

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended September 30, 2021

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 1-6747

The Gorman-Rupp Company
(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

600 South Airport Road, Mansfield, Ohio
(Address of principal executive offices)

34-0253990
(I.R.S. Employer
Identification No.)

44903
(Zip Code)

Registrant's telephone number, including area code (419) 755-1011

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, without par value	GRC	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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

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 ☒

On November 1, 2021 there were 26,126,640 common shares, without par value, of The Gorman-Rupp Company outstanding.

The Gorman-Rupp Company
Three and Nine Months Ended September 30, 2021 and 2020

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited)	
	Consolidated Statements of Income	3
	- Three months ended September 30, 2021 and 2020	
	- Nine months ended September 30, 2021 and 2020	
	Consolidated Statements of Comprehensive Income	3
	- Three months ended September 30, 2021 and 2020	
	- Nine months ended September 30, 2021 and 2020	
	Consolidated Balance Sheets	4
	- September 30, 2021 and December 31, 2020	
	Consolidated Statements of Cash Flows	5
	- Nine months ended September 30, 2021 and 2020	
	Consolidated Statements of Equity	6
	- Nine months ended September 30, 2021 and 2020	
	Notes to Consolidated Financial Statements (Unaudited)	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	18
Item 4.	Controls and Procedures	18

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	18
Item 1A.	Risk Factors	18
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	18
Item 6.	Exhibits	19
EX-31.1	Section 302 Principal Executive Officer (PEO) Certification	
EX-31.2	Section 302 Principal Financial Officer (PFO) Certification	
EX-32	Section 1350 Certifications	

PART I. FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS (UNAUDITED)

THE GORMAN-RUPP COMPANY
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<i>(Dollars in thousands, except per share amounts)</i>				
Net sales	\$ 102,110	\$ 88,982	\$ 284,152	\$ 266,467
Cost of products sold	76,277	66,011	210,604	198,199
Gross profit	25,833	22,971	73,548	68,268
Selling, general and administrative expenses	14,291	13,228	42,420	40,951
Operating income	11,542	9,743	31,128	27,317
Other income (expense), net	(486)	(744)	(1,846)	(4,361)
Income before income taxes	11,056	8,999	29,282	22,956
Income taxes	2,274	1,738	5,974	4,575
Net income	\$ 8,782	\$ 7,261	\$ 23,308	\$ 18,381
Earnings per share	\$ 0.34	\$ 0.28	\$ 0.89	\$ 0.70
Cash dividends per share	\$ 0.155	\$ 0.145	\$ 0.465	\$ 0.435
Average number of shares outstanding	26,126,640	26,101,992	26,117,262	26,089,414

See notes to consolidated financial statements (unaudited).

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
<i>(Dollars in thousands)</i>				
Net income	\$ 8,782	\$ 7,261	\$ 23,308	\$ 18,381
Other comprehensive (loss) income, net of tax:				
Cumulative translation adjustments	(1,427)	1,644	(1,849)	397
Pension and postretirement medical liability adjustments	726	1,242	3,089	4,833
Other comprehensive (loss) income	(701)	2,886	1,240	5,230
Comprehensive income	\$ 8,081	\$ 10,147	\$ 24,548	\$ 23,611

See notes to consolidated financial statements (unaudited).

THE GORMAN-RUPP COMPANY
CONSOLIDATED BALANCE SHEETS

<i>(Dollars in thousands)</i>	(unaudited) September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 131,120	\$ 108,203
Accounts receivable, net	58,817	50,763
Inventories, net	81,413	82,686
Prepaid and other	7,190	5,169
Total current assets	278,540	246,821
Property, plant and equipment, net	104,765	108,666
Other assets	5,130	4,795
Goodwill and other intangible assets, net	33,446	34,175
Total assets	<u>\$ 421,881</u>	<u>\$ 394,457</u>
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 15,796	\$ 9,466
Payroll and employee related liabilities	15,359	10,825
Commissions payable	6,592	5,624
Deferred revenue and customer deposits	9,508	8,004
Accrued expenses	7,519	4,582
Total current liabilities	54,774	38,501
Pension benefits	7,812	9,232
Postretirement benefits	28,079	28,250
Other long-term liabilities	1,740	2,961
Total liabilities	92,405	78,944
Equity:		
Common shares, without par value:		
Authorized -- 35,000,000 shares;		
Outstanding -- 26,126,640 shares at September 30, 2021 and 26,101,992 shares at December 31, 2020 (after deducting treasury shares of 922,156 and 946,804, respectively), at stated capital amounts	5,104	5,099
Additional paid-in capital	2,157	693
Retained earnings	351,352	340,098
Accumulated other comprehensive (loss)	(29,137)	(30,377)
Total equity	329,476	315,513
Total liabilities and equity	<u>\$ 421,881</u>	<u>\$ 394,457</u>

See notes to consolidated financial statements (unaudited).

THE GORMAN-RUPP COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30,	
	2021	2020
<i>(Dollars in thousands)</i>		
Cash flows from operating activities:		
Net income	\$ 23,308	\$ 18,381
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,908	9,649
Pension expense	4,177	6,670
Stock based compensation	1,790	(191)
Contributions to pension plan	(2,000)	(2,000)
Changes in operating assets and liabilities:		
Accounts receivable, net	(8,644)	5,543
Inventories, net	342	(6,355)
Accounts payable	6,692	(2,209)
Commissions payable	1,099	(1,013)
Deferred revenue and customer deposits	1,646	(825)
Income taxes	1,341	1,237
Accrued expenses and other	(1,089)	135
Benefit obligations	3,965	2,406
Net cash provided by operating activities	41,535	31,428
Cash used for investing activities:		
Capital additions	(5,617)	(6,258)
Other	572	237
Net cash used for investing activities	(5,045)	(6,021)
Cash used for financing activities:		
Cash dividends	(12,145)	(11,348)
Treasury share repurchases	(231)	(361)
Other	(689)	(243)
Net cash used for financing activities	(13,065)	(11,952)
Effect of exchange rate changes on cash	(508)	(345)
Net increase in cash and cash equivalents	22,917	13,110
Cash and cash equivalents:		
Beginning of period	108,203	80,555
End of period	\$ 131,120	\$ 93,665

See notes to consolidated financial statements (unaudited).

