

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2023

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number 1-6747

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

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

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

On May 1, 2023 there were 26,178,248 common shares, without par value, of The Gorman-Rupp Company outstanding.

The Gorman-Rupp Company
Three Months Ended March 31, 2023 and 2022

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited)	
	Consolidated Statements of Income - Three months ended March 31, 2023 and 2022	3
	Consolidated Statements of Comprehensive Income - Three months ended March 31, 2023 and 2022	3
	Consolidated Balance Sheets - March 31, 2023 and December 31, 2022	4
	Consolidated Statements of Cash Flows - Three months ended March 31, 2023 and 2022	5
	Consolidated Statements of Equity - Three months ended March 31, 2023 and 2022	6
	Notes to Consolidated Financial Statements (Unaudited)	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	18
Item 4.	Controls and Procedures	18

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	19
Item 1A.	Risk Factors	19
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	19
Item 3.	Defaults Upon Senior Securities	19
Item 4.	Mine Safety Disclosures	19
Item 5.	Other Information	19
Item 6.	Exhibits	20
EX-31.1	Section 302 Principal Executive Officer (PEO) Certification	
EX-31.2	Section 302 Principal Financial Officer (PFO) Certification	
EX-32	Section 1350 Certifications	

PART I. FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS (UNAUDITED)

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

	Three Months Ended March 31,	
	2023	2022
<i>(Dollars in thousands, except per share amounts)</i>		
Net sales	\$ 160,466	\$ 102,167
Cost of products sold	114,943	76,670
Gross profit	45,523	25,497
Selling, general and administrative expenses	23,237	15,878
Amortization expense	3,191	161
Operating income	19,095	9,458
Interest expense	(10,187)	-
Other income (expense), net	(433)	90
Income before income taxes	8,475	9,548
Provision for income taxes	1,955	2,005
Net income	\$ 6,520	\$ 7,543
Earnings per share	\$ 0.25	\$ 0.29
Cash dividends per share	\$ 0.175	\$ 0.170
Average number of shares outstanding	26,129,878	26,090,963

See notes to consolidated financial statements (unaudited).

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended March 31,	
	2023	2022
<i>(Dollars in thousands)</i>		
Net income	\$ 6,520	\$ 7,543
Other comprehensive (loss) income, net of tax:		
Cumulative translation adjustments	254	(36)
Cash flow hedging activity	(1,533)	-
Pension and postretirement medical liability adjustments	134	423
Other comprehensive (loss) income	(1,145)	387
Comprehensive income	\$ 5,375	\$ 7,930

See notes to consolidated financial statements (unaudited).

THE GORMAN-RUPP COMPANY
CONSOLIDATED BALANCE SHEETS

<i>(Dollars in thousands)</i>	(unaudited) March 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,231	\$ 6,783
Accounts receivable, net	97,474	93,059
Inventories, net	116,758	111,133
Prepaid and other	10,960	14,551
Total current assets	237,423	225,526
Property, plant and equipment, net	132,191	128,640
Other assets	11,518	11,579
Other intangible assets, net	246,172	249,361
Goodwill	257,714	257,724
Total assets	\$ 885,018	\$ 872,830
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 31,989	\$ 24,697
Payroll and employee related liabilities	16,764	17,132
Commissions payable	11,167	10,116
Deferred revenue and customer deposits	7,599	6,740
Current portion of long-term debt	17,500	17,500
Accrued expenses	10,315	9,028
Total current liabilities	95,334	85,213
Pension benefits	9,860	9,352
Postretirement benefits	22,237	22,413
Long-term debt, net of current portion	418,575	419,327
Other long-term liabilities	7,572	5,331
Total liabilities	553,578	541,636
Equity:		
Common shares, without par value:		
Authorized – 35,000,000 shares;		
Outstanding – 26,178,248 shares at March 31, 2023 and 26,094,865 shares at December 31, 2022 (after deducting treasury shares of 870,548 and 953,931, respectively), at stated capital amounts	5,115	5,097
Additional paid-in capital	3,024	3,912
Retained earnings	348,919	346,659
Accumulated other comprehensive (loss)	(25,618)	(24,474)
Total equity	331,440	331,194
Total liabilities and equity	\$ 885,018	\$ 872,830

See notes to consolidated financial statements (unaudited).

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

<i>(Dollars in thousands)</i>	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 6,520	\$ 7,543
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,044	2,933
LIFO expense	2,032	1,804
Pension expense	808	760
Stock based compensation	465	682
Amortization of debt issuance fees	740	-
Other	14	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(4,264)	(9,211)
Inventories, net	(7,533)	(6,119)
Accounts payable	7,236	2,256
Commissions payable	961	727
Deferred revenue and customer deposits	859	1,253
Income taxes	1,534	1,912
Accrued expenses and other	2,909	668
Benefit obligations	(703)	957
Net cash provided by operating activities	18,622	6,165
Cash flows from investing activities:		
Capital additions	(6,450)	(3,473)
Other	426	89
Net cash used for investing activities	(6,024)	(3,384)
Cash flows from financing activities:		
Cash dividends	(4,567)	(4,436)
Treasury share repurchases	(1,028)	(918)
Proceeds from bank borrowings	5,000	-
Payments to banks for borrowings	(6,375)	-
Other	(34)	(32)
Net cash used for financing activities	(7,004)	(5,386)
Effect of exchange rate changes on cash	(146)	97
Net increase (decrease) in cash and cash equivalents	5,448	(2,508)
Cash and cash equivalents:		
Beginning of period	6,783	125,194
End of period	\$ 12,231	\$ 122,686

See notes to consolidated financial statements (unaudited).

