	4,237	12,811
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,836</b>	<b>\$ 4,333</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the period for income taxes, net of refunds	\$ 608	\$ (5)

See Notes to Condensed Consolidated Financial Statements (Unaudited).



**PARK AEROSPACE CORP. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

(Amounts in thousands, except share (unless otherwise stated), per share and option amounts)

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**1. CONSOLIDATED FINANCIAL STATEMENTS**

The Condensed Consolidated Balance Sheet and the Consolidated Statement of Shareholders' Equity as of May 28, 2023, the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Earnings for the 13 weeks ended May 28, 2023 and May 29, 2022, and the Condensed Consolidated Statements of Cash Flows for the 13 weeks then ended have been prepared by Park Aerospace Corp. (the "Company"), without audit. In the opinion of management, these unaudited condensed consolidated financial statements contain all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at May 28, 2023 and the results of operations and cash flows for all periods presented. The Consolidated Statements of Operations are not necessarily indicative of the results to be expected for the full fiscal year or any subsequent interim period.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2023. There have been no significant changes to such accounting policies during the 13 weeks ended May 28, 2023.

**2. FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (*i.e.*, the "exit price") in an orderly transaction between market participants at the measurement date.

Fair value measurements are broken down into three levels based on the reliability of inputs as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (*e.g.*, interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures.

Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to their short-term nature.

Certain assets and liabilities of the Company are required to be recorded at fair value on either a recurring or non-recurring basis. On a recurring basis, the Company records its marketable securities at fair value using Level 1 or Level 2 inputs. (See Note 3).

The Company's non-financial assets measured at fair value on a non-recurring basis include goodwill and any long-lived assets written down to fair value. To measure fair value of such assets, the Company uses Level 3 inputs consisting of techniques including an income approach and a market approach. The income approach is based on a discounted cash flow analysis and calculates the fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. Assumptions used in the discounted cash flow analysis require the exercise of significant judgment, including judgment about appropriate discount rates, terminal values, growth rates and the amount and timing of expected future cash flows. With respect to goodwill, the Company first assesses qualitative factors to determine whether it is more likely than not that fair value is less than carrying value. If, based on that assessment, the Company believes it is more likely than not that fair value is less than carrying value, a goodwill impairment test is performed. There have been no changes in events or circumstances which required impairment charges to be recorded during the 13 weeks ended May 28, 2023.

### 3. MARKETABLE SECURITIES

All marketable securities are classified as available-for-sale and are carried at fair value, with the unrealized gains and losses, net of tax, included in comprehensive earnings. Realized gains and losses, amortization of premiums and discounts, and interest and dividend income are included in interest and other income in the Consolidated Statements of Operations. The costs of securities sold are based on the specific identification method.

The following is a summary of available-for-sale securities:

	May 28, 2023			
	Total	Level 1	Level 2	Level 3
U.S. Treasury and other government securities	\$ 70,284	\$ 70,284	\$ -	\$ -
U.S. corporate debt securities	4,985	4,985	-	-
<b>Total marketable securities</b>	<b>\$ 75,269</b>	<b>\$ 75,269</b>	<b>\$ -</b>	<b>\$ -</b>

  

	February 26, 2023			
	Total	Level 1	Level 2	Level 3
U.S. Treasury and other government securities	\$ 83,859	\$ 83,859	\$ -	\$ -
U.S. corporate debt securities	17,344	17,344	-	-
<b>Total marketable securities</b>	<b>\$ 101,203</b>	<b>\$ 101,203</b>	<b>\$ -</b>	<b>\$ -</b>

The following table shows the amortized cost basis of, and gross unrealized gains and losses on, the Company's available-for-sale securities:

	<b>Amortized Cost Basis</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>
<b>May 28, 2023:</b>			
U.S. Treasury and other government securities	\$ 75,110	\$ -	\$ 4,826
U.S. corporate debt securities	4,992	-	7
<b>Total marketable securities</b>	<b>\$ 80,102</b>	<b>\$ -</b>	<b>\$ 4,833</b>
<b>February 26, 2023:</b>			
U.S. Treasury and other government securities	\$ 89,603	\$ -	\$ 5,744
U.S. corporate debt securities	17,414	-	70
<b>Total marketable securities</b>	<b>\$ 107,017</b>	<b>\$ -</b>	<b>\$ 5,814</b>

The estimated fair values of such securities at May 28, 2023 by contractual maturity are shown below:

Due in one year or less	\$ 16,018
Due after one year through five years	59,251
	<b>\$ 75,269</b>

