

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 December 1, 2024

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 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, N.Y.

(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: 19,925,243 as of January 7, 2025.

# 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>December 1, 2024 (unaudited)</b>	<b>March 3, 2024*</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 12,754	\$ 6,567
Marketable securities (Note 3)	57,288	70,644
Accounts receivable, less allowance for credit losses of \$140 and \$128, respectively	9,687	12,381
Inventories (Note 4)	10,592	6,404
Prepaid expenses and other current assets	2,243	2,849
<b>Total current assets</b>	<b>92,564</b>	<b>98,845</b>
Property, plant and equipment, net	21,479	23,499
Operating right-of-use assets (Note 5)	320	95
Goodwill and other intangible assets	9,776	9,776
Other assets	83	94
<b>Total assets</b>	<b>\$ 124,222</b>	<b>\$ 132,309</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 5,532	\$ 3,514
Operating lease liability (Note 5)	39	53
Accrued liabilities	1,427	1,986
Income taxes payable	5,258	4,105
<b>Total current liabilities</b>	<b>12,256</b>	<b>9,658</b>
Long-term operating lease liability (Note 5)	328	82
Non-current income taxes payable (Note 9)	-	5,259
Deferred income taxes (Note 9)	3,034	3,222
Other liabilities	1,246	1,174
<b>Total liabilities</b>	<b>16,864</b>	<b>19,395</b>
Commitments and contingencies (Note 12)		
<b>Shareholders' equity (Note 8)</b>		
Common stock	2,096	2,096
Additional paid-in capital	170,731	170,445
Accumulated deficit	(48,305)	(45,374)
Accumulated other comprehensive loss	(965)	(2,271)
	<b>123,557</b>	<b>124,896</b>
Less treasury stock, at cost	(16,199)	(11,982)
<b>Total shareholders' equity</b>	<b>107,358</b>	<b>112,914</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 124,222</b>	<b>\$ 132,309</b>

\* The balance sheet at March 3, 2024 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)

	<u>13 Weeks Ended (Unaudited)</u>		<u>39 Weeks Ended (Unaudited)</u>	
	<u>December 1, 2024</u>	<u>November 26, 2023</u>	<u>December 1, 2024</u>	<u>November 26, 2023</u>
Net sales	\$ 14,408	\$ 11,639	\$ 45,087	\$ 39,671
Cost of sales	10,580	8,470	32,403	27,590
<b>Gross profit</b>	<b>3,828</b>	<b>3,169</b>	<b>12,684</b>	<b>12,081</b>
Selling, general and administrative expenses	1,982	1,804	6,139	6,272
<b>Earnings from operations</b>	<b>1,846</b>	<b>1,365</b>	<b>6,545</b>	<b>5,809</b>
Storm damage charge (Note 11)	-	-	(1,098)	-
Interest and other income	290	261	874	724
<b>Earnings from operations before income taxes</b>	<b>2,136</b>	<b>1,626</b>	<b>6,321</b>	<b>6,533</b>
Income tax provision (Note 9)	559	423	1,685	1,730
<b>Net earnings</b>	<b>\$ 1,577</b>	<b>\$ 1,203</b>	<b>\$ 4,636</b>	<b>\$ 4,803</b>
<b>Earnings per share (Note 7)</b>				
Basic:				
Basic earnings per share	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.23</u>	<u>\$ 0.24</u>
Basic weighted average shares	19,982	20,250	20,150	20,323
Diluted:				
Diluted earnings per share	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.23</u>	<u>\$ 0.24</u>
Diluted weighted average shares	20,077	20,355	20,246	20,406

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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