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

Three Months Ended March 31, 2023

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

	Common Shares		Additional Paid- In Capital Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Dollars				
Balances December 31, 2022	26,094,865	\$ 5,097	\$ 3,912	\$ 346,659	\$ (24,474)	\$ 331,194
Net income				6,520		6,520
Other comprehensive income					(1,144)	(1,144)
Stock based compensation, net	119,488	26	1	438		465
Treasury share repurchases	(36,105)	(8)	(889)	(131)		(1,028)
Cash dividends - \$0.175 per share				(4,567)		(4,567)
Balances March 31, 2023	<u>26,178,248</u>	<u>\$ 5,115</u>	<u>\$ 3,024</u>	<u>\$ 348,919</u>	<u>\$ (25,618)</u>	<u>\$ 331,440</u>

Three Months Ended March 31, 2022

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

	Common Shares		Additional Paid- In Capital Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Total
	Shares	Dollars				
Balances December 31, 2021	26,103,661	\$ 5,099	\$ 1,838	\$ 353,369	\$ (30,330)	\$ 329,976
Net income				7,543		7,543
Other comprehensive income (loss)					387	387
Stock based compensation, net			682			682
Treasury share repurchases	(24,546)	(5)	(822)	(91)		(918)
Cash dividends - \$0.17 per share				(4,436)		(4,436)
Balances March 31, 2022	<u>26,079,115</u>	<u>\$ 5,094</u>	<u>\$ 1,698</u>	<u>\$ 356,385</u>	<u>\$ (29,943)</u>	<u>\$ 333,234</u>

See notes to consolidated financial statements (unaudited).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

NOTE 1 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The Consolidated Financial Statements include the accounts of The Gorman-Rupp Company (the “Company” or “Gorman-Rupp”) and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results. In the opinion of management of the Company, all adjustments considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2023 are not necessarily indicative of results that may be expected for the year ending December 31, 2023. For further information, refer to the Consolidated Financial Statements and accompanying notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, from which related information herein has been derived.

NOTE 2 - ACQUISITIONS

On May 31, 2022, the Company acquired the assets of Fill-Rite and Sotera (“Fill-Rite”), a division of Tuthill Corporation, for cash consideration of \$528.0 million. The transaction was funded with new debt consisting of \$350.0 million from a senior secured term loan, \$90.0 million from a subordinated unsecured loan, \$5.0 million from the new revolving Credit Facility, and \$83.0 million of cash on hand. Refer to “Note 10 – Financing Arrangements” for further details related to the financing completed as part of the transaction.

The Company accounted for the Fill-Rite transaction in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 805 “Business Combinations”. The results of operations for Fill-Rite are included in the accompanying Consolidated Statements of Income from the acquisition date. Fill-Rite had \$40.0 million in net sales and \$4.3 million in operating income included in the Company’s consolidated financial statements for the three months ended March 31, 2023. Operating income for the three months ended March 31, 2023 included \$0.6 million of acquired customer backlog amortization and \$3.0 million in amortization on customer relationships and developed technology.

Under the acquisition method of accounting, the assets and liabilities have been recorded at their respective estimated fair values as of the date of completion of the acquisition and reported into the Company’s Consolidated Balance Sheets. These preliminary estimates may be revised during the measurement period as third-party valuations are finalized, additional information becomes available and as additional analyses are performed, and these differences could have a material impact on our results of operations and financial position.

The following table presents the preliminary fair value of assets acquired and liabilities assumed and will be finalized pending completion of purchase accounting matters. No adjustments to the preliminary purchase price allocation were made during the first quarter of 2023:

Accounts receivable	\$	21,273
Inventory		12,214
Customer backlog (amortized over 1 year)		2,600
Other current assets		914
Property, plant, and equipment		24,505
Customer relationships (amortized over 20 years)		200,900
Technology (amortized over 20 years)		39,800
Tradenames (unamortized)		10,700
Goodwill		230,688
Total assets acquired	\$	543,594
Current liabilities assumed		(15,601)
Allocated purchase price	\$	<u>527,993</u>

For tax purposes, the Fill-Rite acquisition was treated as an asset purchase. As such, the Company received a step-up in tax basis of the net Fill-Rite assets, equal to the purchase price, including goodwill which is deductible for tax purposes.

The following is supplemental pro-forma net sales, operating income, net income, and earnings per share had the Fill-Rite acquisition occurred as of January 1, 2021 (in millions):

	Three months ended March 31, 2022
Net sales	\$143.4
Operating income	\$15.2
Net income	\$1.8
Earnings per share	\$0.25

The supplemental pro forma information presented above is being provided for information purposes only and may not necessarily reflect the future results of operations of the Company or what the results of operations would have been had the Company owned and operated Fill-Rite since January 1, 2021. There were no material non-recurring pro-forma adjustments present.

