



WEBCO INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2024

WITH

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Webco Industries, Inc.

Opinion

We have audited the consolidated financial statements of Webco Industries, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheet as of July 31, 2024, the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of July 31, 2024, and the results of their operations and their cash flows for year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or

the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Hogan Taylor LP".

Tulsa, Oklahoma
September 27, 2024

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET

As of July 31, 2024

(Dollars in thousands, except share data)

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,171
Short-term U.S. Treasury Bonds	15,903
Accounts receivable, net	70,249
Inventories, net	169,513
Prepaid expenses	9,530
	266,366
Total current assets	266,366
Property, plant and equipment, net	168,186
Finance leases, right-of-use assets, net	1,043
Operating leases, right-of-use assets, net	21,879
Other assets	15,611
	306,729
Total assets	\$ 473,085

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:	
Accounts payable	\$ 28,109
Accrued liabilities	33,066
Current portion of long-term debt, net	49,115
Current portion of finance lease obligations	429
Current portion of operating lease obligations	5,063
	115,782
Total current liabilities	115,782
Long-term debt, net of current portion - Note 4	20,000
Finance lease obligations due after one year - Note 5	657
Operating lease obligations due after one year - Note 5	16,653
Deferred tax liabilities	886
Commitments and contingencies - Note 7	
Stockholders' equity:	
Common stock, \$0.01 par value, 12,000,000 shares authorized, 858,808 issued and outstanding	9
Additional paid-in capital	54,256
Retained earnings	264,842
	319,107
Total stockholders' equity	319,107
Total liabilities and stockholders' equity	\$ 473,085

The accompanying notes are an integral part of these consolidated financial statements.

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended July 31, 2024
(Dollars in thousands, except share data)

Net sales	\$ 608,440
Cost of sales	<u>536,603</u>
Gross profit	71,837
Selling, general and administrative expenses	<u>50,898</u>
Income from operations	20,939
Interest expense	<u>4,021</u>
Income before income taxes	16,918
Provision for income taxes	<u>868</u>
Net income	<u><u>\$ 16,050</u></u>
Net income per share:	
Basic	<u>\$ 20.14</u>
Diluted	<u>\$ 19.24</u>
Weighted average common shares outstanding:	
Basic	<u>797,000</u>
Diluted	<u>834,000</u>

The accompanying notes are an integral part of these consolidated financial statements.

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Year Ended July 31, 2024
(Dollars in thousands, except share data)

	Common Stock		Additional	Retained	Total
	Shares	Amount	Paid-In	Earnings	Stockholders'
			Capital		Equity
Balances, July 31, 2023	809,055	\$ 8	\$ 52,559	\$ 249,910	\$ 302,478
Net income	-	-	-	16,050	16,050
Stock awards	59,722	1	2,786	-	2,786
Repurchase of common stock	(10,291)	-	(647)	(1,118)	(1,765)
Repurchase of stock options	-	-	(450)	-	(450)
Options exercised net of stock surrendered	322	-	8	-	8
Balances, July 31, 2024	858,808	\$ 9	\$ 54,256	\$ 264,842	\$ 319,107

The accompanying notes are an integral part of these consolidated financial statements.

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended July 31, 2024
(Dollars in thousands)

Cash flows from operating activities:	
Net income	\$ 16,050
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	15,600
Stock awards	2,786
Other noncash charges	5,149
Loss on disposition of property, plant and equipment	100
Deferred tax benefit	2,177
(Increase) decrease in:	
Accounts receivable	(1,388)
Inventories	38,213
Prepaid expenses	(6,903)
Other assets, net	(15)
Increase (decrease) in:	
Accounts payable	(1,934)
Accrued liabilities	(4,239)
	<hr/>
Net cash provided by operating activities	65,596
	<hr/>
Cash flows from investing activities:	
Capital expenditures	(43,006)
Proceeds from sale of property, plant and equipment	185
Other assets	(6,320)
Certificates of deposit redemptions	1,000
Short-term U.S. Treasury Bonds purchases, net	(1,045)
	<hr/>
Net cash used in investing activities	(49,186)
	<hr/>
Cash flows from financing activities:	
Change in long-term debt	(19,553)
Payments on finance lease obligations	(478)
Stock repurchases	(1,636)
Repurchase of stock options	(450)
Debt issuance costs	(50)
Increase in bank overdrafts	720
	<hr/>
Net cash used in financing activities	(21,447)
	<hr/>
Net decrease in cash and cash equivalents	(5,037)
Cash and cash equivalents, beginning of period	6,208
	<hr/>
Cash and cash equivalents, end of period	\$ 1,171
	<hr/>
Supplemental disclosure of cash flow information:	
Interest paid, net of amount capitalized of \$2,112	\$ 5,917
	<hr/>
Income taxes paid, net	\$ 4,056
	<hr/>
Supplemental noncash investing and financing activities:	
Capital expenditures in accounts payable	\$ 2,473
	<hr/>