	13 Weeks Ended (Unaudited)		39 Weeks Ended (Unaudited)	
	December 1, 2024	November 26, 2023	December 1, 2024	November 26, 2023
Net earnings	\$ 1,577	\$ 1,203	\$ 4,636	\$ 4,803
Other comprehensive earnings (loss), net of tax:				
Unrealized gains on marketable securities:				
Unrealized holding gains arising during the period	295	484	1,311	1,186
Unrealized losses on marketable securities:				
Unrealized holding losses arising during the period	(11)	(2)	(46)	(110)
Less: reclassification adjustment for losses included in net earnings	1	8	41	239
Other comprehensive earnings	285	490	1,306	1,315
<b>Total comprehensive earnings</b>	<b>\$ 1,862</b>	<b>\$ 1,693</b>	<b>\$ 5,942</b>	<b>\$ 6,118</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 Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Earnings	Treasury Stock	
	Shares	Amount				Shares	Amount
<b>Balance, March 3, 2024</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 170,445</b>	<b>\$ (45,374)</b>	<b>\$ (2,271)</b>	<b>711,783</b>	<b>\$ (11,982)</b>
Net earnings	-	-	-	993	-	-	-
Unrealized gain on marketable securities, net of tax	-	-	-	-	223	-	-
Stock-based compensation	-	-	89	-	-	-	-
Cash dividends (\$0.125 per share)	-	-	-	(2,532)	-	-	-
<b>Balance, June 2, 2024</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 170,534</b>	<b>\$ (46,913)</b>	<b>\$ (2,048)</b>	<b>711,783</b>	<b>\$ (11,982)</b>
Net earnings	-	-	-	2,066	-	-	-
Unrealized gain on marketable securities, net of tax	-	-	-	-	798	-	-
Stock options exercised	-	-	(9)	-	-	(2,062)	35
Stock-based compensation	-	-	101	-	-	-	-
Repurchase of treasury shares	-	-	-	-	-	149,633	(1,888)
Cash dividends (\$0.125 per share)	-	-	-	(2,532)	-	-	-
<b>Balance, September 1, 2024</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 170,626</b>	<b>\$ (47,379)</b>	<b>\$ (1,250)</b>	<b>859,354</b>	<b>\$ (13,835)</b>
Net earnings	-	-	-	1,577	-	-	-
Unrealized gain on marketable securities, net of tax	-	-	-	-	285	-	-
Stock-based compensation	-	-	105	-	-	-	-
Repurchase of treasury shares	-	-	-	-	-	180,547	(2,364)
Cash dividends (\$0.125 per share)	-	-	-	(2,503)	-	-	-
<b>Balance, December 1, 2024</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 170,731</b>	<b>\$ (48,305)</b>	<b>\$ (965)</b>	<b>1,039,901</b>	<b>\$ (16,199)</b>

  

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Earnings	Treasury Stock	
	Shares	Amount				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 gain 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>
Net earnings	-	-	-	1,746	-	-	-
Unrealized gain on marketable securities, net of tax	-	-	-	-	110	-	-
Stock-based compensation	-	-	104	-	-	-	-
Repurchase of treasury shares	-	-	-	-	-	91,445	(1,211)
Cash dividends (\$0.125 per share)	-	-	-	(2,531)	-	-	-
<b>Balance, August 27, 2023</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 170,254</b>	<b>\$ (44,184)</b>	<b>\$ (3,418)</b>	<b>715,033</b>	<b>\$ (12,036)</b>
Net earnings	-	-	-	1,203	-	-	-
Unrealized gain on marketable securities, net of tax	-	-	-	-	490	-	-
Stock options exercised	-	-	(5)	-	-	(875)	14
Stock-based compensation	-	-	103	-	-	-	-
Cash dividends (\$0.125 per share)	-	-	-	(2,532)	-	-	-
<b>Balance, November 26, 2023</b>	<b>20,965,144</b>	<b>\$ 2,096</b>	<b>\$ 170,352</b>	<b>\$ (45,513)</b>	<b>\$ (2,928)</b>	<b>714,158</b>	<b>\$ (12,022)</b>

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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

	<b>39 Weeks Ended (Unaudited)</b>	
	<b>December 1, 2024</b>	<b>November 26, 2023</b>
<b>Cash flows from operating activities:</b>		
Net earnings	\$ 4,636	\$ 4,803
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Non-cash storm damage charge	887	-
Depreciation and amortization	1,391	984
Stock-based compensation	295	425
Provision for credit losses	12	12
Deferred income taxes	(188)	(97)
Amortization of bond premium	115	255
Loss on sale of marketable securities	57	184
Changes in operating assets and liabilities	(3,457)	(7,452)
<b>Net cash provided by (used in) operating activities</b>	<b>3,748</b>	<b>(886)</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(258)	(481)
Purchases of marketable securities	(7,772)	(6,702)
Proceeds from sales and maturities of marketable securities	22,262	38,966
<b>Net cash provided by investing activities</b>	<b>14,232</b>	<b>31,783</b>
<b>Cash flows from financing activities:</b>		
Dividends paid	(7,567)	(28,093)
Proceeds from exercise of stock options	26	12
Purchase of treasury stock	(4,252)	(2,880)
<b>Net cash used in financing activities</b>	<b>(11,793)</b>	<b>(30,961)</b>
<b>Increase (decrease) in cash and cash equivalents:</b>	<b>6,187</b>	<b>(64)</b>
Cash and cash equivalents, beginning of period	6,567	4,237
<b>Cash and cash equivalents, end of period</b>	<b>\$ 12,754</b>	<b>\$ 4,173</b>
<b>Supplemental disclosure of non-cash activities:</b>		
Addition to operating right-of-use asset from new operating lease liability	\$ 267	\$ -
<b>Supplemental cash flow information:</b>		
Cash paid during the period for income taxes, net of refunds	\$ 5,748	\$ 5,898

See Notes to Condensed Consolidated Financial Statements (Unaudited).

