

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended **December 31, 2021**

**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)

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

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

**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	Name of each exchange on which registered
Common Shares, without par value	GRC	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§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.

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the common shares, without par value, of The Gorman-Rupp Company held by non-affiliates based on the closing sales price as of June 30, 2021 was approximately \$691,577,000.

On February 28, 2022, there were 26,079,115 common shares, without par value, of The Gorman-Rupp Company outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Notice of 2022 Annual Meeting of Shareholders and related Proxy Statement are incorporated by reference into Part III (Items 10-14).

The Gorman-Rupp Company and Subsidiaries

Annual Report on Form 10-K  
For the Year Ended December 31, 2021

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## PART I

### 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 Annual Report on Form 10-K 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 and labor; (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 1. BUSINESS

The Gorman-Rupp Company (“Registrant”, “Gorman-Rupp”, the “Company”, “we” or “our”) was incorporated in Ohio in 1934. The Company designs, manufactures and globally sells pumps and pump systems for use in water, wastewater, construction, dewatering, industrial, petroleum, original equipment, agriculture, fire protection, heating, ventilating and air conditioning (“HVAC”), military and other liquid-handling applications.

### PRODUCTS

The Company operates in one business segment, the manufacture and sale of pumps and pump systems. The following table sets forth, for the years 2019 through 2021, the total net sales, income before income taxes and year-end total assets of the Company.

	(Dollars in thousands)		
	2021	2020	2019
Net sales	\$ 378,316	\$ 348,967	\$ 398,179
Income before taxes	37,248	31,246	45,166
Total assets	420,754	394,457	382,760

The Company’s product line consists of pump models ranging in size from 1/4” to nearly 15 feet and ranging in rated capacity from less than one gallon per minute to nearly one million gallons per minute. The types of pumps which the Company produces include self-priming centrifugal, standard centrifugal, magnetic drive centrifugal, axial and mixed-flow, vertical turbine line shaft, submersible, high-pressure booster, rotary gear, diaphragm, bellows and oscillating.

The pumps have drives that range from 1/35 horsepower electric motors up to much larger electric motors or internal combustion engines capable of producing several thousand horsepower. Many of the larger units comprise encased, fully-integrated water and wastewater pumping stations. In certain cases, units are designed for the inclusion of customer-supplied drives.

The Company's larger pumps are sold principally for use in the construction, industrial, water and wastewater handling fields; for flood control; for boosting low residential water pressure; for pumping refined petroleum products, including the ground refueling of aircraft; for fluid control in HVAC applications; and for various agricultural purposes.

The Company's pumps are also utilized for dewatering purposes. Additionally, pumps manufactured for fire protection are used for sprinkler back-up systems, fire hydrants, stand pipes, fog systems and deluge systems at hotels, banks, factories, airports, schools, public buildings and hundreds of other types of facilities throughout the world.

Many of the Company's smallest pumps are sold to customers for incorporation into such products as food processing, chemical processing, medical applications, waste treatment, HVAC equipment, appliances and solar heating.

## **MARKETING**

The Company's pumps are marketed in the United States and worldwide through a broad network of distributors, through manufacturers' representatives (for sales to many original equipment manufacturers), through third-party distributor catalogs, direct sales, and commerce. The Company regularly seeks alliances with distributors and other partners to further enhance marketing opportunities. Export sales are made primarily through foreign distributors and representatives. The Company has long-standing relationships with many of the leading independent distributors in the markets it serves and provides specialized training programs to distributors on a regular basis with a focus on meeting the world's water and wastewater pumping needs.

During 2021, 2020 and 2019, there were no shipments to any single customer that exceeded 10% of total net sales. Gorman-Rupp continued to actively pursue international business opportunities and, in 2021, shipped its pumps to approximately 135 countries around the world. No sales made to customers in any one foreign country amounted to more than 5% of total net sales for 2021, 2020 or 2019.

## **COMPETITION**

The pump industry is highly fragmented and therefore Gorman-Rupp competes with a large number of businesses. Numerous pump competitors exist as subsidiaries, divisions or departments within significantly larger corporations. The Company also faces increased competition from foreign-sourced pumps in most of the Company's domestic markets.

Most commercial and industrial pumps are specifically designed and engineered for a particular customer's application. The Company believes that proper application, product performance, and quality of delivery and service are its principal methods of competition, and attributes its success to its continued emphasis in these areas. In the sale of products and services, the Company benefits from its large base of previously installed products, which periodically require replacement parts due to the critical application and nature of the products and the conditions under which they operate.

## **PURCHASING AND PRODUCTION**

Substantially all of the materials, supplies, components and accessories used by the Company in the fabrication of its products, including all castings (for which most patterns are made and owned by the Company), structural steel, bar stock, motors, solenoids, engines, seals, and plastic and elastomeric components are purchased by the Company from other suppliers and manufacturers. The Company does not purchase materials under long-term contracts and is not dependent upon a single source for any materials, supplies, components or accessories which are of material importance to its business.

The Company purchases motor components for its large submersible pumps, and motors and engines for its pump systems, from a limited number of suppliers, while motors for its polypropylene bellows pumps and magnetic drive pumps are purchased from several alternative vendors. Products requiring small motors are also sourced from alternative suppliers.

The other production operations of the Company consist of the machining of castings, the cutting, shaping and welding of bar stock and structural members, the design and assembly of electrical control panels, the manufacture of some small motors and a few minor components, and the assembling, painting and testing of its products. Substantially all of the Company's products are tested prior to shipment.

## **HUMAN CAPITAL**

As of December 31, 2021, the Company employed approximately 1,150 persons, of whom approximately 650 were hourly employees. The majority of the Company's manufacturing operations take place in the United States, as evidenced by 85% of its employees being in the Company's U.S. locations and 15% of its employees being in its international locations.

Our approach is to develop talent from within and supplement with external hires. We invest resources to develop the talent needed to remain a leading designer and manufacturer of pumps and pump systems. We provide our employees with training opportunities and educational benefits to assist in the expansion of their careers and skills. This approach has resulted in a deep understanding among our employee base of our business, products, and customers. We believe that our average tenure of 12 years, as of the end of 2021, reflects both the strong engagement of our employees and our positive workplace culture. The Company has no collective bargaining agreements and has never experienced a work stoppage.

We provide competitive compensation and benefits programs to help meet the needs of our employees. In addition to salaries, these programs (which vary by country and region) include profit sharing, a 401(k) plan, medical insurance and benefits, health savings accounts, domestic care and flexible savings accounts, paid time off, and tuition assistance, among others. Certain domestic employees hired prior to January 1, 2008 participate in a defined benefit plan. Employees hired after this date, in eligible locations, participate in an enhanced 401(k) plan instead of the defined benefit plan. To create performance incentives and to encourage share ownership by our employees, we have implemented an employee stock purchase plan, which enables eligible employees worldwide to purchase the Company's common shares at a discount through payroll contributions.

The health and safety of our workforce is fundamental to the success of our business. We provide our employees upfront and ongoing safety training to ensure that safety policies and procedures are effectively communicated and implemented. We also provide personal protective equipment to those employees who need it to perform their job functions safely. We have experienced personnel on-site at each of our manufacturing locations who are tasked with environmental, health and personal safety education and compliance, and in certain locations we have an on-site nurse available to our employees for medical needs.

In response to the COVID-19 pandemic, we have enabled employees to work from home where possible. Because our business involves the manufacturing of essential products, many of our employees are unable to work from home. In an effort to keep our employees safe and to maintain operations during the pandemic, we have implemented a number of health-related measures, including social distancing, increased cleaning and sanitation measures, providing additional personal protective equipment, restricting visitor access to our facilities, and limiting in-person meetings and other gatherings.

We are committed to upholding fundamental human rights and believe that all human beings should be treated with dignity, fairness and respect. This commitment is outlined in our Human Rights Policy which applies to all employees worldwide including part time and temporary workers. We communicated our expectation that suppliers also adhere to our Human Rights Policy through our Supplier Code of Conduct. We strive to promote inclusion and diversity in the workplace, engage with our communities, and encourage our suppliers to treat their employees in a manner that respects human rights. We utilize an on-line platform to provide training to all employees worldwide in key areas such as harassment and discrimination prevention, human rights, and our code of conduct. We also internally publicize the availability of an anonymous ethics hotline through which any employee may report any ethics, safety or other employment concerns.

## **OTHER ASPECTS**

Although the Company owns a number of patents, several of which are important to its business, the Company does not consider its business to be materially dependent upon any one or more patents. The Company's patents, trademarks and other intellectual property are adequate for its business purposes.

## **AVAILABLE INFORMATION**

The Company maintains a website accessible through its internet address of [www.gormanrupp.com](http://www.gormanrupp.com). Gorman-Rupp makes available free of charge on or through [www.gormanrupp.com](http://www.gormanrupp.com) its Annual Report to Shareholders, its annual Proxy Statement, its annual report on Form 10-K, its quarterly reports on Form 10-Q, and its current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after those reports (and any amendments) are electronically filed with or furnished to the Securities and Exchange Commission ("Commission"). However, the information contained on the Company's website is not a part of this Form 10-K or any other report filed with or furnished to the Commission.

A paper copy of the Company's Form 10-K is also available free of charge upon written request to the Company's Corporate Secretary.

## **ITEM 1A. RISK FACTORS**

Gorman-Rupp's business and financial performance are subject to various risks and uncertainties, some of which are beyond its control. In addition to the risks discussed elsewhere in this Form 10-K, the following risks and uncertainties could materially adversely affect the Company's business, prospects, financial condition, results of operations, liquidity and access to capital markets. These risks could cause the Company's actual results to differ materially from its historical experience and from expected results discussed in forward-looking statements made by the Company related to conditions or events that it anticipates may occur in the future.

### **COMPANY SPECIFIC RISK FACTORS**

#### ***Loss of key personnel***

The Company's success depends to a significant extent on the continued service of its executive management team and the ability to recruit, hire and retain other key management personnel to support the Company's growth and operational initiatives and replace executives who retire or resign. Failure to retain key management personnel and attract and retain other highly-skilled personnel could limit the Company's global growth and ability to execute operational initiatives, or may result in inefficient and ineffective management and operations, which could harm the Company's revenues, operations and product development efforts and could eventually result in a decrease in profitability.

#### ***Intellectual property security***

The Company possesses a wide array of intellectual property rights, including patents, trademarks, copyrights, and applications for the above, as well as other proprietary information. There is a risk that third parties would attempt to copy, in full or in part, the Company's products, technologies or industrial designs, or to obtain unauthorized access and use of Company technological know-how or other protected intellectual property rights. Also, other companies could successfully develop technologies, products or industrial designs similar to the Company's, and thus potentially compete with the Company. From time to time, the Company has been faced with instances where competitors have infringed or unfairly used its intellectual property or taken advantage of its design and development efforts. The ability to protect and enforce intellectual property rights varies across jurisdictions. Competitors who may attempt to copy the Company's products, technologies or industrial designs are becoming more prevalent, particularly in Asia. If the Company is unable to adequately enforce and protect its intellectual property rights, it could adversely affect its revenues and profits and hamper its ability to grow.

Competitors and others may also challenge the validity of the Company's intellectual property or allege that it has infringed their intellectual property, including through litigation. The Company may be required to pay substantial damages if it is determined its products infringe the intellectual property of others. The Company may also be required to develop an alternative, non-infringing product that could be costly and time-consuming, or acquire a license (if available) on terms that are not favorable to it. Regardless of whether infringement claims against the Company are successful, defending against such claims could significantly increase the Company's costs, divert management's time and attention away from other business matters, and otherwise adversely affect the Company's results of operations and financial condition.

#### ***Acquisition performance and integration***

The Company's historical growth has depended, and its future growth is likely to continue to depend, in part on its acquisition strategy and the successful integration of acquired businesses into existing operations. The Company intends to continue to seek additional domestic and international acquisition opportunities that have the potential to support and strengthen its operations. The Company cannot assure it will be able to successfully identify suitable acquisition opportunities, prevail against competing potential acquirers, negotiate appropriate acquisition terms, obtain financing that may be needed to consummate such acquisitions, complete proposed acquisitions, successfully integrate acquired businesses into existing operations or expand into new markets. In addition, the Company cannot assure that any acquisition, even if successfully integrated, will perform as planned, be accretive to earnings, or prove to be beneficial to the Company's operations and cash flows.

#### ***Impairment in the value of intangible assets, including goodwill***

The Company's total assets reflect goodwill from acquisitions, representing the excess cost over the fair value of the identifiable net assets acquired, including other indefinite-lived and finite-lived intangible assets. Goodwill and other indefinite-lived intangible assets are not amortized but are reviewed annually for impairment as of October 1 or whenever events or changes in circumstances indicate there may be a possible permanent loss of value using either a quantitative or qualitative analysis. Finite-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recovered through future net cash flows generated by the assets. If future operating performance at one or more of the Company's reporting units were to fall significantly below forecast levels or if market conditions for one or more of its acquired businesses were to decline, the Company could be required to incur a non-cash charge to operating income for impairment. Any impairment in the value of these assets could have an adverse non-cash impact on the Company's reported results of operations.

#### ***Defined benefit pension plan settlement expense***

The Company sponsors a defined benefit pension plan covering certain domestic employees and accrues amounts for funding of its obligations under the plan. The defined benefit pension plan allows eligible retiring employees to receive a lump-sum distribution for benefits earned in lieu of annual payments and most of the Company's retirees historically have elected this option. Under applicable accounting rules, if the lump-sum distributions made for a plan year exceed an actuarially-determined threshold of the total of the service cost and interest cost for the plan year, the Company at such point would be required to recognize for that year's results of operations settlement expense for the resulting unrecognized actuarial loss. The Company has been required to make such adjustments in some prior years, and, if such non-cash adjustments are necessary in future periods, they may negatively impact the Company's operating results.

In 2021 and 2020, the Company recorded pre-tax non-cash pension settlement charges of \$2.3 million and \$4.6 million, respectively, driven by lump-sum distributions discussed above. There was no pension settlement charge recorded in 2019. See Note 9 to the Consolidated Financial Statements, Pensions and Other Postretirement Benefits.

#### ***Family ownership of common equity***

A substantial percentage of the Company's common shares is held by various members of the Gorman family and their respective affiliates. Because of this concentrated ownership relative to many other publicly-traded companies, the market price of the Company's common shares may be influenced by lower trading volume and therefore more susceptible to price fluctuations than many other companies' shares. If any one or more of the Company's significant shareholders were to sell all or a portion of their holdings of Company common shares at once or within short periods of time, or there was an expectation that such a sale was imminent, then the market price of the Company's common shares could be negatively affected.

## GENERAL RISK FACTORS

### *The COVID-19 Pandemic*

Our business has been, and may continue to be, materially and adversely affected by the present coronavirus (or COVID-19) pandemic. The pandemic has disrupted our operations and may continue to affect our business, including through government imposed mandatory closures, work-from-home orders, social distancing protocols, increased employee absenteeism due to illness and/or quarantine requirements, voluntary facility closures and other government restrictions that, to the extent required, could materially adversely affect our ability to adequately staff and maintain our operations. While we have largely avoided facility closures and production disruptions thus far, we may experience temporary facility closures in response to government mandates in certain jurisdictions in which we operate or in response to positive diagnoses for COVID-19 in certain facilities for the safety of our employees. Our supply chain has thus far remained largely intact, however, if the COVID-19 pandemic persists or worsens, it may increase disruption to our supply chain and the operations of our suppliers and materially adversely impact the availability and cost of supplies for our facilities and production, and to provide personal protective equipment for our employees, which could materially adversely affect our operations. There may also be long-term negative economic effects on our customers in, and the economies of, affected countries. Any of the foregoing within the countries in which we or our customers and suppliers operate may severely disrupt our operations and have a material adverse effect on our business, results of operations, cash flows and financial condition. In addition, future changes in the Company's cost of capital, expected cash flows, or other factors as a result of the above may cause the Company's goodwill to be impaired, resulting in a non-cash charge against results of operations to write down goodwill for the amount of the impairment. The negative financial impact to our future results cannot be reasonably estimated, but could be material.

Our internal controls may also be impacted by the COVID-19 pandemic. A large portion of our financial and accounting personnel have been required to work from home for extended periods due to the pandemic, requiring them to adapt to new or modified processes, procedures, and controls. These changes could potentially negatively impact our internal controls over financial reporting.