NOTE 3 – REVENUE

Disaggregation of Revenue

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

	Product Category	
	March 31,	
	2023	2022
Pumps and pump systems	\$ 143,056	\$ 85,769
Repair parts for pumps and pump systems and other	17,410	16,398
Total net sales	\$ 160,466	\$ 102,167

	Geographic Location	
	March 31,	
	2023	2022
United States	\$ 119,750	\$ 72,391
Foreign countries	40,716	29,776
Total net sales	\$ 160,466	\$ 102,167

International sales represented approximately 25% and 29% of total net sales for the first quarter of 2023 and 2022, respectively, and were made to customers in many different countries around the world.

On March 31, 2023, the Company had \$270.6 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 March 31, 2023 and December 31, 2022 were as follows:

	March 31, 2023	December 31, 2022
Contract assets	\$ -	\$ -
Contract liabilities	\$ 7,599	\$ 6,740

Revenue recognized for the three months ended March 31, 2023 and 2022 that was included in the contract liabilities balance at the beginning of the period was \$2.4 million and \$5.1 million, respectively.

NOTE 4 - INVENTORIES

LIFO inventories are stated at the lower of cost or market and all other inventories are stated at the lower of cost or net realizable value. Replacement cost approximates current cost and the excess over LIFO cost is approximately \$90.2 million and \$88.2 million at March 31, 2023 and December 31, 2022, respectively. Allowances for excess and obsolete inventory totaled \$7.3 million at March 31, 2023 and \$7.2 million at December 31, 2022. An actual valuation of inventory under the LIFO method is made at the end of each year based on the inventory levels and costs at that time. Interim LIFO calculations are based on management's estimate of expected year-end inventory levels and costs, and are subject to the final year-end LIFO inventory valuation.

Pre-tax LIFO expense was \$2.0 million and \$1.8 million for the three months ended March 31, 2023 and 2022, respectively.

Inventories are comprised of the following:

Inventories, net:	March 31, 2023	December 31, 2022
Raw materials and in-process	\$ 41,964	\$ 40,448
Finished parts	60,861	57,224
Finished products	13,933	13,461
Total net inventories	<u>\$ 116,758</u>	<u>\$ 111,133</u>

NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

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

	March 31, 2023	December 31, 2022
Land	\$ 6,225	\$ 6,215
Buildings	119,858	119,197
Machinery and equipment	218,395	212,581
	344,478	337,993
Less accumulated depreciation	(212,287)	(209,353)
Property, plant and equipment, net	<u>\$ 132,191</u>	<u>\$ 128,640</u>

NOTE 6 - PRODUCT WARRANTIES

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

	March 31,	
	2023	2022
Balance at beginning of year	\$ 1,973	\$ 1,637
Provision	969	389
Claims	(744)	(313)
Balance at end of period	<u>\$ 2,198</u>	<u>\$ 1,713</u>

NOTE 7 - PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors a defined benefit pension plan ("GR Plan") covering certain domestic employees. Benefits are based on each covered employee's years of service and compensation. The GR Plan is funded in conformity with the funding requirements of applicable U.S. regulations. The GR 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.

The Company established a defined benefit pension plan for certain Fill-Rite employees ("Fill-Rite Plan") upon the acquisition as of June 1, 2022. The activity is included in the tables within this footnote.

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

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

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

	Pension Benefits		Postretirement Benefits	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2023	2022	2023	2022
Service cost	\$ 530	\$ 664	\$ 208	\$ 287
Interest cost	635	454	299	190
Expected return on plan assets	(657)	(812)	-	-
Amortization of prior service cost	-	-	(248)	(283)
Recognized actuarial loss	301	454	(9)	92
Net periodic benefit cost (a)	<u>\$ 809</u>	<u>\$ 760</u>	<u>\$ 250</u>	<u>\$ 286</u>

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

NOTE 8 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

	Currency Translation Adjustments	Deferred Gain (Loss) on Cash Flow Hedging	Pension and OPEB Adjustments	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2022	\$ (10,619)	\$ (617)	\$ (13,238)	\$ (24,474)
Reclassification adjustments	-	(191)	291	100
Current period benefit (charge)	254	(1,819)	(85)	(1,650)
Income tax benefit (charge)	-	478	(72)	406
Balance at March 31, 2023	<u>\$ (10,365)</u>	<u>\$ (2,149)</u>	<u>\$ (13,104)</u>	<u>\$ (25,618)</u>

	Currency Translation Adjustments	Deferred Gain (Loss) on Cash Flow Hedging	Pension and OPEB Adjustments	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2021	\$ (7,851)	\$ -	\$ (22,479)	\$ (30,330)
Reclassification adjustments	-	-	546	546
Current period benefit (charge)	(36)	-	-	(36)
Income tax benefit (charge)	-	-	(123)	(123)
Balance at March 31, 2022	<u>\$ (7,887)</u>	<u>\$ -</u>	<u>\$ (22,056)</u>	<u>\$ (29,943)</u>

NOTE 9 – COMMON SHARE REPURCHASES

The Company has a share repurchase program with the authorization to purchase up to \$50.0 million of the Company's common shares. As of March 31, 2023, the Company had \$48.1 million available for repurchase under the share repurchase program. During the three-month period ending March 31, 2023 the Company repurchased 36,105 shares at an average cost per share of \$28.51 for a total of \$1.0 million in the surrender of common shares to cover taxes in connection with the vesting of stock awards. During the three-month period ending March 31, 2022 the Company repurchased 24,546 shares at an average cost per share of \$37.39 for a total of \$0.9 million.