## PARK AEROSPACE CORP. AND SUBSIDIARIES

### NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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

#### 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Condensed Consolidated Balance Sheet and the Consolidated Statement of Shareholders' Equity as of December 1, 2024, the Consolidated Statements of Operations and the Consolidated Statements of Comprehensive Earnings for the 13 weeks and 39 weeks ended December 1, 2024 and November 26, 2023, and the Condensed Consolidated Statements of Cash Flows for the 39 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 December 1, 2024 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 ("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 March 3, 2024. There have been no significant changes to such accounting policies during the 39 weeks ended December 1, 2024.

#### 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 and 39 weeks ended December 1, 2024.

### 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:

	December 1, 2024			
	Total	Level 1	Level 2	Level 3
U.S. Treasury and other government securities	\$ 57,288	\$ 57,288	\$ -	\$ -
<b>Total marketable securities</b>	<b>\$ 57,288</b>	<b>\$ 57,288</b>	<b>\$ -</b>	<b>\$ -</b>
	March 3, 2024			
	Total	Level 1	Level 2	Level 3
U.S. Treasury and other government securities	\$ 67,210	\$ 67,210	\$ -	\$ -
U.S. corporate debt securities	3,434	3,434	-	-
<b>Total marketable securities</b>	<b>\$ 70,644</b>	<b>\$ 70,644</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:

	<u>Amortized Cost Basis</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>
<b>December 1, 2024:</b>			
U.S. Treasury and other government securities	\$ 58,610	\$ 28	\$ 1,350
<b>Total marketable securities</b>	<b>\$ 58,610</b>	<b>\$ 28</b>	<b>\$ 1,350</b>
<b>March 3, 2024:</b>			
U.S. Treasury and other government securities	\$ 70,320	\$ -	\$ 3,110
U.S. corporate debt securities	3,435	-	1
<b>Total marketable securities</b>	<b>\$ 73,755</b>	<b>\$ -</b>	<b>\$ 3,111</b>

The estimated fair values of such securities at December 1, 2024 by contractual maturity are shown below:

Due in one year or less	\$ 44,584
Due after one year through five years	12,704
	<b>\$ 57,288</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:

	<u>December 1, 2024</u>	<u>March 3, 2024</u>
<b><u>Inventories:</u></b>		
Raw materials	\$ 8,985	\$ 5,047
Work-in-process	884	397
Finished goods	723	960
	<b>\$ 10,592</b>	<b>\$ 6,404</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 term to the extent the Company is reasonably certain to exercise the option. 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 December 1, 2024 are as follows:

<u>Fiscal Year:</u>		
	2025	\$ 14
	2026	57
	2027	59
	2028	61
	2029	65
	Thereafter	<u>202</u>
	Total undiscounted operating lease payments	458
	Less imputed interest	<u>(91)</u>
	<b>Present value of operating lease payments</b>	<b><u><u>\$ 367</u></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 Sheets. The Company recognizes lease expense for these leases on a straight-line basis over the terms of the leases.

For the 13 weeks and 39 weeks ended December 1, 2024, the Company's operating lease expenses were \$16 and \$47, respectively. Cash payments of \$40, pertaining to operating leases, are reflected in the Condensed Consolidated Statements of Cash Flows under cash flows from operating activities.

The following table sets forth the right-of-use assets and operating lease liabilities as of December 1, 2024:

Operating right-of-use assets	<u>\$ 320</u>
Operating lease liabilities	\$ 39
Long-term operating lease liabilities	<u>328</u>
Total operating lease liabilities	<b><u><u>\$ 367</u></u></b>

The Company's weighted average remaining lease term for its operating leases is 6.5 years.

In the second quarter of fiscal year 2025, the Company entered into an extension of an expiring lease. The extension resulted in an additional right-of-use asset and lease liability of \$267. An incremental borrowing rate of 4.90% was used to determine the right-of-use asset and related lease liability.

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

As of December 1, 2024, 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, approved by the shareholders of the Company at the Annual Meeting of Shareholders of the Company on July 24, 2018, and amended by the shareholders of the Company on July 18, 2024 and provides for the grant of options to purchase up to 1,550,000 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 39 weeks ended December 1, 2024, the Company granted options under the 2018 Plan to purchase a total of 135,100 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 \$434 and will be recorded on a straight-line basis over the requisite service period. The weighted average fair value of the granted options was \$3.21 per share using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 4.23%-4.24%; expected volatility factor of 28.7%-29.1%; expected dividend yield of 3.77%; and estimated option term of 5.8-8.6 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 and 39 weeks ended December 1, 2024. 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 future compensation expense to be recognized in earnings before income taxes for options outstanding at December 1, 2024 was \$789, which is expected to be recognized ratably over a weighted average vesting period of 1.45 years.