#### 4. INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or net realizable value. The Company writes down its inventory for estimated obsolescence or unmarketability based upon the age of the inventory and assumptions about future demand for the Company's products and market conditions. Work-in-process and finished goods inventories cost valuations include direct material costs as well as a portion of the Company's overhead expenses. The Company's overhead expenses that are applied to its finished goods inventories are based on actual expenses related to the procurement, storage, shipment and production of the finished goods. Inventories consisted of the following:

	<b>May 28, 2023</b>	<b>February 26, 2023</b>
<b><u>Inventories:</u></b>		
Raw materials	\$ 6,533	\$ 5,376
Work-in-process	455	536
Finished goods	923	856
	<b>\$ 7,911</b>	<b>\$ 6,768</b>

#### 5. LEASES

The Company has operating leases related to land, office space, warehouse space and equipment. All of the Company's leases have been assessed to be operating leases. Renewal

options are included in the lease terms to the extent the Company is reasonably certain to exercise the options. The exercise of lease renewal options is at the Company's sole discretion. The incremental borrowing rate represents the Company's ability to borrow on a collateralized basis over a term similar to the lease term. The leases typically contain renewal options for periods ranging from one year to ten years and require the Company to pay real estate taxes and other operating costs. The latest land lease expiration is 2068 assuming exercise of all applicable renewal options by the Company. The Company's existing leases are not subject to any restrictions or covenants which preclude its ability to pay dividends, obtain financing or exercise its available renewal options.

Future minimum lease payments under non-cancellable operating leases as of May 28, 2023 are as follows:

<b><u>Fiscal Year:</u></b>	
2024	\$ 40
2025	36
2026	-
2027	-
2028	-
Thereafter	162
Total undiscounted operating lease payments	238
Less imputed interest	(67)
<b>Present value of operating lease payments</b>	<b><u>\$ 171</u></b>

The above payment schedule includes renewal options that the Company is reasonably likely to exercise. Leases with an initial term of 12 months or less are not recorded on the Company's condensed consolidated balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the terms of the leases.

For the 13 weeks ended May 28, 2023, the Company's operating lease expenses were \$15. Cash payments of \$13, pertaining to operating leases, are reflected in the cash flow statement under cash flows from operating activities.

The following table sets forth the right-of-use assets and operating lease liabilities as of May 28, 2023:

Operating right-of-use assets	<u>\$ 136</u>
Operating lease liabilities	\$ 53
Long-term operating lease liabilities	118
Total operating lease liabilities	<u>\$ 171</u>

The Company's weighted average remaining lease term for its operating leases is 7.8 years.

In December 2018, the Company entered into a Development Agreement with the City of Newton, Kansas and the Board of County Commissioners of Harvey County, Kansas. Pursuant to this agreement, the Company agreed to construct and operate a redundant manufacturing facility of approximately 90,000 square feet for the design, development and manufacture of advanced composite materials and parts, structures and assemblies for aerospace. The Company further agreed to equip the facility through the purchase of machinery, equipment and furnishings and to create additional new full-time employment of specified levels during a five-

year period. In exchange for these agreements, the City and the County agreed to lease to the Company three acres of land at the Newton, Kansas Airport, in addition to the eight acres previously leased to the Company by the City and County. The City and County further agreed to provide financial and other assistance toward the construction of the additional facility as set forth in the Development Agreement. The total cost of the additional facility was \$19,800 and the expansion is complete. As of May 28, 2023, the Company had \$42 in equipment purchase obligations related to the additional facility.

## **6. STOCK-BASED COMPENSATION**

As of May 28, 2023, the Company had a 2018 Stock Option Plan (the “2018 Plan”) and no other stock-based compensation plan. The 2018 Plan was adopted by the Board of Directors of the Company on May 8, 2018 and approved by the shareholders of the Company at the Annual Meeting of Shareholders of the Company on July 24, 2018 and provides for the grant of options to purchase up to 800,000 shares of common stock of the Company. Prior to the 2018 Plan, the Company had the 2002 Stock Option Plan (the “2002 Plan”) which had been approved by the Company’s shareholders and provided for the grant of stock options to directors and key employees of the Company. All options granted under the 2018 Plan and 2002 Plan have exercise prices equal to the fair market value of the underlying common stock of the Company at the time of grant which, pursuant to the terms of such Plans, is the reported closing price of the common stock on the New York Stock Exchange on the date preceding the date the option is granted. Options granted under the Plans become exercisable 25% one year after the date of grant, with an additional 25% exercisable each succeeding anniversary of the date of grant, and expire 10 years after the date of grant. Upon termination of employment or service as a director, all options held by the optionee that have not previously become exercisable shall terminate and all other options held by such optionee may be exercised, to the extent exercisable on the date of such termination, for a limited time after such termination. Any shares of common stock subject to an option under the 2018 Plan, which expires or is terminated unexercised as to such shares, shall again become available for issuance under the 2018 Plan.