### *Continuation of current and projected future business environment*

The overall pump industry is cyclical in nature, and some of its business activity is related to general business conditions in the durable goods and capital equipment markets. Demand for most of the Company's products and services is affected by the level of new capital investment and planned maintenance expenditures by its customers. The level of such investment and expenditures by our customers depends, in turn, on factors such as general economic conditions, availability of credit, economic conditions within their respective industries and expectations of future market behavior. Volatility or sustained increases in prices of commodities such as oil and agricultural products can negatively affect the levels of investment and expenditures of certain customers and result in postponement of capital investment decisions or the delay or cancellation of existing orders. Inflationary economic conditions may further increase prices and exacerbate these risks. Any of these developments may negatively impact the Company's sales.

### *Highly competitive markets*

Gorman-Rupp sells its products in highly competitive markets. Maintaining and improving the Company's competitive position requires periodic investment in manufacturing, engineering, quality standards, marketing, customer service and support, and distribution networks. Even with such investment, the Company may not be successful in maintaining its competitive position. The Company's competitors may develop products that are superior to its products, or may develop methods of more efficiently and effectively providing products and services, or may adapt more quickly to new technologies or evolving customer requirements. Pricing pressures may require the Company to adjust the prices of its products downward to stay competitive. The Company may not be able to compete successfully with its existing competitors or with new competitors. Failure to compete successfully could negatively impact the Company's sales, operating margins and overall financial performance.



### ***Availability and costs of raw materials and labor***

The Company could be adversely affected by raw material price volatility or an inability of its suppliers to meet quality and delivery requirements. We are required to maintain sufficient inventories to accommodate the needs of our customers, often with short lead times. Our business could be adversely affected if we fail to source and maintain adequate inventory levels. Raw material and energy expenses are substantial drivers of costs in the manufacture of pumps and changes in these costs are often unpredictable. While the Company manufactures certain parts and components used in its products, the Company's business requires substantial amounts of raw materials, parts and components to be purchased from suppliers. The availability and prices of raw materials, parts and components purchased from the Company's suppliers may be subject to curtailment or change due to, among other things, suppliers' allocations to other purchasers, interruptions in production or deliveries by suppliers, changes in exchange rates, tariffs, changes in duty rates and changes in other trade barriers and import and export licensing requirements.

The Company's business depends, in part, upon the adequate recruitment and retention, and continued service of, key managerial, engineering, marketing, sales and technical and operational personnel. Economic conditions may cause an increasingly competitive labor market, which could lead to labor shortages or increased turnover rates within, or increased labor costs to maintain, the Company's employee base.

These considerations may also impact the operations of the Company's suppliers, who may seek to pass along any increased costs to the Company. Inflationary economic conditions may further increase these various costs. The Company may not be able to pass along any increased material or labor costs to customers for competitive or other reasons. A change in the availability of, or increases in the costs associated with raw materials, parts and components or labor and workforce could materially affect our business, financial condition, results of operations or cash flows.

### ***Cyber security threats***

Increased global information technology security threats and more sophisticated and targeted computer crime pose a risk to the security of Gorman-Rupp's systems and networks and to the confidentiality, availability, and integrity of its data. While the Company attempts to mitigate these risks by employing a number of measures, including employee training, comprehensive monitoring of its networks and systems, and the deployment of backup and protective systems, the Company's systems, networks, proprietary information, products, solutions and services remain potentially vulnerable to advanced persistent threats. Depending on their nature and scope, such threats could potentially lead to liability for damages or the loss of confidential information including as a result of, but not limited to, the compromising of confidential information relating to customer, supplier, or employee data, improper use of the Company's systems and networks, manipulation and destruction of data, defective products, production downtimes and operational disruptions which, in turn, could adversely affect Gorman-Rupp's reputation, competitiveness and results of operations.

### ***Compliance with, and costs related to, a variety of import and export laws and regulations***

The Company is subject to a variety of laws and regulations regarding international operations, including regulations issued by the U.S. Department of Commerce Bureau of Industry and Security and various other domestic and foreign governmental agencies. Actual or alleged violations of import-export laws could result in enforcement actions and/or financial penalties. The Company cannot predict the nature, scope or effect of future regulatory requirements to which our international operations and trading practices might be subject or the manner in which existing laws or regulations might be administered or interpreted. Future legislation or regulations could limit the countries in which certain of our products may be manufactured or sold or could restrict our access to, and increase the cost of obtaining, products from foreign sources.

### ***Environmental compliance costs and liabilities***

The Company's operations and properties are subject to numerous domestic and foreign environmental laws and regulations which can impose operating and/or financial sanctions for violations. Moreover, environmental and sustainability initiatives, practices, rules and regulations are under increasing scrutiny of both governmental and non-governmental bodies and may require changes to the Company's operational practices, standards and expectations and, in turn, increase the Company's compliance costs. Periodically, the Company has incurred, and it expects to continue to incur, operating and capital costs to comply with environmental requirements. The Company monitors its environmental responsibilities, together with trends in the related laws, and believes it is in substantial compliance with current regulations. If the Company is required to incur increased compliance costs or violates environmental laws or regulations, future environmental compliance expenditures or liabilities could have a material adverse effect on our financial condition, results of operations or cash flows.

### ***Exposure to fluctuations in foreign currency exchange rates***

The Company is exposed to fluctuations in foreign currency exchange rates, particularly with respect to the Euro, Canadian Dollar, South African Rand and British Pound. Any significant change in the value of these currencies could affect the Company's ability to sell products competitively and control its cost structure, which could have a material effect on its financial condition, results of operations or cash flows.

### ***Conditions in foreign countries in which the Company conducts business***

In 2021, 31% of the Company's net sales were to customers outside the United States. The Company expects its international and export sales to continue to be a significant portion of its revenue and it has placed a particular emphasis on increasing its growth and presence internationally. The Company's sales from international operations and export sales are subject, in varying degrees, to risks inherent to doing business outside the United States. These risks include, but are not limited to, the following, some of which are further addressed in our other Risk Factors:

- Possibility of unfavorable circumstances arising from host country laws or regulations;
- Currency exchange rate fluctuations and restrictions on currency repatriation;
- Potential negative consequences from changes to taxation policies;
- Disruption of operations from labor or political disturbances, or public health crises;
- Changes in tariffs, duty rates, and other trade barriers and import and export licensing requirements;
- Increased costs and risks of developing, staffing and simultaneously managing a number of global operations as a result of distance as well as language and cultural differences; and
- Insurrections, armed conflicts, terrorism or war.

Any of these events could have an adverse impact on the Company's business and operations.

### ***Changes in our tax rates and exposure to additional income tax liabilities***

Gorman-Rupp is subject to income and other taxes in the United States federal jurisdiction and various local, state and foreign jurisdictions. The Company's future effective income tax rates could be unfavorably affected by various factors, including changes in the tax rates as well as rules and regulations in relevant jurisdictions. In addition, the amount of income taxes paid is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. authorities. If these audits result in assessments different from amounts recorded, the Company's future financial results may include unfavorable adjustments.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 2. PROPERTIES**

The Company's corporate headquarters are located in Mansfield, Ohio. The production operations of the Company are conducted at several locations throughout the United States and other countries as set forth below. The Company is a lessee under a number of operating leases for certain real properties, none of which is material to its operations.

The Company's principal production operations are:

**United States**

Mansfield (two) and Bellville, Ohio	Royersford, Pennsylvania (two)	Olive Branch, Mississippi
Toccoa, Georgia	Glendale, Arizona	Lubbock, Texas

**Other Countries**

St. Thomas, Ontario, Canada	County Westmeath, Ireland	Waardenburg, The Netherlands
Johannesburg, South Africa	Namur, Belgium	

The Company owns a facility in Dallas, Texas comprising a training center and warehouse. In addition, the Company leases a warehouse facility in Jebel Ali, Dubai.

Gorman-Rupp considers its plants, machinery and equipment to be well maintained, in good operating condition and adequate for the present uses and business requirements of the Company.

**ITEM 3. LEGAL PROCEEDINGS**

For over twenty years, numerous business entities in the pump and fluid-handling industries, as well as a multitude of companies in many other industries, have been targeted in a series of lawsuits in several jurisdictions by various individuals seeking redress to claimed injury as a result of the entities' alleged use of asbestos in their products. Since 2001, the Company and some of its subsidiaries have been involved in this mass-scaled litigation, typically as one of many co-defendants in a particular proceeding. The allegations in the lawsuits involving the Company and/or its subsidiaries have been vague, general and speculative. Most of these lawsuits have been dismissed without advancing beyond the early stage of discovery, some as a result of nominal monetary settlements recommended for payment by the Company's insurers. The claims and related legal expenses generally have been covered by the Company's insurance, subject to applicable deductibles and limitations. Accordingly, this series of lawsuits has not, cumulatively or individually, had a material adverse impact on the Company's consolidated results of operations, liquidity or financial condition, nor is it expected to have any such impact in the future, based on the current knowledge of the Company.

In addition, the Company and/or its subsidiaries are parties in a small number of legal proceedings arising in the ordinary course of business. Management does not currently believe that these proceedings will materially impact the Company's consolidated results of operations, liquidity or financial condition.

**ITEM 4. MINE SAFETY DISCLOSURE**

Not applicable.

**INFORMATION ABOUT OUR EXECUTIVE OFFICERS**

The following table sets forth certain information with respect to the executive officers of the Company as of January 31, 2022:

Name	Age	Office	Date Elected to Executive Office Position
Jeffrey S. Gorman	69	Executive Chairman	1998
Scott A. King	47	President and Chief Executive Officer	2019
James C. Kerr	59	Executive Vice President and Chief Financial Officer	2017
Brigitte A. Burnell	46	Senior Vice President, General Counsel and Corporate Secretary	2014

Mr. Gorman was elected Chairman of the Board on April 25, 2019. He served as Chief Executive Officer from May 1, 1998 to December 31, 2021 and as President from 1998 to 2020 after having served as Senior Vice President since 1996. Mr. Gorman also held the position of General Manager of the Gorman-Rupp Pumps USA division from 1989 through 2005. He served as Assistant General Manager from 1986 to 1988; and he held the office of Corporate Secretary from 1982 to 1990. He has served as a Director of the Company continuously since 1989.

Mr. King was elected Chief Executive Officer effective January 1, 2022 in addition to his role as President. Mr. King served as President and Chief Operating Officer since January 1, 2021 after previously serving as Vice President and Chief Operating Officer since April 25, 2019. Mr. King also previously served as Vice President of Operations effective March 1, 2018 and as Vice President from April 1, 2017 to February 28, 2018. Mr. King previously held positions with the Gorman-Rupp Pumps USA division of the Company as Vice President and General Manager from January 1, 2014 until March 31, 2017, Vice President of Operations from June 1, 2010 until December 31, 2013, Director of Manufacturing from July 1, 2007 until May 31, 2010 and Manufacturing Manager from November 1, 2004 until June 30, 2007.

Mr. Kerr was elected Executive Vice President and Chief Financial Officer effective January 1, 2021 after previously serving as Vice President and Chief Financial Officer since March 1, 2018. Mr. Kerr previously served as Chief Financial Officer effective January 1, 2017 and as Vice President of Finance from July 18, 2016 to December 31, 2016. Prior to 2016, Mr. Kerr served as both Executive Vice President and Chief Financial Officer of Jo-Ann Stores from 2006 to 2015 and as Vice President, Controller of Jo-Ann Stores from 1998 to 2006.

Ms. Burnell was elected Senior Vice President, General Counsel and Corporate Secretary effective January 1, 2021 after previously serving as Vice President, General Counsel and Corporate Secretary since March 1, 2018. Ms. Burnell previously served as General Counsel effective May 1, 2015 and as Corporate Secretary effective May 1, 2014. Ms. Burnell previously served as Corporate Counsel effective May 1, 2014. Ms. Burnell joined the Company as Corporate Attorney on January 2, 2014. Prior to 2014, Ms. Burnell served as Corporate Counsel of Red Capital Group from 2011 to 2013 and as an Associate at Jones Day from 2002 to 2011.

## **PART II**

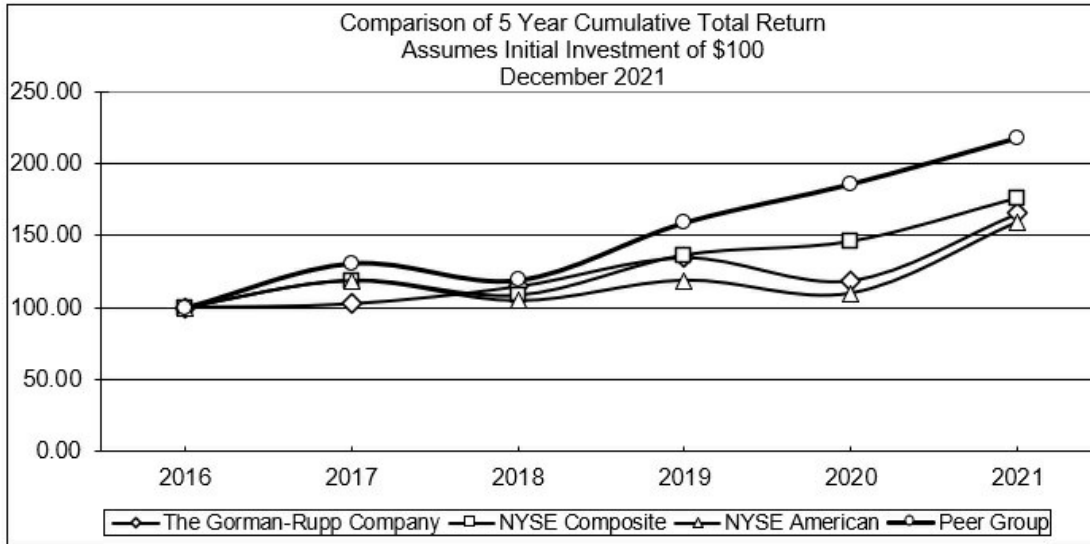
### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

The Company's Common Stock is listed on the New York Stock Exchange under the ticker symbol "GRC". On February 1, 2022, there were 1,532 registered holders of the Company's common shares.

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 an assessment of the Company's financial condition and business outlook at the applicable time.

**PERFORMANCE GRAPH**

The following stock price performance graph and related table compares the cumulative total returns (assuming reinvestment of dividends) on \$100 invested on December 31, 2016 through December 31, 2021 in the Company’s common shares, the NYSE Composite Index, the NYSE American Index and a peer group of companies in the SIC Code 3561 Index — Pumps and Pumping Equipment. The stock price performance graph and related table is not necessarily indicative of future investment performance. This graph is not deemed to be “soliciting material” or “filed” with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the graph shall not be deemed to be incorporated by reference into any prior or subsequent filing by us under the Securities Act of 1933, as amended, or the Exchange Act.



	2016	2017	2018	2019	2020	2021
The Gorman-Rupp Company	100.00	102.49	114.56	134.79	118.79	165.95
NYSE Composite	100.00	118.90	108.43	136.34	145.87	176.03
NYSE American	100.00	118.56	104.61	118.96	110.02	159.72
SIC Code 3561	100.00	130.90	119.21	159.08	185.86	217.88

## PURCHASES OF EQUITY SECURITIES

(Amounts in tables in thousands of dollars, except share and per share data)

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.

<b>Period</b>	<b>Total number of shares purchased</b>	<b>Average price paid per share</b>	<b>Total number of shares purchased as part of publicly announced program</b>	<b>Approximate dollar value of shares that may yet be purchased under the program</b>
October 1 to October 31, 2021	-	\$ -	-	\$ 50,000
November 1 to November 30, 2021	-	-	-	50,000
December 1 to December 31, 2021	22,979	44.14	22,979	48,985
Total	22,979	\$ 44.14	22,979	\$ 48,985

## ITEM 6. RESERVED

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

### 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.

	2021	2020	2019
<b>Adjusted earnings per share:</b>			
Reported earnings per share – GAAP basis	\$ 1.14	\$ 0.97	\$ 1.37
Plus pension settlement charge	0.07	0.14	-
Non-GAAP adjusted earnings per share	<u>\$ 1.21</u>	<u>\$ 1.11</u>	<u>\$ 1.37</u>
<b>Adjusted earnings before interest, taxes, depreciation and amortization:</b>			
Reported net income – GAAP basis	\$ 29,851	\$ 25,188	\$ 35,815
Plus interest	1	18	1
Plus income taxes	7,397	6,058	9,351
Plus depreciation and amortization	11,914	12,692	13,749
Non-GAAP earnings before interest, taxes, depreciation and amortization	49,163	43,956	58,916
Plus pension settlement charge	2,304	4,583	-
Non-GAAP adjusted earnings before interest, taxes, depreciation and amortization	<u>\$ 51,467</u>	<u>\$ 48,539</u>	<u>\$ 58,916</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 to position us for future acquisition and product development opportunities. The Company had no bank debt as of December 31, 2021. The \$158.8 million of aggregate cash generated by operating activities over the past three years was utilized primarily to pay dividends and the purchase of productivity-enhancing capital equipment. The Company's cash position increased \$17.0 million during 2021 to \$125.2 million at December 31, 2021.