The following is a summary of option activity for the 39 weeks ended December 1, 2024:

	Outstanding Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
<b>Balance, March 3, 2024</b>	<b>708,325</b>	<b>\$ 11.53</b>		
Granted	135,100	13.26		
Exercised	(2,062)	11.97		
Terminated or expired	(7,587)	12.74		
<b>Balance, December 1, 2024</b>	<b>833,776</b>	<b>\$ 11.80</b>	<b>5.91</b>	<b>\$ 2,926</b>
<b>Vested and exercisable, December 1, 2024</b>	<b>518,369</b>	<b>\$ 11.22</b>	<b>4.34</b>	<b>\$ 2,119</b>

## 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 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		39 Weeks Ended	
	December 1, 2024	November 26, 2023	December 1, 2024	November 26, 2023
<b>Net earnings</b>	<b>\$ 1,577</b>	<b>\$ 1,203</b>	<b>\$ 4,636</b>	<b>\$ 4,803</b>
Weighted average common shares outstanding for basic EPS	19,982	20,250	20,150	20,323
Net effect of dilutive options	95	105	96	83
<b>Weighted average shares outstanding for diluted EPS</b>	<b>20,077</b>	<b>20,355</b>	<b>20,246</b>	<b>20,406</b>
<b>Basic earnings per share</b>	<b>\$ 0.08</b>	<b>\$ 0.06</b>	<b>\$ 0.23</b>	<b>\$ 0.24</b>
<b>Diluted earnings per share</b>	<b>\$ 0.08</b>	<b>\$ 0.06</b>	<b>\$ 0.23</b>	<b>\$ 0.24</b>

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 75,000 and 72,000 for the 13 weeks ended December 1, 2024 and November 26, 2023, respectively, and 53,000 and 126,000 for the 39 weeks ended December 1, 2024 and November 26, 2023, 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 supersedes any unused prior Board of Directors' authorizations to purchase shares of the Company's common stock. The Company purchased 180,547 and 0 shares, respectively, during the 13 weeks ended December 1, 2024 and November 26, 2023 and 330,180 and 221,099 shares, respectively, of its common stock during the 39 weeks ended December 1, 2024 and November 26, 2023, respectively. As a result, the Company is authorized to purchase up to a total of 948,721 shares of its common stock, representing approximately 4.8% of the Company's 19,925,243 total outstanding shares as of the close of business on January 7, 2025. 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 and 39 weeks ended December 1, 2024, the Company recorded income tax provisions from operations of \$559 and \$1,685, respectively, which included discrete income tax provisions of \$19 and \$60, respectively. For the 13 weeks and 39 weeks ended November 26, 2023, the Company recorded income tax provisions from operations of \$423 and \$1,730, respectively, which included discrete income tax provisions of \$25 and \$78, respectively.

The Company's effective tax rates for the 13 weeks and 39 weeks ended December 1, 2024 were income tax provisions of 26.2% and 26.7%, respectively, compared to income tax provisions of 30.7% and 28.2% in the comparable prior periods. The effective tax rates for the 13 weeks and 39 weeks ended December 1, 2024 were higher than the U.S. statutory rate of 21% primarily due to state and local taxes and a discrete income tax provision for the accrual of interest related to unrecognized tax benefits. The effective rates for the 13 weeks and 39 weeks ended November 26, 2023 were 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 continuing operations by geographic region is as follows:

	13 Weeks Ended		39 Weeks Ended	
	December 1, 2024	November 26, 2023	December 1, 2024	November 26, 2023
<b>Sales:</b>				
North America	\$ 13,316	\$ 10,255	\$ 40,586	\$ 35,212
Asia	491	567	1,386	1,109
Europe	601	817	3,115	3,350
<b>Total sales</b>	<b>\$ 14,408</b>	<b>\$ 11,639</b>	<b>\$ 45,087</b>	<b>\$ 39,671</b>

## 11. STORM DAMAGE CHARGE

The Company recorded a charge of \$1,098 for storm damage in the 39 weeks ended December 1, 2024.

On May 19, 2024, the Company's manufacturing facilities in Newton, Kansas were damaged by a strong storm which transitioned the area. None of the Company's manufacturing lines or equipment were damaged by the storm. Although the building structures are secure, the roofs on all three buildings in the Company's Newton, Kansas campus will ultimately need to be replaced. Also, multiple specialty HVAC units were damaged or destroyed. These specialty HVAC units are necessary to control the temperature and humidity in certain manufacturing areas, quality laboratories and R&D laboratories, which is required by certain specifications and certifications the Company is subject to. The Company is currently working with multiple contractors on site to remediate the damage.

Although the Company is still in the process of remediating the damage, the Company's production lines were returned to full production within two weeks of the storm. The Company is employing certain temporary measures in order to return its production lines to full service, including the use of temporary HVAC equipment, but it will take the Company several months to permanently repair or replace all of the damaged facilities and infrastructure equipment.

The Company does not anticipate the loss of any sales for the 2025 fiscal year.