During the 13 weeks ended May 28, 2023, the Company granted options under the 2018 Plan to purchase a total of 133,300 shares of common stock to its directors and certain of its employees. The future compensation expense to be recognized in earnings before income taxes is \$387 and will be recorded on a straight-line basis over the requisite service period. The weighted average fair value of the granted options was \$3.01 per share using the Black-Scholes option pricing model with the following assumptions: risk free interest rate of 3.61%-3.85%; expected volatility factor of 28.5%-29.6%; expected dividend yield of 3.82%; and estimated option terms of 4.9-8.3 years.

The risk-free interest rates were based on U.S. Treasury rates at the date of grant with maturity dates approximately equal to the estimated terms of the options at the date of the grant. Volatility factors were based on historical volatility of the Company’s common stock. The expected dividend yields were based on the regular quarterly cash dividend per share most recently declared by the Company and on the exercise price of the options granted during the 13 weeks ended May 28, 2023. The estimated term of the options was based on evaluations of the historical and expected future employee exercise behavior.

During the 2024 fiscal year, the Company recorded non-cash charges of \$109 related to the modification of previously granted employee stock options resulting from the \$1.00 per share special cash dividend paid by the Company in April 2023.

The following is a summary of option activity for the 13 weeks ended May 28, 2023:

	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Balance, February 26, 2023	670,425	\$ 11.80		\$ 838
Granted	133,300	13.08		
Exercised	-	-		
Terminated or expired	(900)	11.81		
Balance, May 28, 2023	802,825	\$ 12.01	6.28	\$ 835
Vested and exercisable, May 28, 2023	482,263	\$ 11.81	4.49	\$ 598

## 7. EARNINGS PER SHARE

Basic earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share are computed by dividing net earnings by the sum of (a) the weighted average number of shares of common stock outstanding during the period and (b) the potentially dilutive securities outstanding during the period. Stock options are the Company's only potentially dilutive securities; and the number of dilutive options is computed using the treasury stock method.

The following table sets forth the calculation of basic and diluted earnings per share:

	13 Weeks Ended	
	May 28, 2023	May 29, 2022
Net earnings	\$ 1,854	\$ 1,910
Weighted average common shares outstanding for basic EPS	20,461	20,458
Net effect of dilutive options	65	46
Weighted average shares outstanding for diluted EPS	20,526	20,504
Basic earnings per share	\$ 0.09	\$ 0.09
Diluted earnings per share	\$ 0.09	\$ 0.09

Potentially dilutive securities, which were not included in the computation of diluted earnings per share, because either the effect would have been anti-dilutive or the options' exercise prices were greater than the average market price of the common stock, were 157,000 and 397,000 for the 13 weeks ended May 28, 2023 and May 29, 2022, respectively.

## 8. SHAREHOLDERS' EQUITY

On May 23, 2022, the Company announced that its Board of Directors authorized the Company's purchase, on the open market and in privately negotiated transactions, of up to 1,500,000 additional shares of its common stock. This authorization superseded any unused prior Board of Directors' authorizations to purchase shares of the Company's Common Stock. The Company purchased 129,654 and 0 shares of its common stock during the 13 weeks

ended May 28, 2023 and May 29, 2022, respectively. As a result, the Company is authorized to purchase up to a total of 1,279,001 shares of its common stock, representing approximately 6.3% of the Company's 20,250,211 total outstanding shares as of the close of business on July 3, 2023. There is no assurance the Company will purchase any shares pursuant to this Board of Directors' authorization. Shares purchased by the Company, if any, will be retained as treasury stock and will be available for use under the Company's stock option plan and for other corporate purposes.

## **9. INCOME TAXES**

For the 13 weeks ended May 28, 2023, the Company recorded an income tax provision of \$688, which included a discrete income tax provision of \$37. For the 13 weeks ended May 29, 2022, the Company recorded an income tax provision of \$682, which included a discrete income tax provision of \$28.

The Company's effective tax rate for the 13 weeks ended May 28, 2023 was 27.1% compared to 26.3% in the comparable prior year period. The effective tax rate for the 13 weeks ended May 28, 2023 was higher than the U.S. statutory rate of 21% primarily due to state and local taxes and discrete income tax provisions for the accrual of interest related to unrecognized tax benefits. The effective rate for the 13 weeks ended May 29, 2022 was higher than the U.S. statutory rate of 21% primarily due to state and local taxes and discrete income tax provisions for the accrual of interest related to unrecognized tax benefits.