NOTE 10 – FINANCING ARRANGEMENTS

Debt consisted of:

	March 31, 2023	December 31, 2022
Senior Secured Credit Agreement		
Senior term loan facility	\$ 336,875	\$ 341,250
Credit facility	20,000	17,000
Subordinated Credit Agreement		
Subordinated credit facility	90,000	90,000
Total debt	446,875	448,250
Unamortized discount and debt issuance fees	(10,800)	(11,423)
Total debt, net	436,075	436,827
Less: current portion of long-term debt	(17,500)	(17,500)
Total long-term debt, net	<u>\$ 418,575</u>	<u>\$ 419,327</u>

The carrying value of long term debt, including the current portion, approximates fair value as the variable interest rates approximate rates available to other market participants with comparable credit risk.

Senior Secured Credit Agreement

On May 31, 2022, the Company entered into a Senior Secured Credit Agreement with several lenders, which provides a term loan of \$350.0 million (“Senior Term Loan Facility”) and a revolving credit facility up to \$100.0 million (“Credit Facility”). The Credit Facility has a letter of credit sublimit of up to \$15.0 million, as a sublimit of the Credit Facility, and a swing line subfacility of up to \$20.0 million, as a sublimit of the Credit Facility. The Company borrowed \$5.0 million under the Credit Facility, which, along with the Senior Term Loan Facility, and cash-on-hand and the proceeds of the Subordinated Credit Facility described below, was used to purchase the assets of Fill-Rite as described in “Note 2 – Acquisitions”. The Company has agreed to secure all of its obligations under the Senior Secured Credit Agreement by granting a first priority lien on substantially all of its personal property, and each of Patterson Pump Company, AMT Pump Company, National Pump Company and Fill-Rite Company (collectively, the “Guarantors”) has agreed to guarantee the obligations of the Company under the Senior Secured Credit Agreement and to secure the obligations thereunder by granting a first priority lien in substantially all of such Guarantor’s personal property.

The Senior Secured Credit Agreement has a maturity date of May 31, 2027, with the Senior Term Loan Facility requiring quarterly installment payments commencing on September 30, 2022 and continuing on the last day of each consecutive December, March, June and September thereafter.

At the option of the Company, borrowings under the Senior Term Loan Facility and under the Credit Facility bear interest at either a base rate or at an Adjusted Term SOFR Rate, plus the applicable margin, which ranges from 0.75% to 1.75% for base rate loans and 1.75% to 2.75% for Adjusted Term SOFR Rate loans. The applicable margin is based on the Company’s senior leverage ratio. As of March 31, 2023, the applicable interest rate under the Senior Secured Credit Agreement was Adjusted Term SOFR plus 2.50%.

The Senior Secured Credit Agreement includes covenants subject to maximum leverage ratios and a minimum fixed charge coverage ratio. We were in compliance with all of our debt covenants as of March 31, 2023.

Subordinated Credit Agreement

On May 31, 2022, the Company entered into an unsecured subordinated credit agreement (“Subordinated Credit Agreement”) which provides for a term loan of \$90.0 million (the “Subordinated Credit Facility”). Each of the Guarantors has agreed to guarantee the obligations of the Company under the Subordinated Credit Agreement. The proceeds from the Subordinated Credit Facility, along with cash-on-hand and the proceeds of the Senior Term Loan Facility described above, were used to purchase the assets of Fill-Rite as described in “Note 2 – Acquisitions”.

The Subordinated Credit Agreement has a maturity date of December 1, 2027. If the Subordinated Credit Facility is prepaid prior to the second anniversary, such prepayment must be accompanied by a make-whole premium. If the Subordinated Credit Facility is prepaid after the second anniversary but prior to the third anniversary, such prepayment requires a prepayment fee of 2%, and if the Subordinated Credit Facility is prepaid after the third anniversary but prior to the fourth anniversary, such prepayment requires a prepayment fee of 1%.

At the option of the Company, borrowings under the Subordinated Credit Facility bear interest at either a base rate plus 8.0%, or at an Adjusted Term SOFR Rate plus 9.0%. As of March 31, 2023 borrowings under the Subordinated Credit Facility bear interest at an Adjusted Term SOFR Rate plus 9.1%.

The Subordinated Credit Agreement includes covenants subject to maximum leverage ratios. We were in compliance with all of our debt covenants as of March 31, 2023.

Interest Rate Derivatives

The Company entered into interest rate swaps that hedge interest payments on its SOFR borrowing during the fourth quarter of 2022. All swaps have been designated as cash flow hedges. The following table summarizes the notional amounts, related rates and remaining terms of interest swap agreements as of March 31:

	Notional Amount		Average Fixed Rate		Term
	2023	2022	2023	2022	
Interest rate swaps	\$ 168,437	-	4.1%	-%	Extending to May 2027

The fair value of the Company's interest rate swaps was a payable of \$2.8 million as of March 31, 2023. The fair value was based on inputs other than quoted prices in active markets for identical assets that are observable either directly or indirectly and therefore considered level 2. There were no interest rate swaps in place as of March 31, 2022. The mark-to-market effect of interest rate swap agreements that are considered effective as hedges has been included in Accumulated Other Comprehensive Loss. The interest rate swap agreements held by the Company on March 31, 2023 are expected to continue to be effective hedges.