The Company paid its employees for the days immediately following the storm despite many not being able to work while others worked on the clean-up of the storm damage to the facilities. The Company incurred \$78 of payroll and related costs for lost production time and employees working on clean-up.

The charge recorded by the Company includes an asset damage charge, emergency services by outside contractors, rental of temporary HVAC units and the cost of employee downtime or time spent on the clean-up of the storm damage to the facilities. Additional costs will be recorded in future periods as additional work is needed and performed.

The Company has insurance coverage for wind damage with a deductible of approximately \$2.5 million. The cost of the repairs from the storm damage will be less than this deductible and, as such, the Company will not have an insurance recovery related to the damage.

## 12. 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 (Aeroadhere®) and lightning strike protection materials (Electroglide®). 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 SigmaStrut™ and AlphaStrut™ product lines) are, among others, prototype and development aircraft, special mission aircraft, spares for legacy military and civilian aircraft and exotic spacecraft.

#### **Financial Overview**

On May 19, 2024, the Company's manufacturing facilities in Newton, Kansas were damaged by a strong storm which transitioned the area. None of the Company's manufacturing lines or equipment were damaged by the storm. Although the building structures are secure, the roofs on two of the three buildings in the Company's Newton, Kansas campus will need significant repairs and the roof on one building will need to be replaced. Also, multiple specialty HVAC units were damaged or destroyed. These specialty HVAC units are necessary to control the temperature and humidity in certain manufacturing areas, quality laboratories and R&D laboratories, as required by certain specifications and certifications the Company is subject to. The Company is currently working with multiple contractors on site to remediate the damage.

Although the Company is still in the process of remediating the damage, the Company's production lines are all fully operational. The Company is employing certain temporary measures in order to keep its production lines operating at full service, including the use of temporary HVAC equipment, but it will take the Company several months to permanently repair or replace all the damaged facilities and infrastructure equipment. The Company expects all repairs to be completed in the first quarter of fiscal year 2026. The Company has recorded a charge of \$1.1 million in the 39 weeks ended December 1, 2024 related to the damage and related repair and downtime costs.

The Company's net sales in the 13 weeks and 39 weeks ended December 1, 2024 were \$14.4 million and \$45.1 million, respectively, compared to \$11.6 million and \$39.7 million, respectively, in the 13 weeks and 39 weeks ended November 26, 2023. Sales for the 13 weeks ended December 1, 2024 were higher than in the comparable period of the prior fiscal year due to higher sales to the commercial aerospace and business aircraft markets while sales for the 39 weeks ended December 1, 2024 were higher than the 39 weeks ended November 23, 2023 due to higher sales from the commercial aerospace, business aircraft and military markets.

The Company's gross profit in the 13 weeks ended December 1, 2024 was higher than the gross profit in the prior year's comparable period due to higher sales levels in the 13 weeks ended December 1, 2024 compared to the comparable period in the prior year partially offset by a less favorable product mix, higher labor costs due to ramping up capacity ahead of customer program volume increases, higher depreciation and higher costs for raw materials, supplies, and freight resulting from inflationary trends. The Company's gross profit in the 39 weeks ended December 1, 2024 was higher than the gross profit in the prior year's comparable period due to the higher sales levels partially offset by a less favorable sales mix and the higher costs mentioned above.

The Company's gross profit margins, measured as percentages of sales, were 26.6% and 28.1%, respectively, in the 13 weeks and 39 weeks ended December 1, 2024 compared to 27.2% and 30.5%, respectively, in the 13 weeks and 39 weeks ended November 26, 2023. The lower gross profit margins for the 13 and 39 weeks ended December 1, 2024 compared to the prior year's comparable periods were primarily due to a less favorable sales mix, as well as the higher costs mentioned above.

The Company's earnings before income taxes and net earnings increased 31.4% and 31.1%, respectively, in the 13 weeks ended December 1, 2024 compared to the 13 weeks ended November 26, 2023, primarily as a result of higher sales, partially offset by an unfavorable sales mix, the higher costs mentioned above as well as higher selling, general and administrative expenses.

The Company's earnings before income taxes and net earnings for the 39 weeks ended December 1, 2024 decreased slightly compared to the 39 week period ended November 26, 2023. The increase from higher sales was offset by less favorable sales mix, the higher costs mentioned above as well as the additional expenses incurred due to the damage from the storm in the first quarter of the fiscal year.

The Company continues to experience inflation in costs of raw materials and supplies, freight costs and other costs and expenses. 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 in which the Company participates as a supplier are, in some cases, experiencing supply chain issues from other suppliers to the programs that could result in delays in production for certain customers of the Company. The Company's sales may be impacted by these supply chain challenges its customers are experiencing from other suppliers.

While the wars in Ukraine and the Middle East have had a negative impact on the Company's results of operations due to delayed shipments, the Company may experience 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 but does have customers in Israel. The Company has experienced some increases in raw material costs from overseas suppliers due to the impacts of the wars in Ukraine and the Middle East.

