GORMAN-RUPP COMPANY

NEWS RELEASE

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GORMAN-RUPP REPORTS SECOND QUARTER 2024 FINANCIAL RESULTS

Mansfield, Ohio – July 26, 2024 – The Gorman-Rupp Company (NYSE: GRC) reports financial results for the second quarter ended June 30, 2024.

Second Quarter 2024 Highlights

- Net sales of $169.5 million decreased 0.9%, or $1.5 million, compared to the second quarter of 2023
- Second quarter net income was $8.3 million, or $0.32 per share, compared to a net income of $10.5 million, or $0.40 per share, for the second quarter of 2023
  - Adjusted earnings per share[1] for the second quarters of 2024 and 2023 were $0.54 and $0.41, respectively
- Incoming orders of $162.5 million were up $8.4 million, or 5.5%, compared to the second quarter of 2023
- Refinanced debt expected to reduce interest expense by over $7.0 million annually
- Record Adjusted EBITDA[1] of $35.4 million for the second quarter of 2024 increased $1.7 million, or 4.9%, from $33.7 million for the same period in 2023

Net sales for the second quarter of 2024 were $169.5 million compared to net sales of $171.0 million for the second quarter of 2023, a decrease of 0.9% or $1.5 million. The decrease in sales was due to a decrease in volume partially offset by the impact of pricing increases taken in the first quarter of 2024.

Sales increased $6.7 million in the municipal market due to domestic flood control and wastewater projects related to increased infrastructure investment, $2.2 million in the OEM market, $0.6 million in the repair market, and $0.3 million in the petroleum market. These increases were offset by a sales decrease of $8.0 million in the fire suppression market primarily resulting from backlog returning to more normal levels. Fire suppression sales in the second quarter of 2023 were up significantly compared to the same period in 2022 as the Company was working to return backlog and lead times to normal levels, which resulted in higher second quarter 2023 sales and a tougher year-over-year comparison for the second quarter of 2024. Fire suppression incoming orders for the second quarter of 2024 were up 11.2% when compared to the second quarter of 2023. Sales for the second quarter of 2024 also decreased $1.6 million in the agriculture market primarily driven by a significant decline in farm income, $1.2 million in the industrial market, and $0.5 million in the construction market.

Gross profit was $54.1 million for the second quarter of 2024, resulting in gross margin of 31.9%, compared to gross profit of $51.7 million and gross margin of 30.2% for the same period in 2023. The 170 basis point increase in gross margin included a 280 basis point improvement in cost of material, which consisted of a reduction in LIFO[2] expense of 70 basis points, and a 210 basis point improvement from the realization of selling price increases. These improvements were partially offset by a 110 basis point increase in labor and overhead expenses as a percent of sales.

Selling, general and administrative ("SG&A") expenses were $24.9 million and 14.7% of net sales for the second quarter of 2024 compared to $24.2 million and 14.1% of net sales for the same period in 2023. SG&A expenses for the second quarter of 2024 included $1.3 million of refinancing transaction costs and a $1.1 million gain on the sale of a fixed asset.

Amortization expense was $3.1 million for the second quarter of 2024 compared to $3.2 million for the same period in 2023.

Operating income was $26.0 million for the second quarter of 2024, resulting in an operating margin of 15.4%, compared to operating income of $24.3 million and operating margin of 14.2% for the same period in 2023. Operating margin in the second quarter of 2024 increased 120 basis points compared to the same period in 2023 primarily due to improved cost of material, partially offset by increased labor, overhead, and SG&A expenses.

Interest expense was $9.0 million for the second quarter of 2024 compared to $10.5 million for the same period in 2023. The decrease in interest expense was due to a series of previously announced refinancing transactions the Company completed on May 31, 2024. The refinancing is expected to reduce interest expense, and also extended and staggered the Company's debt maturities. The Company upsized, amended, and extended the existing Senior Term Loan Facility from $350.0 million to $370.0 million, amended and extended the existing $100.0 million revolving Credit Facility, and issued $30.0 million in new 6.40% Senior Secured Notes. The proceeds from these transactions, as well as $10.0 million of cash on hand, were used to retire the Company's $90.0 million unsecured Subordinated Credit Facility.