THE GORMAN-RUPP COMPANY
CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)

Nine Months Ended September 30, 2021

	Common Shares		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
<i>(Dollars in thousands, except share and per share amounts)</i>	Shares	Dollars				
Balances December 31, 2020	26,101,992	\$ 5,099	\$ 693	\$ 340,098	\$ (30,377)	\$ 315,513
Net income				7,429		7,429
Other comprehensive loss					(871)	(871)
Stock based compensation, net	14,148	3	551	52		606
Cash dividends - \$0.155 per share				(4,047)		(4,047)
Balances March 31, 2021	26,116,140	\$ 5,102	\$ 1,244	\$ 343,532	\$ (31,248)	\$ 318,630
Net income				7,097		7,097
Other comprehensive income					2,812	2,812
Stock based compensation, net			465			465
Cash dividends - \$0.155 per share				(4,048)		(4,048)
Balances June 30, 2021	26,116,140	\$ 5,102	\$ 1,709	\$ 346,581	\$ (28,436)	\$ 324,956
Net income				8,782		8,782
Other comprehensive loss					(701)	(701)
Stock based compensation, net	10,500	2	448	39		489
Cash dividends - \$0.155 per share				(4,050)		(4,050)
Balances September 30, 2021	<u>26,126,640</u>	<u>\$ 5,104</u>	<u>\$ 2,157</u>	<u>\$ 351,352</u>	<u>\$ (29,137)</u>	<u>\$ 329,476</u>

Nine Months Ended September 30, 2020

	Common Shares		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
<i>(Dollars in thousands, except share and per share amounts)</i>	Shares	Dollars				
Balances December 31, 2019	26,067,502	\$ 5,091	\$ 1,147	\$ 330,177	\$ (28,537)	\$ 307,878
Net income				5,486		5,486
Other comprehensive loss					(782)	(782)
Stock based compensation, net	23,990	5	(547)	88		(454)
Cash dividends - \$0.145 per share				(3,780)		(3,780)
Balances March 31, 2020	26,091,492	\$ 5,096	\$ 600	\$ 331,971	\$ (29,319)	\$ 308,348
Net income				5,634		5,634
Other comprehensive income					3,126	3,126
Stock based compensation, net			(2)			(2)
Cash dividends - \$0.145 per share				(3,782)		(3,782)
Balances June 30, 2020	26,091,492	\$ 5,096	\$ 598	\$ 333,823	\$ (26,193)	\$ 313,324
Net income				7,261		7,261
Other comprehensive income					2,886	2,886
Stock based compensation, net	10,500	3	(96)	39		(54)
Cash dividends - \$0.145 per share				(3,786)		(3,786)
Balances September 30, 2020	<u>26,101,992</u>	<u>\$ 5,099</u>	<u>\$ 502</u>	<u>\$ 337,337</u>	<u>\$ (23,307)</u>	<u>\$ 319,631</u>

See notes to consolidated financial statements (unaudited).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Amounts in tables in thousands of dollars, except for per share amounts)

NOTE 1 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The Consolidated Financial Statements include the accounts of The Gorman-Rupp Company (the "Company" or "Gorman-Rupp") and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results. In the opinion of management of the Company, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2021 are not necessarily indicative of results that may be expected for the year ending December 31, 2021. For further information, refer to the Consolidated Financial Statements and accompanying notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020, from which related information herein has been derived.

COVID-19 Impact

In March 2020, the World Health Organization categorized the coronavirus ("COVID-19") as a pandemic. While the near-term effects of the pandemic have negatively impacted our financial results, uncertainty over the economic and operational impacts of COVID-19 means the ultimate related financial impact cannot be reasonably estimated at this time. The Company's Consolidated Financial Statements presented herein reflect estimates and assumptions made by management that affect the reported amounts of assets and liabilities and reported amounts of revenue and expenses during the reporting periods presented. Such estimates and assumptions affect, among other things, the Company's goodwill, long-lived asset and indefinite-lived intangible asset valuation; inventory valuation; the allowance for doubtful accounts; and pension plan assumptions. The Company is not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of the date of the financial statements included in this Quarterly Report on Form 10-Q. These estimates may change as new events occur and additional information is obtained.

NOTE 2 - RECENTLY ISSUED ACCOUNTING STANDARDS

The Company considers the applicability and impact of all Accounting Standard Updates ("ASUs"). ASUs not listed below were assessed and determined either to be not applicable or are expected to have minimal impact on the Company's Consolidated Financial Statements.

Recently Adopted Accounting Standards

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes", which, as part of its Simplification Initiative to reduce the cost and complexity in accounting for income taxes, removes certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also amends other aspects of the guidance to help simplify and promote consistent application of GAAP. The guidance is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. The Company adopted ASU 2019-12 effective January 1, 2021 with no material impact on the Company's Consolidated Financial Statements.