The Company generated \$51.5 million in adjusted earnings before interest, taxes, depreciation and amortization during 2021. From these earnings, the Company invested \$9.8 million primarily in buildings, machinery and equipment and returned \$16.6 million in dividends to shareholders.

Capital expenditures for 2022 are planned to be in the range of \$15-\$20 million primarily for machinery and equipment purchases, and are expected to be financed through internally-generated funds.

Net sales for 2021 were \$378.3 million compared to \$349.0 million for 2020, an increase of 8.4% or \$29.3 million. Domestic sales of \$260.7 million increased 5.6% while international sales of \$117.6 million increased 15.3% compared to 2020.

Gross profit was \$95.9 million for 2021, resulting in gross margin of 25.3%, compared to gross profit of \$89.6 million and gross margin of 25.7% for 2020. The 40 basis point decrease in gross margin was driven by a 140 basis point increase in cost of material, which included an unfavorable LIFO impact of 180 basis points, partially offset by a 100 basis point improvement on labor and overhead resulting from increased sales volume.

SG&A expenses were \$56.5 million and 14.9% of net sales for 2021 compared to \$53.8 million and 15.4% of net sales for 2020. SG&A expenses increased 5.1% or \$2.7 million as a result of compensation, travel and other expense items returning closer to pre-pandemic levels as operational activities return to normal 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 \$39.4 million for 2021, resulting in an operating margin of 10.4%, compared to operating income of \$35.8 million and operating margin of 10.2% for 2020. Operating margin improved 20 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 \$2.1 million of expense for 2021 compared to expense of \$4.5 million for the same period in 2020. The decrease in expense was due primarily to a non-cash pension settlement charge of \$2.3 million in 2021 compared to a charge of \$4.6 million in 2020.

Net income was \$29.9 million for 2021 compared to \$25.2 million in 2020, and earnings per share were \$1.14 for 2021 and \$0.97 for 2020. Earnings per share included non-cash pension settlement charges of \$0.07 and \$0.14 per share for 2021 and 2020, respectively. In 2021, earnings included an unfavorable LIFO impact of \$0.20 per share compared to \$0.03 per share in 2020.

The Company's backlog of orders was \$186.0 million at December 31, 2021 compared to \$113.1 million at December 31, 2020, an increase of 64.4%. Approximately 92.0% of the Company's backlog of unfilled orders is scheduled to be shipped during 2022, with the remainder principally during the first half of 2023.

Incoming orders increased 26.9% for the full year and increased 33.0% for the fourth quarter of 2021 compared to the same periods in 2020. Incoming orders were up across most markets the Company serves.

On January 27, 2022, the Board of Directors authorized the payment of a quarterly dividend of \$0.17 per share, representing the 288th consecutive quarterly dividend to be paid by the Company. During 2021, the Company again paid increased dividends and thereby attained its 49th consecutive year of increased dividends. These consecutive years of increases continue to position Gorman-Rupp in the top 50 of all U.S. public companies with respect to number of years of increased dividend payments. The regular dividend yield at December 31, 2021 was 1.5%.

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.



Effective January 1, 2022, the role of Chief Executive Officer transitioned from Jeffrey S. Gorman to Scott A. King, who served as the Company's President and Chief Operating Officer. Mr. Gorman served as CEO since 1998 and following the CEO transition, will continue to serve as the Company's Executive Chairman of the Board to assist with the Company's overall strategy and acquisition efforts. Mr. King has been with the Company since 2004 and has held various operational leadership roles of increasing responsibility during this time.

## Outlook

Our incoming order trend continues to be very strong while sales during the fourth quarter of 2021 were somewhat impacted by customer-initiated shipment delays. Our team has continued to do a good job of managing the ongoing global supply chain challenges that the COVID-19 pandemic has caused and, as a result, we have seen minimal disruption. We have passed on price increases to offset inflationary pressures on material costs and wages and have leveraged our SG&A expenses as sales volumes have increased.

We enter 2022 with a very healthy backlog and are well positioned to continue to deliver top-line growth. We remain optimistic about the long-term outlook and believe our diverse markets, strong balance sheet, and highly-skilled workforce position us well to continue to deliver shareholder value.

## Results of Operations – 2021 Compared to 2020:

### Net Sales

	Year Ended December 31,		\$ Change	% Change
	2021	2020		
Net sales	\$ 378,316	\$ 348,967	\$ 29,349	8.4%

Net sales for 2021 were \$378.3 million compared to \$349.0 million for 2020, an increase of 8.4% or \$29.3 million. Domestic sales of \$260.7 million increased 5.6% while international sales of \$117.6 million increased 15.3% compared to 2020.

Sales in our water markets increased 7.7% or \$19.2 million in 2021 compared to 2020. Sales increased \$10.1 million in the fire market, \$9.2 million in the construction market, \$7.7 million in the repair market, and \$2.2 million in the agriculture market. Partially offsetting these increases was a decrease of \$10.0 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 10.2% or \$10.1 million in 2021 compared to 2020. Sales in the OEM market increased \$6.5 million, sales in the petroleum market increased \$2.2 million, and sales in the industrial market increased \$1.4 million.

International sales were \$117.6 million in 2021 compared to \$102.1 million in 2020 and represented 31% and 29% of total sales for the Company, respectively. As the global economy continues to recover from the COVID-19 pandemic, international sales have increased across nearly all of our markets.

## Cost of Products Sold and Gross Profit

	Year Ended December 31,		\$ Change	% Change
	2021	2020		
Cost of products sold	\$ 282,419	\$ 259,412	\$ 23,007	8.9%
<i>% of Net sales</i>	74.7%	74.3%		
Gross margin	25.3%	25.7%		

Gross profit was \$95.9 million for 2021, resulting in gross margin of 25.3%, compared to gross profit of \$89.6 million and gross margin of 25.7% for 2020. The 40 basis point decrease in gross margin was driven by a 140 basis point increase in cost of material, which included an unfavorable LIFO impact of 180 basis points, partially offset by a 100 basis point improvement on labor and overhead resulting from increased sales volume.

## Selling, General and Administrative (SG&A) Expenses

	Year Ended December 31,		\$ Change	% Change
	2021	2020		
Selling, general and administrative expenses	\$ 56,541	\$ 53,802	\$ 2,739	5.1%
<i>% of Net sales</i>	14.9%	15.4%		

SG&A expenses were \$56.5 million and 14.9% of net sales for 2021 compared to \$53.8 million and 15.4% of net sales for 2020. SG&A expenses increased 5.1% or \$2.7 million as a result of compensation, travel and other expense items returning closer to pre-pandemic levels as operational activities return to normal 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

	Year Ended December 31,		\$ Change	% Change
	2021	2020		
Operating income	\$ 39,356	\$ 35,753	\$ 3,603	10.1%
<i>% of Net sales</i>	10.4%	10.2%		

Operating income was \$39.4 million for 2021, resulting in an operating margin of 10.4%, compared to operating income of \$35.8 million and operating margin of 10.2% for 2020. Operating margin improved 20 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

	Year Ended December 31,		\$ Change	% Change
	2021	2020		
Income before income taxes	\$ 37,248	\$ 31,246	\$ 6,002	19.2%
<i>% of Net sales</i>	9.8%	8.9%		
Income taxes	\$ 7,397	\$ 6,058	\$ 1,339	22.1%
<i>Effective tax rate</i>	19.9%	19.4%		
Net income	\$ 29,851	\$ 25,188	\$ 4,663	18.5%
<i>% of Net sales</i>	7.9%	7.2%		
Earnings per share	\$ 1.14	\$ 0.97	\$ 0.17	17.5%

The Company's effective tax rate was 19.9% for 2021 compared to 19.4% for 2020. The effective tax rate for 2021 was impacted by decreased benefits from credits and permanent items with higher pretax income. We expect our effective tax rate for 2022 to be between 20.0% and 22.0%.

The increase of \$4.7 million in net income in 2021 compared to 2020 was due primarily to increased sales.

Earnings per share included non-cash pension settlement charges of \$0.07 and \$0.14 per share for 2021 and 2020, respectively. In 2021, earnings included an unfavorable LIFO impact of \$0.20 per share compared to \$0.03 per share in 2020.

#### Results of Operations – 2020 Compared to 2019:

##### Net Sales

	Year Ended December 31,		\$ Change	% Change
	2020	2019		
Net sales	\$ 348,967	\$ 398,179	\$ (49,212)	(12.4)%

Net sales for 2020 were \$349.0 million compared to \$398.2 million for 2019, a decrease of 12.4% or \$49.2 million. Domestic sales decreased 10.3% or \$28.4 million while international sales decreased 17.0% or \$20.8 million compared to 2019. From 2019 to 2020 sales decreased across most of our markets primarily as a result of the COVID-19 pandemic, along with a slowdown in the oil and gas industry.

Sales in our water markets decreased 9.4% or \$25.9 million in 2020 compared to 2019. Sales in the agriculture market increased \$1.5 million. This increase was offset by decreases in the construction market of \$11.3 million driven primarily by softness in oil and gas drilling activity. Decreases in the repair market of \$5.6 million, municipal market of \$5.3 million, and fire protection market of \$5.2 million were a result of the COVID-19 pandemic.

Sales in our non-water markets decreased 18.9% or \$23.3 million in 2020 compared to 2019 primarily as a result of the COVID-19 pandemic, along with reduced demand from midstream and downstream oil and gas customers and softness in oil and gas drilling activity. Sales in the OEM market decreased \$8.3 million, sales in the industrial market decreased \$7.8 million and sales in the petroleum market decreased \$7.2 million.

International sales were \$102.1 million in 2020 compared to \$122.9 million in 2019 and represented 29% and 31% of total sales for the Company, respectively. In 2020, international sales decreased most notably in the fire protection and all non-water markets.

##### Cost of Products Sold and Gross Profit

	Year Ended December 31,		\$ Change	% Change
	2020	2019		
Cost of products sold	\$ 259,412	\$ 295,504	\$ (36,092)	(12.2)%
<i>% of Net sales</i>	<i>74.3%</i>	<i>74.2%</i>		
<i>Gross margin</i>	<i>25.7%</i>	<i>25.8%</i>		

Gross profit was \$89.6 million for 2020, resulting in gross margin of 25.7%, compared to gross profit of \$102.7 million and gross margin of 25.8% for 2019. Gross margin in 2020 decreased 10 basis points largely due to an unfavorable LIFO impact of 60 basis points compared to 2019 and decreased 120 basis points from the loss of leverage on fixed labor and overhead attributable to lower sales volume. Largely offsetting these items were lower material costs of 170 basis points compared to 2019.

## Selling, General and Administrative (SG&A) Expenses

	Year Ended December 31,		\$ Change	% Change
	2020	2019		
Selling, general and administrative expenses	\$ 53,802	\$ 58,835	\$ (5,033)	(8.6)%
<i>% of Net sales</i>	<i>15.4%</i>	<i>14.8%</i>		

SG&A expenses were \$53.8 million and 15.4% of net sales for 2020 compared to \$58.8 million and 14.8% of net sales for 2019. SG&A expenses decreased 8.6% or \$5.0 million due to reduced payroll related and travel expenses combined with overall expense management. SG&A expenses as a percentage of sales increased 60 basis points primarily as a result of loss of leverage from lower sales volume.

## Operating Income

	Year Ended December 31,		\$ Change	% Change
	2020	2019		
Operating income	\$ 35,753	\$ 43,840	\$ (8,087)	(18.4)%
<i>% of Net sales</i>	<i>10.2%</i>	<i>11.0%</i>		

Operating income was \$35.8 million for 2020, resulting in an operating margin of 10.2%, compared to operating income of \$43.8 million and operating margin of 11.0% for 2019. Operating margin decreased 80 basis points primarily as a result of loss of leverage from lower sales volume.

## Net Income

	Year Ended December 31,		\$ Change	% Change
	2020	2019		
Income before income taxes	\$ 31,246	\$ 45,166	\$ (13,920)	(30.8)%
<i>% of Net sales</i>	<i>8.9%</i>	<i>11.3%</i>		
Income taxes	\$ 6,058	\$ 9,351	\$ (3,293)	(35.2)%
<i>Effective tax rate</i>	<i>19.4%</i>	<i>20.7%</i>		
Net income	\$ 25,188	\$ 35,815	\$ (10,627)	(29.7)%
<i>% of Net sales</i>	<i>7.2%</i>	<i>9.0%</i>		
Earnings per share	\$ 0.97	\$ 1.37	\$ (0.40)	(29.2)%

The Company's effective tax rate was 19.4% for 2020 compared to 20.7% for 2019. The effective tax rate for 2020 was impacted by an increased benefit from credits and permanent items over a lower pretax income as well as a favorable tax rate benefit on foreign operations.

The decrease of \$10.6 million in net income in 2020 compared to 2019 was due primarily to lower sales volume and a non-cash pension settlement charge of \$3.7 million net of income taxes. Net income in 2019 included a favorable LIFO impact of \$0.9 million.

Earnings per share in 2020 included a non-cash pension settlement charge of \$0.14 per share. In 2019, earnings benefited from a favorable LIFO impact of \$0.04 per share.

## Liquidity and Sources of Capital

Cash and cash equivalents totaled \$125.2 million and there was no outstanding bank debt at December 31, 2021. In addition, at December 31, 2021, the Company had \$23.2 million of borrowing capacity available in bank lines of credit after deducting \$6.3 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 all times in 2021 and 2020.

Capital expenditures for 2022, which are expected to consist principally of machinery and equipment purchases, are estimated to be in the range of \$15 - \$20 million and are expected to be financed through internally generated funds. During 2021, 2020 and 2019, the Company financed its capital improvements and working capital requirements principally through internally generated funds.

We expect to continue to generate cash in excess of our operating needs. We believe we have adequate funds on hand and sufficient borrowing capacity to execute our financial and operating strategy.

The Company expects to contribute up to \$2.0 million to its defined benefit pension plan in 2022.

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:

	2021		2020		2019
Non-GAAP adjusted earnings before interest, taxes, depreciation and amortization	\$ 51,467	\$	48,539	\$	58,916
Less capital expenditures	(9,751)		(7,999)		(10,912)
Less cash dividends	(16,586)		(15,394)		(14,370)
Non-GAAP free cash flow	<u>\$ 25,130</u>	\$	<u>25,146</u>	\$	<u>33,634</u>

#### Financial Cash Flow

	Year Ended December 31,		
	2021	2020	2019
Beginning of period cash and cash equivalents	\$ 108,203	\$ 80,555	\$ 46,458
Net cash provided by operating activities	45,438	51,162	62,174
Net cash used for investing activities	(9,169)	(7,704)	(10,847)
Net cash used for financing activities	(18,553)	(16,136)	(17,363)
Effect of exchange rate changes on cash	(725)	326	133
Net increase (decrease) in cash and cash equivalents	16,991	27,648	34,097
End of period cash and cash equivalents	<u>\$ 125,194</u>	<u>\$ 108,203</u>	<u>\$ 80,555</u>

The change in cash provided by operating activities in 2021 compared to 2020 was primarily due to increased accounts receivable compared to a decrease in the prior period. The change in accounts receivable was partially offset by an increase in net income, an increase in accounts payable, and an increase in prepaid assets. The change in cash provided by operating activities in 2020 compared to 2019 was primarily due to lower income in 2020 compared to 2019 driven by decreased sales. Cash outflows increased in 2020 due to a reduction in accounts payable primarily from reduced SG&A spend, increased inventory to prepare for customer demand, and increased pension contributions. These cash outflows were offset by cash inflows from reduced accounts receivable driven by decreased sales and a higher deferred tax provision.

During 2021, investing activities of \$9.1 million primarily consisted of \$9.8 million of capital expenditures for buildings, machinery and equipment. During 2020, investing activities of \$7.7 million primarily consisted of \$8.0 million of capital expenditures for buildings, machinery and equipment. During 2019, investing activities of \$10.8 million primarily consisted of \$10.9 million of capital expenditures for buildings, machinery and equipment.

During 2021, financing activities of \$18.6 million consisted primarily of dividend payments of \$16.6 million and open market share repurchases of \$1.2 million. During 2020, financing activities of \$16.1 million consisted primarily of dividend payments of \$15.4 million. During 2019, financing activities of \$17.4 million consisted primarily of dividend payments of \$14.4 million and a privately-arranged market value purchase of Company shares in the amount of \$2.5 million from a Rupp family estate.