The following table summarizes the fair value of derivative instruments as recorded in the Consolidated Balance Sheets:

	March 31 2023	December 31, 2022
Current Assets:		
Prepaid and Other	\$ 910	\$ 1,203
Long-term liabilities:		
Other long-term liabilities	(3,730)	(2,012)
Total derivatives	\$ (2,820)	\$ (809)

The following table summarizes total gains (losses) recognized on derivatives:

Derivatives in Cash Flow Hedging Relationships	Location of (Loss) Gain Recognized in Income on Derivatives	Amount of (Loss) Gain Recognized in Income on Derivatives	
		2023	2022
Interest rate swaps	Interest Expense	\$ 191	\$ -

The effects of derivative instruments on the Company's Consolidated Statements of Results of Operations and Comprehensive Income (Loss) for OCI are as follows:

Derivatives in Cash Flow Hedging Relationships	Amount of (Loss) Gain Recognized in AOCI on Derivatives		Location of (Loss) Gain Reclassed from AOCI into Income (Effective Portion)	Amount of (Loss) Gain Reclassed from AOCI into Income (Effective Portion)	
	March 31,			March 31,	
	2023	2022		2023	2022
Interest rate swaps	\$ (1,819)	\$ -	Interest expense	\$ (191)	\$ -

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

(Dollars in thousands, except for per share amounts)

The following discussion and analysis of the Company’s financial condition and Results of Operations should be read in conjunction with the Consolidated Financial Statements, and notes thereto, and the other financial data included elsewhere in this Quarterly Report on Form 10-Q. The following discussion should also be read in conjunction with the Company’s audited Consolidated Financial Statements and accompanying notes, and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in its Annual Report on Form 10-K for the year ended December 31, 2022.

Executive Overview

On May 31, 2022, the Company acquired the assets of Fill-Rite and Sotera (“Fill-Rite”), a division of Tuthill Corporation, for \$528.0 million. When adjusted for approximately \$80.0 million in expected tax benefits, the net transaction value was approximately \$448.0 million. The Company funded the transaction with cash on-hand and new debt. The Company incurred \$7.1 million of one-time acquisition costs during the year ended December 31, 2022 and does not expect to incur material acquisition costs in connection with the transaction going forward. The results of operations for Fill-Rite from the acquisition date are included in the Company’s Consolidated Statements of Income for the three months ended March 31, 2023.

The following discussion of Results of Operations includes certain non-GAAP financial data and measures such as adjusted earnings per share and adjusted earnings before interest, taxes, depreciation and amortization. Adjusted earnings per share is earnings per share excluding amortization of customer backlog per share. Adjusted earnings before interest, taxes, depreciation and amortization is net income (loss) excluding interest, taxes, depreciation and amortization, adjusted to exclude amortization of customer backlog, and non-cash LIFO expense. Management utilizes these adjusted financial data and measures to assess comparative operations against those of prior periods without the distortion of non-comparable factors. The inclusion of these adjusted measures should not be construed as an indication that the Company’s future results will be unaffected by unusual or infrequent items or that the items for which the Company has made adjustments are unusual or infrequent or will not recur. Further, the impact of the LIFO inventory costing method can cause results to vary substantially from company to company depending upon whether they elect to utilize LIFO and depending upon which method they may elect. The Gorman-Rupp Company believes that these non-GAAP financial data and measures also will be useful to investors in assessing the strength of the Company’s underlying operations from period to period. These non-GAAP financial measures are not intended to replace GAAP financial measures, and they are not necessarily standardized or comparable to similarly titled measures used by other companies. Provided below is a reconciliation of adjusted earnings per share and adjusted earnings before interest, taxes, depreciation and amortization.

	Three Months Ended	
	March 31,	
	2023	2022
Adjusted earnings per share:		
Reported earnings per share – GAAP basis	\$ 0.25	\$ 0.29
Plus amortization of acquired customer backlog	0.02	-
Non-GAAP adjusted earnings per share	<u>\$ 0.27</u>	<u>\$ 0.29</u>
Adjusted earnings before interest, taxes, depreciation and amortization:		
Reported net income—GAAP basis	\$ 6,520	\$ 7,543
Plus interest expense	10,187	-
Plus provision for income taxes	1,955	2,005
Plus depreciation and amortization	7,044	2,933
Non-GAAP earnings before interest, taxes, depreciation and amortization	<u>25,706</u>	<u>12,481</u>
Plus amortization of acquired customer backlog	650	-
Plus non-cash LIFO expense	2,032	1,804
Non-GAAP adjusted earnings before interest, taxes, depreciation and amortization	<u>\$ 28,388</u>	<u>\$ 14,285</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 suppression, 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.

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 historically.

The Company’s backlog of orders was \$270.6 million at March 31, 2023 compared to \$195.5 million at March 31, 2022 and \$267.4 million at December 31, 2022. Fill-Rite added \$11.1 million to the backlog at March 31, 2023 when compared to March 31, 2022. Incoming orders during the first quarter of 2023 increased 49.1% when compared to the same period in 2022, and increased 12.3% excluding Fill-Rite.

On April 27, 2023, the Board of Directors authorized the payment of a quarterly dividend of \$0.175 per share on the common stock of the Company, payable June 9, 2023, to shareholders of record as of May 15, 2023. This will mark the 293rd consecutive quarterly dividend paid by The Gorman-Rupp Company.

Outlook

Incoming orders continued at a good pace, with total incoming orders during the quarter of \$167.0 million, our backlog remains at record levels. Inventory grew as planned during the quarter to support our order volume and backlog, while we expect a reduction in inventory levels during the second-half of the year. We are focused on delivering long term sustained growth and continuing to improve margins.