The accompanying notes are an integral part of these consolidated financial statements.

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS – Webco Industries, Inc. (together with its wholly owned subsidiaries, "Webco," "the Company," "we," "our" or "us") is a full-service provider of high-quality carbon steel, stainless steel and other metal specialty tube products designed to industry and customer specifications. We are headquartered in Sand Springs, Oklahoma and have five (5) production facilities in Oklahoma and Pennsylvania and eight (8) value-added facilities in Oklahoma, Texas, Illinois, Pennsylvania and Michigan, serving customers globally.

BASIS OF PRESENTATION – The consolidated financial statements include the accounts of Webco Industries, Inc. and its three wholly owned subsidiaries, two of which are dormant entities. All material inter-company accounts and transactions have been eliminated in the consolidated financial statements.

Amounts in the consolidated financial statements and tables within notes to the consolidated financial statements may not sum due to rounding.

USE OF ACCOUNTING ESTIMATES – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATIONS – Webco maintains deposits in bank accounts, which typically exceed the federal deposit insurance limits. At July 31, 2024, we had deposits totaling \$1,902 in excess of federal depository insurance limits. We have not experienced any losses on such accounts in the past.

As of July 31, 2024, Webco had one customer accounting for 13% of accounts receivable.

No customer represented more than 10% of net sales during the fiscal year ended July 31, 2024.

ACCOUNTS RECEIVABLE – Accounts receivable represent short-term credit granted to our customers for which collateral is generally not required. The allowance for doubtful accounts represents an estimate for potential credit losses. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations and current economic trends and changes in customer payment patterns to evaluate the adequacy of the allowance. Accounts receivable at July 31, 2024, are net of an allowance for uncollectible amounts of \$1,432.

INVENTORIES – Webco values inventories at the lower of cost or net realizable value. Cost for raw materials, work-in-process, finished goods and maintenance parts and supplies is determined on the weighted average cost method. We regularly review inventories and record provisions for excess and obsolete inventories based on the aging and forecasts of product demand and pricing. Inventories at July 31, 2024, are net of a valuation allowance of \$34,276.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment is stated at historical cost and includes interest capitalized on major construction projects. Gains or losses on sales and retirements are reflected in operations. Depreciation is computed using the straight-line method over the following estimated useful lives: buildings and improvements – 10 to 40 years, machinery and equipment – 3 to 20 years, autos and trailers – 3 to 5 years, computer equipment and software – 3 to 7 years and furniture and fixtures – 3 to 10 years. Repair and maintenance costs are expensed as incurred.

Depreciation expense for the year ended July 31, 2024, amounted to \$14,980.

LEASES – Webco recognizes right-of-use assets and lease liabilities for the rights and obligations created by lease arrangements with terms greater than 12 months, including operating leases.

As most of our leases do not provide an implicit rate, we use an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our lease agreements do not contain any material variable lease payments, material restrictive covenants or material amounts of sublease income as of July 31, 2024. Most long-term leases include renewal options and, in certain leases, purchases options. We are not reasonably certain that these options will be exercised. Refer to Note 5 in these consolidated financial statements for additional information on leases.

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

ACCOUNTING FOR LONG-LIVED ASSETS – Webco reviews its long-lived assets for impairment as events or circumstances dictate based on estimated future undiscounted cash flows attributable to the assets. In the event such cash flows are not expected to be sufficient to recover the recorded value of the assets, the assets are written down to their estimated fair values. There were no significant impairment charges in fiscal year 2024.