Notwithstanding the U.S. taxation of the deemed repatriated earnings as a result of the mandatory one-time transition tax on the accumulated untaxed earnings of foreign subsidiaries of U.S. shareholders included in the 2017 Tax Cuts and Jobs Act, the Company intends to indefinitely invest approximately \$25 million of undistributed earnings outside of the U.S. If these future earnings are repatriated to the U.S., or if the Company determines such earnings will be remitted in the foreseeable future, the Company may be required to accrue U.S. deferred taxes on such earnings.

## **10. GEOGRAPHIC REGIONS**

The Company's products are sold to customers in North America, Asia and Europe. The Company's manufacturing facility is located in Kansas. Sales are attributed to geographic regions based upon the region in which the materials were delivered to the customer. All of the Company's long-lived assets are located in North America.

Financial information regarding the Company's operations by geographic region is as follows:

	13 Weeks Ended	
	May 28, 2023	May 29, 2022
<b>Sales:</b>		
North America	\$ 13,619	\$ 12,149
Asia	130	124
Europe	1,802	510
<b>Total sales</b>	<b>\$ 15,551</b>	<b>\$ 12,783</b>

## 11. CONTINGENCIES

### Litigation

The Company is subject to a small number of immaterial proceedings, lawsuits and other claims related to environmental, employment, product and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes in these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters. The Company believes that the ultimate disposition of such proceedings, lawsuits and claims will not have a material adverse effect on the liquidity, capital resources, business, consolidated results of operations or financial position of the Company.

### Environmental Contingencies

The Company and certain of its subsidiaries have been named by the Environmental Protection Agency (the "EPA") or a comparable state agency under the Comprehensive Environmental Response, Compensation and Liability Act (the "Superfund Act") or similar state law as potentially responsible parties in connection with alleged releases of hazardous substances at three sites.

Under the Superfund Act and similar state laws, all parties who may have contributed any waste to a hazardous waste disposal site or contaminated area identified by the EPA or comparable state agency may be jointly and severally liable for the cost of cleanup. Generally, these sites are locations at which numerous persons disposed of hazardous waste. In the case of the Company's subsidiaries, generally the waste was removed from their manufacturing facilities and disposed at waste sites by various companies which contracted with the subsidiaries to provide waste disposal services. Neither the Company nor any of its subsidiaries have been accused of or charged with any wrongdoing or illegal acts in connection with any such sites. The Company believes it maintains an effective and comprehensive environmental compliance program.

The insurance carriers which provided general liability insurance coverage to the Company and its subsidiaries for the years during which the Company's subsidiaries' waste was disposed at these three sites have in the past reimbursed the Company and its subsidiaries for 100% of their legal defense and remediation costs associated with two of these sites.

The Company does not record environmental liabilities and related legal expenses for which the Company believes that it and its subsidiaries have general liability insurance coverage for the years during which the Company's subsidiaries' waste was disposed at two sites for which



certain subsidiaries of the Company have been named as potentially responsible parties. Pursuant to such general liability insurance coverage, three insurance carriers reimburse the Company and its subsidiaries for 100% of the legal defense and remediation costs associated with the two sites.

Included in selling, general and administrative expenses are charges for actual expenditures and accruals, based on estimates, for certain environmental matters described above. The Company accrues estimated costs associated with known environmental matters when such costs can be reasonably estimated and when the outcome appears probable. The Company believes that the ultimate disposition of known environmental matters will not have a material adverse effect on the Company's results of operations, cash flows or financial position.

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

### **Operations.**

#### **General:**

Park Aerospace Corp. ("Park" or the "Company") develops and manufactures solution and hot-melt advanced composite materials used to produce composite structures for the global aerospace markets. Park's advanced composite materials include film adhesives and lightning strike protection materials. Park offers an array of composite materials specifically designed for hand lay-up or automated fiber placement ("AFP") manufacturing applications. Park's advanced composite materials are used to produce primary and secondary structures for jet engines, large and regional transport aircraft, military aircraft, Unmanned Aerial Vehicles (UAVs commonly referred to as "drones"), business jets, general aviation aircraft and rotary wing aircraft. Park also offers specialty ablative materials for rocket motors and nozzles and specially designed materials for radome applications. As a complement to Park's advanced composite materials offering, Park designs and fabricates composite parts, structures and assemblies and low volume tooling for the aerospace industry. Target markets for Park's composite parts and structures (which include Park's proprietary composite Sigma Strut™ and Alpha Strut™ product lines) are, among others, prototype and development aircraft, special mission aircraft, spares for legacy military and civilian aircraft and exotic spacecraft.

#### **Financial Overview**

The Company's total net sales in the 13 weeks ended May 28, 2023 were \$15.6 million compared to \$12.8 million in the 13 weeks ended May 29, 2022. The increase in sales was primarily due to higher sales to both the commercial and military markets.