NOTE 3 – REVENUE**Disaggregation of Revenue**

The following tables disaggregate total net sales by major product category and geographic location:

	Product Category			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Pumps and pump systems	\$ 86,770	\$ 77,035	\$ 241,038	\$ 230,581
Repair parts for pumps and pump systems and other	15,340	11,947	43,114	35,886
Total net sales	<u>\$ 102,110</u>	<u>\$ 88,982</u>	<u>\$ 284,152</u>	<u>\$ 266,467</u>

	Geographic Location			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
United States	\$ 68,726	\$ 63,292	\$ 195,823	\$ 188,312
Foreign countries	33,384	25,690	88,329	78,155
Total net sales	<u>\$ 102,110</u>	<u>\$ 88,982</u>	<u>\$ 284,152</u>	<u>\$ 266,467</u>

International sales represented approximately 33% and 29% of total net sales for the third quarter of 2021 and 2020 respectively, and were made to customers in many different countries around the world.

On September 30, 2021, the Company had \$156.5 million of remaining performance obligations, also referred to as backlog. The Company expects to recognize as revenue substantially all of its remaining performance obligations within one year.

The Company's contract assets and liabilities as of September 30, 2021 and December 31, 2020 were as follows:

	September 30, 2021	December 31, 2020
Contract assets	\$ -	\$ -
Contract liabilities	\$ 9,508	\$ 8,004

Revenue recognized for the nine months ended September 30, 2021 and 2020 that was included in the contract liabilities balance at the beginning of the period was \$6.0 million and \$4.4 million, respectively.

NOTE 4 - INVENTORIES

LIFO inventories are stated at the lower of cost or market and all other inventories are stated at the lower of cost or net realizable value. Replacement cost approximates current cost and the excess over LIFO cost is approximately \$67.3 million and \$63.5 million at September 30, 2021 and December 31, 2020, respectively. Allowances for excess and obsolete inventory totaled \$5.9 million for each of the periods ended September 30, 2021 and December 31, 2020. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Interim LIFO calculations are based on management's estimate of expected year-end inventory levels and costs, and are subject to the final year-end LIFO inventory valuation.

Inventories are comprised of the following:

	September 30, 2021	December 31, 2020
Inventories, net:		
Raw materials and in-process	\$ 21,362	\$ 18,152
Finished parts	49,522	51,701
Finished products	10,529	12,833
Total net inventories	<u>\$ 81,413</u>	<u>\$ 82,686</u>

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, net consist of the following:

	September 30, 2021	December 31, 2020
Land	\$ 5,864	\$ 5,805
Buildings	111,488	111,876
Machinery and equipment	187,513	184,362
	304,865	302,043
Less accumulated depreciation	(200,100)	(193,377)
Property, plant and equipment, net	<u>\$ 104,765</u>	<u>\$ 108,666</u>

NOTE 6 - PRODUCT WARRANTIES

A liability is established for estimated future warranty and service claims based on historical claims experience and specific product failures. The Company expenses warranty costs directly to Cost of products sold. Changes in the Company's product warranties liability are:

	September 30, 2021	2020
Balance at beginning of year	\$ 1,361	\$ 1,438
Provision	1,317	925
Claims	(1,248)	(965)
Balance at end of period	<u>\$ 1,430</u>	<u>\$ 1,398</u>

NOTE 7 - PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors a defined benefit pension plan ("Plan") covering certain domestic employees. Benefits are based on each covered employee's years of service and compensation. The Plan is funded in conformity with the funding requirements of applicable U.S. regulations. The Plan was closed to new participants effective January 1, 2008. Employees hired after this date, in eligible locations, participate in an enhanced 401(k) plan instead of the defined benefit pension plan. Employees hired prior to this date continue to accrue benefits.

Additionally, the Company sponsors defined contribution pension plans made available to all domestic and Canadian employees. The Company funds the cost of these benefits as incurred.

The Company also sponsors a non-contributory defined benefit postretirement health care plan that provides health benefits to certain domestic and Canadian retirees and eligible spouses and dependent children. The Company funds the cost of these benefits as incurred.

The following tables present the components of net periodic benefit costs:

	Pension Benefits		Postretirement Benefits	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2021	2020	2021	2020
Service cost	\$ 636	\$ 688	\$ 365	\$ 343
Interest cost	467	431	163	194
Expected return on plan assets	(907)	(984)	-	-
Amortization of prior service cost	-	-	(282)	(282)
Recognized actuarial loss	423	538	145	77
Settlement loss	388	991	-	-
Net periodic benefit cost (a)	<u>\$ 1,007</u>	<u>\$ 1,664</u>	<u>\$ 391</u>	<u>\$ 332</u>

	Pension Benefits		Postretirement Benefits	
	Nine Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Service cost	\$ 2,034	\$ 2,029	\$ 1,096	\$ 1,029
Interest cost	1,252	1,522	490	584
Expected return on plan assets	(2,707)	(2,928)	-	-
Amortization of prior service cost	-	-	(847)	(847)
Recognized actuarial loss	1,482	1,673	435	230
Settlement loss	2,116	4,373	-	-
Net periodic benefit cost (a)	\$ 4,177	\$ 6,669	\$ 1,174	\$ 996

(a) The components of net periodic benefit cost other than the service cost component are included in Other income (expense), net in the Consolidated Statements of Income.

During the three and nine months ended September 30, 2021, the Company recorded a settlement loss relating to retirees that received lump-sum distributions from the Company's defined benefit pension plan totaling \$0.4 million and \$2.1 million, respectively. The Company recorded settlement losses of \$1.0 million and \$4.4 million for the three and nine month periods ended September 30, 2020, respectively. These charges were the result of lump-sum distributions to retirees exceeding the Plan's actuarial service and interest cost thresholds.