Three Months Ended March 31, 2023 vs. Three Months Ended March 31, 2022

Net Sales

	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Net Sales	\$ 160,466	\$ 102,167	\$ 58,299	57.1%

Net sales for the first quarter of 2023 were \$160.5 million compared to net sales of \$102.2 million for the first quarter of 2022, an increase of 57.1% or \$58.3 million. Domestic sales increased 65.4% or \$47.4 million and international sales increased 36.7% or \$10.9 million compared to the same period in 2022. Fill-Rite sales, which are primarily domestic, were \$40.0 million for the first quarter of 2023.

Excluding Fill-Rite, sales in our water markets increased 20.1% or \$14.5 million in the first quarter of 2023 compared to the first quarter of 2022. Sales increased \$7.7 million in the fire suppression market, \$3.1 million in the municipal market, \$2.1 million in the repair market, and \$1.9 million in the construction market. Partially offsetting these increases was a sales decrease of \$0.3 million in the agriculture market.

Excluding Fill-Rite, sales in our non-water markets increased 12.8% or \$3.8 million in the first quarter of 2023 compared to the first quarter of 2022. Sales increased \$3.1 million in the industrial market, \$0.4 million in the petroleum market, and \$0.3 million in the OEM market.

Cost of Products Sold and Gross Profit

	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Cost of products sold	\$ 114,943	\$ 76,670	\$ 38,273	49.9%
<i>% of Net sales</i>	<i>71.6%</i>	<i>75.0%</i>		
<i>Gross Margin</i>	<i>28.4%</i>	<i>25.0%</i>		

Gross profit was \$45.5 million for the first quarter of 2023, resulting in gross margin of 28.4%, compared to gross profit of \$25.5 million and gross margin of 25.0% for the same period in 2022. The improvement in gross margin was due primarily to leverage from increased sales volume and sales mix which includes Fill-Rite in 2023. The 340 basis point increase in gross margin was driven by a 270 basis point improvement from labor and overhead leverage due to increased sales volume and a 70 basis point improvement in cost of material. Gross margin for the first quarter of 2023 includes 40 basis points of amortization expense related to the Fill-Rite acquired customer backlog. The acquired customer backlog will be fully amortized during the second quarter of 2023.

Selling, General and Administrative (SG&A) Expenses

	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Selling, general and administrative expenses	\$ 23,237	\$ 15,878	\$ 7,359	46.3%
<i>% of Net sales</i>	14.5%	15.5%		

Selling, general and administrative (“SG&A”) expenses were \$23.2 million and 14.5% of net sales for the first quarter of 2023 compared to \$15.9 million and 15.5% of net sales for the same period in 2022. The increase in SG&A expenses is primarily due to the inclusion of Fill-Rite. The improvement in SG&A as a percent of sales was due to favorable leverage from increased sales.

Amortization Expense

	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Amortization expense	\$ 3,191	\$ 161	\$ 3,030	1,882.0%
<i>% of Net sales</i>	2.0%	0.2%		

Amortization expense was \$3.2 million for the first quarter of 2023 compared to \$0.2 million for the same period in 2022. The increase in amortization expense was due to \$3.0 million in amortization attributable to the Fill-Rite acquisition.

Operating Income

	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Operating income	\$ 19,095	\$ 9,458	\$ 9,637	101.9%
<i>% of Net sales</i>	11.9%	9.3%		

Operating income was \$19.1 million for the first quarter of 2023, resulting in an operating margin of 11.9%, compared to operating income of \$9.5 million and operating margin of 9.3% for the same period in 2022. Operating margin increased 260 basis points compared to the same period in 2022 due to improved leverage on labor, overhead, and SG&A expenses due to increased sales volumes partially offset by increased amortization expense.

Interest Expense

	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Interest Expense	\$ 10,187	\$ -	\$ 10,187	100%
<i>% of Net sales</i>	6.3%	-%		

Interest expense was \$10.2 million for the first quarter of 2023. No interest expense was recorded in the first quarter of 2022. The interest expense was due to debt financing attributable to the Fill-Rite acquisition.

Net Income

	Three Months Ended March 31,		\$ Change	% Change
	2023	2022		
Income before income taxes	\$ 8,475	\$ 9,548	\$ (1,073)	(11.2)%
<i>% of Net sales</i>	5.3%	9.3%		
Income taxes	\$ 1,955	\$ 2,005	\$ (50)	(2.5)%
<i>Effective tax rate</i>	23.1%	21.0%		
Net income	\$ 6,520	\$ 7,543	\$ (1,023)	(13.6)%
<i>% of Net sales</i>	4.1%	7.4%		
Earnings per share	\$ 0.25	\$ 0.29	\$ (0.04)	(13.8)%

The Company's effective tax rate was 23.1% for the first quarter of 2023 compared to 21.0% for the first quarter of 2022 with the increase primarily related to discrete adjustments for the quarter.

Net income was \$6.5 million, or \$0.25 per share, for the first quarter of 2023 compared to net income of \$7.5 million, or \$0.29 per share, in the first quarter of 2022. Adjusted earnings per share for the first quarter of 2023 were \$0.27 per share compared to \$0.29 per share for the first quarter of 2022.