The Company's gross profit margins, measured as percentages of sales, were 31.1% in the 13 weeks ended May 28, 2023 compared to 32.0% in the 13 weeks ended May 29, 2022. The lower gross profit margin for the 13 weeks ended May 28, 2023 was primarily due to higher costs for raw materials, supplies, freight, utilities and labor resulting from inflationary trends.

The Company's earnings from operations before income taxes and net earnings were essentially flat in the 13 weeks ended May 28, 2023 compared to the 13 weeks ended May 29, 2022, primarily as a result of higher sales offset by higher costs for raw materials, supplies, freight, utilities and labor resulting from inflationary trends, \$65,000 of losses on sales of investments to fund the \$1.00 per share special dividend paid on April 6, 2023 to shareholders of record on March 9, 2023, additional stock option expense of \$109,000 due to the modification of previously granted stock options in connection with the special dividend and \$570,000 of activist shareholder defense costs.

The Company is experiencing inflation in costs of raw materials, supplies, freight, utilities, labor and other costs. The impact of inflation on the Company's profits has been partially mitigated by the Company's ability to adjust pricing for a large portion of its sales to pass the impact of inflation through to its customers.

Programs that the Company supplies into may be experiencing supply chain issues from other suppliers to the programs. The Company's sales could be impacted by delays and reductions in its customers' production schedules caused by other suppliers in the chain.

The tight labor market has created challenges in hiring personnel. Although the Company feels very positive about its workforce, staffing to proper levels continues to pose

challenges for the Company. The Company's cross-training "Customer Flexibility Program" continues to help the Company deal with the staffing shortages.

The war in Ukraine has not had a material impact on the Company's results of operations, but the Company has the potential for an increase in future sales due to increases in spending worldwide on missile defense systems and other defense programs. The Company does not have any significant customers in Russia or Ukraine. The Company has experienced some increases to raw material costs from overseas suppliers due to the impacts of the war in Ukraine.

The Company has a long-term contract pursuant to which one of its customers, which represents a substantial portion of the Company's revenue, places orders. The long-term contract with the customer is requirements based and does not guarantee quantities. An order forecast and pricing were agreed upon in the contract. However, this order forecast is updated periodically during the term of the contract. Purchase orders generally are received by the Company in excess of three months in advance of delivery by the Company to the customer.

## Results of Operations:

The following table sets forth the components of the consolidated statements of operations:

(Amounts in thousands, except per share amounts)	13 Weeks Ended		% Change
	May 28, 2023	May 29, 2022	
Net sales	\$ 15,551	\$ 12,783	21.7 %
Cost of sales	10,718	8,691	23.3 %
<b>Gross profit</b>	<b>4,833</b>	<b>4,092</b>	<b>18.1 %</b>
Selling, general and administrative expenses	2,615	1,633	60.1 %
<b>Earnings from operations</b>	<b>2,218</b>	<b>2,459</b>	<b>(9.8)%</b>
Interest and other income	324	133	143.6 %
<b>Earnings from operations before income taxes</b>	<b>2,542</b>	<b>2,592</b>	<b>(1.9)%</b>
Income tax provision (Note 9)	688	682	0.9 %
<b>Net earnings</b>	<b>\$ 1,854</b>	<b>\$ 1,910</b>	<b>(2.9)%</b>
<b>Earnings per share:</b>			
Basic:			
Basic earnings per share	\$ 0.09	\$ 0.09	0 %
Diluted:			
Diluted earnings per share	\$ 0.09	\$ 0.09	0 %

### *Net Sales*

The Company's total net sales worldwide in the 13 weeks ended May 28, 2023 increased to \$15.6 million from \$12.8 million in the 13 weeks ended May 29, 2022. The increase in sales was principally due to higher sales to both the commercial and military markets.

### *Gross Profit*

The Company's gross profit in the 13 weeks ended May 28, 2023 was higher than its gross profit in the prior year's comparable period due to higher sales. The gross profit as a percentage of sales for the Company's worldwide operations in the 13 weeks ended May 28, 2023 decreased to 31.1% from 32.0% in the 13 weeks ended May 29, 2022. The lower gross profit margin for the 13 weeks ended May 28, 2023 was primarily due to higher costs for raw materials, supplies and freight.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses were higher compared to the prior year's comparable period, and these expenses, measured as percentages of sales, were 16.8% in the 13 weeks ended May 28, 2023 compared to 12.8% in the 13 weeks ended May 29, 2022. The increase in selling, general and administrative expenses was primarily due to \$570,000 of activist shareholder defense costs.

Selling, general and administrative expenses included stock option expenses of \$218,000, including \$109,000 due to the modification of previously granted stock options, for the 13 weeks ended May 28, 2023, compared to stock option expenses of \$85,000 for the 13 weeks ended May 29, 2022.