NOTE 8 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The reclassifications out of Accumulated other comprehensive income (loss) as reported in the Consolidated Statements of Income are:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Pension and other postretirement benefits:				
Recognized actuarial loss (a)	\$ 568	\$ 615	\$ 1,917	\$ 1,903
Settlement loss (a)	388	991	2,116	4,373
Total before income tax	\$ 956	\$ 1,606	\$ 4,033	\$ 6,276
Income tax	(230)	(364)	(944)	(1,443)
Net of income tax	\$ 726	\$ 1,242	\$ 3,089	\$ 4,833

(a) The recognized actuarial loss and the settlement loss are included in Other income (expense), net in the Consolidated Statements of Income.

The components of Accumulated other comprehensive income (loss) as reported in the Consolidated Balance Sheets are:

	Currency Translation Adjustments	Pension and Other Postretirement Benefits	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2020	\$ (5,044)	\$ (25,333)	\$ (30,377)
Reclassification adjustments	-	4,033	4,033
Current period charge	(1,849)	-	(1,849)
Income tax benefit (charge)	-	(944)	(944)
Balance at September 30, 2021	\$ (6,893)	\$ (22,244)	\$ (29,137)

	Currency Translation Adjustments	Pension and Other Postretirement Benefits	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2019	\$ (8,155)	\$ (20,382)	\$ (28,537)
Reclassification adjustments	-	6,276	6,276
Current period charge	397	-	397
Income tax benefit (charge)	-	(1,443)	(1,443)
Balance at September 30, 2020	<u>\$ (7,758)</u>	<u>\$ (15,549)</u>	<u>\$ (23,307)</u>

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

(Dollars in thousands, except for per share amounts)

The following discussion and analysis of the Company's financial condition and Results of Operations should be read in conjunction with the Consolidated Financial Statements, and notes thereto, and the other financial data included elsewhere in this Quarterly Report on Form 10-Q. The following discussion should also be read in conjunction with the Company's audited Consolidated Financial Statements and accompanying notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in its Annual Report on Form 10-K for the year ended December 31, 2020. The coronavirus (COVID-19) pandemic has had an adverse effect on the Company's reported results, although our facilities and supply chain have remained operational through the pandemic and our reported results have started to improve as the global economy further recovers from the pandemic. The extent to which the Company's operations will continue to be impacted by the pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of the pandemic and actions by government authorities to contain the pandemic or treat its impact, among other things.

Executive Overview

The following discussion of Results of Operations includes certain non-GAAP financial data and measures such as adjusted earnings before interest, taxes, depreciation and amortization and adjusted earnings per share amounts which exclude non-cash pension settlement charges in 2021 and 2020. Management utilizes these adjusted financial data and measures to assess comparative operations against those of prior periods without the distortion of non-comparable factors. The Gorman-Rupp Company believes that these non-GAAP financial data and measures also will be useful to investors in assessing the strength of the Company's underlying operations from period to period. Provided below is a reconciliation of adjusted earnings per share amounts and adjusted earnings before interest, taxes, depreciation and amortization.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Adjusted earnings per share:				
Reported earnings per share – GAAP basis	\$ 0.34	\$ 0.28	\$ 0.89	\$ 0.70
Plus pension settlement charge per share	0.01	0.03	0.06	0.13
Non-GAAP adjusted earnings per share	<u>\$ 0.35</u>	<u>\$ 0.31</u>	<u>\$ 0.95</u>	<u>\$ 0.83</u>
Adjusted earnings before interest, taxes, depreciation and amortization:				
Reported net income–GAAP basis	\$ 8,782	\$ 7,261	\$ 23,308	\$ 18,381
Plus income taxes	2,274	1,738	5,974	4,575
Plus depreciation and amortization	2,957	3,324	8,908	9,649
Non-GAAP earnings before interest, taxes, depreciation and amortization	14,013	12,323	38,190	32,605
Plus pension settlement charge	388	991	2,116	4,373
Non-GAAP adjusted earnings before interest, taxes, depreciation and amortization	<u>\$ 14,401</u>	<u>\$ 13,314</u>	<u>\$ 40,306</u>	<u>\$ 36,978</u>

The Gorman-Rupp Company (“we”, “our”, “Gorman-Rupp” or the “Company”) is a leading designer, manufacturer and international marketer of pumps and pump systems for use in diverse water, wastewater, construction, dewatering, industrial, petroleum, original equipment, agriculture, fire protection, heating, ventilating and air conditioning (HVAC), military and other liquid-handling applications. The Company attributes its success to long-term product quality, applications and performance combined with timely delivery and service, and continually seeks to develop initiatives to improve performance in these key areas.

Gorman-Rupp actively pursues growth opportunities through organic growth, international business expansion and acquisitions.

We regularly invest in training for our employees, in new product development and in modern manufacturing equipment, technology and facilities all designed to increase production efficiency and capacity and drive growth by delivering innovative solutions to our customers. We believe that the diversity of our markets is a major contributor to the generally stable financial growth we have produced for more than 85 years.

The Company places a strong emphasis on cash flow generation and maintaining excellent liquidity and financial flexibility. This focus has afforded us the ability to reinvest our cash resources and preserve a strong balance sheet and position us for future acquisition and product development opportunities. The Company had no bank debt as of September 30, 2021. The Company’s cash position increased \$22.9 million during the first nine months of 2021 to \$131.1 million at September 30, 2021 and the Company generated \$40.3 million in adjusted earnings before interest, taxes, depreciation and amortization during the same period.

Capital expenditures for the first nine months of 2021 were \$5.6 million and consisted primarily of machinery and equipment and building improvements. Capital expenditures for the full-year 2021 are presently planned to be approximately \$10 million primarily for building improvements and machinery and equipment purchases, and are expected to be financed through internally-generated funds.