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, of which approximately \$49.0 million has yet to be repurchased. 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.

#### Contractual Obligations

Capital commitments in the table below include contractual commitments to purchase machinery and equipment that have been approved by the Board of Directors. The capital commitments do not represent the entire anticipated purchases in the future but represent only those substantive items for which the Company is contractually obligated as of December 31, 2021. Also, the Company has operating leases and two financing leases for certain offices, manufacturing facilities, land, office equipment and automobiles. Rental expenses relating to these leases were \$0.9 million in 2021, \$0.9 million in 2020 and \$1.0 million in 2019.

The following table summarizes the Company's contractual obligations at December 31, 2021:

	Payment Due By Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Capital commitments	\$ 4,526	\$ 4,526	\$ -	\$ -	\$ -
Leases	1,187	607	545	26	9
<b>Total</b>	<b>\$ 5,713</b>	<b>\$ 5,133</b>	<b>\$ 545</b>	<b>\$ 26</b>	<b>\$ 9</b>

#### Critical Accounting Policies

The accompanying Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States. When more than one accounting principle, or the method of its application, is generally accepted, management selects the principle or method that is appropriate in the Company's specific circumstances. Application of these accounting principles requires management to make estimates about the future resolution of existing uncertainties; as a result, actual results could differ from these estimates.

In preparing these Consolidated Financial Statements, management has made its best estimates and judgments of the amounts and disclosures included in the Consolidated Financial Statements, giving due regard to materiality. The Company does not believe there is a great likelihood that materially different amounts would be reported under different conditions or using different assumptions pertaining to the accounting policies described below.

### *Revenue Recognition*

The Company accounts for revenue in accordance with Accounting Standards Codification (“ASC”) 606, “Revenue from Contracts with Customers,” under which the unit of account is a performance obligation. Substantially all of our revenue is derived from fixed-price customer contracts and the majority of our customer contracts have a single performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer. For customer contracts with multiple performance obligations, the Company allocates revenue to each performance obligation based on its relative standalone selling price, which is generally determined based on standalone selling prices charged to customers or using expected cost plus margin.

The transaction price for a customer contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the Company’s performance obligation is satisfied. All of the Company’s performance obligations, and associated revenue, are generally satisfied at a point in time, with the exception of certain highly customized pump products, which are satisfied over time as work progresses.

Accounting for long-term contracts involves the use of various techniques to estimate total contract revenue and costs. For long-term contracts, the Company estimates the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognizes that profit as performance obligations are satisfied. Contract estimates are based on various assumptions to project the outcome of future events that could span longer than one year. These assumptions include labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials and the performance of subcontractors as applicable.

As a significant change in one or more of these estimates could affect the profitability of our contracts, the Company reviews and updates its contract-related estimates regularly. Adjustments in estimated profit on contracts are accounted for under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date on a contract is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance are recognized using the adjusted estimate.

### *Allowance for Doubtful Accounts*

The Company evaluates the collectability of its accounts receivable based on a combination of factors including both current and historical information. In circumstances where the Company is aware of a specific customer’s inability to meet its financial obligations to the Company (e.g., bankruptcy filings, substantial downgrading of credit scores), the Company records a specific allowance for bad debts against amounts due to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes allowances for bad debts primarily based on the length of time the receivables are past due. If circumstances change (e.g., an unexpected material adverse change in a large customer’s ability to meet its financial obligations), the Company’s estimates of the recoverability of amounts due could be reduced by a material amount. Historically, the Company’s collection history has been good.

### *Inventories and Related Allowance*

Inventories are valued at the lower of cost or market value and have been reduced by an allowance for excess and obsolete inventories. The estimated allowance is based on a variety of factors, including historical inventory usage and management evaluations. Historically, the Company has not experienced substantive write-offs due to obsolescence. The Company uses the last-in, first-out (LIFO) method for the majority of its inventories.

### *Product Warranties*

A liability is established for estimated future warranty and service claims based on historical claims experience and specific product failures.

### *Pension Plan and Other Postretirement Benefit Plans*

The Company recognizes the obligations associated with its defined benefit pension plan and defined benefit health care plans in its Consolidated Financial Statements. The measurement of liabilities related to its pension plan and other postretirement benefit plans is based on management’s assumptions related to future events including interest rates, return on pension plan assets, rate of compensation increases and health care cost trend rates. Actual pension plan asset performance will either reduce or increase pension losses included in accumulated other comprehensive loss, which ultimately affects net income. The discount rates used to determine the present value of future benefits are based on estimated yields of investment grade fixed income investments.

The discount rates used to value pension plan obligations were 2.44% and 1.97% at December 31, 2021 and 2020, respectively. The discount rates used to value postretirement obligations were 2.70% and 2.25% at December 31, 2021 and 2020, respectively. The discount rates were determined by constructing a zero-coupon spot yield curve derived from a universe of high-quality bonds as of the measurement date. The expected rate of return on pension assets is designed to be a long-term assumption that will be subject to year-to-year variability. The rate for 2021 was 5.10% and 2020 was 5.36%. Actual pension plan asset performance will either reduce or increase unamortized losses included in Accumulated other comprehensive loss, which will ultimately affect net income. The assumed rate of compensation increase was 3.50% in both 2021 and 2020.

Substantially all retirees elect to take lump sum settlements of their pension plan benefits. When interest rates are low as they have been the last five years, this subjects the Company to the risk of exceeding an actuarial threshold computed on an annual basis and triggering a GAAP-required non-cash pension settlement loss, which occurred in 2021 and 2020.

The assumption used for the rate of increase in medical costs over the next five years was 5% in both 2021 and 2020.

#### *Income Taxes*

The basic principles related to accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns.

Realization of the Company's deferred tax assets is principally dependent upon the Company's achievement of projected future taxable income, which management believes will be sufficient to fully utilize the deferred tax assets recorded, with the exception of deferred tax associated with certain state tax credits for which a valuation allowance has been recognized.

The Company is subject to income taxes in the U.S. federal and various state, local and foreign jurisdictions. Income tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2017.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense for all periods presented. The Company accrued approximately \$0.2 million, \$0.2 million and \$0.3 million for the payment of interest and penalties at December 31, 2021, 2020 and 2019, respectively.

#### *Goodwill and Other Intangibles*

The Company accounts for goodwill in a purchase business combination as the excess of the cost over the fair value of net assets acquired. Business combinations can also result in other intangible assets being recognized. Amortization of intangible assets, if applicable, occurs over their estimated useful lives.

Goodwill is tested annually for impairment as of October 1, or whenever events or changes in circumstances indicate there may be a possible permanent loss of value in accordance with ASC 350, "Intangibles - Goodwill and Other."

Goodwill is tested for impairment at the reporting unit level and is based on the net assets for each reporting unit, including goodwill and intangible assets. The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing a quantitative impairment assessment is unnecessary.



In assessing the qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we identify and assess relevant drivers of fair value and events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances and how these may impact a reporting unit's fair value or carrying amount involve significant judgments and assumptions. The judgments and assumptions include the identification of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, Company-specific events and share price trends and making the assessment on whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

When performing a quantitative assessment of goodwill impairment if necessary, or in years where we elect to do so, a discounted cash flow model is used to estimate the fair value of each reporting unit, which considers forecasted cash flows discounted at an estimated weighted-average cost of capital. The forecasted cash flows are based on the Company's long-term operating plan and the weighted-average cost of capital is an estimate of the overall after-tax rate of return. Other valuation techniques including comparative market multiples are used when appropriate. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective reporting units.

The Company performed a qualitative analyses as of October 1, 2021 and 2020 for all of its reporting units except for one and concluded that it is more likely than not that the fair value of the reporting units continues to exceed the respective carrying amounts.

The Company performed a quantitative impairment analysis as of October 1, 2021 for the National Pump Company ("National") reporting unit and concluded that National's fair value exceeded its carrying value by approximately 45% and therefore was not impaired. A sensitivity analysis was performed for the National reporting unit, assuming a hypothetical 100 basis point decrease in the expected long-term growth rate or a hypothetical 100 basis point increase in the weighted average cost of capital, and both scenarios independently yielded an estimated fair value for the National reporting unit above carrying value. If National fails to experience growth or revises its long-term projections downward, it could be subject to impairment charges in the future. Goodwill relating to the National reporting unit is \$13.6 million, 3.2% of the Company's December 31, 2021 total assets. See Note 10 to the Consolidated Financial Statements, Goodwill and Other Intangible Assets.

Other indefinite-lived intangible assets primarily consist of trademarks and trade names. The fair value of these assets is also tested annually for impairment as of October 1, or whenever events or changes in circumstances indicate there may be a possible permanent loss of value. The fair value of these assets is determined using a royalty relief methodology similar to that employed when the associated assets were acquired, but using updated estimates of future sales, cash flows and profitability. For 2021 and 2020, the fair value of all indefinite lived intangible assets exceeded the respective carrying values.

Finite-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recovered through future net cash flows generated by the assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future net undiscounted cash flows estimated to be generated by such assets. The Company was not aware of any events or changes in circumstances that indicate the carrying value of its finite-lived assets may not be recoverable. See Note 10 to the Consolidated Financial Statements, Goodwill and Other Intangible Assets.

#### *Other Matters*

Certain transactions with related parties occur in the ordinary course of business and are not considered to be material to the Company's consolidated financial position, net income or cash flows.

The Company does not have any off-balance sheet arrangements, financings or other relationships with unconsolidated "special purpose entities."

The Company is not a party to any long-term debt agreements, or any material leases or purchase obligations.

## **ITEM 7A. 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. There were no net foreign currency transaction gains (losses) for the period ending December 31, 2021. The net foreign currency transaction gains (losses) for the periods ending December 31, 2020 and 2019 were \$0.3 million and \$0.1 million, respectively, and are reported within Other (expense) income, net on the Consolidated Statements of Income.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

### **Report of Independent Registered Public Accounting Firm**

#### **To the Shareholders and the Board of Directors of The Gorman-Rupp Company**

#### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of The Gorman-Rupp Company (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 28, 2022 expressed an unqualified opinion thereon.

#### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

## Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

### *National Pump Company Goodwill Impairment Evaluation*

#### *Description of the Matter*

At December 31, 2021, the Company's total goodwill was \$27.2 million, of which, \$13.6 million related to the National Pump Company reporting unit. Goodwill is assigned to the Company's reporting units as of the acquisition date. As discussed in Note 1 and Note 10 of the consolidated financial statements, goodwill is tested for impairment at least annually on October 1 at the reporting unit level, or when events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying amount. For 2021, the Company used a quantitative analysis for the annual goodwill impairment testing for its National Pump Company reporting unit. The Company uses an income and market approach in its quantitative impairment tests. National Pump Company goodwill is susceptible to impairment due to the narrow difference between its estimated fair value and carrying value.

Auditing the Company's National Pump Company quantitative goodwill impairment evaluation was complex and highly judgmental due to the significant estimation required in determining the fair value of the reporting unit. In particular, the fair value estimate using the income approach was sensitive to significant assumptions such as the weighted average cost of capital, discrete revenue growth rates, terminal period revenue growth rate, and profitability assumptions. Elements of these significant assumptions are forward-looking and could be affected by future economic conditions and/or changes in consumer preferences.

#### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's National Pump Company reporting unit goodwill impairment review process, including controls over the significant assumptions mentioned above.

To test the estimated fair value used in the Company's National Pump Company reporting unit goodwill impairment analysis, we performed audit procedures that included, among others, assessing fair value methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. For example, we compared the significant assumptions used by management to current industry and economic trends, changes to the Company's business model, and other relevant factors. We assessed the historical accuracy of management's estimates. We also performed sensitivity analyses of significant assumptions, including the weighted average cost of capital and terminal period revenue growth rate, to evaluate the changes in fair value that would result from changes in the assumptions and the potential impact on the Company's conclusion of whether or not the goodwill was impaired. In addition, we involved our valuation specialist to assist with our evaluation of the methodology used by the Company and significant assumptions, including, among others, the weighted average cost of capital.

/s/ Ernst & Young LLP

We have served as the Company's auditor since at least 1967, but we are unable to determine the specific year.

Cleveland, Ohio  
February 28, 2022

**The Gorman-Rupp Company**  
**Consolidated Statements of Income**

<i>(Dollars in thousands, except share and per share amounts)</i>	Year Ended December 31,		
	2021	2020	2019
Net sales	\$ 378,316	\$ 348,967	\$ 398,179
Cost of products sold	282,419	259,412	295,504
Gross profit	95,897	89,555	102,675
Selling, general and administrative expenses	56,541	53,802	58,835
Operating income	39,356	35,753	43,840
Other (expense) income, net	(2,108)	(4,507)	1,326
Income before income taxes	37,248	31,246	45,166
Income taxes	7,397	6,058	9,351
Net income	<u>\$ 29,851</u>	<u>\$ 25,188</u>	<u>\$ 35,815</u>
Earnings per share	<u>\$ 1.14</u>	<u>\$ 0.97</u>	<u>\$ 1.37</u>
Average number of shares outstanding	26,119,376	26,092,576	26,127,168

*See notes to consolidated financial statements.*

**Consolidated Statements of Comprehensive Income**

<i>(Dollars in thousands)</i>	Year Ended December 31,		
	2021	2020	2019
Net income	\$ 29,851	\$ 25,188	\$ 35,815
Cumulative translation adjustments	(2,807)	3,111	88
Pension and postretirement medical liability adjustments, net of tax	2,854	(4,951)	(5,202)
Other comprehensive income (loss)	47	(1,840)	(5,114)
Comprehensive income	<u>\$ 29,898</u>	<u>\$ 23,348</u>	<u>\$ 30,701</u>

*See notes to consolidated financial statements.*

The Gorman-Rupp Company

Consolidated Balance Sheets

<i>(Dollars in thousands)</i>	December 31,	
	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 125,194	\$ 108,203
Accounts receivable, net	58,545	50,763
Inventories, net	85,648	82,686
Prepaid and other	7,795	5,169
Total current assets	277,182	246,821
Property, plant and equipment, net	104,293	108,666
Other assets	6,193	4,795
Goodwill and other intangible assets, net	33,086	34,175
Total assets	<u>\$ 420,754</u>	<u>\$ 394,457</u>
<b>Liabilities and equity</b>		
Current liabilities:		
Accounts payable	\$ 17,633	\$ 9,466
Payroll and employee related liabilities	11,754	10,825
Commissions payable	8,164	5,624
Deferred revenue and customer deposits	9,200	8,004
Accrued expenses	5,689	4,582
Total current liabilities	52,440	38,501
Pension benefits	9,342	9,232
Postretirement benefits	27,359	28,250
Other long-term liabilities	1,637	2,961
Total liabilities	90,778	78,944
Equity:		
Common shares, without par value:		
Authorized – 35,000,000 shares;		
Outstanding – 26,103,661 shares at December 31, 2021 and 26,101,992 shares at December 31, 2020 (after deducting treasury shares of 945,135 and 946,804, respectively), at stated capital amounts	5,099	5,099
Additional paid-in capital	1,838	693
Retained earnings	353,369	340,098
Accumulated other comprehensive (loss)	(30,330)	(30,377)
Total equity	329,976	315,513
Total liabilities and equity	<u>\$ 420,754</u>	<u>\$ 394,457</u>

See notes to consolidated financial statements.

The Gorman-Rupp Company

Consolidated Statements of Cash Flows

<i>(Dollars in thousands)</i>	Year Ended December 31,		
	2021	2020	2019
<b>Cash flows from operating activities:</b>			
Net income	\$ 29,851	\$ 25,188	\$ 35,815
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation and amortization	11,914	12,692	13,749
Pension expense	4,989	7,489	2,823
Contributions to pension plan	(2,000)	(2,000)	-
Deferred income tax charge (benefit)	50	544	(1,198)
Stock based compensation	2,396	42	1,025
Other	(103)	11	(53)
<b>Changes in operating assets and liabilities, net of effects of acquisitions:</b>			
Accounts receivable, net	(8,702)	15,247	2,218
Inventories, net	(4,290)	(5,310)	11,452
Accounts payable	8,717	(6,845)	(601)
Commissions payable	2,718	(1,565)	(2,140)
Deferred revenue and customer deposits	1,351	2,953	(321)
Accrued expenses and other	(1,631)	5,162	102
Income taxes	178	(2,446)	(697)
Net cash provided by operating activities	45,438	51,162	62,174
<b>Cash flows from investing activities:</b>			
Capital additions	(9,751)	(7,999)	(10,912)
Purchase of short-term investments, net	(4)	(4)	(4)
Other	586	299	69
Net cash used for investing activities	(9,169)	(7,704)	(10,847)
<b>Cash flows from financing activities:</b>			
Regular cash dividends	(16,586)	(15,394)	(14,370)
Treasury share repurchases	(1,245)	(361)	(2,610)
Other	(722)	(381)	(383)
Net cash used for financing activities	(18,553)	(16,136)	(17,363)
Effect of exchange rate changes on cash	(725)	326	133
Net increase (decrease) in cash and cash equivalents	16,991	27,648	34,097
<b>Cash and cash equivalents:</b>			
Beginning of year	108,203	80,555	46,458
End of period	\$ 125,194	\$ 108,203	\$ 80,555

See notes to consolidated financial statements.