#### *Earnings from operations*

For the reasons set forth above, the Company's earnings from operations were \$2.2 million for the 13 weeks ended May 28, 2023 compared to \$2.5 million for the 13 weeks ended May 29, 2022.

#### *Interest and Other Income*

Interest and other income was \$324,000 for the 13 weeks ended May 28, 2023, compared to \$133,000 for the prior year's comparable period. Interest income increased 144% for the 13 weeks ended May 28, 2023 primarily as a result of higher weighted average interest rates in the 13 weeks ended May 28, 2023 compared to the prior year's comparable period. Interest and other income for the 13 weeks ended May 28, 2023 included \$65,000 of losses on sales of investments to fund the \$1.00 per share special dividend paid on April 6, 2023 to shareholders of record on March 9, 2023. During the 13 weeks ended May 28, 2023, the Company earned interest income principally from its investments, which consisted primarily of short-term instruments and money market funds.

#### *Income Tax Provision*

For the 13 weeks ended May 28, 2023, the Company recorded an income tax provision of \$688,000, which included a discrete income tax provision of \$37,000 for the accrual of interest related to unrecognized tax benefits. For the 13 weeks ended May 29, 2022, the Company recorded an income tax provision of \$682,000, which included a discrete income tax provision of \$28,000 for the accrual of interest related to unrecognized tax benefits.

The Company's effective tax rate for the 13 weeks ended May 28, 2023 was 27.1% compared to 26.3% in the prior year's comparable period. The effective tax rate for the 13 weeks ended May 28, 2023 was higher than the U.S. statutory rate of 21% primarily due to state and local taxes and the accrual of interest related to unrecognized tax benefits. The effective rate for the 13 weeks ended May 29, 2022 was higher than the U.S. statutory rate of 21% primarily due to state and local taxes and the accrual of interest related to unrecognized tax benefits.

### *Net Earnings*

For the reasons set forth above, the Company's net earnings for the 13 weeks ended May 28, 2023 were \$1.9 million compared to net earnings of \$1.9 million for the 13 weeks ended May 29, 2022.

### *Basic and Diluted Earnings Per Share*

In the 13 weeks ended May 28, 2023, basic and diluted earnings per share were \$0.09, including the pretax charges of \$570,000 related to activist shareholder defense costs, the stock option modification pretax charge of \$109,000 and the \$65,000 of losses on sales of investments to fund the special dividend, compared to basic and diluted earnings per share of \$0.09 in the 13 weeks ended May 29, 2022.

### **Liquidity and Capital Resources:**

<b>(Amounts in thousands)</b>	<b>May 28, 2023</b>	<b>February 26, 2023</b>	<b>Change</b>
Cash and cash equivalents and marketable securities	\$ 81,105	\$ 105,440	\$ (24,335)
Working capital	93,509	96,455	(2,946)

<b>(Amounts in thousands)</b>	<b>13 Weeks Ended</b>		
	<b>May 28, 2023</b>	<b>May 29, 2022</b>	<b>Change</b>
Net cash provided by operating activities	\$ 117	\$ 44	\$ 73
Net cash provided by (used in) investing activities	26,181	(6,476)	32,657
Net cash used in financing activities	(24,699)	(2,046)	(22,653)

### *Cash and Marketable Securities*

Of the \$81.1 million of cash and cash equivalents and marketable securities at May 28, 2023, \$28.6 million was owned by one of the Company's wholly owned foreign subsidiaries.

The change in cash and cash equivalents and marketable securities at May 28, 2023 compared to February 26, 2023 was the result of capital expenditures and dividends paid to shareholders, partially offset by cash provided by operating activities and a number of additional factors. The significant changes in cash provided by operating activities were as follows:

- Accounts receivable increased by 16% at May 28, 2023 compared to February 26, 2023 primarily due to the timing of sales;
- inventories increased by 17% at May 28, 2023 compared to February 26, 2023 primarily due to the timing of raw material purchases;

- prepaid expenses and other current assets decreased by 5% at May 28, 2023 compared to February 26, 2023 primarily due to marketable securities;
- accounts payable decreased by 15% at May 28, 2023 compared to February 26, 2023 primarily due to the timing of vendor payments; and
- accrued liabilities increased by 47% at May 28, 2023 compared to February 26, 2023 primarily due to accrual of expenses related to the activist shareholder defense costs.

In addition, the Company paid \$23.0 million in cash dividends in the 13-week period ended May 28, 2023 and \$2.0 million in cash dividends in the 13-week period ended May 29, 2022.

### Working Capital

The decrease in working capital at May 28, 2023 compared to February 26, 2023 was due principally to the decrease in cash and cash equivalents and increases in accounts payable and income taxes payable partially offset by increases in accounts receivable, inventories and prepaid expenses and other current assets and a decrease in accrued liabilities.