Net sales for the third quarter of 2021 were \$102.1 million compared to net sales of \$89.0 million for the third quarter of 2020, an increase of 14.8% or \$13.1 million. Domestic sales increased 8.6% or \$5.4 million and international sales increased 30.0% or \$7.7 million compared to the same period in 2020. As the global economy has started to recover from the COVID-19 pandemic, sales and incoming orders have increased across nearly all of our markets.

Gross profit was \$25.8 million for the third quarter of 2021, resulting in gross margin of 25.3%, compared to gross profit of \$23.0 million and gross margin of 25.8% for the same period in 2020. The 50 basis point decrease in gross margin was driven by a 210 basis point increase in cost of material, which included an unfavorable LIFO impact of 250 basis points, partially offset by a 160 basis point improvement on labor and overhead resulting from increased sales volume.

Selling, general and administrative (“SG&A”) expenses were \$14.3 million and 14.0% of net sales for the third quarter of 2021 compared to \$13.2 million and 14.9% of net sales for the same period in 2020. SG&A expenses increased 8.0% or \$1.1 million as a result of compensation, travel and other expense items returning closer to pre-pandemic levels as operational activities return to normal. SG&A expenses as a percentage of sales improved 90 basis points primarily as a result of leverage on fixed costs from increased sales volume.

Operating income was \$11.5 million for the third quarter of 2021, resulting in an operating margin of 11.3%, compared to operating income of \$9.7 million and operating margin of 10.9% for the same period in 2020. Operating margin improved 40 basis points as a result of improved leverage on fixed costs from increased sales volume partially offset by an unfavorable LIFO impact.

Other income (expense), net was \$0.5 million of expense for the third quarter of 2021 compared to expense of \$0.7 million for the same period in 2020. The decrease to expense was due primarily to reduced non-cash pension settlement charges of \$0.4 million in the third quarter of 2021 compared to \$1.0 million in the third quarter of 2020.

Net income was \$8.8 million for the third quarter of 2021 compared to \$7.3 million in the third quarter of 2020, and earnings per share were \$0.34 and \$0.28 for the respective periods. Earnings per share for the third quarter of 2021 included an unfavorable LIFO impact of \$0.08 per share. Earnings per share for the third quarter included a non-cash pension settlement charge of \$0.01 per share in 2021 and \$0.03 per share in 2020.

Net sales for the first nine months of 2021 were \$284.2 million compared to net sales of \$266.5 million for the first nine months of 2020, an increase of 6.6% or \$17.7 million. Domestic sales increased 4.0% or \$7.5 million and international sales increased 13.0% or \$10.2 million compared to the same period in 2020.

Gross profit was \$73.5 million for the first nine months of 2021, resulting in gross margin of 25.9%, compared to gross profit of \$68.3 million and gross margin of 25.6% for the same period in 2020. The 30 basis points increase in gross margin compared to the first nine months of 2020 was driven by a 130 basis point improvement on labor and overhead resulting from increased sales volume, partially offset by a 100 basis point increase in cost of material which included an unfavorable LIFO impact of 90 basis points.

SG&A expenses were \$42.4 million and 14.9% of net sales for the first nine months of 2021 compared to \$41.0 million and 15.4% of net sales for the same period in 2020. SG&A expenses increased 3.6% or \$1.4 million but improved 50 basis points as a percentage of sales primarily as a result of leverage on fixed costs from increased sales volume.

Operating income was \$31.1 million for the first nine months of 2021, resulting in an operating margin of 11.0%, compared to operating income of \$27.3 million and operating margin of 10.3% for the same period in 2020. Operating margin improved 70 basis points primarily as a result of improved leverage on fixed costs from increased sales volume partially offset by an unfavorable LIFO impact.

Other income (expense), net was \$1.8 million of expense for the first nine months of 2021 compared to expense of \$4.4 million for the same period in 2020. The decrease to expense was due primarily to reduced non-cash pension settlement charges of \$2.1 million in 2021 compared to \$4.4 million in 2020.

Net income was \$23.3 million for the first nine months of 2021 compared to \$18.4 million in the first nine months of 2020, and earnings per share were \$0.89 and \$0.70 for the respective periods. Earnings per share included an unfavorable LIFO impact of \$0.12 per share in 2021 compared to \$0.04 per share in 2020. Earnings per share included a non-cash pension settlement charge of \$0.06 per share in 2021 and \$0.13 per share in 2020.

The Company's backlog of orders was \$156.5 million at September 30, 2021 compared to \$102.0 million at September 30, 2020 and \$113.1 million at December 31, 2020. Incoming orders increased 24.8% for the first nine months of 2021 compared to the same period in 2020. Incoming orders during the third quarter of 2021 increased 32.0% when compared to the same period last year.

On October 28, 2021, the Board of Directors authorized the payment of a quarterly dividend of \$0.17 per share on the common stock of the Company, payable December 10, 2021, to shareholders of record as of November 15, 2021. This will mark the 287th consecutive quarterly dividend paid by The Gorman-Rupp Company.

The Company currently expects to continue its exceptional history of paying regular quarterly dividends and increased annual dividends. However, any future dividends will be reviewed individually and declared by our Board of Directors at its discretion, dependent on our assessment of the Company's financial condition and business outlook at the applicable time.

On October 29, 2021, the Company announced a share repurchase program of up to \$50.0 million of the Company's common shares. Shares may be repurchased from time to time by the Company through a variety of methods, which may include open-market transactions, pre-set trading plans designed in accordance with Rule 10b5-1, privately negotiated transactions, accelerated share repurchase transactions, or any combination of such methods. The actual number of shares repurchased will depend on prevailing market conditions, alternative uses of capital and other factors, and will be determined at management's discretion. The Company is not obligated to make any purchases under the program, and the program may be suspended or discontinued at any time. The program does not have an expiration date.