Other income (expense), net was $6.3 million of expense for the second quarter of 2024 compared to $0.5 million of expense for the same period in 2023. Other expense for the second quarter of 2024 included a $4.4 million write-off of unamortized previously deferred debt financing fees and a $1.8 million prepayment fee related to the early retirement of the unsecured Subordinated Credit Facility.

Net income was $8.3 million, or $0.32 per share, for the second quarter of 2024 compared to net income of $10.5 million, or $0.40 per share, in the second quarter of 2023. Adjusted earnings per share[1] for the second quarter of 2024 were $0.54 per share compared to $0.41 per share for the second quarter of 2023.

Adjusted EBITDA[1] was $35.4 million and 20.8% of sales for the second quarter of 2024 compared to $33.7 million and 19.7% of sales for the second quarter of 2023.

Year to date 2024 Highlights

- Net sales of $328.8 million decreased 0.8%, or $2.7 million, compared to 2023
- Net income was $16.2 million, or $0.62 per share, compared to net income of $17.0 million, or $0.65 per share, in 2023
  - Adjusted earnings per share[1] for 2024 and 2023 were $0.84 and $0.68, respectively
- Gross margin improved 190 basis points
- Adjusted EBITDA[1] of $63.6 million for 2024 increased $1.5 million, or 2.4%, from $62.1 million in 2023

Net sales for the first six months of 2024 were $328.8 million compared to net sales of $331.5 million for the first six months of 2023, a decrease of 0.8% or $2.7 million. The decrease in sales was due to a decrease in volume partially offset by the impact of pricing increases taken in the first quarter of 2024.

Sales increased $9.4 million in the municipal market due to domestic flood control and wastewater projects related to increased infrastructure investment, $1.4 million in the OEM market, $0.7 million in the petroleum market, $0.7 million in the repair market, and $0.1 million in the construction market. Offsetting these increases was a decrease of $11.8 million in the fire suppression market primarily resulting from backlog returning to more normal levels. Fire suppression sales for the first six months of 2023 were up significantly compared to the same period in 2022 as the Company was working to return backlog and lead times to normal levels, which resulted in higher sales for the first six months of 2023 and a tougher year-over-year comparison for the first six months of 2024. Fire suppression incoming orders for the first six months of 2024 were up 6.4% when compared to the first six months of 2023. Sales for the first six months of 2024 also decreased $2.3 million in the agriculture market primarily driven by significant declines in farm income, and $0.9 million in the industrial market.

Gross profit was $102.5 million for the first six months of 2024, resulting in gross margin of 31.2%, compared to gross profit of $97.2 million and gross margin of 29.3% for the same period in 2023. The 190 basis point increase in gross margin included a 260 basis point improvement in cost of material, which consisted of a reduction in LIFO[2] expense of 70 basis points, a favorable impact of 30 basis points related to the amortization of acquired Fill-Rite customer backlog which occurred in 2023 and did not reoccur in 2024, and a 160 basis point improvement from the realization of selling price increases. These improvements were partially offset by a 70 basis point increase in labor and overhead expenses as a percent of sales.

Selling, general and administrative ("SG&A") expenses were $49.8 million and 15.2% of net sales for the first six months of 2024 compared to $47.4 million and 14.3% of net sales for the same period in 2023. SG&A expenses for the first six months of 2024 included $1.3 million of refinancing transaction costs and a $1.1 million gain on the sale of a fixed asset.

Amortization expense was $6.2 million for the first six months of 2024 compared to $6.4 million for the same period in 2023.