**The Gorman-Rupp Company**  
**Consolidated Statements of Equity**

*(Dollars in thousands, except share and per share amounts)*

	Common Shares		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Dollars				
<b>Balances December 31, 2018</b>	26,117,045	5,102	2,539	308,914	(23,423)	293,132
Net income				35,815		35,815
Other comprehensive loss					(5,114)	(5,114)
Stock based compensation, net	19,836	4	948	73		1,025
Treasury share repurchases	(69,379)	(15)	(2,340)	(255)		(2,610)
Cash dividends - \$0.55 per share				(14,370)		(14,370)
<b>Balances December 31, 2019</b>	26,067,502	5,091	1,147	330,177	(28,537)	307,878
Net income				25,188		25,188
Other comprehensive loss					(1,840)	(1,840)
Stock based compensation, net	45,338	10	(135)	167		42
Treasury share repurchases	(10,848)	(2)	(319)	(40)		(361)
Cash dividends - \$0.59 per share				(15,394)		(15,394)
<b>Balances December 31, 2020</b>	26,101,992	5,099	693	340,098	(30,377)	315,513
Net income				29,851		29,851
Other comprehensive income					47	47
Stock based compensation, net	31,707	7	2,273	116		2,396
Treasury share repurchases	(30,038)	(7)	(1,128)	(110)		(1,245)
Cash dividends - \$0.64 per share				(16,586)		(16,586)
<b>Balances December 31, 2021</b>	<u>26,103,661</u>	<u>\$ 5,099</u>	<u>\$ 1,838</u>	<u>\$ 353,369</u>	<u>\$ (30,330)</u>	<u>\$ 329,976</u>

*See notes to consolidated financial statements.*

## The Gorman-Rupp Company

### Notes to Consolidated Financial Statements

*(Amounts in tables in thousands of dollars)*

#### Note 1 – Summary of Significant Accounting Policies

##### General Information and Basis of Presentation

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 protection, heating, ventilating and air conditioning (HVAC), military and other liquid-handling applications.

The Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated. Earnings per share are calculated based on the weighted-average number of common shares outstanding.

##### COVID-19 Impact

In March 2020, the World Health Organization categorized the coronavirus disease (“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 December 31, 2021, the date of issuance of this Annual Report on Form 10-K. These estimates may change as new events occur and additional information is obtained.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Actual results could differ from those estimates.

##### Cash Equivalents and Short-Term Investments

The Company considers highly liquid instruments with maturities of 90 days or less to be cash equivalents. The Company periodically makes short-term investments for which cost approximates fair value. Short-term investments at December 31, 2021 and 2020 consisted primarily of a certificate of deposit and is classified as Prepaid and other on the Consolidated Balance Sheets.

##### Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the historical carrying amount net of allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts for expected losses from the failure of its customers to make required payments for products delivered. The Company estimates this allowance based on knowledge of the financial condition of customers, review of historical receivables and reserve trends, current economic conditions in the company’s major markets and geographies, and other relevant information.



## 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. The costs for approximately 72% and 71% of inventories at December 31, 2021 and 2020, respectively, were determined using the last-in, first-out (LIFO) method, with the remainder determined using the first-in, first-out (FIFO) method. Cost components include materials, inbound freight costs, labor and allocations of fixed and variable overheads on an absorption costing basis.

## Property, plant and equipment

Property, plant and equipment are stated on the basis of cost. Repairs and maintenance costs are expensed as incurred. Depreciation for property, plant and equipment assets is computed using the straight-line method over the estimated useful lives of the assets and is included in Cost of products sold and Selling, general and administrative expenses based on the use of the assets. Depreciation expense was \$11.2 million, \$11.4 million, and \$12.6 million for 2021, 2020, and 2019, respectively.

Depreciation of property, plant and equipment is determined based on the following lives:

	years	
Buildings	20	- 50
Machinery and equipment	5	- 15
Software	3	- 5

Property, plant and equipment consist of the following:

	2021	2020
Land	\$ 5,813	\$ 5,805
Buildings	112,760	111,876
Machinery and equipment	188,123	184,362
	306,696	302,043
Less accumulated depreciation	(202,403)	(193,377)
Property, plant and equipment, net	\$ 104,293	\$ 108,666

Property, plant and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying amount may not be recovered through future net cash flows generated by the assets. Impairment losses may be recorded when the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts based on the excess of the carrying amounts over the estimated fair value of the assets. The Company was not aware of any events or changes in circumstances that indicated the carrying value of its property, plant and equipment may not be recoverable.

## Goodwill and Identifiable Intangible Assets

### Goodwill

Goodwill represents the excess of the cost of acquired businesses over the fair value of tangible assets and identifiable intangible assets purchased and liabilities assumed.

Goodwill is reviewed annually for impairment as of October 1 or whenever events or changes in circumstances indicate there may be a possible permanent loss of value using either a quantitative or qualitative analysis. For certain reporting units, the Company performs a quantitative analysis using both a market-based approach and a discounted cash flow model to estimate the fair value of our reporting units. This process requires significant judgements, including estimation of future cash flows, which is dependent on internal forecasts. The Company may otherwise elect to perform a qualitative analysis when deemed appropriate. A qualitative analysis may be performed by assessing certain trends and factors, including projected market outlook and growth rates, forecasted and actual sales and operating profit margins, discount rates, industry data and other relevant qualitative factors. These trends and factors are compared to, and based on, the assumptions used in the most recent quantitative assessment.

No impairment charges were recognized in any of the Company's reporting units in 2021, 2020, or 2019. See Note 10 to the Consolidated Financial Statements, Goodwill and Other Intangible Assets.

### Identifiable intangible assets

The Company's primary identifiable intangible assets include customer relationships, technology and drawings, and trade names and trademarks. Identifiable intangible assets with finite lives are amortized and those identifiable intangible assets with indefinite lives are not amortized. Amortization for finite-lived intangible assets is computed using the straight-line method over the estimated useful lives of the assets and is included in Cost of products sold and Selling, general and administrative expenses based on the use of the assets. Amortization of finite-lived intangible assets is determined based on the following lives:

	years	
Technology and drawings	13	- 20
Customer relationships	9	- 15
Other intangibles	2	- 18

Identifiable intangible assets that are subject to amortization are evaluated for impairment whenever events or changes in circumstances indicate the carrying amount may not be recovered through future net cash flows generated by the assets. Impairment losses may be recorded when the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts based on the excess of the carrying amounts over the estimated fair value of the assets. The Company was not aware of any events or changes in circumstances that indicated the carrying value of its finite-lived intangible assets may not be recoverable.

Identifiable intangible assets not subject to amortization are tested for impairment annually or more frequently if events warrant. The fair value of these assets is determined using a royalty relief methodology similar to that employed when the associated assets were acquired, but using updated estimates of future sales, cash flows and profitability. For 2021, 2020 and 2019, the fair value of indefinite lived intangible assets exceeded their carrying values.

For additional information about goodwill and other intangible assets, see Note 10 to the Consolidated Financial Statements, Goodwill and Other Intangible Assets.

### Revenue Recognition

The Company recognizes revenue when it transfers control of promised goods or services to its customers in an amount that reflects the consideration to which it expects to be entitled to in exchange for those goods or services.

### Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct product or service to a customer, and is the unit of account in ASC 606. The transaction price for a customer contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the Company's performance obligation is satisfied. For product sales, other than long-term construction-type contracts, the Company recognizes revenue once control has passed at a point in time, which is generally when products are shipped. Payments received for product sales typically occur following delivery and the satisfaction of the performance obligation based upon the terms outlined in the contracts. Substantially all of our customer contracts are fixed-price contracts and the majority of our customer contracts have a single performance obligation, as the promise to transfer the individual products or services is not separately identifiable from other promises in the contract. For customer contracts with multiple performance obligations, the Company allocates revenue to each performance obligation based on its relative standalone selling price, which is generally determined based on standalone selling prices charged to customers or using expected cost plus margin.

All of the Company's performance obligations, and associated revenue, are generally transferred to customers at a point in time, with the exception of certain highly customized pump products, which are transferred to the customer over time.

The Company offers standard warranties for its products to ensure that its products comply with agreed-upon specifications in its contracts. For standard warranties, these do not give rise to performance obligations and represent assurance-type warranties.

Shipping and handling activities related to products sold to customers, whether performed before or after the customer obtains control of the products, are generally accounted for as activities to fulfill the promise to transfer the products and not as a separate performance obligation.

#### *Contract Estimates*

Accounting for long-term contracts involves the use of various techniques to estimate total contract revenue and costs. For long-term contracts, the Company estimates the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognizes that profit as performance obligations are satisfied. Contract estimates are based on various assumptions to project the outcome of future events that could span longer than one year. These assumptions include labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials, and the performance of subcontractors as applicable.

As a significant change in one or more of these estimates could affect the profitability of our contracts, the Company reviews and updates its contract-related estimates regularly. Adjustments in estimated profit on contracts are accounted for under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date on a contract is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance are recognized using the adjusted estimate.

#### *Contract Balances*

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Consolidated Balance Sheets. For certain highly customized pump products, revenue is recognized over time before the customer is invoiced, resulting in contract assets. Sometimes the Company receives advances or deposits from its customers before revenue is recognized, resulting in contract liabilities. These contract assets and liabilities are reported on the Consolidated Balance Sheets as a component of Other assets and Deferred revenue and customer deposits, respectively, on a contract-by-contract basis at the end of each reporting period.

#### **Income Taxes**

Income tax expense includes United States federal, state, local and international income taxes. Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the financial reporting and the tax basis of existing assets and liabilities and for loss carryforwards. The tax rate used to determine the deferred tax assets and liabilities is the enacted tax rate for the year and manner in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized.

The Company accounts for the global intangible low-taxed income (“GILTI”) tax in the period in which it is incurred.

#### **Pension and Other Postretirement Benefits**

The Company sponsors a defined benefit pension plan covering certain domestic employees. Additionally, the Company sponsors defined contribution pension plans made available to all domestic and Canadian employees.

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

The determination of the Company's obligation and expense for pension and other postretirement benefits is dependent on its selection of certain assumptions used by actuaries in calculating such amounts, which are described in Note 9, Pensions and Other Postretirement Benefits. The Company recognizes the funded status of its defined benefit pension plan as an asset or liability in the Consolidated Balance Sheets and recognizes the change in the funded status in the year in which the change occurs through accumulated other comprehensive loss in the Consolidated Balance Sheets.

#### Concentration of Credit Risk

The Company generally does not require collateral from its customers and has a very good collection history. There were no sales to a single customer that exceeded 10% of total net sales for the years ended December 31, 2021, 2020 or 2019.

#### Shipping and Handling Costs

The Company classifies all amounts billed to customers for shipping and handling as revenue and reflects related shipping and handling costs in Cost of products sold.

#### Advertising

The Company expenses all advertising costs as incurred, which for the years ended December 31, 2021, 2020 and 2019 totaled \$1.9 million, \$2.1 million, and \$3.0 million, respectively.

#### 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 warranty liability are:

	2021	2020	2019
Balance at beginning of year	\$ 1,361	\$ 1,438	\$ 1,380
Provision	1,813	1,350	1,747
Claims	(1,537)	(1,427)	(1,689)
Balance at end of year	<u>\$ 1,637</u>	<u>\$ 1,361</u>	<u>\$ 1,438</u>

#### Stock-based compensation

The Company awards shares pursuant to The Gorman-Rupp Company 2015 Omnibus Incentive Plan. Equity awards are typically conditioned upon achievement of appropriate performance metrics, however the Company may grant other types of awards including service-based awards or unrestricted shares to certain employees. Any performance-based shares that have been granted will vest and be awarded at the end of a two or three-year performance period, based on the levels of achievement of compound annual growth targets for operating income and shareholders' equity. The Company recognizes compensation expense for performance-based share grants based on the stock price at the date of the grant using the straight-line amortization method, over the vesting period specified in the grants, based on the probability of achieving the performance targets. The Company recognized stock-based compensation expense of \$2.0 million for the year ended December 31, 2021, a stock based compensation benefit of \$0.3 million for the year ended December 31, 2020, and \$0.7 million of stock-based compensation expense for the year ended December 31, 2019 related to performance-based share grants. The Company accounts for forfeitures as they occur, rather than estimate expected forfeitures.

## Foreign Currency Translation

Assets and liabilities of the Company's operations outside the United States which are accounted for in a functional currency other than U.S. dollars are translated into U.S. dollars using year-end exchange rates. Revenues and expenses are translated at weighted-average exchange rates effective during the year. Foreign currency translation gains and losses are included as a component of Accumulated other comprehensive loss within Equity.

Gains and losses resulting from foreign currency transactions, the amounts of which are not material, are included in Other (expense) income, net.

## Fair Value

The carrying value of Cash and cash equivalents, Accounts receivable and Accounts payable approximates fair value based on the short-term nature of these instruments. The Company does not recognize any non-financial assets at fair value.

## New Accounting Pronouncements

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 2 – Allowance for Doubtful Accounts

The allowance for doubtful accounts was \$0.2 million at December 31, 2021 and \$0.4 million at December 31, 2020.

## Note 3 – Revenue

### Disaggregation of Revenue

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

Product Category	2021	2020	2019
	Pumps and pump systems	\$ 321,263	\$ 300,906
Repair parts for pumps and pump systems and other	57,053	48,061	56,875
Total net sales	<u>\$ 378,316</u>	<u>\$ 348,967</u>	<u>\$ 398,179</u>

Geographic Location	2021	2020	2019
	United States	\$ 260,683	\$ 246,913
Foreign countries	117,633	102,054	122,889
Total net sales	<u>\$ 378,316</u>	<u>\$ 348,967</u>	<u>\$ 398,179</u>

International sales represented approximately 31% of total net sales for 2021, 29% for 2020 and 31% for 2019, and were made to customers in many different countries around the world.

On December 31, 2021, the Company had \$186.0 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 December 31, 2021 and 2020 were as follows:

	December 31, 2021	December 31, 2020
Contract assets	\$ -	\$ -
Contract liabilities	9,200	8,004

Revenue recognized for the year ended December 31, 2021 that was included in the contract liability balance at December 31, 2020 was \$7.4 million. Revenue recognized for the year ended December 31, 2020 that was included in the contract liability balance at December 31, 2019 was \$4.5 million.

#### 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 \$70.1 million and \$63.5 million at December 31, 2021 and 2020, respectively. Allowances for excess and obsolete inventory totaled \$6.0 million at December 31, 2021 and \$5.9 million at December 31, 2020.

Inventories are comprised of the following:

	December 31, 2021	December 31, 2020
Inventories, net		
Raw materials and in-process	\$ 23,263	\$ 18,152
Finished parts	52,039	51,701
Finished products	10,346	12,833
Total net inventories	<u>\$ 85,648</u>	<u>\$ 82,686</u>

#### Note 5 – Credit Facilities

The Company may borrow up to \$20.0 million with interest at the Adjusted Term SOFR Rate under an unsecured bank line of credit which matures in February 2024. The Company pays a non-usage fee of 0.1% per annum on the average unused portion of the line of credit. At December 31, 2021 and 2020, \$19.9 million was available for borrowing after deducting \$0.1 million in outstanding letters of credit.

The Company also has a \$6.5 million unsecured bank line of credit with interest at LIBOR plus 1.50% payable monthly which matures in May 2024. At December 31, 2021 and 2020, \$2.0 million and \$3.1 million, respectively, was available for borrowing after deducting \$4.5 million and \$4.9 million, respectively, in outstanding letters of credit.

The Company also has a \$3.0 million bank guarantee with interest at 1.75% in an agreement dated June 2016. At December 31, 2021 and 2020, \$1.2 million and \$1.5 million, respectively, was available for borrowing after deducting \$1.8 million and \$1.5 million in outstanding letters of credit, respectively.

The credit facilities described above contain standard restrictive covenants, including limits on additional borrowings and maintenance of certain operating and financial ratios. At December 31, 2021 and 2020, the Company was in compliance with all requirements.

