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

# FORM 10-Q

**(Mark One)**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 29, 2024**

☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________**
**Commission File Number: 001-32253**

# EnerSys
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **23-3058564** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |

**2366 Bernville Road**
**Reading, Pennsylvania 19605**
**(Address of principal executive offices) (Zip Code)**
**Registrant's telephone number, including area code: 610-208-1991**

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.01 par value per share | ENS | 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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 Securities Exchange Act of 1934.

| | | | |
|---|---|---|---|
| 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 Securities Exchange Act of 1934). ☐ Yes ☒ No.

**Common Stock outstanding at November 1, 2024: 39,820,159 shares**

**EnerSys**
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## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**EnerSys**
**Consolidated Condensed Balance Sheets (Unaudited)**
**(In Thousands, Except Share and Per Share Data)**

| | September 29, 2024 | March 31, 2024 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 407,919 | $ 333,324 |
| Accounts receivable, net of allowance for doubtful accounts: September 29, 2024 - $8,808; March 31, 2024 - $8,107 | 549,011 | 524,725 |
| Inventories, net | 763,516 | 697,698 |
| Prepaid and other current assets | 335,923 | 226,949 |
| Total current assets | 2,056,369 | 1,782,696 |
| Property, plant, and equipment, net | 582,298 | 532,450 |
| Goodwill | 738,603 | 682,934 |
| Other intangible assets, net | 395,411 | 319,407 |
| Deferred taxes | 55,090 | 49,798 |
| Other assets | 123,261 | 98,721 |
| Total assets | $ 3,951,032 | $ 3,466,006 |
| **Liabilities and Equity** | | |
| Current liabilities: | | |
| Short-term debt | $ 30,080 | $ 30,444 |
| Accounts payable | 333,671 | 369,456 |
| Accrued expenses | 328,687 | 323,957 |
| Total current liabilities | 692,438 | 723,857 |
| Long-term debt, net of unamortized debt issuance costs | 1,202,583 | 801,965 |
| Deferred taxes | 34,836 | 30,583 |
| Other liabilities | 179,579 | 152,529 |
| Total liabilities | 2,109,436 | 1,708,934 |
| Commitments and contingencies | | |
| Equity: | | |
| Preferred Stock, $0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding at September 29, 2024 and at March 31, 2024 | — | — |
| Common Stock, $0.01 par value per share, 135,000,000 shares authorized, 56,680,568 shares issued and 39,813,904 shares outstanding at September 29, 2024; 56,363,924 shares issued and 40,271,936 shares outstanding at March 31, 2024 | 567 | 564 |
| Additional paid-in capital | 644,162 | 629,879 |
| Treasury stock at cost, 16,866,664 shares held as of September 29, 2024 and 16,091,988 shares held as of March 31, 2024 | (910,650) | (835,827) |
| Retained earnings | 2,297,431 | 2,163,880 |
| Accumulated other comprehensive loss | (193,443) | (204,851) |
| Total EnerSys stockholders' equity | 1,838,067 | 1,753,645 |
| Nonredeemable noncontrolling interests | 3,529 | 3,427 |
| Total equity | 1,841,596 | 1,757,072 |
| Total liabilities and equity | $ 3,951,032 | $ 3,466,006 |

See accompanying notes.

**EnerSys**
**Consolidated Condensed Statements of Income (Unaudited)**
**(In Thousands, Except Share and Per Share Data)**

| | Quarter ended | |
|---|---|---|
| | September 29, 2024 | October 1, 2023 |
| Sales from products | $ 789,967 | $ 789,312 |
| Sales from services | 93,702 | 111,721 |
| Net sales | 883,669 | 901,033 |
| Cost of goods sold | 553,764 | 574,143 |
| Cost of services | 75,876 | 87,271 |
| Inventory step up to fair value relating to recent acquisitions | 1,883 | — |
| Gross profit | 252,146 | 239,619 |
| Operating expenses | 150,535 | 143,771 |
| Restructuring and other exit charges | 2,224 | 7,234 |
| Operating earnings | 99,387 | 88,614 |
| Interest expense | 12,491 | 12,217 |
| Other expense (income), net | 2,706 | 2,979 |
| Earnings before income taxes | 84,190 | 73,418 |
| Income tax expense | 1,924 | 8,189 |
| Net earnings | 82,266 | 65,229 |
| Net earnings attributable to noncontrolling interests | — | — |
| Net earnings attributable to EnerSys stockholders | $ 82,266 | $ 65,229 |
| Net earnings per common share attributable to EnerSys stockholders: | | |
| Basic | $ 2.05 | $ 1.59 |
| Diluted | $ 2.01 | $ 1.56 |
| Dividends per common share | $ 0.24 | $ 0.225 |
| Weighted-average number of common shares outstanding: | | |
| Basic | 40,165,080 | 40,922,959 |
| Diluted | 40,863,205 | 41,684,634 |