Liquidity and Capital Resources

Our primary sources of liquidity are cash generated from operations and borrowings under our Credit Facility. Cash and cash equivalents totaled \$12.2 million at March 31, 2023. The Company had an additional \$78.1 million available under the revolving credit facility after deducting \$20.0 million drawn and \$1.9 million in outstanding letters of credit primarily related to customer orders. We believe we have adequate liquidity from funds on hand and borrowing capacity to execute our financial and operating strategy, as well as comply with debt obligation and financial covenants for at least the next 12 months.

As of March 31, 2023, the Company had \$446.9 million in total debt outstanding due in 2027. The Company was in compliance with its debt covenants, including limits on additional borrowings and maintenance of certain operating and financial ratios, at March 31, 2023 and December 31, 2022.

Capital expenditures for the first three months of 2023 were \$6.5 million and consisted primarily of machinery and equipment and building improvements. Capital expenditures for the full-year 2023 are presently planned to be in the range of \$18-\$20 million primarily for building improvements and machinery and equipment purchases, and are expected to be financed through internally-generated funds.

On April 27, 2023, the Board of Directors authorized the payment of a quarterly dividend of \$0.175 per share on the common stock of the Company, payable June 9, 2023, to shareholders of record as of May 15, 2023. The Company currently expects to continue its exceptional history of paying regular quarterly dividends and increased annual dividends. However, any future dividends will be reviewed individually and declared by our Board of Directors at its discretion, dependent on our assessment of the Company's financial condition and business outlook at the applicable time.

The Board of Directors has authorized a share repurchase program of up to \$50.0 million of the Company's common shares. The actual number of shares repurchased will depend on prevailing market conditions, alternative uses of capital and other factors, and will be determined at management's discretion. The Company is not obligated to make any purchases under the program, and the program may be suspended or discontinued at any time. As of March 31, 2023, the Company had \$48.1 million available for repurchase under the share repurchase program.

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:

	Three Months Ended	
	March 31,	
	2023	2022
Non-GAAP adjusted earnings before interest, taxes, depreciation and amortization	\$ 28,388	\$ 14,285
Less capital expenditures	(6,450)	(3,473)
Less cash dividends	(4,567)	(4,436)
Non-GAAP free cash flow	<u>\$ 17,371</u>	<u>\$ 6,376</u>

Financial Cash Flow

	Three Months Ended	
	March 31,	
	2023	2022
Beginning of period cash and cash equivalents	\$ 6,783	\$ 125,194
Net cash provided by operating activities	18,622	6,165
Net cash used for investing activities	(6,024)	(3,384)
Net cash used for financing activities	(7,004)	(5,386)
Effect of exchange rate changes on cash	(146)	97
Net increase in cash and cash equivalents	5,448	(2,508)
End of period cash and cash equivalents	\$ 12,231	\$ 122,686

The increase in cash provided by operating activities in the first three months of 2023 compared to the same period last year was primarily due to increased earnings before depreciation, amortization, and LIFO expense, and improved cash flow from accounts receivable and accounts payable. Cash outflow for inventory increased when compared to the same period last year due to strong incoming orders and high backlog.

During the first three months of 2023, investing activities of \$6.0 million consisted of \$6.5 million for capital expenditures primarily for machinery and equipment. During the first three months of 2022, investing activities consisted of capital expenditures primarily for machinery and equipment of \$3.5 million.

Net cash used for financing activities for the first three months of 2023 primarily consisted of net payments on bank borrowings of \$1.4 million, dividend payments of \$4.6 million, and share repurchases of \$1.0 million. Net cash used for financing activities for the first three months of 2022 primarily consisted of dividend payments of \$4.4 million and share repurchases of \$0.9 million.

Critical Accounting Policies

Our critical accounting policies are described in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, and in the notes to our Consolidated Financial Statements for the year ended December 31, 2022 contained in our Annual Report on Form 10-K for the year ended December 31, 2022. Any new accounting policies or updates to existing accounting policies as a result of new accounting pronouncements have been discussed in the notes to our Consolidated Financial Statements in this Quarterly Report on Form 10-Q. The application of our critical accounting policies may require management to make judgments and estimates about the amounts reflected in the Consolidated Financial Statements. Management uses historical experience and all available information to make these estimates and judgments, and different amounts could be reported using different assumptions and estimates.

Cautionary Note Regarding Forward-Looking Statements

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

Such uncertainties include, but are not limited to, our estimates of future earnings and cash flows, general economic conditions and supply chain conditions and any related impact on costs and availability of materials, integration of the Fill-Rite business in a timely and cost effective manner, retention of supplier and customer relationships and key employees, the ability to achieve synergies and cost savings in the amounts and within the time frames currently anticipated and the ability to service and repay indebtedness incurred in connection with the transaction. Other factors include, but are not limited to: company specific risk factors including (1) loss of key personnel; (2) intellectual property security; (3) acquisition performance and integration; (4) the Company's indebtedness and how it may impact the Company's financial condition and the way it operates its business; (5) general risks associated with acquisitions; (6) the anticipated benefits from the Fill-Rite transaction may not be realized; (7) impairment in the value of intangible assets, including goodwill; (8) defined benefit pension plan settlement expense; (9) LIFO inventory method, and (10) family ownership of common equity; and general risk factors including (11) continuation of the current and projected future business environment; (12) highly competitive markets; (13) availability and costs of raw materials and labor; (14) cyber security threats; (15) compliance with, and costs related to, a variety of import and export laws and regulations; (16) environmental compliance costs and liabilities; (17) exposure to fluctuations in foreign currency exchange rates; (18) conditions in foreign countries in which The Gorman-Rupp Company conducts business; (19) changes in our tax rates and exposure to additional income tax liabilities; and (20) risks described from time to time in our reports filed with the Securities and Exchange Commission. Except to the extent required by law, we do not undertake and specifically decline any obligation to review or update any forward-looking statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various market risks, including changes in foreign currency exchange rates and interest rates. Exposure to foreign exchange rate risk is due to certain costs and revenue being denominated in currencies other than one of the Company's subsidiaries functional currency. The Company is also exposed to market risk as the result of changes in interest rates which may affect the cost of financing. We continually monitor these risks and regularly develop appropriate strategies to manage them. Accordingly, from time to time, we may enter into certain derivative or other financial instruments. These financial instruments are used to mitigate market exposure and are not used for trading or speculative purposes.