Operating income was $46.5 million for the first six months of 2024, resulting in an operating margin of 14.1%, compared to operating income of $43.4 million and operating margin of 13.1% for the same period in 2023. Operating margin in the first six months of 2024 increased 100 basis points compared to the same period in 2023 primarily due to improved cost of material, partially offset by increased labor, overhead, and SG&A expenses.

Interest expense was $19.1 million for the first six months of 2024 compared to $20.7 million for the same period in 2023. The decrease in interest expense was due to a series of debt refinancing transactions the Company completed on May 31, 2024.

Other income (expense), net was $6.6 million of expense for the first six months of 2024 compared to $1.0 million of expense for the same period in 2023. Other expense for the first six months of 2024 included a $4.4 million write-off of unamortized previously deferred debt financing fees and a $1.8 million prepayment fee related to the early retirement of the unsecured Subordinated Credit Facility.

Net income was $16.2 million, or $0.62 per share, for the first six months of 2024 compared to net income of $17.0 million, or $0.65 per share, for the first six months of 2023. Adjusted earnings per share[1] for the first six months of 2024 were $0.84 per share compared to $0.68 per share for the first six months of 2023.

Adjusted EBITDA[1] was $63.6 million and 19.4% of net sales for the first six months of 2024 compared to $62.1 million and 18.7% of net sales for the first six months of 2023.

The Company's backlog of orders was $224.4 million at June 30, 2024 compared to $249.8 million at June 30, 2023 and $218.1 million at December 31, 2023. Incoming orders for the first six months of 2024 were $341.4 million, or an increase of 6.3% compared to the same period in 2023.

Net cash provided by operating activities for the first six months of 2024 was $33.4 million compared to $37.9 million for the same period in 2023 with the decrease driven by working capital needs. Capital expenditures for the first six months of 2024 were $7.1 million and consisted primarily of machinery and equipment. Capital expenditures for the full-year 2024 are presently planned to be approximately $20.0 million. Total debt, net of cash, decreased $17.5 million during the first six months of 2024.

Scott A. King, President and CEO commented, "Incoming orders have continued at a solid pace and on a year-to-date basis are up over 6% compared to the first half of last year, resulting in an increase in backlog since the end of 2023. In addition, our pricing strategies contributed to improved gross margin and increased adjusted earnings. We are focused on top line growth through backlog reduction in the second half of the year, as well as delivering strong gross margin and earnings. We are also pleased that our previously announced refinancing is expected to result in significant interest savings going forward."

About The Gorman-Rupp Company
Founded in 1933, The Gorman-Rupp 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 suppression, heating, ventilating and air conditioning (HVAC), military and other liquid-handling applications.

(1) Non-GAAP Information
This release includes certain non-GAAP financial data and measures such as adjusted earnings, adjusted earnings per share, and adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"). Adjusted earnings is earnings excluding amortization of customer backlog, write-off of unamortized previously deferred debt financing fees, and refinancing costs. Adjusted earnings per share is earnings per share excluding amortization of customer backlog per share, write-off of unamortized previously deferred debt financing fees per share, and refinancing costs per share. Adjusted earnings before interest, taxes, depreciation and amortization is net income (loss) excluding interest, taxes, depreciation and amortization, adjusted to exclude amortization of customer backlog, write-off of unamortized previously deferred debt financing fees, refinancing costs, and non-cash LIFO[2] expense. 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 inclusion of these adjusted measures should not be construed as an indication that the Company's future results will be unaffected by unusual or infrequent items or that the items for which the Company has made adjustments are unusual or infrequent or will not recur. Further, the impact of the LIFO[2] inventory costing method can cause results to vary substantially from company to company depending upon whether they elect to utilize LIFO[2] and depending upon which method they may elect. 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 and liquidity from period to period. These non-GAAP financial measures are not intended to replace GAAP financial measures, and they are not necessarily standardized or comparable to similarly titled measures used by other companies. Provided later in this release is a reconciliation of adjusted earnings, adjusted earnings per share, and adjusted EBITDA to their respective corresponding GAAP financial measures, which includes descriptions of actual adjustments made in the current period and the corresponding prior period.