SELF-INSURANCE RESERVES – Webco self-insures both a medical coverage program and an Oklahoma workers' compensation program for its employees. The determination of reserves and expenses for these benefits is dependent on claims experience and the selection of certain assumptions used in evaluating adverse claim development and claims that have been incurred, but not yet reported. Reserves for claims under both programs are accrued based upon our estimate of the aggregate liability for claims (including claims incurred, but not yet reported). Significant changes in actual experience under either program or significant changes in assumptions may materially affect self-insured medical or workers' compensation reserves and future expenses. Refer to Note 7 in these consolidated financial statements for additional information on self-insurance reserve liabilities.

REVENUE RECOGNITION – We recognize revenue from contracts with customers for promised goods and services at the point in time when the customer obtains control at an amount that reflects the consideration we expect to receive for those goods and services. Substantially all our revenue is recognized when products are shipped or delivered to our customers and payment is due from our customers. Furthermore, rebates, returns and other variable consideration amounts are estimated and recorded as a reduction of revenue. Refer to Note 12 in these consolidated financial statements for additional information on revenue recognition.

Our contracts with customers ordinarily involve performance obligations that are one year or less. Therefore, we have applied the optional exemption that permits the omission of information about our unfulfilled performance obligations.

EARNINGS PER SHARE – Earnings per share are calculated based on the number of weighted average common shares outstanding, including the effect of dilutive options when applicable.

STOCK-BASED COMPENSATION – Stock-based compensation is recognized in our consolidated financial statements based on the estimated fair value of the stock options granted or shares issued to employees or directors amortized on a straight-line basis over the vesting periods of the awards. Refer to Note 9 in these consolidated financial statements for additional information on stock incentive awards.

INCOME TAXES – We record deferred tax assets and liabilities to reflect the expected tax consequences in future years of differences between the tax basis of assets and liabilities and their financial statement carrying amounts. Deferred tax assets are regularly reviewed for recoverability and, if deemed necessary, an appropriate valuation allowance is established based on historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences. If we are unable to generate sufficient future taxable income, or if there is a material change in the actual effective tax rates or time period within which the underlying temporary differences become taxable or deductible, we may be required to establish a valuation allowance against all or a significant portion of the deferred tax assets, thus resulting in a substantial increase in the effective tax rate. Refer to Note 6 in these consolidated financial statements for additional information on income taxes.

SUBSEQUENT EVENTS – Webco has evaluated subsequent events through September 27, 2024, the date the consolidated financial statements were available to be issued.

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

2. INVENTORIES

Inventories, net of valuation allowance consisted of the following:

Raw materials	\$ 92,512
Work-in-process	11,100
Finished goods	49,616
Maintenance parts and supplies	<u>16,284</u>
Inventories, net	<u>\$ 169,513</u>

3. PROPERTY, PLANT AND EQUIPMENT

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

Land	\$ 5,174
Buildings and improvements	125,511
Machinery and equipment	208,581
Autos and trailers	3,820
Furniture and fixtures	3,403
Computer equipment	13,555
Construction in progress	<u>14,116</u>
Total property, plant and equipment	374,161
Less accumulated depreciation and amortization	<u>(205,976)</u>
Property, plant and equipment, net	<u>\$ 168,186</u>

4. LONG-TERM DEBT

Long-term debt consisted of the following:

Term loan	\$ 20,000
Revolving loan, net of \$210 of debt issuance cost	<u>49,115</u>
Total long-term debt	69,115
Less current portion of long-term debt	<u>49,115</u>
Long-term debt, net of current portion	<u>\$ 20,000</u>

Based upon borrowing rates currently available to us for borrowings with similar terms and average maturities, we believe that the carrying amount of our long-term debt approximates fair value.

At July 31, 2024, Webco had a term loan with a \$20,000 balance and a \$220,000 revolving loan with its primary lending group. The term loan and revolving loan bear interest at prime rate (8.5% at July 31, 2024). At our option, borrowings under any facility can bear interest at SOFR (5.3% at July 31, 2024) plus an interest rate margin of 1.50% in the case of the term loan, or plus 1.25% in the case of revolving loan advances. As defined by our credit agreement, the interest rate margin percentages are determined each quarter by the calculation of our debt service coverage ratio and are subject to increases upon defined ratios set forth. These loans are collateralized by substantially all of our assets. Principal payment is not required on the term loan until maturity, although optional pre-payments are permitted. We may have borrowings under the revolving loan up to an amount determined by a formula based on the amounts of eligible accounts receivable and inventories, not to exceed the revolving limit of \$220,000 minus any minimum availability requirement (\$5,000 at July 31, 2024) or other borrowing base reserves (\$12,738 at July 31, 2024). At July 31, 2024, \$73,380 was available for borrowing under the revolving loan after considering \$1,733 of unapplied lock-box deposits, which are included in the current portion of long-term debt on the consolidated balance sheet at July 31, 2024.