Interest expense, was less than \$0.1 million in each period presented.

## Note 6 – Leases

The Company is currently a lessee under a number of operating leases and two finance leases for certain offices, manufacturing facilities, land, office equipment and automobiles, none of which are material to its operations. The Company's leases generally have remaining lease terms of 1 year to 5 years, some of which include options to extend the leases for up to 5 years, and some of which include options to terminate the leases within 1 year. These leases do not have significant rent escalation holidays, concessions, leasehold improvement incentives, or other build-out clauses. Further, the leases do not contain contingent rent provisions.

Supplemental information related to leases and the Company's Consolidated Financial Statements is as follows:

	2021	2020
Components of lease costs:		
Operating lease costs	\$ 450	\$ 431
Short-term lease costs	322	336
Finance lease costs	140	144
Total lease costs	<u>\$ 912</u>	<u>\$ 911</u>

	December 31, 2021	December 31, 2020
Weighted average remaining lease term (years):		
Operating leases	1.8	2.1
Finance leases	2.3	3.3
Weighted average discount rate:		
Operating leases	3.25%	3.25%
Finance leases	3.25%	3.25%

	Operating Leases	December 31, 2021 Financing Leases	Total Leases
Other assets - right-of-use assets	\$ 840	\$ 300	\$ 1,140
Lease liabilities included in:			
Accrued expenses - current portion of lease liabilities	\$ 450	\$ 130	\$ 580
Other long-term liabilities - non-current portion of lease liabilities	380	180	560
Total lease liabilities	<u>\$ 830</u>	<u>\$ 310</u>	<u>\$ 1,140</u>

	Operating Leases	December 31, 2020 Financing Leases	Total Leases
Other assets - right-of-use assets	\$ 1,250	\$ 420	\$ 1,670
Lease liabilities included in:			
Accrued expenses - current portion of lease liabilities	\$ 580	\$ 130	\$ 710
Other long-term liabilities - non-current portion of lease liabilities	650	310	960
Total lease liabilities	<u>\$ 1,230</u>	<u>\$ 440</u>	<u>\$ 1,670</u>

Maturities of lease liabilities are as follows:

	<b>December 31, 2021</b>	
2022	\$	607
2023		422
2024		123
2025		25
2026		1
Thereafter		9
Total lease payments	\$	1,187
Less: Interest		(47)
Present value of lease liabilities	\$	<u>1,140</u>
	<b>December 31, 2020</b>	
2021	\$	752
2022		547
2023		348
2024		86
2025		11
Thereafter		6
Total lease payments	\$	1,750
Less: Interest		(80)
Present value of lease liabilities	\$	<u>1,670</u>

**Note 7 – Accumulated Other Comprehensive Loss**

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

Pension and other postretirement benefits:	<b>2021</b>		<b>2020</b>		<b>2019</b>	
Recognized actuarial loss (a)	\$	2,484	\$	2,466	\$	1,753
Settlement loss (b)		2,304		4,583		-
Total before income tax		4,788		7,049		1,753
Income tax		(951)		(1,368)		(363)
Net of income tax	\$	<u>3,837</u>	\$	<u>5,681</u>	\$	<u>1,390</u>

- (a) The recognized actuarial loss is included in the computation of net periodic benefit cost. See Note 9 to the Consolidated Financial Statements, Pensions and Other Postretirement Benefits
- (b) The settlement loss is included in Other (expense) income, net in the Consolidated Statements of Income



The components of accumulated other comprehensive loss as reported in the Consolidated Balance Sheets are:

	Currency Translation Adjustments	Pension and OPEB Adjustments	Accumulated Other Comprehensive (Loss)Income
<b>Balance at December 31, 2018</b>	(8,243)	(15,180)	(23,423)
Reclassification adjustments	-	1,753	1,753
Current period benefit (charge)	88	(8,521)	(8,433)
Income tax benefit	-	1,566	1,566
<b>Balance at December 31, 2019</b>	(8,155)	(20,382)	(28,537)
Reclassification adjustments	-	7,049	7,049
Current period benefit (charge)	3,111	(13,510)	(10,399)
Income tax benefit	-	1,510	1,510
<b>Balance at December 31, 2020</b>	(5,044)	(25,333)	(30,377)
Reclassification adjustments	-	4,788	4,788
Current period benefit (charge)	(2,807)	(1,045)	(3,852)
Income tax charge	-	(889)	(889)
<b>Balance at December 31, 2021</b>	<u>\$ (7,851)</u>	<u>\$ (22,479)</u>	<u>\$ (30,330)</u>

#### Note 8 – Income Taxes

The components of Income before income taxes are:

	2021	2020	2019
United States	\$ 30,973	\$ 28,493	\$ 41,234
Foreign countries	6,275	2,753	3,932
<b>Total</b>	<u>\$ 37,248</u>	<u>\$ 31,246</u>	<u>\$ 45,166</u>

The components of income tax expense are:

	2021	2020	2019
<b>Current expense:</b>			
Federal	\$ 5,174	\$ 4,058	\$ 8,204
Foreign	1,087	353	1,140
State and local	1,086	1,103	1,205
	<u>\$ 7,347</u>	<u>\$ 5,514</u>	<u>\$ 10,549</u>
<b>Deferred expense (benefit):</b>			
Federal	\$ 60	\$ 728	\$ (720)
Foreign	48	(349)	(379)
State and local	(58)	165	(99)
	<u>50</u>	<u>544</u>	<u>(1,198)</u>
<b>Income tax expense</b>	<u>\$ 7,397</u>	<u>\$ 6,058</u>	<u>\$ 9,351</u>

The reconciliation between income tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes is:

	2021	2020	2019
Income taxes at statutory rate	\$ 7,822	\$ 6,562	\$ 9,485
State and local income taxes, net of federal tax benefit	898	711	803
Tax credits	(1,052)	(808)	(898)
Uncertain tax positions	(26)	42	164
Valuation allowance	(86)	-	71
Other	(159)	(449)	(274)
<b>Income tax expense</b>	<u>\$ 7,397</u>	<u>\$ 6,058</u>	<u>\$ 9,351</u>

The Company made income tax payments of \$7.9 million, \$6.2 million, and \$9.1 million in 2021, 2020, and 2019, respectively.

Deferred income tax assets and liabilities consist of:

	2021	2020
<b>Deferred tax assets:</b>		
Inventories	\$ -	\$ 646
Accrued liabilities	1,900	1,484
Postretirement health benefits obligation	6,724	6,815
Pension	1,745	1,688
Lease liabilities	272	390
Other	1,531	1,434
Total deferred tax assets	12,172	12,457
Valuation allowance	(481)	(567)
Net deferred tax assets	11,691	11,890
<b>Deferred tax liabilities:</b>		
Depreciation and amortization	(9,817)	(9,536)
Leases – right of use assets	(269)	(388)
Foreign withholding tax	-	(100)
Inventories	(628)	-
Total deferred tax liabilities	(10,714)	(10,024)
Net deferred tax assets	\$ 977	\$ 1,866

The Company had state tax credit carryforwards of \$0.6 million and \$0.7 million as of December 31, 2021 and 2020, respectively, which will expire incrementally between 2022 and 2035.

The Company had valuation allowances of \$0.5 million and \$0.6 million as of December 31, 2021 and 2020, respectively, against certain of its deferred tax assets. ASC 740, “Income Taxes,” requires that a valuation allowance be recorded against deferred tax assets when it is more likely than not that some or all of a Company’s deferred tax assets will not be realized based on available positive and negative evidence.

Total unrecognized tax benefits were \$0.8 million and \$0.9 million at December 31, 2021 and 2020, respectively. The total amount of unrecognized tax benefits that, if ultimately recognized, would reduce the Company’s annual effective tax rate were \$0.7 million at both December 31, 2021 and 2020.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2021	2020	2019
Balance at beginning of year	\$ 878	\$ 1,130	\$ 951
Additions based on tax positions related to the current year	153	177	372
Reductions due to lapse of applicable statute of limitations	(96)	(139)	(193)
Settlements	(127)	(290)	-
Balance at end of year	\$ 808	\$ 878	\$ 1,130

The Company is subject to income taxes in the U.S. federal and various state, local and foreign jurisdictions. Income tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2017.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense for all periods presented. The Company accrued approximately \$0.2 million, \$0.2 million and \$0.3 million for the payment of interest and penalties at December 31, 2021, 2020 and 2019, respectively.

## Note 9 – Pensions 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. Total contributions to the plans were \$2.3 million for each of 2021, 2020 and 2019.

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. For measurement purposes, and based on maximum benefits as defined by the plan, a 5% annual rate of increase in the per capita cost of covered health care benefits for all retirees was assumed in estimating the projected postretirement benefit obligation at December 31, 2021, which is expected to remain constant going forward. A 5% percent annual rate of increase was assumed in estimating the projected benefit obligation at December 31, 2020 and in calculating 2021 periodic benefit cost.

The Company recognizes the obligations associated with its defined benefit pension plan and defined benefit postretirement health care plan in its Consolidated Financial Statements. The following table presents the plans’ funded status as of the measurement date, December 31, reconciled with amounts recognized in the Company’s Consolidated Balance Sheets:

	Pension Plan		Postretirement Plan	
	2021	2020	2021	2020
<b>Accumulated benefit obligation at end of year</b>	\$ 67,400	\$ 69,554	\$ 28,934	\$ 29,848
<b>Change in projected benefit obligation:</b>				
Benefit obligation at beginning of year	\$ 86,299	\$ 81,325	\$ 29,848	\$ 26,055
Service cost	2,662	2,709	1,462	1,372
Interest cost	1,729	1,937	654	778
Settlement	651	1,854	-	-
Benefits paid	(7,719)	(12,872)	(1,618)	(1,305)
Effect of foreign exchange			1	9
Actual expenses	(150)	(150)	-	-
Actuarial (gain)/ loss	(1,472)	11,496	(1,413)	2,939
Benefit obligation at end of year	\$ 82,000	\$ 86,299	\$ 28,934	\$ 29,848
<b>Change in plan assets:</b>				
Plan assets at beginning of year	\$ 77,067	\$ 80,285	\$ -	\$ -
Actual return on plan assets	1,460	7,804	-	-
Employer contributions	2,000	2,000	1,618	1,305
Benefits paid	(7,719)	(12,872)	(1,618)	(1,305)
Actual expenses	(150)	(150)	-	-
Plan assets at end of year	\$ 72,658	\$ 77,067	\$ -	\$ -
<b>Funded status at end of year</b>	\$ (9,342)	\$ (9,232)	\$ (28,934)	\$ (29,848)

	Pension Plan		Postretirement Plan	
	2021	2020	2021	2020
<b>Amounts recognized in the Consolidated Balance Sheets consist of:</b>				
Current liabilities	\$ -	\$ -	\$ (1,575)	\$ (1,598)
Noncurrent liabilities	(9,342)	(9,232)	(27,359)	(28,250)
Total assets (liabilities)	\$ (9,342)	\$ (9,232)	\$ (28,934)	\$ (29,848)
<b>Amounts recognized in Accumulated other comprehensive loss consist of:</b>				
Net actuarial loss	\$ 26,016	\$ 28,896	\$ 5,841	\$ 7,834
Prior Service Cost	-	-	(2,125)	(3,255)
Deferred tax (benefit) expense	(6,446)	(7,130)	(807)	(1,012)
After tax actuarial loss (gain)	\$ 19,570	\$ 21,766	\$ 2,909	\$ 3,567

**Components of net periodic benefit cost:**

	2021	2020	2019
<b>Pension Plan</b>			
Service cost	\$ 2,662	\$ 2,709	\$ 2,204
Interest cost	1,729	1,937	2,454
Expected return on plan assets	(3,610)	(3,900)	(3,561)
Recognized actuarial loss	1,904	2,160	1,726
Settlement loss	2,304	4,583	-
Net periodic benefit cost	<u>\$ 4,989</u>	<u>\$ 7,489</u>	<u>\$ 2,823</u>
<b>Other changes in pension plan assets and benefit obligations recognized in other comprehensive loss:</b>			
Net (gain) loss	(2,879)	2,704	\$ 3,034
Total expense recognized in net periodic benefit cost and other comprehensive income	<u>\$ 2,110</u>	<u>\$ 10,193</u>	<u>\$ 5,857</u>
<b>Postretirement Plan</b>			
Service cost	\$ 1,462	\$ 1,372	\$ 1,083
Interest cost	654	778	941
Prior service cost recognition	(1,130)	(1,129)	(1,129)
Recognized actuarial loss (gain)	580	306	27
Net periodic benefit cost (credit)	<u>\$ 1,566</u>	<u>\$ 1,327</u>	<u>\$ 922</u>
<b>Other changes in postretirement plan assets and benefit obligations recognized in other comprehensive loss:</b>			
Net loss (gain)	\$ (863)	\$ 3,762	\$ 3,749
Total expense (benefit) recognized in net periodic benefit cost and other comprehensive income	<u>\$ 703</u>	<u>\$ 5,089</u>	<u>\$ 4,671</u>

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 2021 and 2020 the Company recorded a settlement loss relating to retirees that received lump-sum distributions from the Company's defined benefit pension plan totaling \$2.3 million and \$4.6 million respectively. No settlement loss was incurred in 2019. These charges were the result of lump-sum payments to retirees which exceeded the Plan's actuarial service and interest cost thresholds.

The prior service cost is amortized on a straight-line basis over the average estimated remaining service period of active participants. The unrecognized actuarial gain or loss in excess of the greater of 10% of the benefit obligation or the market value of plan assets is also amortized on a straight-line basis over the average estimated remaining service period of active participants.

	Pension Plan		Postretirement Plan	
	2021	2020	2021	2020
<b>Weighted-average assumptions used to determine benefit obligations at December 31:</b>				
Discount rate	2.44%	1.97%	2.70%	2.25%
Rate of compensation increase	3.50%	3.50%	-	-
<b>Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:</b>				
Discount rate	2.07%	2.40%	2.25%	3.08%
Expected long-term rate of return on plan assets	5.10%	5.36%	-	-
Rate of compensation increase	3.50%	3.50%	-	-

To enhance the Company's efforts to mitigate the impact of the defined benefit pension plan on its financial statements, in 2014 the Company moved towards a liability driven investing model to more closely align assets with liabilities based on when the liabilities are expected to come due. Currently, based on 2021 funding levels, equities may comprise between 22% and 42% of the Plan's market value. Fixed income investments may comprise between 50% and 70% of the Plan's market value. Alternative investments may comprise between 3% and 13% of the Plan's market value. Cash and cash equivalents (including all senior debt securities with less than one year to maturity) may comprise between 0% and 10% of the Plan's market value.

Financial instruments included in pension plan assets are categorized into a fair value hierarchy of three levels, based on the degree of subjectivity inherent in the valuation methodology. Level 1 assets are based on unadjusted quoted prices in active markets that are accessible to the reporting entity at the measurement date for identical assets. Level 2 assets are valued at inputs other than quoted prices in active markets for identical assets that are observable either directly or indirectly for substantially the full term of the assets. Level 3 assets are valued based on unobservable inputs for the asset (i.e., supported by little or no market activity). These inputs include management's own assessments about the assumptions that market participants would use in pricing assets (including assumptions about risk). The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables set forth by asset class the Plan's fair value of assets for the years ended December 31, 2021 and 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Plan Assets at December 31, 2021
Equity	\$ 10,979	\$ -	\$ -	\$ 10,979
Fixed income	8,788	42,154	139	51,081
Mutual funds	3,045	-	-	3,045
Money funds and cash	2,220	5,333	-	7,553
Total fair value of Plan assets	\$ 25,032	\$ 47,487	\$ 139	\$ 72,658

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Plan Assets at December 31, 2020
Equity	\$ 12,619	\$ -	\$ 20	\$ 12,639
Fixed income	9,582	45,463	-	55,045
Mutual funds	2,108	-	-	2,108
Money funds and cash	2,089	5,186	-	7,275
Total fair value of Plan assets	\$ 26,398	\$ 50,649	\$ 20	\$ 77,067

## Contributions

The Company expects to contribute up to \$2.0 million to its defined benefit pension plan in 2022.