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			39 Weeks Ended		
	December 1, 2024	November 26, 2023	% Change	December 1, 2024	November 26, 2023	% Change
Net sales	\$ 14,408	\$ 11,639	23.8 %	\$ 45,087	\$ 39,671	13.7 %
Cost of sales	10,580	8,470	24.9 %	32,403	27,590	17.4 %
<b>Gross profit</b>	<b>3,828</b>	<b>3,169</b>	<b>20.8 %</b>	<b>12,684</b>	<b>12,081</b>	<b>5.0 %</b>
Selling, general and administrative expenses	1,982	1,804	9.9 %	6,139	6,272	(2.1)%
<b>Earnings from operations</b>	<b>1,846</b>	<b>1,365</b>	<b>35.2 %</b>	<b>6,545</b>	<b>5,809</b>	<b>12.7 %</b>
Storm damage charge	-	-	0.0 %	(1,098)	-	(100.0)%
Interest and other income	290	261	11.1 %	874	724	20.7 %
<b>Earnings from operations before income taxes</b>	<b>2,136</b>	<b>1,626</b>	<b>31.4 %</b>	<b>6,321</b>	<b>6,533</b>	<b>(3.2)%</b>
Income tax provision	559	423	32.2 %	1,685	1,730	(2.6)%
<b>Net earnings</b>	<b>\$ 1,577</b>	<b>\$ 1,203</b>	<b>31.1 %</b>	<b>\$ 4,636</b>	<b>\$ 4,803</b>	<b>(3.5)%</b>
<b>Earnings per share:</b>						
Basic:						
Basic earnings per share	\$ 0.08	\$ 0.06	33.3 %	\$ 0.23	\$ 0.24	(4.2)%
Diluted:						
Diluted earnings per share	\$ 0.08	\$ 0.06	33.3 %	\$ 0.23	\$ 0.24	(4.2)%

### Net Sales

The Company's net sales in the 13 weeks and 39 weeks ended December 1, 2024, were \$14.4 million and \$45.1 million, respectively, compared to \$11.6 million and \$39.7 million, respectively, in the 13 weeks and 39 weeks ended November 26, 2023. Sales for the 13 weeks ended December 1, 2024 were higher than the comparable period of the prior year, primarily due to higher sales to the commercial aerospace and business aircraft markets. Sales for the 39 weeks ended December 1, 2024 were higher than the comparable period of the prior year due to higher sales to the commercial aerospace, business aircraft and military markets.

### Gross Profit

The Company's gross profit in the 13 weeks ended December 1, 2024 was higher than the gross profit in the prior year's comparable period due to higher sales levels in the 13 weeks ended December 1, 2024, compared to the comparable period in the prior year partially offset by a less favorable product mix, higher labor costs due to bringing up the new manufacturing lines to ramp up capacity in preparation for increases in customer program volumes, higher depreciation, repairs and maintenance, insurance costs and higher costs for raw materials, supplies, and freight resulting from inflationary trends. Gross profit in the 13 weeks ended

December 1, 2024 was also negatively impacted by lower production in the period due to bringing up the new manufacturing lines. The Company's gross profit in the 39 weeks ended December 1, 2024 was higher to the gross profit in the prior year's comparable period due to higher sales levels offset by a less favorable sales mix, and the higher costs mentioned above.

The Company's gross profit margins, measured as a percentage of sales, were 26.6% and 28.1%, respectively, in the 13 weeks and 39 weeks ended December 1, 2024, compared to 27.2% and 30.5%, respectively, in the 13 weeks and 39 weeks ended November 26, 2023. The lower gross profit margins for the 13 and 39 weeks ended December 1, 2024, compared to the prior year's comparable periods were primarily due to ramping up capacity ahead of customer program volume increases, a less favorable sales mix, higher depreciation, repairs and maintenance and insurance costs, and higher costs for raw materials, supplies, freight and labor resulting from inflationary trends, partially offset by higher sales.

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

Selling, general and administrative expenses increased by \$178,000 during the 13 weeks ended December 1, 2024, and increased by 9.9% compared to the prior year's comparable period, and these expenses, measured as percentages of sales, were 13.8% in the 13 weeks ended December 1, 2024 compared to 15.5% in the 13 weeks ended November 26, 2023. The increase in selling, general and administrative expenses during the 13 weeks ended December 1, 2024 was primarily due to higher salaries and payroll related expenses, and higher professional and legal fees. The increase in salaries and payroll related expenses is due to increased headcount in connection with ramping up capacity in preparation of expected increases in customer program volumes.