Outlook

Our sales and incoming orders have continued the positive trends we began to see earlier in the year, and we enter the fourth quarter with a very strong backlog. Our team has continued to do a good job managing the ongoing challenges of the COVID-19 pandemic, including those related to our global supply chain. As sales volumes have returned to more normal levels, we have managed our gross margin and have leveraged our SG&A expenses, resulting in improved earnings. While we continue to manage the uncertainties related to the global economic recovery, our management team also remains focused on long-term growth opportunities and strategic initiatives that will enable us to continue to deliver shareholder value.

Three Months Ended September 30, 2021 vs. Three Months Ended September 30, 2020

Net Sales

	Three Months Ended September 30,		\$ Change	% Change
	2021	2020		
Net Sales	\$ 102,110	\$ 88,982	\$ 13,128	14.8%

Net sales for the third quarter of 2021 were \$102.1 million compared to net sales of \$89.0 million for the third quarter of 2020, an increase of 14.8% or \$13.1 million. Domestic sales increased 8.6% or \$5.4 million and international sales increased 30.0% or \$7.7 million compared to the same period in 2020. As the global economy has started to recover from the COVID-19 pandemic, sales and incoming orders have increased across nearly all of our markets.

Sales in our water markets increased 14.6% or \$9.3 million in the third quarter of 2021 compared to the third quarter of 2020. Sales increased \$6.0 million in the fire protection market, \$3.6 million in the construction market, \$2.3 million in the repair market, and \$0.8 million in the agriculture market. Partially offsetting these increases was a sales decrease of \$3.4 million in the municipal market. The decrease in municipal market sales is primarily due to timing, as both incoming orders and backlog have increased compared to the prior year.

Sales in our non-water markets increased 15.2% or \$3.8 million in the third quarter of 2021 compared to the third quarter of 2020. Sales increased \$2.7 million in the OEM market, \$0.7 million in the industrial market, and \$0.4 million in the petroleum market.

Cost of Products Sold and Gross Profit

	Three Months Ended September 30,		\$ Change	% Change
	2021	2020		
Cost of products sold	\$ 76,277	\$ 66,011	\$ 10,266	15.6%
% of Net sales	74.7%	74.2%		
Gross Margin	25.3%	25.8%		

Gross profit was \$25.8 million for the third quarter of 2021, resulting in gross margin of 25.3%, compared to gross profit of \$23.0 million and gross margin of 25.8% for the same period in 2020. The 50 basis point decrease in gross margin was driven by a 210 basis point increase in cost of material, which included an unfavorable LIFO impact of 250 basis points, partially offset by a 160 basis point improvement on labor and overhead resulting from increased sales volume.

Selling, General and Administrative (SG&A) Expenses

	Three Months Ended September 30,		\$ Change	% Change
	2021	2020		
Selling, general and administrative expenses	\$ 14,291	\$ 13,228	\$ 1,063	8.0%
% of Net sales	14.0%	14.9%		

Selling, general and administrative (“SG&A”) expenses were \$14.3 million and 14.0% of net sales for the third quarter of 2021 compared to \$13.2 million and 14.9% of net sales for the same period in 2020. SG&A expenses increased 8.0% or \$1.1 million as a result of compensation, travel and other expense items returning closer to pre-pandemic levels as operational activities return to normal. SG&A expenses as a percentage of sales improved 90 basis points primarily as a result of leverage on fixed costs from increased sales volume.

Operating Income

	Three Months Ended September 30,		\$ Change	% Change
	2021	2020		
Operating income	\$ 11,542	\$ 9,743	\$ 1,799	18.5%
% of Net sales	11.3%	10.9%		

Operating income was \$11.5 million for the third quarter of 2021, resulting in an operating margin of 11.3%, compared to operating income of \$9.7 million and operating margin of 10.9% for the same period in 2020. Operating margin improved 40 basis points as a result of improved leverage on fixed costs from increased sales volume partially offset by an unfavorable LIFO impact.

Net Income

	Three Months Ended September 30,		\$ Change	% Change
	2021	2020		
Income before income taxes	\$ 11,056	\$ 8,999	\$ 2,057	22.9%
<i>% of Net sales</i>	10.8%	10.1%		
Income taxes	\$ 2,274	\$ 1,738	\$ 536	30.8%
<i>Effective tax rate</i>	20.6%	19.3%		
Net income	\$ 8,782	\$ 7,261	\$ 1,521	20.9%
<i>% of Net sales</i>	8.6%	8.2%		
Earnings per share	\$ 0.34	\$ 0.28	\$ 0.06	21.4%

The Company's effective tax rate was 20.6% for the third quarter of 2021 and 19.3% for the third quarter of 2020.

Net income was \$8.8 million for the third quarter of 2021 compared to \$7.3 million in the third quarter of 2020, and earnings per share were \$0.34 and \$0.28 for the respective periods. Earnings per share for the third quarter of 2021 included an unfavorable LIFO impact of \$0.08 per share. Earnings per share for the third quarter included a non-cash pension settlement charge of \$0.01 per share in 2021 and \$0.03 per share in 2020.

Nine Months Ended September 30, 2021 vs. Nine Months Ended September 30, 2020

Net Sales

	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
Net Sales	\$ 284,152	\$ 266,467	\$ 17,685	6.6%

Net sales for the first nine months of 2021 were \$284.2 million compared to net sales of \$266.5 million for the first nine months of 2020, an increase of 6.6% or \$17.7 million. Domestic sales increased 4.0% or \$7.5 million and international sales increased 13.0% or \$10.2 million compared to the same period in 2020.