The Company's current ratio (the ratio of current assets to current liabilities) was 10.5 to 1.0 at May 28, 2023 compared to 4.4 to 1.0 at February 26, 2023.

### Cash Flows

During the 13 weeks ended May 28, 2023, the Company's net earnings, before depreciation and amortization, deferred income taxes, stock-based compensation, amortization of bond premium and changes in operating assets and liabilities, were \$117,000. During the same 13-week period, the Company expended \$167,000 for the purchase of property, plant and equipment, compared with \$88,000 during the 13 weeks ended May 29, 2022. The Company paid \$23.0 million in cash dividends in the 13-week period ended May 28, 2023.

### Other Liquidity Factors

The Company believes its financial resources will be sufficient, through the 12 months following the filing of this Form 10-Q Quarterly Report and for the foreseeable future thereafter, to provide for continued investment in working capital and property, plant and equipment and for general corporate purposes. The Company's financial resources are also available for purchases of the Company's common stock, cash dividend payments, appropriate acquisitions and other expansions of the Company's business, including the expansion in Kansas.

The Company is not aware of any circumstances or events that are reasonably likely to occur that could materially affect its liquidity. The Company further believes its balance sheet and financial position to be very strong.

### **Contractual Obligations:**

The Company's contractual obligations and other commercial commitments to make future payments under contracts, such as lease agreements, consist only of (i) operating lease commitments and (ii) commitments to purchase raw materials. The Company has no other long-term debt, capital lease obligations, unconditional purchase obligations or other long-term obligations, standby letters of credit, guarantees, standby repurchase obligations or other commercial commitments or contingent commitments, other than two standby letters of credit in

the total amount of \$140,000, to secure the Company's obligations under its workers' compensation insurance program.

### **Off-Balance Sheet Arrangements:**

The Company's liquidity is not dependent on the use of, and the Company is not engaged in, any off-balance sheet financing arrangements, such as securitization of receivables or obtaining access to assets through special purpose entities.

### **Critical Accounting Policies and Estimates:**

The foregoing Discussion and Analysis of Financial Condition and Results of Operations is based upon the Company's Consolidated Financial Statements, which have been prepared in accordance with US GAAP. The preparation of these Condensed Consolidated Financial Statements requires the Company to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to sales allowances, allowances for doubtful accounts, inventories, valuation of long-lived assets, income taxes, contingencies and litigation, and employee benefit programs. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company's critical accounting policies that are important to the Consolidated Financial Statements and that entail, to a significant extent, the use of estimates and assumptions and the application of management's judgment, are described in Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations", in the Company's Annual Report on Form 10-K for the fiscal year ended February 26, 2023. There have been no significant changes to such accounting policies during the 2024 fiscal year first quarter.

### **Contingencies:**

The Company is subject to a small number of immaterial proceedings, lawsuits and other claims related to environmental, employment, product and other matters. The Company is required to assess the likelihood of any adverse judgments or outcomes in these matters as well as potential ranges of probable losses. A determination of the amount of reserves required, if any, for these contingencies is made after careful analysis of each individual issue. The required reserves may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

### **Factors That May Affect Future Results.**

Certain portions of this Report which do not relate to historical financial information may be deemed to constitute forward-looking statements that are subject to various factors which could cause actual results to differ materially from the Company's expectations or from results which might be projected, forecasted, estimated or budgeted by the Company in forward-looking statements. Such factors include, but are not limited to, general conditions in the aerospace industry, the Company's competitive position, the status of the Company's relationships with its customers, economic conditions in international markets, the cost and availability of raw materials, transportation and utilities, and the various factors set forth under the caption "Factors

That May Affect Future Results” in Item 1 and in Item 1A “Risk Factors” of the Company’s Annual Report on Form 10-K for the fiscal year ended February 26, 2023.

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

The Company’s market risk exposure at May 28, 2023 is consistent with, and not greater than, the types of market risk and amount of exposures presented in the Annual Report on Form 10-K for the fiscal year ended February 26, 2023.

**Item 4. Controls and Procedures.**

(a) Disclosure Controls and Procedures.

The Company’s management, with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of May 28, 2023, the end of the quarterly fiscal period covered by this quarterly report. Based on such evaluation, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company’s disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and were effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting.

There has not been any change in the Company’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.



## PART II. OTHER INFORMATION

### **Item 1. Legal Proceedings.**

None.

### **Item 1A. Risk Factors.**

There have been no material changes in the risk factors as previously disclosed in the Company's Form 10-K Annual Report for the fiscal year ended February 26, 2023.