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

4. LONG-TERM DEBT (continued)

We are subject to various restrictive covenants, including requirements to maintain a minimum debt coverage ratio. The covenants also limit dividends and stock purchases. In addition, the loan agreement provides for acceleration of the loans, at the option of the lender, if any two of four current executives shall fail to possess the power to direct or cause the direction of management and policies of Webco or if they, together with other certain stockholders, cease to own at least 40% of the combined voting power of all classes of securities having the power to vote for the election of directors. The covenants also allow acceleration upon the occurrence of a material adverse change in the operations or financial condition of the business, among other things.

All debt matures in September 2027. US GAAP requires current classification of revolving loans that permit borrowings on a long-term basis when the revolving loan contains both a lock-box arrangement, whereby remittances to the lock-box automatically pay down the outstanding revolving loan, and loan provisions that allow the lender to declare the loan in default on a subjective basis, such as a material adverse change. This accounting treatment is required regardless of the legal maturity date of the revolving loan arrangement. Our revolving loan contains such features and, accordingly, the consolidated financial statements classify outstanding borrowings under the revolving loan as "Current portion of long-term debt," despite its fiscal year 2028 maturity.

5. LEASES

Webco's operating leases consist of certain buildings, machinery and equipment. Finance leases include one machine and various automobiles. Our short-term leases consist of technical equipment that are month-to-month, office equipment, sales office space and short-term rentals used in the ordinary course of business.

The following table summarizes our lease costs:

	Classification	
Operating lease cost	Cost of sales-rent/lease expense	\$ 6,173
Short-term/other lease cost	Cost of sales-rent/lease expense	1,554
Short-term/other lease cost	Selling, general and administrative expenses	2
Finance lease cost:		
Amortization	Cost of sales-depreciation and amortization	138
Amortization	Selling, general and administrative expenses	318
Interest	Interest expense	61
Total lease cost		\$ 8,246

Lease liability maturities as of July 31, 2024, are shown below:

Year	Operating	Finance	Total
2025	\$ 6,252	\$ 487	\$ 6,739
2026	5,642	398	6,040
2027	4,575	207	4,782
2028	2,799	67	2,866
2029	2,383	27	2,410
After 2029	3,905	8	3,913
Total lease payments	25,556	1,194	26,750
Less imputed interest	(3,840)	(108)	(3,948)
Present value of lease liabilities	\$ 21,716	\$ 1,086	\$ 22,802

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

5. LEASES (continued)

Lease terms and discount rates are shown below:

	Weighted average lease term	Weighted average discount rate
2024:		
Finance	2.83 years	6.75%
Operating	5.28 years	6.33%

Supplemental cash flow information related to leases are below:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases		\$ 6,173
Cash flows for short-term/other leases		1,555
Operating cash flows for finance leases		61
Financing cash flows for finance leases		478
Right-of-use assets exchanged for lease liabilities:		
Operating leases		\$ 3,769
Finance leases		389

6. INCOME TAXES

The provision for income taxes consisted of the following:

Current:	
Federal	\$(1,403)
State	95
Deferred:	
Federal	1,987
State	189
Total income tax provision	\$ 868

The actual provision for income taxes differs from that based on the federal statutory rate (21%) due to the following:

Expected tax expense (benefit)	\$ 3,553
State income taxes, net of federal benefit	338
Federal tax credits	(2,877)
Other	(146)
Total income tax expense	\$ 868

Deferred tax assets and deferred tax liabilities consisted of the following:

Accounts receivable	\$ 349
Inventories	7,429
Accrued liabilities	4,552
Sec. 174 R&D	4,248
Other	250
Total deferred tax asset	\$ 16,828

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

6. INCOME TAXES (continued)

Deferred tax liabilities:	
Property, plant, and equipment	\$ (17,697)
Other	<u>(17)</u>
Total deferred tax liabilities	<u>\$ (17,714)</u>
Net deferred tax assets (liabilities)	<u>\$ (886)</u>

7. COMMITMENTS AND CONTINGENCIES

LITIGATION – Webco is party to various compliance findings, lawsuits and claims arising in the ordinary course of business. We, after review and consultation with legal counsel, consider that any liability resulting from these matters would not materially affect our results of operations or our financial position.