Sales in our water markets increased 6.7% or \$12.7 million in the first nine months of 2021 compared to the first nine months of 2020. Sales increased \$6.1 million in the repair market, \$6.1 million in the fire market, \$5.8 million in the construction market, and \$1.5 million in the agriculture market. Partially offsetting these increases was a decrease of \$6.8 million in the municipal market. The decrease in municipal market sales is primarily due to timing, as both incoming orders and backlog have increased compared to the prior year.

Sales in our non-water markets increased 6.5% or \$5.0 million in the first nine months of 2021 compared to the first nine months of 2020. Sales in the OEM market increased \$3.7 million and sales in the petroleum market increased \$2.6 million. Partially offsetting these increases was a decrease of \$1.3 million in the industrial market.

Cost of Products Sold and Gross Profit

	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
Cost of products sold	\$ 210,604	\$ 198,199	\$ 12,405	6.3%
<i>% of Net sales</i>	74.1%	74.4%		
Gross Margin	25.9%	25.6%		

Gross profit was \$73.5 million for the first nine months of 2021, resulting in gross margin of 25.9%, compared to gross profit of \$68.3 million and gross margin of 25.6% for the same period in 2020. The 30 basis points increase in gross margin compared to the first nine months of 2020 was driven by a 130 basis point improvement on labor and overhead resulting from increased sales volume, partially offset by a 100 basis point increase in cost of material which included an unfavorable LIFO impact of 90 basis points.

Selling, General and Administrative (SG&A) Expenses

	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
Selling, general and administrative expenses	\$ 42,420	\$ 40,951	\$ 1,469	3.6%
<i>% of Net sales</i>	14.9%	15.4%		

SG&A expenses were \$42.4 million and 14.9% of net sales for the first nine months of 2021 compared to \$41.0 million and 15.4% of net sales for the same period in 2020. SG&A expenses increased 3.6% or \$1.4 million but improved 50 basis points as a percentage of sales primarily as a result of leverage on fixed costs from increased sales volume.

Operating Income

	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
Operating income	\$ 31,128	\$ 27,317	\$ 3,811	14.0%
% of Net sales	11.0%	10.3%		

Operating income was \$31.1 million for the first nine months of 2021, resulting in an operating margin of 11.0%, compared to operating income of \$27.3 million and operating margin of 10.3% for the same period in 2020. Operating margin improved 70 basis points primarily as a result of improved leverage on fixed costs from increased sales volume partially offset by an unfavorable LIFO impact.

Net Income

	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
Income before income taxes	\$ 29,282	\$ 22,956	\$ 6,326	27.6%
% of Net sales	10.3%	8.6%		
Income taxes	\$ 5,974	\$ 4,575	\$ 1,399	30.6%
Effective tax rate	20.4%	19.9%		
Net income	\$ 23,308	\$ 18,381	\$ 4,927	26.8%
% of Net sales	8.2%	6.9%		
Earnings per share	\$ 0.89	\$ 0.70	\$ 0.19	27.1%

The Company's effective tax rate was 20.4% for the first nine months of 2021 and 19.9% for the first nine months of 2020.

Net income was \$23.3 million for the first nine months of 2021 compared to \$18.4 million in the first nine months of 2020, and earnings per share were \$0.89 and \$0.70 for the respective periods. Earnings per share included an unfavorable LIFO impact of \$0.12 per share in 2021 compared to \$0.04 per share in 2020. Earnings per share included a non-cash pension settlement charge of \$0.06 per share in 2021 and \$0.13 per share in 2020.

Liquidity and Capital Resources

Cash and cash equivalents totaled \$131.1 million and there was no outstanding bank debt at September 30, 2021. The Company had \$24.0 million available in bank lines of credit after deducting \$7.0 million in outstanding letters of credit primarily related to customer orders. The Company was in compliance with its debt covenants, including limits on additional borrowings and maintenance of certain operating and financial ratios, at September 30, 2021 and December 31, 2020.

Free cash flow, a non-GAAP measure for reporting cash flow, is defined by the Company as adjusted earnings before interest, income taxes and depreciation and amortization, less capital expenditures and dividends. The Company believes free cash flow provides investors with an important perspective on cash available for investments, acquisitions and working capital requirements.

The following table reconciles adjusted earnings before interest, income taxes and depreciation and amortization as reconciled above to free cash flow:

	Nine Months Ended September 30,	
	2021	2020
Non-GAAP adjusted earnings before interest, taxes, depreciation and amortization	\$ 40,306	\$ 36,978
Less capital expenditures	(5,617)	(6,258)
Less cash dividends	(12,145)	(11,348)
Non-GAAP free cash flow	\$ 22,544	\$ 19,372

Financial Cash Flow

	Nine Months Ended September 30,	
	2021	2020
Beginning of period cash and cash equivalents	\$ 108,203	\$ 80,555
Net cash provided by operating activities	41,535	31,428
Net cash used for investing activities	(5,045)	(6,021)
Net cash used for financing activities	(13,065)	(11,952)
Effect of exchange rate changes on cash	(508)	(345)
Net increase in cash and cash equivalents	22,917	13,110
End of period cash and cash equivalents	\$ 131,120	\$ 93,665

The increase in cash provided by operating activities in the first nine months of 2021 compared to the same period last year was primarily due to the global economic recovery from the COVID-19 pandemic as net income increased, deferred revenue increased, accounts payable increased, and inventory stabilized compared to an increase in the prior period, partially offset by increased accounts receivable.

During the first nine months of 2021 and 2020, investing activities consisted of capital expenditures primarily for machinery and equipment of \$5.6 million and \$6.3 million, respectively.

Net cash used for financing activities for the first nine months of 2021 and 2020 primarily consisted of dividend payments of \$12.1 million and \$11.3 million, respectively.