Interest Rate Risk

The results of operations are exposed to changes in interest rates primarily with respect to borrowings under the Company's Senior Term Loan Facility, Credit Facility, and Subordinated Credit Facility. Borrowings under the Senior Term Loan Facility and Credit Facility may be made either at (i) a base rate plus the applicable margin, which ranges from 0.75% to 1.75%, or at (ii) an Adjusted Term SOFR Rate, plus the applicable margin, which ranges from 1.75% to 2.75%. Borrowings under the Subordinated Credit Facility bear interest at (i) either a base rate plus 8.0%, or at (ii) an Adjusted Term SOFR Rate plus 9.1%. At March 31, 2023, the Company had \$336.9 million in borrowings under the Senior Term Loan Facility, \$20.0 million in borrowing under the Credit Facility, and \$90.0 million in borrowings under the Subordinated Credit Facility.

To reduce the exposure to changes in the market rate of interest, effective October 31, 2022, the Company entered into interest rate swap agreements for a portion of the Senior term loan facility. Terms of the interest rate swap agreements require the Company to receive a fixed interest rate and pay a variable interest rate. The interest rate swap agreements are expected to be designated as a cash flow hedge, and as a result, the mark-to-market gains or losses will be deferred and included as a component of accumulated other comprehensive income (loss) and reclassified to interest expense in the period during which the hedged transactions affect earnings.

The Company estimates that a hypothetical increase of 100 basis points in interest rates would increase interest expense by approximately \$2.8 million on an annual basis.

Foreign Currency Risk

The Company's foreign currency exchange rate risk is limited primarily to the Euro, Canadian Dollar, South African Rand and British Pound. The Company manages its foreign exchange risk principally through invoicing customers in the same currency as is used in the market of the source of products. The foreign currency transaction gains (losses) for the three month periods ending March 31, 2023 and 2022 were (\$0.1) million and \$0.1 million, respectively, and are reported within Other (expense) income, net on the Consolidated Statements of Income.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

An evaluation was carried out under the supervision and with the participation of the Company's management, including the principal executive officer and the principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report on Form 10-Q. Based on that evaluation, the principal executive officer and the principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of March 31, 2023.

Changes in Internal Control Over Financial Reporting

As of March 31, 2023, we are in the process of integrating the internal controls of the acquired Fill-Rite business into Gorman-Rupp's existing operations as part of planned integration activities. In addition, we have implemented new processes and internal controls to assist us in the preparation and disclosure of financial information. There were no other changes in Gorman-Rupp's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, Gorman-Rupp's internal control over financial reporting during the quarter ended March 31, 2023.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There are no material changes from the legal proceedings previously reported in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

ITEM 1A. RISK FACTORS

In addition to the information set forth in this report, you should carefully consider the risk factors disclosed in Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

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

Issuer purchases of its common shares during the first quarter of 2023 were:

Period	Total number of shares purchased	Average price paid per share	Approximate dollar value of shares that may yet be purchased under the program
January 1 to January 31, 2023	-	\$ -	\$ 48,007
February 1 to February 28, 2023	-	-	\$ 48,067
March 1 to March 31, 2023	-	-	\$ 48,067
Total	-	\$ -	\$ 48,067

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

Exhibit 31.1	<u>Certification of Scott A. King, President and Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
Exhibit 31.2	<u>Certification of James C. Kerr, Executive Vice President and Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
Exhibit 32	<u>Certification pursuant to 18 U.S.C Section 1350, as adopted Pursuant to Section 906 of The Sarbanes-Oxley Act of 2002.</u>
Exhibit 101	Financial statements from the Quarterly Report on Form 10-Q of The Gorman-Rupp Company for the quarter ended March 31, 2023, formatted in Inline eXtensible Business Reporting Language (XBRL): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Equity, and (vi) the Notes to Consolidated Financial Statements.
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

Date: May 1, 2023

The Gorman-Rupp Company
(Registrant)

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

CERTIFICATIONS

I, Scott A. King, certify that:

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

Date: May 1, 2023

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

Date: May 1, 2023

/s/James C. Kerr

James C. Kerr
Executive Vice President and Chief Financial Officer
The Gorman-Rupp Company
(Principal Financial Officer)

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

In connection with the Quarterly Report of The Gorman-Rupp Company on Form 10-Q for the quarter ended March 31, 2023, 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: May 1, 2023

/s/ Scott A. King

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

/s/James C. Kerr

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

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