SELF INSURANCE – We maintain a hospitalization and medical coverage program for our employees. Claims under this program are limited to annual losses of \$250 per participant. Additionally, we self-insure Oklahoma workers' compensation claims up to \$750 per occurrence and retain a maximum aggregate liability of \$4,000 per one-year policy term with respect to all occurrences. We have a performance bond in the amount of \$600 with the State of Oklahoma Workers' Compensation Court, as required by self-insurance regulations. Provisions for claims under both programs are accrued based upon our estimate of the aggregate liability for claims (including claims incurred, but not yet reported). The total reserve for self-insurance medical and workers' compensation was \$3,731 at July 31, 2024.

OTHER – In 2024, the Company entered into a contract to expand our facility in Kellyville, Oklahoma, adding approximately 54,000 square feet of manufacturing space. The cost, including equipment, is estimated to be \$12,000 and completed in fiscal year 2025. Total spent as of July 31, 2024 was \$7,150.

8. EMPLOYEE BENEFIT PLANS

We maintain a 401(k) retirement savings plan covering all employees meeting certain service requirements. The plan includes a cash arrangement permitting elective contributions to be made by the participants. Company contributions are made at the discretion of management and are made in cash to the participants' accounts. Company contributions were \$1,885 in fiscal year 2024.

The Company has a nonqualified deferred compensation plan intended to provide supplemental defined contribution retirement benefits for certain employees. Assets funding the Company's deferred compensation plan are subject to the Company's general creditors and included in other assets on the consolidated balance sheet. The Company obligation under the plan, which approximates the plan's assets, is included in accrued liabilities. Webco has adopted an accounting policy to include both the gains or losses on these assets and the related changes in value of the plan liability in selling, general and administrative expenses.

9. STOCKHOLDERS' EQUITY AND STOCK OPTIONS

Webco issues incentive stock awards, including restricted stock grants and options under the following plans:

Incentive Plan	Number of Shares Issuable	Available For Award	Plan Termination Date
2024 Stock Incentive Plan (the "2024 Plan")	75,000	75,000	January 31, 2034
2021 Stock Incentive Plan (the "2021 Plan")	75,000	5,837	June 3, 2031
2018 Stock Incentive Plan (the "2018 Plan")	50,000	-	February 7, 2028
2017 Stock Incentive Plan (the "2017 Plan")	75,000	-	February 28, 2027
2014 Stock Incentive Plan (the "2014 Plan")	100,000	-	February 4, 2024

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

9. STOCKHOLDERS' EQUITY AND STOCK OPTIONS (continued)

The 2024 Plan, 2021 Plan, 2018 Plan, 2017 Plan, and 2014 Plan, together, are referred to as "the Plans." Directors, employees and consultants are eligible to participate in the Plans, each of which provides for restricted stock awards, nonqualified stock options, stock appreciation rights and, in the case of the 2014 Plan, incentive stock options. The maximum number of cash-settled stock appreciation rights that may be issued in any fiscal year shall not exceed 10,000 for each of the Plans. All options, other than incentive stock options awarded to 10% stockholders, expire no longer than ten (10) years from the date of grant and are exercisable at a price which is at least equal to fair value on the date of grant. Incentive stock options involving 10% stockholders expire no longer than five (5) years from the date of grant and are exercisable at a price which is at least equal to 110% of fair value on the date of grant. Any option or stock appreciation right outstanding at the termination of any of the Plans shall remain outstanding and subject to the respective Plan under which it was issued until expired or exercised.

Restricted stock grants are valued at market value on the date of the grant and are expensed immediately or amortized over their respective vesting periods of either five (5) or eight (8) years and are recorded as stock-based compensation expense. As of July 31, 2024, there was \$8,077 of total unrecognized compensation cost related to unvested stock-based arrangements awarded under the Plans, which includes restricted stock. The remaining unvested award balance is expected to be recognized over a period of approximately seven (7) years. The total fair value of restricted and immediately vesting stock awards is reflected in "Selling, general and administrative expenses" in the statements of operations.