(2) LIFO Inventory Method
The majority of the Company's inventories are valued on the last-in, first-out (LIFO) method and stated at the lower of cost or market. Current cost approximates replacement cost, or market, and LIFO cost is determined at the end of each fiscal year based on inventory levels on-hand at current replacement cost and a LIFO reserve. The Company uses the simplified LIFO method, under which the

LIFO reserve is determined utilizing the inflation factor specified in the Producer Price Index for Machinery and Equipment – Pumps, Compressors and Equipment, as published by the U.S. Bureau of Labor Statistics. Interim LIFO calculations are based on management's estimate of the expected year-end inflation index and, as such, are subject to adjustment each quarter. When inflation increases, the LIFO reserve and non-cash expense increase.

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 news release 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 uncertainties include, but are not limited to, our estimates of future earnings and cash flows, general economic conditions and supply chain conditions and any related impact on costs and availability of materials, integration of the Fill-Rite business in a timely and cost effective manner, retention of supplier and customer relationships and key employees, the ability to achieve synergies and cost savings in the amounts and within the time frames currently anticipated and the ability to service and repay indebtedness incurred in connection with the transaction. Other 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) the Company's indebtedness and how it may impact the Company's financial condition and the way it operates its business; (5) general risks associated with acquisitions; (6) the anticipated benefits from the Fill-Rite transaction may not be realized; (7) impairment in the value of intangible assets, including goodwill; (8) defined benefit pension plan settlement expense; (9) risk of reserve and expense increases resulting from the LIFO[2] inventory method; and (10) family ownership of common equity; and general risk factors including (11) continuation of the current and projected future business environment; (12) highly competitive markets; (13) availability and costs of raw materials and labor; (14) cybersecurity threats; (15) compliance with, and costs related to, a variety of import and export laws and regulations; (16) environmental compliance costs and liabilities; (17) exposure to fluctuations in foreign currency exchange rates; (18) conditions in foreign countries in which The Gorman-Rupp Company conducts business; (19) changes in our tax rates and exposure to additional income tax liabilities; and (20) 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.

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The Gorman-Rupp Company
Condensed Consolidated Statements of Income (Unaudited)
(thousands of dollars, except per share data)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net sales	$169,513	$171,024	$328,781	$331,490
Cost of products sold	115,434	119,366	226,308	234,309
Gross profit	54,079	51,658	102,473	97,181
Selling, general and administrative expenses	24,930	24,193	49,818	47,430
Amortization expense	3,100	3,182	6,178	6,373
Operating income	26,049	24,283	46,477	43,378
Interest expense	(9,048)	(10,485)	(19,120)	(20,672)
Other income (expense), net	(6,331)	(536)	(6,603)	(969)
Income before income taxes	10,670	13,262	20,754	21,737
Provision for income taxes	2,335	2,785	4,535	4,740
Net income	$8,335	$10,477	$16,219	$16,997
Earnings per share	$0.32	$0.40	$0.62	$0.65

The Gorman-Rupp Company
Condensed Consolidated Balance Sheets (Unaudited)
(thousands of dollars, except share data)

Assets	June 30, 2024	December 31, 2023
Cash and cash equivalents	$34,245	$30,518
Accounts receivable, net	96,952	89,625
Inventories, net	101,698	104,156
Prepaid and other	13,526	11,812
Total current assets	246,421	236,111
Property, plant and equipment, net	133,827	134,872
Other assets	22,521	24,841
Goodwill and other intangible assets, net	488,291	494,534
Total assets	$891,060	$890,358
Liabilities and shareholders' equity		
Accounts payable	$29,082	$23,277
Current portion of long-term debt	18,500	21,875
Accrued liabilities and expenses	53,186	55,524
Total current liabilities	100,768	100,676
Pension benefits	11,337	11,500
Postretirement benefits	22,840	22,786
Long-term debt, net of current portion	376,880	382,579
Other long-term liabilities	20,676	23,358
Total liabilities	532,501	540,899
Shareholders' equity	358,559	349,459
Total liabilities and shareholders' equity	$891,060	$890,358
Shares outstanding	26,227,540	26,193,998