## Expected future benefit payments

The following benefit payments are expected to be paid as follows based on actuarial calculations:

	2022	2023	2024	2025	2026	Thereafter
Pension	\$ 14,089	\$ 3,963	\$ 4,867	\$ 3,929	\$ 4,950	\$ 26,412
Postretirement	1,596	1446	1,485	1,488	1,537	9,151

For measurement purposes, and based on maximum benefits as defined by the plan, a 5% annual rate of increase in the per capita cost of covered health care benefits for all retirees was assumed as of December 31, 2021 and 2020 and is expected to remain constant going forward:

A one percentage point change in the assumed rate of return on the defined benefit pension plan assets is estimated to have an approximate \$0.7 million effect on net periodic benefit cost. Additionally, a one percentage point increase in the discount rate is estimated to have a \$1.4 million decrease in net periodic benefit cost, while a one percentage point decrease in the discount rate is estimated to have a \$1.7 million increase in net periodic benefit cost.

## Note 10 – Goodwill and Other Intangible Assets

The major components of Goodwill and other intangible assets are:

	2021		2020	
	Historical Cost	Accumulated Amortization	Historical Cost	Accumulated Amortization
Finite-lived intangible assets:				
Customer relationships	\$ 7,769	\$ 7,255	\$ 7,876	\$ 6,991
Technology and drawings	6,750	4,305	6,761	4,015
Other intangibles	2,307	1,641	2,307	1,521
Total finite-lived intangible assets	16,826	13,201	16,944	12,527
Goodwill	27,243	-	27,537	-
Trade names and trademarks	2,218	-	2,221	-
Total	\$ 46,287	\$ 13,201	\$ 46,702	\$ 12,527

Amortization of intangible assets was \$0.8 million, \$1.3 million and \$1.2 million in 2021, 2020 and 2019, respectively. Amortization of these intangible assets for 2022 through 2026 is expected to approximate \$0.5 million per year.

Changes in the carrying value of goodwill during the years ended December 31, 2021 and 2020 are as follows:

	<b>Goodwill</b>
<b>Balance at December 31, 2019</b>	<b>\$ 27,215</b>
Acquisitions	-
Impairment	-
Foreign currency	322
<b>Balance at December 31, 2020</b>	<b>\$ 27,537</b>
Acquisitions	-
Impairment	-
Foreign currency	(294)
<b>Balances at December 31, 2021</b>	<b>\$ 27,243</b>

For 2021, the Company used a quantitative analysis for the annual goodwill impairment testing as of October 1 for its National Pump Company (“National”) reporting unit. The fair value for this reporting unit was estimated using both a discounted cash flow model and a market-based approach. The discounted cash flow model considered forecasted cash flows discounted at an estimated weighted-average cost of capital. The forecasted cash flows were based on the Company’s long-term operating plan and a terminal value was used to estimate the cash flows beyond the period covered by the operating plan. The weighted-average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt market holders of a business enterprise. The market-based approach considers market prices of corporations engaged in the same or similar line of business. These analyses require the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates and the timing of expected future cash flows. Sensitivity analyses were performed around these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values.

The result of this goodwill impairment test indicated that no impairment existed at National. The Company’s annual impairment analysis performed as of October 1, 2021 concluded that National’s fair value exceeded its carrying value by approximately ---45%. A sensitivity analysis was performed for the National reporting unit, assuming a hypothetical 100 basis point decrease in the expected long-term growth rate or a hypothetical 100 basis point increase in the weighted average cost of capital, and both scenarios independently yielded an estimated fair value for the National reporting unit above carrying value. If National fails to experience growth or revises its long-term projections downward, it could be subject to impairment charges in the future. Goodwill relating to the National reporting unit is \$13.6 million, 3.2% of the Company’s December 31, 2021 total assets.

For 2021, for all other reporting units, the Company used a qualitative analysis for goodwill impairment testing as of October 1. This qualitative assessment included consideration of current industry and market conditions and circumstances as well as any mitigating factors that would most affect the fair value of the Company and these reporting units. Based on the assessment and consideration of the totality of the facts and circumstances, including the business environment in the fourth quarter of 2021, the Company determined that it was not more likely than not that the fair value of the Company or these reporting units is less than their respective carrying amounts. As such, no goodwill impairments for these reporting units were recorded for the year ended December 31, 2021.

Other indefinite-lived intangible assets primarily consist of trademarks and trade names. The fair value of these assets is also tested annually for impairment as of October 1, or whenever events or changes in circumstances indicate there may be a possible permanent loss of value. The fair value of these assets is determined using a royalty relief methodology similar to that employed when the associated assets were acquired, but using updated estimates of future sales, cash flows and profitability. For 2021 and 2020 the fair value of all indefinite lived intangible assets exceeded the respective carrying values.

Finite-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recovered through future net cash flows generated by the assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future net undiscounted cash flows estimated to be generated by such assets. Based upon our fiscal 2021 and 2020 quantitative and qualitative impairment analyses the Company was not aware of any events or changes in circumstances that indicate the carrying value of its finite-lived intangible assets may not be recoverable.

## Note 11 – Business Segment Information

The Company operates in one business segment comprising the design, manufacture and sale of pumps and pump systems. The Company's products are used in water, wastewater, construction, industrial, petroleum, original equipment, agriculture, fire protection, heating, ventilation and air conditioning (HVAC), military and other liquid-handling applications.

The pumps and pump systems are marketed in the United States and worldwide through a broad network of distributors, through manufacturers' representatives (for sales to many original equipment manufacturers), through third-party distributor catalogs, and by direct sales. International sales are made primarily through foreign distributors and representatives.

The Company sells to approximately 135 countries around the world. The following tables disaggregate total net sales by major product category and geographic location:

	Product Category		
	2021	2020	2019
Pumps and pump systems	\$ 321,263	\$ 300,906	\$ 341,304
Repair parts for pumps and pump systems and other	57,053	48,061	56,875
Total net sales	\$ 378,316	\$ 348,967	\$ 398,179

	Geographic Location		
	2021	2020	2019
United States	\$ 260,683	\$ 246,913	\$ 275,290
Foreign countries	117,633	102,054	122,889
Total net sales	\$ 378,316	\$ 348,967	\$ 398,179

As of both December 31, 2021 and 2020, 86% of the Company's long-lived assets were located in the United States.

## Note 12 – Common Share Repurchases

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 authorized 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.

During the year ended December 31, 2021 and December 31, 2020 the Company repurchased 30,038 and 10,848 shares for \$1.2 million and \$0.4 million respectively. As of December 31, 2021, the Company had \$49.0 million available for repurchase under the share repurchase program.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

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-K. Based on the evaluation, the principal executive officer and the principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2021.



## Report of Management on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and affected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and Directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO Criteria). Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2021.

The independent registered public accounting firm of Ernst & Young LLP that has audited the consolidated financial statements included in this annual report on Form 10-K, has also issued an attestation report on the Company's internal control over financial reporting as of December 31, 2021. This report is included on the following page.

/s/ Scott A. King  
Scott A. King  
President and Chief Executive Officer

/s/ James C. Kerr  
James C. Kerr  
Executive Vice President and Chief Financial Officer

February 28, 2022

## **Report of Independent Registered Public Accounting Firm**

### **To the Shareholders and the Board of Directors of The Gorman-Rupp Company**

#### **Opinion on Internal Control Over Financial Reporting**

We have audited The Gorman-Rupp Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, The Gorman-Rupp Company (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2021 consolidated financial statements of the Company and our report dated February 28, 2022 expressed an unqualified opinion thereon.

#### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

#### **Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP  
Cleveland, Ohio  
February 28, 2022

## **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.

## **ITEM 9B. OTHER INFORMATION**

None.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Attention is directed to the sections captioned "Election of Directors," "Board of Directors and Board Committees," "Audit Committee Report," "Beneficial Ownership of Shares" and "Delinquent Section 16(a) Reports" in the Company's definitive Notice of 2022 Annual Meeting of Shareholders and related Proxy Statement (filed with the SEC pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K), which are incorporated herein by this reference.

With respect to Executive Officers, attention is directed to Part I of this Form 10-K.

The Company has adopted a Code of Ethics that applies to its Directors, officers and all employees. The Code of Ethics is set forth as an exhibit to this Form 10-K. In addition, the Code of Ethics is posted on the Company's website accessible through its Internet address of [www.gormanrupp.com](http://www.gormanrupp.com) (under the heading "Governance & Leadership" and the sub-heading "Governance Documents"), including any amendments.

### **ITEM 11. EXECUTIVE COMPENSATION**

Attention is directed to the sections "Board of Directors and Board Committees," "Executive Compensation," "Compensation Discussion and Analysis," "Pension Benefits," "Summary Compensation Table," "Grants of Plan Based Awards," "Outstanding Equity Awards at December 31, 2021," "Non-Employee Director Compensation," "Risk Oversight," "Compensation Committee Interlocks and Insider Participation," "Compensation Committee Report," and "CEO Pay Ratio" in the Company's definitive Notice of 2022 Annual Meeting of Shareholders and related Proxy Statement (filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K), which are incorporated herein by this reference.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Attention is directed to the section "Beneficial Ownership of Shares" and "Election of Directors" in the Company's definitive Notice of 2022 Annual Meeting of Shareholders and related Proxy Statement (filed with the SEC pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K), which are incorporated herein by this reference.

### Equity Compensation Plan Information

The following table provides information as of December 31, 2021 about the Company’s common shares that may be issued upon exercise of options, warrants and rights granted, and shares remaining available for issuance, under all of the Company’s existing equity compensation plans, including the 2015 Omnibus Incentive Plan and the 2016 Non-Employee Directors’ Compensation Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options warrants and rights	Weighted average exercise price of outstanding options warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by shareholders	-	\$ -0-	771,004 <sup>(1)</sup>
Equity compensation plans not approved by shareholders	-	n/a	-
<b>Total</b>	-	\$ -0-	771,004

- (1) This amount reflects that an aggregate of 725,004 shares were reserved for issuance under the 2015 Omnibus Incentive Plan pursuant to performance share awards outstanding at December 31, 2021, which amount, for purposes of this table, assumes the maximum amount of shares will be earned under such awards, even though the actual payout under such awards may be less than maximum.

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Attention is directed to the section “Board of Directors and Board Committees” and “Related Party Transactions” in the Company’s definitive Notice of 2022 Annual Meeting of Shareholders and related Proxy Statement (filed with the SEC pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K), which is incorporated herein by this reference. The Company has no relationships or transactions required to be reported by Item 404 of Regulation S-K.

#### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Attention is directed to the section “Ratification of Appointment of Independent Registered Public Accounting Firm” in the Company’s definitive Notice of 2022 Annual Meeting of Shareholders and related Proxy Statement (filed with the SEC pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K), which is incorporated herein by this reference. Information about aggregate fees billed to the Company by its independent registered public accounting firm, Ernst & Young LLP (PCAOB ID No. 42) will be included in the above referenced section of the Company’s definitive Notice of 2022 Annual Meeting of Shareholders and related Proxy Statement under the caption “Fees paid to Auditors” and that information is incorporated herein by this reference.

#### PART IV

#### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) (1) The Index to Consolidated Financial Statements of the Registrant under Item 8 of this Report is incorporated herein by reference as the list of Financial Statements required as part of this Report.
- (2) All financial statement schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.
- (3) Exhibits — The exhibit list in the Exhibit Index is incorporated by reference as the list of exhibits required as part of this Report.

For the Year Ended December 31, 2021

## EXHIBIT INDEX

<b>Exhibit Number</b>	<b>Description</b>
(3)(4)(a)	<a href="#">Amended Articles of Incorporation, as amended*</a>
(3)(4)(b)	<a href="#">Amended Regulations**</a>
(4)(c)	<a href="#">Description of Securities Registered Under the Exchange Act</a>
(10)(a)	<a href="#">Form of Indemnification Agreement between the Company and its Directors***</a>
(10)(b)	<a href="#">Form of Indemnification Agreement between the Company and its Officers***</a>
(10)(c)	<a href="#">2015 Omnibus Incentive Plan****#</a>
(10)(d)	<a href="#">Form of Performance Share Grant Agreement*****#</a>
(10)(e)	<a href="#">2016 Non-Employee Directors' Compensation Plan*****#</a>
(14)	<a href="#">Code of Ethics</a>
(21)	<a href="#">Subsidiaries of the Company</a>
(23)	<a href="#">Consent of Independent Registered Public Accounting Firm</a>
(24)	<a href="#">Powers of Attorney</a>
(31) (a)	<a href="#">Certification of Chief Executive Officer (Section 302 of the Sarbanes-Oxley Act of 2002)</a>
(31) (b)	<a href="#">Certification of Chief Financial Officer (Section 302 of the Sarbanes-Oxley Act of 2002)</a>
(32)	<a href="#">Certification Pursuant to 18 U. S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
(101.INS)	Inline XBRL Instance Document
(101.SCH)	Inline XBRL Taxonomy Extension Schema Document
(101.CAL)	Inline XBRL Taxonomy Extension Calculation Linkbase Document
(101.DEF)	Inline XBRL Taxonomy Extension Definition Linkbase Document
(101.LAB)	Inline XBRL Taxonomy Extension Label Linkbase Document
(101.PRE)	Inline XBRL Taxonomy Extension Presentation Linkbase Document
(104)	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

- \* Incorporated herein by this reference from Exhibit (3)(4)(a) of the Company's Annual Report on Form 10-K for the year ended December 31, 2015.
- \*\* Incorporated herein by this reference from Exhibit (3)(ii)(4) of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.
- \*\*\* Incorporated herein by this reference from Exhibits (10)(a)(b) of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
- \*\*\*\* Incorporated herein by this reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed on April 28, 2015.
- \*\*\*\*\* Incorporated herein by this reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed on February 25, 2022.
- \*\*\*\*\* Incorporated herein by this reference from Exhibit (4)(c) of the Company's Registration Statement on Form S-8 filed on May 24, 2016.
- # Management contract or compensatory plan or arrangement.

**ITEM 16. FORM 10-K SUMMARY**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE GORMAN-RUPP COMPANY

\*By: /s/ BRIGETTE A. BURNELL  
Brigette A. Burnell  
Attorney-In-Fact

Date: February 28, 2022

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

<u>*SCOTT A. KING</u> Scott A. King	President and Chief Executive Officer and Director (Principal Executive Officer)
<u>*JAMES C. KERR</u> James C. Kerr	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
<u>*JEFFREY S. GORMAN</u> Jeffrey S. Gorman	Executive Chairman
<u>*DONALD H. BULLOCK, JR.</u> Donald H. Bullock Jr.	Director
<u>*M. ANN HARLAN</u> M. Ann Harlan	Director
<u>*CHRISTOPHER H. LAKE</u> Christopher H. Lake	Director
<u>*SONJA K. MCCLELLAND</u> Sonja K. McClelland	Director
<u>*VINCENT K. PETRELLA</u> Vincent K. Petrella	Director
<u>*KENNETH R. REYNOLDS</u> Kenneth R. Reynolds	Director
<u>*RICK R. TAYLOR</u> Rick R. Taylor	Director

\* The undersigned, by signing her name hereto, does sign and execute this Annual Report on Form 10-K on behalf of The Gorman-Rupp Company and on behalf of each of the above-named Officers and Directors of The Gorman-Rupp Company pursuant to Powers of Attorney executed by The Gorman-Rupp Company and by each such Officer and Director and filed with the Securities and Exchange Commission.

February 28, 2022

By: /s/ BRIGETTE A. BURNELL  
Brigette A. Burnell  
Attorney-In-Fact

**DESCRIPTION OF THE REGISTRANT'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

The Gorman-Rupp Company (the "Company") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: its common shares, without par value (the "Common Shares").

The following is a summary of the terms and provisions of the Company's Common Shares. The rights of the holders of the Common Shares are governed by the Ohio Revised Code, the Company's Amended Articles of Incorporation, as amended ("Articles of Incorporation") and the Company's Amended Code of Regulations ("Regulations"), each of which is filed as an exhibit to the Annual Report on Form 10-K of which this exhibit is a part, and each of which may be amended from time to time. The following summary is qualified by reference to the Articles of Incorporation, the Regulations and applicable provisions of Ohio law.

Certain provisions of the Ohio Revised Code, the Articles of Incorporation and Regulations summarized in the following paragraphs may have an anti-takeover effect. This may delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider in its best interests, including those attempts that might result in a premium over the market price for the shares held by such shareholder.

**Common Shares**

Under the Articles of Incorporation, the Company's authorized capital stock consists of 35,000,000 Common Shares.

The holders of the Common Shares are entitled to one vote for each share on all matters upon which shareholders have the right to vote and, upon proper notice, are entitled to cumulative voting rights in the election of directors. The Common Shares do not have any preemptive rights, are not subject to redemption and do not have the benefit of any sinking fund. Holders of the Common Shares are entitled to receive such dividends as the Company's directors from time to time may declare out of funds legally available therefor. In the event of the Company's liquidation, holders of the Common Shares are entitled to share in any of the Company's assets remaining after satisfaction in full of the Company's liabilities and satisfaction of such dividend and liquidation preferences as may be possessed by the holders of other classes of securities the Company may have outstanding in the future.