Selling, general and administrative expenses decreased by \$133,000 during the 39 weeks ended December 1, 2024, and decreased by 2.1% compared to the prior year's comparable period, and these expenses, measured as a percentage of sales, were 13.6% in the 39 weeks ended December 1, 2024 compared to 15.8% in the 39 weeks ended November 26, 2023. The decrease in selling, general and administrative expenses during the 39 weeks ended December 1, 2024 was primarily due to \$570,000 of activist shareholder defense costs in the prior year comparable period offset by higher salaries and payroll related expenses as well as higher professional fees.

Selling, general and administrative expenses included stock option expenses of \$105,000 and \$295,000, respectively, for the 13 weeks and 39 weeks ended December 1, 2024, compared to stock option expenses of \$103,000 and \$425,000, including \$109,000 due to the modification of previously granted stock options, respectively, for the 13 weeks and 39 weeks ended November 26, 2023.

#### *Earnings from Operations*

For the reasons set forth above, the Company's earnings from operations were \$1.8 million and \$6.5 million, respectively, for the 13 weeks and 39 weeks ended December 1, 2024, compared to \$1.4 million and \$5.8 million, respectively, for the 13 weeks and 39 weeks ended November 26, 2023.

#### *Interest and Other Income*

Interest and other income were \$290,000 and \$874,000, respectively, for the 13 weeks and 39 weeks ended December 1, 2024, compared to \$261,000 and \$724,000, respectively, for the prior year's comparable periods. Interest income increased 11.1% and 20.7%, respectively,

for the 13 weeks and 39 weeks ended December 1, 2024, primarily as a result of higher weighted average interest rates and lower losses on the sales of marketable securities, compared to the prior year's comparable periods. During the 13 weeks and 39 weeks ended December 1, 2024, 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 and 39 weeks ended December 1, 2024, the Company recorded income tax provisions of \$559,000 and \$1.7 million, respectively, which included discrete income tax provisions of \$19,000 and \$60,000, respectively, primarily for the accrual of interest related to unrecognized tax benefits. For the 13 weeks and 39 weeks ended November 26, 2023, the Company recorded income tax provisions of \$423,000 and \$1.7 million, respectively, which included discrete income tax provisions of \$25,000 and \$78,000, respectively, for the accrual of interest related to unrecognized tax benefits.

The Company's effective tax rates for the 13 weeks and 39 weeks ended December 1, 2024 were 26.2% and 26.7%, respectively, compared to 26.0% and 26.7%, respectively, in the prior year's comparable periods. The effective tax rates for the 13 weeks and 39 weeks ended December 1, 2024 were higher than the U.S. statutory rate of 21% primarily due to state and local taxes and liabilities and the accrual of interest related to unrecognized tax benefits. The effective rates for the 13 weeks and 39 weeks ended November 26, 2023 were 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 and 39 weeks ended December 1, 2024 were \$1.6 million and \$4.6 million, respectively, compared to net earnings of \$1.2 million and \$4.8 million, respectively, for the 13 weeks and 39 weeks ended November 26, 2023.

#### *Basic and Diluted Earnings Per Share*

In the 13 weeks and 39 weeks ended December 1, 2024, basic and diluted earnings per share were \$0.08 and \$0.23, respectively, compared to basic and diluted earnings per share of \$0.06 and \$0.24, respectively, in the 13 weeks and 39 weeks ended November 26, 2023.

#### **Liquidity and Capital Resources - Continuing Operations:**

(Amounts in thousands)	<b>December 1, 2024</b>	<b>March 3, 2024</b>	<b>Change</b>
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents and marketable securities	\$ 70,042	\$ 77,211	\$ (7,169)
Working capital	80,308	89,187	(8,879)

(Amounts in thousands)	39 Weeks Ended		
	December 1, 2024	November 26, 2023	Change
Net cash provided by (used in) operating activities	\$ 3,748	\$ (886)	\$ 4,634
Net cash provided by investing activities	14,232	31,783	(17,551)
Net cash used in financing activities	(11,793)	(30,961)	19,168

### Cash and Marketable Securities

Of the \$70.0 million of cash and cash equivalents and marketable securities at December 1, 2024, \$30.8 million was owned by one of the Company's wholly-owned foreign subsidiaries.

The change in cash and cash equivalents and marketable securities at December 1, 2024 compared to March 3, 2024 was the result of the purchase of treasury shares, dividends paid to shareholders, the Company's transition tax installment payment, capital expenditures and a number of additional factors. The significant changes in cash provided by (used in) operating activities was as follows:

- accounts receivable decreased by 22% at December 1, 2024 compared to March 3, 2024 primarily due to timing of sales;
- inventories increased by 65% at December 1, 2024 compared to March 3, 2024 primarily due to higher in-transit shipments;
- prepaid and other current assets decreased by 21% at December 1, 2024 compared to March 3, 2024 primarily due to lower prepaid tax balances;
- accounts payable increased by 57% at December 1, 2024 compared to March 3, 2024 primarily due to increase in inventory and timing of vendor payments;
- accrued liabilities decreased by 28% at December 1, 2024 compared to March 3, 2024 primarily due to decreases in bonus, profit sharing, and property tax accruals; and
- income taxes payable decreased by 44% at December 1, 2024 compared to March 3, 2024 due the payment of a \$4.2 million transition tax installment payment in June 2024.