The Company currently expects to continue its exceptional history of paying regular quarterly dividends and increased annual dividends. However, any future dividends will be reviewed individually and declared by our Board of Directors at its discretion, dependent on our assessment of the Company's financial condition and business outlook at the applicable time.

The Board of Directors has authorized a share repurchase program of up to \$50.0 million of the Company's common shares. The actual number of shares repurchased will depend on prevailing market conditions, alternative uses of capital and other factors, and will be determined at management's discretion. The Company is not obligated to make any purchases under the program, and the program may be suspended or discontinued at any time.

Critical Accounting Policies

Our critical accounting policies are described in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and in the notes to our Consolidated Financial Statements for the year ended December 31, 2020 contained in our Annual Report on Form 10-K for the year ended December 31, 2020. Any new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements have been discussed in the notes to our Consolidated Financial Statements in this Quarterly Report on Form 10-Q. The application of our critical accounting policies may require management to make judgments and estimates about the amounts reflected in the Consolidated Financial Statements. Management uses historical experience and all available information to make these estimates and judgments, and different amounts could be reported using different assumptions and estimates.

Cautionary Note Regarding Forward-Looking Statements

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, The Gorman-Rupp Company provides the following cautionary statement: This Form 10-Q contains various forward-looking statements based on assumptions concerning The Gorman-Rupp Company's operations, future results and prospects. These forward-looking statements are based on current expectations about important economic, political, and technological factors, among others, and are subject to risks and uncertainties, which could cause the actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions.

Such factors include, but are not limited to: company specific risk factors including (1) loss of key personnel; (2) intellectual property security; (3) acquisition performance and integration; (4) impairment in the value of intangible assets, including goodwill; (5) defined benefit pension plan settlement expense; and (6) family ownership of common equity; and general risk factors including (7) continuation of the current and projected future business environment, including the duration and scope of the COVID-19 pandemic, the impact of the pandemic and actions taken in response to the pandemic; (8) highly competitive markets; (9) availability and costs of raw materials; (10) cyber security threats; (11) compliance with, and costs related to, a variety of import and export laws and regulations; (12) environmental compliance costs and liabilities; (13) exposure to fluctuations in foreign currency exchange rates; (14) conditions in foreign countries in which The Gorman-Rupp Company conducts business; (15) changes in our tax rates and exposure to additional income tax liabilities; and (16) risks described from time to time in our reports filed with the Securities and Exchange Commission. Except to the extent required by law, we do not undertake and specifically decline any obligation to review or update any forward-looking statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to market risk associated principally with fluctuations in foreign currency exchange rates. The Company's foreign currency exchange rate risk is limited primarily to the Euro, Canadian Dollar, South African Rand and British Pound. The Company manages its foreign exchange risk principally through invoicing customers in the same currency as is used in the market of the source of products. The foreign currency transaction gains (losses) for the nine month periods ending September 30, 2021 and 2020 were \$0.1 million and \$(0.4) million, respectively, and are reported within Other (expense) income, net on the Consolidated Statements of Income.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. The Company's disclosure controls and procedures are also designed to ensure that information required to be disclosed in Company reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including the principal executive officer and the principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

An evaluation was carried out under the supervision and with the participation of the Company's management, including the principal executive officer and the principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report on Form 10-Q. Based on that evaluation, the principal executive officer and the principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of September 30, 2021.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no material changes from the legal proceedings previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

ITEM 1A. RISK FACTORS

In addition to the information set forth in this report, you should carefully consider the risk factors disclosed in Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

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

On October 29, 2021, the Company announced a share repurchase program of up to \$50.0 million of the Company's common shares. Shares may be repurchased from time to time by the Company through a variety of methods, which may include open-market transactions, pre-set trading plans designed in accordance with Rule 10b5-1, privately negotiated transactions, accelerated share repurchase transactions, or any combination of such methods. The actual number of shares repurchased will depend on prevailing market conditions, alternative uses of capital and other factors, and will be determined at management's discretion. The Company is not obligated to make any purchases under the program, and the program may be suspended or discontinued at any time. The program does not have an expiration date. To date, the Company has not purchased any shares under the program.

ITEM 6. EXHIBITS

- Exhibit 31.1 [Certification of Jeffrey S. Gorman, Chairman and Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- Exhibit 31.2 [Certification of James C. Kerr, Executive Vice President and Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- Exhibit 32 [Certification pursuant to 18 U.S.C Section 1350, as adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.](#)
- Exhibit 101 Financial statements from the Quarterly Report on Form 10-Q of The Gorman-Rupp Company for the quarter ended September 30, 2021, formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Equity, and (vi) the Notes to Consolidated Financial Statements.
- Exhibit 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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.

Date: November 1, 2021

The Gorman-Rupp Company
(Registrant)

By: /s/James C. Kerr
James C. Kerr
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATIONS

I, Jeffrey S. Gorman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Gorman-Rupp Company;
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 generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying 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: November 1, 2021

/s/Jeffrey S. Gorman
Jeffrey S. Gorman
Chairman and Chief Executive Officer
The Gorman-Rupp Company
(Principal Executive Officer)

CERTIFICATIONS

I, James C. Kerr, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Gorman-Rupp Company;
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 generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying 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: November 1, 2021

/s/James C. Kerr

James C. Kerr

Executive Vice President and Chief Financial Officer

The Gorman-Rupp Company

(Principal Financial Officer)

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

In connection with the Quarterly Report of The Gorman-Rupp Company on Form 10-Q for the quarter ended September 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, pursuant to 18 U. S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to such officer's knowledge:

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

Date: November 1, 2021

/s/Jeffrey S. Gorman

Jeffrey S. Gorman
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/James C. Kerr

James C. Kerr
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U. S. C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.