Option activity under the Plans was as follows:

	Number of Shares	Weighted Average Exercise Price
Balance, July 31, 2023	6,980	\$ 46.25
Exercised/surrendered	3,650	\$ 36.27
Granted	-	
Balance, July 31, 2024	3,330	\$ 57.18

Outstanding options and exercisable options at July 31, 2024, were as follows:

Exercise Prices Outstanding	Number Of Shares	Weighted Average Remaining Contractual Life
\$ 34.00	1,750	1.6 years
\$ 75.50	830	2.5 years
\$ 91.00	750	3.5 years
	3,330	

10. EARNINGS PER SHARE

Presented below is a reconciliation of the differences between actual weighted average common stock outstanding, which are used in computing basic earnings per share, and diluted weighted average common stock outstanding, which are used in computing diluted earnings per share.

Basic EPS:	
Weighted average common stock outstanding	797,000
Effect of dilutive securities: options and unvested restricted stock	37,000
Diluted EPS:	
Diluted weighted average common stock outstanding	834,000

Basic earnings per share exclude 59,000 shares of unvested restricted stock as of July 31, 2024.

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

11. SEGMENT INFORMATION

We internally evaluate our business by facility; however, because of the similar economic characteristics of the operations, including the nature of products, processes and customers, those operations have been aggregated for segment determination purposes. Our operations include activities related to the manufacturing, including value-added, and sale of metal tubular and other related products principally made of carbon and stainless steel.

12. REVENUES

Revenue Recognition

We enter into a variety of contracts with our customers which include master supply agreements with production schedules and purchase orders. Those contracts generally contain a single performance obligation to manufacture and transfer goods to the customer at the price listed in the contract or purchase order. Revenues are recognized when control of the product has been transferred to the customer, which is generally determined when title, ownership and risk of loss pass to the customer, all of which occur upon shipment or delivery of the product. Based on the foregoing, no significant judgment is required to determine when control of a product has been transferred to a customer.

We measure revenue based on the consideration we expect to be entitled to receive in exchange for our products. Our contracts do not have any material financing arrangements as payment is generally due within 30 days after the goods are sold or control has transferred. The standard terms and conditions of customer orders and contracts include general rights of return and product warranty provisions related to nonconforming or "out-of-spec" product. Depending on the circumstances, the product is either replaced or a quality adjustment is issued. Historically, such returns and adjustments have not been material to our consolidated financial statements and are estimated at the time control is transferred as a reduction to revenue.

The Company has elected the practical expedient to account for shipping and handling activities that are performed after the customer obtains control of a good as activities to fulfill the promise to transfer the good and not a separate performance obligation. We record all shipping and handling fees billed to the customers as revenue. If the revenue is recognized for the related good before the shipping and handling activities occur, the related costs of those shipping and handling activities are accrued.

We may collect various taxes from our customers related to the sale of our products and remit such amount to the governmental authorities. As such, amounts paid to the Company for these types of sales-based taxes are excluded from the transaction price used to determine the proper measurement of revenue.

Contract Balances

Variations in the timing of revenue recognition, invoicing and receipt of payment result in categories of assets and liabilities that included invoiced receivables, contract assets or deferred revenue (contract liabilities) on the consolidated balance sheets.

Generally, revenue recognition and invoicing occur simultaneously as we transfer control of promised goods or services to our customers. We consider contract assets to be accounts receivable when we have an unconditional right to consideration and only the passage of time is required before payment is due. At July 31, 2024, we did not have any contract assets or contract liabilities recorded other than our accounts receivable balance. As of August 1, 2023, the accounts receivable balance, net of allowances, was \$81,921.

Disaggregation of Revenues

Revenues are disaggregated based on geography to depict how the nature, amount, timing and uncertainty of revenues and cash flows are affected by economic factors.

Fiscal Year	Domestic Revenues	Foreign Revenues	Total Revenues
2024	\$ 546,926	\$ 61,514	\$ 608,440

WEBCO INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except share data)

13. RELATED PARTY TRANSACTIONS

Webco leases a warehouse and an office from an entity owned by certain executives and management of Webco. During fiscal year 2024, lease expense under these agreements was \$570.

Webco's active subsidiary leases a warehouse from an entity owned by certain executives and management of the subsidiary. During fiscal year 2024, lease expense under the agreement was \$193.