In addition, the Company paid \$7.6 million in cash dividends in the 39 weeks ended December 1, 2024 compared to \$28.1 million in the 39 weeks ended November 26, 2023. The amount paid during the 39 weeks ended November 26, 2023 included a \$20.5 million special cash dividend. The Company purchased treasury stock of \$4.3 million during the 39 weeks ended December 1, 2024 compared to \$2.9 million in the 39 weeks ended November 26, 2023.

### Working Capital

The decrease in working capital at December 1, 2024 compared to March 3, 2024 was due principally to the decreases in marketable securities, accounts receivable and prepaid and other current assets and increased income taxes payable, partially offset by an increase in inventories and decreases in accrued liabilities.

The Company's current ratio (the ratio of current assets to current liabilities) was 7.6 to 1.0 at December 1, 2024, compared to 10.2 to 1.0 at March 3, 2024.

### Cash Flows

During the 39 weeks ended December 1, 2024, the Company's net earnings, adjusted for depreciation and amortization, deferred income taxes, stock-based compensation, amortization of bond premium and changes in operating assets and liabilities, resulted in a \$3.7 million operating cash inflow. During the same 39-week period, the Company expended \$258,000 for the purchase of property, plant and equipment, compared with \$481,000 during the 39 weeks ended November 26, 2023. The Company paid \$7.6 million in cash dividends in the 39-week period ended December 1, 2024, compared to \$28.1 million in the 39-week period ended November 26, 2023. The Company purchased treasury shares of \$4.3 million in the 39-week period ended December 1, 2024 compared to \$2.9 million in the 39-week period ended November 26, 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, and appropriate acquisitions and other expansions of the Company's business.

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 Condensed Consolidated Financial Statements, which have been prepared in accordance with 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 credit losses, 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 Condensed 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 March 3, 2024. There have been no significant changes to such accounting policies during the 2025 fiscal year third 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 March 3, 2024.

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

The Company's market risk exposure at December 1, 2024 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 March 3, 2024.

**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 Vice President - Finance, 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 December 1, 2024, the end of the quarterly fiscal period covered by this quarterly report. Based on such evaluation, the Company's Chief Executive Officer and Vice President - Finance 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 Vice President - Finance, 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 March 3, 2024.

### **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 2025 fiscal year third quarter ended December 1, 2024.

<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>
September 2 - October 1	97,748	\$ 13.12	97,748	
October 2 - November 1	82,799	\$ 13.05	82,799	
November 2 - December 1	<u>0</u>	\$ -	<u>0</u>	
<b>Total</b>	<b><u>180,547</u></b>	<b>\$ 13.09</b>	<b><u>180,547</u></b>	<b>948,721 (a)</b>

(a) Aggregate number of shares available to be purchased by the Company pursuant to a 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 December 1, 2024, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at December 1, 2024 (unaudited) and March 3, 2024; (ii) Consolidated Statements of Operations for the 13 weeks and 39 weeks ended December 1, 2024 and November 26, 2023 (unaudited); (iii) Consolidated Statements of Comprehensive Earnings for the 13 weeks and 39 weeks ended December 1, 2024 and November 26, 2023 (unaudited); (iv) Consolidated Statements of Shareholders' Equity at December 1, 2024 (unaudited) and November 26, 2023; and (v) Condensed Consolidated Statements of Cash Flows for the 39 weeks ended December 1, 2024 and November 26, 2023 (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

<b>Exhibit No.</b> -----	<b>Name</b> ----
31.1	Certification of principal executive officer pursuant to Exchange Act Rule 13a-14(a) or 15d-14(a).
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*	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: January 15, 2025

/s/ Brian E. Shore

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

Date: January 15, 2025

/s/ Christopher Goldner

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Christopher Goldner  
Vice President – Finance  
(principal financial officer)  
(principal accounting officer)

**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 December 1, 2024 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: January 15, 2025

/s/ Brian E. Shore

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Name: Brian E. Shore

Title: Chief Executive Officer

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

I, Christopher Goldner, as Vice President-Finance of Park Aerospace Corp., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended December 1, 2024 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: January 15, 2025

/s/ Christopher Goldner  
Name: Christopher Goldner  
Title: Vice President - Finance

**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 December 1, 2024 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: January 15, 2025

**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 December 1, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Christopher Goldner, as Vice President - Finance 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/ Christopher Goldner

\_\_\_\_\_  
Name: Christopher Goldner

Title: Vice President - Finance

Date: January 15, 2025