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

The following table provides information with respect to shares of the Company's common stock acquired by the Company during each month included in the Company's 2024 fiscal year first quarter ended May 28, 2023.

<u>Period</u>	<u>Total Number of Shares (or Units) Purchased</u>	<u>Average Price Paid Per Share (or Unit)</u>	<u>Total Number of Shares (or Units) Purchased As Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs</u>
February 27 - March 28	0	\$ -	0	
March 29 - April 28	0	\$ -	0	
April 29 - May 28	129,654	\$ 12.87	129,654	
<b>Total</b>	<b>129,654</b>	<b>\$ 12.87</b>	<b>129,654</b>	<b>1,370,346 (a)</b>

(a) Aggregate number of shares available to be purchased by the Company pursuant to share purchase authorization announced on May 23, 2022. Pursuant to such authorization, the Company is authorized to purchase its shares from time to time on the open market or in privately negotiated transactions.

### **Item 3. Defaults Upon Senior Securities.**

None.

### **Item 4. Mine Safety Disclosures.**

None.

### **Item 5. Other Information.**

None.

**Item 6.**      **Exhibits.**

- 31.1      Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).
- 31.2      Certification of principal financial officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).
- 32.1      Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2      Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101      The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended May 28, 2023, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at May 28, 2023 (unaudited) and February 26, 2023; (ii) Consolidated Statements of Operations for the 13 weeks ended May 28, 2023 and May 29, 2022 (unaudited); (iii) Consolidated Statements of Comprehensive Earnings for the 13 weeks ended May 28, 2023 and May 29, 2022 (unaudited); (iv) Consolidated Statements of Shareholders' Equity at May 28, 2023 (unaudited) and May 29, 2022; and (v) Condensed Consolidated Statements of Cash Flows for the 13 weeks ended May 28, 2023 and May 29, 2022 (unaudited). \* +
- 104      Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\*      Filed electronically herewith.

+      Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

## EXHIBIT INDEX

Exhibit No. -----	Name ----
31.1	Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).
31.2	Certification of principal financial officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).
32.1	Certification of principal executive officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended May 28, 2023, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at May 28, 2023 (unaudited) and February 26, 2023; (ii) Consolidated Statements of Operations for the 13 weeks ended May 28, 2023 and May 29, 2022 (unaudited); (iii) Consolidated Statements of Comprehensive Earnings for the 13 weeks ended May 28, 2023 and May 29, 2022 (unaudited); (iv) Consolidated Statements of Shareholders' Equity at May 28, 2023 (unaudited) and May 29, 2022; and (v) Condensed Consolidated Statements of Cash Flows for the 13 weeks ended May 28, 2023 and May 29, 2022 (unaudited). * +
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
*	Filed electronically herewith.
+	Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Park Aerospace Corp.

-----  
(Registrant)

Date: July 7, 2023

/s/ Brian E. Shore

-----  
Brian E. Shore  
Chief Executive Officer  
(principal executive officer)

Date: July 7, 2023

/s/ P. Matthew Farabaugh

-----  
P. Matthew Farabaugh  
Senior Vice President and Chief Financial Officer  
(principal financial officer)  
(principal accounting officer)

**EXHIBIT 31.1**

**Certification of Principal Executive Officer  
Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a)**

I, Brian E. Shore, as Chief Executive Officer of Park Aerospace Corp., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended May 28, 2023 of Park Aerospace Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 7, 2023

/s/ \_\_\_\_\_ Brian E. Shore  
Name: Brian E. Shore  
Title: Chief Executive Officer

**EXHIBIT 31.2**

**Certification of Principal Financial Officer**

**Pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a)**

I, P. Matthew Farabaugh, as Senior Vice President and Chief Financial Officer of Park Aerospace Corp., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended May 28, 2023 of Park Aerospace Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 7, 2023

/s/ P. Matthew Farabaugh

Name: P. Matthew Farabaugh

Title: Senior Vice President and Chief Financial Officer

**EXHIBIT 32.1**

**Certification of Principal Executive Officer Pursuant to**



**18 U.S.C. Section 1350,  
as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Park Aerospace Corp. (the "Company") for the quarterly period ended May 28, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Brian E. Shore, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian E. Shore  
Name: Brian E. Shore  
Title: Chief Executive Officer  
Date: July 7, 2023

**EXHIBIT 32.2**

**Certification of Principal Financial Officer Pursuant to  
18 U.S.C. Section 1350,**

**as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Park Aerospace Corp. (the "Company") for the quarterly period ended May 28, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), P. Matthew Farabaugh, as Senior Vice President and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ P. Matthew Farabaugh

Name: P. Matthew Farabaugh

Title: Senior Vice President and Chief Financial Officer

Date: July 7, 2023