The Gorman-Rupp Company
Condensed Consolidated Statements of Cash Flows (Unaudited)
(thousands of dollars, except share data)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities:		
Net income	$16,219	$16,997
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,089	14,158
LIFO expense	2,127	4,440
Pension expense	1,326	1,617
Stock based compensation	1,955	1,606
Contributions to pension plans	(595)	-
Amortization of debt issuance fees	5,814	1,481
Gain on sale of property, plant, and equipment	(1,058)	-
Other	200	30
Changes in operating assets and liabilities:		
Accounts receivable, net	(7,693)	(8,645)
Inventories, net	(426)	(8,959)
Accounts payable	5,990	4,435
Commissions payable	241	142
Deferred revenue and customer deposits	(1,704)	2,365
Income taxes	5	2,374
Accrued expenses and other	(3,812)	2,235
Benefit obligations	719	3,580
Net cash provided by operating activities	33,397	37,856
Cash flows from investing activities:		
Capital additions	(7,131)	(13,270)
Proceeds from sale of property, plant, and equipment	2,116	-
Other	53	367
Net cash used for investing activities	(4,962)	(12,903)
Cash flows from financing activities:		
Cash dividends	(9,433)	(9,148)
Treasury share repurchases	(267)	(1,029)
Proceeds from bank borrowings	400,000	5,000
Payments to banks for borrowings	(413,750)	(13,750)
Debt issuance fees	(746)	-
Other	(34)	(534)
Net cash used for financing activities	(24,230)	(19,461)
Effect of exchange rate changes on cash	(478)	(102)
Net increase in cash and cash equivalents	3,727	5,390
Cash and cash equivalents:		
Beginning of period	30,518	6,783
End of period	$34,245	$12,173

The Gorman-Rupp Company
Non-GAAP Financial Information
(thousands of dollars, except per share data)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Adjusted earnings:				
Reported net income – GAAP basis	$8,335	$10,477	$16,219	$16,997
Amortization of acquired customer backlog	-	344	-	857
Write-off of unamortized previously deferred debt financing fees	3,506	-	3,506	-
Refinancing costs	2,413	-	2,413	-
Non-GAAP adjusted earnings	$14,254	$10,821	$22,138	$17,854

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Adjusted earnings per share:				
Reported earnings per share – GAAP basis	$0.32	$0.40	$0.62	$0.65
Amortization of acquired customer backlog	-	0.01	-	0.03
Write-off of unamortized previously deferred debt financing fees	0.13	-	0.13	-
Refinancing costs	0.09	-	0.09	-
Non-GAAP adjusted earnings per share	$0.54	$0.41	$0.84	$0.68

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Adjusted earnings before interest, taxes, depreciation and amortization:				
Reported net income – GAAP basis	$8,335	$10,477	$16,219	$16,997
Interest expense	9,048	10,485	19,120	20,672
Provision for income taxes	2,335	2,785	4,535	4,740
Depreciation and amortization expense	7,024	7,114	14,089	14,158
Non-GAAP earnings before interest, taxes, depreciation and amortization	26,742	30,861	53,963	56,567
Amortization of acquired customer backlog	-	434	-	1,085
Write-off of unamortized previously deferred debt financing fees	4,438	-	4,438	-
Refinancing costs	3,055	-	3,055	-
Non-cash LIFO expense	1,134	2,409	2,127	4,440
Non-GAAP adjusted earnings before interest, taxes, depreciation and amortization	$35,369	$33,704	$63,583	$62,092