The transfer agent and registrar for the Common Shares is Broadridge Corporate Issuer Solutions, Inc.

**Ohio Control Share Acquisition Statute**

The Ohio Control Share Acquisition Statute requires the prior authorization of the shareholders of certain corporations in order for any person to acquire, either directly or indirectly, shares of that corporation that would entitle the acquiring person to exercise or direct the exercise of 20% or more of the voting power of that corporation in the election of directors or to exceed specified other percentages of voting power. In the event an acquiring person proposes to make such an acquisition, the person is required to deliver to the corporation a statement disclosing, among other things, the number of shares owned, directly or indirectly, by the person, the range of voting power that may result from the proposed acquisition and the identity of the acquiring person. Within 10 days after receipt of this statement, the corporation must call a special meeting of shareholders to vote on the proposed acquisition. The acquiring person may complete the proposed acquisition only if the acquisition is approved by the affirmative vote of the holders of at least a majority of the voting power of all shares entitled to vote in the election of directors represented at the meeting excluding the voting power of all "interested shares." Interested shares include any shares held by the acquiring person and those held by officers and directors of the corporation as well as by certain others, including many holders commonly characterized as arbitrageurs. The Ohio Control Share Acquisition Statute does not apply to a corporation if its articles of incorporation or code of regulations state that the statute does not apply to a corporation. Neither the Articles of Incorporation nor the Regulations of the Company contain a provision opting out of this statute.



## **Ohio Interested Shareholder Statute**

Chapter 1704 of the Ohio Revised Code prohibits certain corporations from engaging in a “chapter 1704 transaction” with an “interested shareholder” for a period of three years after the date of the transaction in which the person became an interested shareholder, unless, among other things:

- the articles of incorporation expressly provide that the corporation is not subject to the statute (we have not made this election); or
- the board of directors of the corporation approves the chapter 1704 transaction or the acquisition of the shares before the date the shares were acquired.

After the three-year moratorium period, the corporation may not consummate a chapter 1704 transaction unless, among other things, it is approved by the affirmative vote of the holders of at least two-thirds of the voting power in the election of directors and the holders of a majority of the voting shares, excluding all shares beneficially owned by an interested shareholder or an affiliate or associate of an interested shareholder, or the shareholders receive certain minimum consideration for their shares. A chapter 1704 transaction includes certain mergers, sales of assets, consolidations, combinations and majority share acquisitions involving an interested shareholder. An interested shareholder is defined to include, with limited exceptions, any person who, together with affiliates and associates, is the beneficial owner of a sufficient number of shares of the corporation to entitle the person, directly or indirectly, alone or with others, to exercise or direct the exercise of 10% or more of the voting power in the election of directors after taking into account all of the person’s beneficially owned shares that are not then outstanding.

## **Mergers, Acquisitions, Share Purchases and Certain Other Transactions**

The Ohio Revised Code requires approval of mergers, dissolutions, dispositions of all or substantially all of a corporation’s assets and majority share acquisitions and combinations involving issuance of shares representing one-sixth or more of the voting power of the corporation immediately after the consummation of the transaction (other than so-called “parent-subsidiary” mergers), by two-thirds of the voting power of a corporation, unless the articles of incorporation specify a different proportion (but not less than a majority). The Articles of Incorporation of the Company do not specify a voting power proportion different than that specified by Ohio law in connection with the approval of these transactions.

## **Amendments to Constituent Documents**

Ohio law permits the adoption of amendments to articles of incorporation if those amendments are approved at a meeting held for that purpose by the holders of shares entitling them to exercise two-thirds of the voting power of the corporation, or a lesser, but not less than a majority, or greater vote as specified in the articles of incorporation. The Articles of Incorporation of the Company do not specify a voting power proportion different than that specified by Ohio law in connection with the approval of amendments to the Articles of Incorporation.

Ohio law permits adoption of amendments to regulations by an affirmative vote of the majority of shares entitled to vote or by written consent from holders of two-thirds of the shares entitled to vote or by written consent or vote of a greater or lesser proportion as provided in the articles of incorporation or regulations but not less than the majority of voting power. The Regulations of the Company may be amended by the Company’s shareholders by the affirmative vote of a majority of the voting power of the Company at a meeting held for that purpose, or without a meeting by the affirmative written consent of a majority of the voting power of the Company.

## THE GORMAN-RUPP COMPANY

CODE OF ETHICS**Introduction**

This Code of Ethics was first adopted by the Board of Directors of The Gorman-Rupp Company on October 23, 2003 for application to the Company's Chief Executive Officer, Chief Financial Officer and Treasurer. The Board of Directors expanded the scope of this Code of Ethics by the adoption of an amending resolution on April 22, 2004 so that it applies to all employees, officers and Directors of the Company. On January 24, 2013 the Board of Directors approved updating amendments of this Code of Ethics to clarify its applicability to all subsidiaries and divisions of the Company, expand international enforcement emphasis of the U.S. Foreign Corrupt Practices Act, include reference to the U.K. Bribery Act, and provide for its annual review by the Board of Directors. On April 27, 2017 the Board of Directors approved further updates to this Code of Ethics in connection with the listing of the Company's Common Shares on the New York Stock Exchange (the "NYSE").

This Code of Ethics describes the basic principles of conduct that apply to all employees, officers and Directors of The Gorman-Rupp Company ("Company") and its subsidiaries and divisions. This Code is intended to provide a broad overview of basic ethical principles that guide our conduct. Violation of this Code may result in disciplinary action as deemed appropriate by the Company's Board of Directors, varying from reprimand to dismissal.

The requirement that we adhere to each of the policies and principles contained in this Code may only be waived by the Board of Directors. The Company will promptly disclose to the Company's shareholders and the investing public any waiver of this Code as required by Securities and Exchange Commission and NYSE rules.

**Compliance with Laws, Rules and Regulations**

We strive to comply with all laws, rules and regulations of the places where the Company conducts business.

**Conflicts of Interest**

We conduct our business affairs in the best interests of the Company and shall therefore avoid situations where our private interests interfere with the Company's interests. We shall be especially sensitive to situations that have the appearance of impropriety.

**Record-Keeping**

We require honest and accurate recording and reporting of financial and other information.

All of the Company's records, accounts and financial statements are maintained in reasonable detail, appropriately reflect its transactions, and conform both to applicable legal and financial accounting requirements.

**Public Reporting**

We endeavor to make full, fair, accurate, timely and understandable disclosure in reports and documents filed with, or submitted to, the Securities and Exchange Commission and the NYSE and in the Company's news releases and other public communications.

We require cooperation and open communication with our internal and external auditors. We consider any action to fraudulently influence, coerce, manipulate or mislead any auditor engaged in the performance of an audit of the Company's financial statements to be an illegal activity.

**Insider Trading**

Consistent with the federal securities laws, we confirm that the conduct of any person who buys or sells the Company's securities on the basis of material, non-public information concerning the Company is illegal.

We further confirm the illegal conduct of any person in possession of material, non-public information who provides another person with such information or recommends that he or she buy or sell the Company's securities. These prohibitions also apply to material, non-public information obtained about any other company during the course of working for the Company.

**Corporate Opportunities**

We do not personally take advantage of opportunities that are discovered because of our position without the prior consent of the Board of Directors. We shall not compete with the Company and shall fulfill our fiduciary duties to the Company to advance its legitimate interests whenever the opportunity to do so arises.

**Competition and Fair Dealing**

We manage the Company so that it competes fairly and honestly. We do not engage in unethical or illegal business practices such as stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing disclosure of this type of information by past or present employees of other companies. We shall respect the confidentiality of our customers', suppliers' and competitors' information.

**Business Entertainment and Gifts**

We recognize that business entertainment and gifts are meant to create goodwill and sound working relationships, not to gain unfair advantage with customers, suppliers or government officials. We shall not offer, give or accept any gift or entertainment unless it: (i) is not a cash gift, (ii) is not excessive in value, (iii) cannot be construed as a bribe or payoff, and (iv) does not violate any laws or regulations.

**Discrimination and Harassment**

We provide equal opportunity in employment and will not tolerate discrimination or harassment in the workplace. Derogatory comments based on racial or ethnic characteristics, unwelcome sexual advances and similar behavior are prohibited by the Company's policies.

**Health and Safety**

We strive to provide a safe and healthful work environment by following safety and health rules and practices.

We do not permit violence or threatening behavior in the workplace.

**Confidentiality**

We protect the Company's confidential, proprietary and trade secret information. We also protect information that suppliers and customers have entrusted to the Company on a confidential basis. Our personal obligation to safeguard the Company's confidential, proprietary and trade secret information continues even after our employment with the Company ends.

**Protection and Proper Use of Company Assets**

We shall protect the Company's assets and ensure their efficient use for legitimate business purposes. We shall not engage in theft, waste or careless use of the Company's assets. We shall never use the Company's assets for illegal purposes.

### **Activities Concerning Foreign Governments**

In compliance with the United States Foreign Corrupt Practices Act, The Organization for Economic Co-operation and Development Anti-Bribery Convention 2009 Anti-Bribery Recommendation, and the U.K. Bribery Act 2010, we do not give anything of value, directly or indirectly, to officials of foreign governments or foreign political candidates in order to obtain or retain business. We do not promise, offer or deliver to any foreign or domestic government employee or official any gift, favor or other gratuity that would be illegal.

Our policy is to comply with the laws of other nations in which the Company conducts business.

### **Reporting Illegal or Unethical Behavior**

Actions prohibited by this Code must be reported by employees to senior management or through the Company's Ethics Hotline. To encourage good faith reports of illegal or unethical behavior (including violations of this Code) through the Company's Ethics Hotline to the Company's General Counsel, we keep all reports confidential and do not allow retaliation for reports of misconduct by others. We will cooperate in internal investigations of alleged misconduct.

We shall not permit any form of retribution against any employee who, in good faith, reports violations or suspected violations of Company policy.

### **Conclusion**

Our business conduct on behalf of the Company shall be guided by the policies and principles set forth in this Code. This Code shall be reviewed annually by the Board of Directors.

## SUBSIDIARIES OF THE COMPANY

The Gorman-Rupp Company is publicly-held and has no parent corporation. The Company's subsidiaries as of December 31, 2021, and the state or country in which each was organized, are as follows:

<b>Consolidated subsidiaries</b>	<b>Jurisdiction of organization</b>
Patterson Pump Company	Ohio
National Pump Company	Ohio
The Gorman-Rupp International Company	Ohio
GRC International LLC	Ohio
Bayou City Pump Company	Ohio
AMT Pump Company	Delaware
Gorman-Rupp of Canada Limited	Canada
Patterson Pump Ireland Limited	Ireland
Gorman-Rupp Europe B.V.	The Netherlands
Gorman-Rupp Africa Proprietary Limited	Republic of South Africa
Pumptron (Proprietary) Limited	Republic of South Africa
Gorman-Rupp South America S.A.S.	Colombia
Gorman-Rupp Belgium SA	Belgium
Gorman-Rupp Australia Pty Ltd	Australia

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-203747) pertaining to The Gorman-Rupp Company 2015 Omnibus Incentive Plan,
- (2) Registration Statement (Form S-8 No. 333-207693) pertaining to The Gorman-Rupp Company 401(k) Plan,
- (3) Registration Statement (Form S-8 No. 333-211552) pertaining to The Gorman-Rupp Company 2016 Non-Employee Directors' Compensation Plan, and
- (4) Registration Statement (Form S-8 No. 333-230067) pertaining to The Gorman-Rupp Company Employee Stock Purchase Plan.

of our reports dated February 28, 2022, with respect to the consolidated financial statements of The Gorman-Rupp Company and the effectiveness of internal control over financial reporting of The Gorman-Rupp Company included in this Annual Report (Form 10-K) of The Gorman-Rupp Company for the year ended December 31, 2021.

/s/ Ernst & Young LLP

Cleveland, Ohio  
February 28, 2022

THE GORMAN-RUPP COMPANY

CERTIFICATE OF THE SECRETARY

The undersigned hereby certifies that she is the duly elected, qualified and acting Corporate Secretary of The Gorman-Rupp Company, an Ohio corporation (the "Company"), and that the following resolutions were duly adopted by the Company's Board of Directors at a duly noticed and called meeting held on February 24, 2022 at which a quorum was present and acting throughout, which resolutions have not been amended, rescinded or modified and are in full force and effect on the date hereof.

RESOLVED, that the Executive Officers of the Company, and each of them, hereby are authorized, for and on behalf of the Company, to prepare, sign and file, or cause to be prepared, signed and filed, with the Securities and Exchange Commission, under the Securities Exchange Act of 1934, as amended, the Company's 2021 Annual Report on Form 10-K, and any and all amendments thereto, and to do or cause to be done all things necessary or advisable in connection therewith.

FURTHER RESOLVED, that Scott A. King, James C. Kerr, Brigitte A. Burnell and Douglas A. Neary, and each of them, hereby are appointed attorneys for the Company, with full power of substitution and resubstitution, for and in the name, place and stead of the Company, to sign and file the Company's 2021 Annual Report on Form 10-K and any and all amendments thereto, and any and all other documents in connection therewith, with full power and authority to do and perform any and all acts necessary or advisable.

FURTHER RESOLVED, that the Executive Officers of the Company and each of them, hereby are authorized, for and on behalf of the Company, to execute a power of attorney evidencing the foregoing appointments.

IN WITNESS WHEREOF, I have hereunto signed this Certificate this 28<sup>th</sup> day of February 2022.

/s/ BRIGETTE A BURNELL

Brigitte A Burnell  
Corporate Secretary

**POWER OF ATTORNEY**

The undersigned, The Gorman-Rupp Company (the "Company"), by the undersigned Executive Officer of the Company hereunto duly authorized, hereby appoints Scott A. King, James C. Kerr, Brigitte A. Burnell and Douglas A. Neary, and each of them, as attorneys for the Company, with full power of substitution and resubstitution, for and in its name, place and stead, to sign and file with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the Company's 2021 Annual Report on Form 10-K and any and all amendments thereto, and any and all other documents to be filed with the Securities and Exchange Commission or otherwise in connection therewith, with full power and authority to do and perform any and all acts whatsoever necessary or advisable.

Executed this 28<sup>th</sup> day of February 2022.

THE GORMAN-RUPP COMPANY

BY: /s/ BRIGETTE A. BURNELL

Brigette A. Burnell  
Corporate Secretary



**POWER OF ATTORNEY**

The undersigned Directors and Executive Officers of The Gorman-Rupp Company (the "Company") hereby appoint Scott A. King, James C. Kerr, Brigette A. Burnell and Douglas A. Neary, and each of them, as attorneys for each of the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of each of the undersigned, to sign and file with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the Company's 2021 Annual Report on Form 10-K and any and all amendments thereto, and any and all other documents to be filed with the Securities and Exchange Commission or otherwise in connection therewith, with full power and authority to do and perform any and all acts whatsoever necessary or advisable.

Executed as of the 24<sup>th</sup> day of February, 2022

<u>/s/ SCOTT A. KING</u> Scott A. King	President and Chief Executive Officer and Director (Principal Executive Officer)
<u>/s/ JAMES C. KERR</u> James C. Kerr	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
<u>/s/ JEFFREY S. GORMAN</u> Jeffrey S. Gorman	Executive Chairman
<u>/s/ DONALD H. BULLOCK JR.</u> Donald H. Bullock Jr.	Director
<u>/s/ M. ANN HARLAN</u> M. Ann Harlan	Director
<u>/s/ CHRISTOPHER H. LAKE</u> Christopher H. Lake	Director
<u>/s/ SONJA K. MCCLELLAND</u> Sonja K. McClelland	Director
<u>/s/ VINCENT K. PETRELLA</u> Vincent K. Petrella	Director
<u>/s/ KENNETH R. REYNOLDS</u> Kenneth R. Reynolds	Director
<u>/s/ RICK R. TAYLOR</u> Rick R. Taylor	Director

## CERTIFICATIONS

I, Scott A. King, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 28, 2022

/s/ SCOTT A. KING  
Scott A. King  
President and Chief Executive Officer  
The Gorman-Rupp Company  
(Principal Executive Officer)

## CERTIFICATIONS

I, James C. Kerr, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 28, 2022

/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 Annual Report of The Gorman-Rupp Company on Form 10-K for the year ended December 31, 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: February 28, 2022

/s/ SCOTT A. KING

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Scott A. King  
President and Chief Executive Officer  
(Principal Executive Officer)

/s/ JAMES C. KERR

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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.