See accompanying notes.

**EnerSys**
**Consolidated Condensed Statements of Income (Unaudited)**
**(In Thousands, Except Share and Per Share Data)**

| | Six months ended | |
|---|---|---|
| | September 29, 2024 | October 1, 2023 |
| Sales from products | $ 1,548,498 | $ 1,596,959 |
| Sales from services | 188,087 | 212,643 |
| Net sales | 1,736,585 | 1,809,602 |
| Cost of goods sold | 1,089,530 | 1,161,346 |
| Cost of services | 154,655 | 165,233 |
| Inventory step up to fair value relating to recent acquisitions | 1,883 | — |
| Inventory adjustment relating to exit activities | — | 3,098 |
| Gross profit | 490,517 | 479,925 |
| Operating expenses | 291,637 | 288,323 |
| Restructuring and other exit charges | 8,162 | 13,543 |
| Operating earnings | 190,718 | 178,059 |
| Interest expense | 23,478 | 27,461 |
| Other expense (income), net | 3,721 | 3,647 |
| Earnings before income taxes | 163,519 | 146,951 |
| Income tax expense | 11,142 | 14,925 |
| Net earnings attributable to EnerSys stockholders | $ 152,377 | $ 132,026 |
| Net earnings per common share attributable to EnerSys stockholders: | | |
| Basic | $ 3.79 | $ 3.23 |
| Diluted | $ 3.72 | $ 3.17 |
| Dividends per common share | $ 0.465 | $ 0.40 |
| Weighted-average number of common shares outstanding: | | |
| Basic | 40,184,546 | 40,930,146 |
| Diluted | 40,924,660 | 41,691,479 |

See accompanying notes.

**EnerSys**
**Consolidated Condensed Statements of Comprehensive Income (Unaudited)**
**(In Thousands)**

| | Quarter ended | | Six months ended | |
|---|---|---|---|---|
| | September 29, 2024 | October 1, 2023 | September 29, 2024 | October 1, 2023 |
| Net earnings | $ 82,266 | $ 65,229 | $ 152,377 | $ 132,026 |
| Other comprehensive income (loss): | | | | |
| Net unrealized gain (loss) on derivative instruments, net of tax | (7,842) | 2,495 | (4,180) | 4,281 |
| Pension funded status adjustment, net of tax | 87 | 21 | 197 | 41 |
| Foreign currency translation adjustment | 28,809 | (31,664) | 15,493 | (29,662) |
| Total other comprehensive income (loss), net of tax | 21,054 | (29,148) | 11,510 | (25,340) |
| Total comprehensive income (loss) | 103,320 | 36,081 | 163,887 | 106,686 |
| Comprehensive income (loss) attributable to noncontrolling interests | 124 | (17) | 102 | (207) |
| Comprehensive income (loss) attributable to EnerSys stockholders | $ 103,196 | $ 36,098 | $ 163,785 | $ 106,893 |

See accompanying notes.

**EnerSys**
**Consolidated Condensed Statements of Cash Flows (Unaudited)**
**(In Thousands)**

| | Six months ended | |
|---|---|---|
| | September 29, 2024 | October 1, 2023 |
| **Cash flows from operating activities** | | |
| Net earnings | $ 152,377 | $ 132,026 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 48,757 | 45,214 |
| Write-off of assets relating to exit activities | 244 | 4,146 |
| Derivatives not designated in hedging relationships: | | |
| Net losses (gains) | (1,783) | 1,204 |
| Cash (settlements) proceeds | 1,320 | 695 |
| Provision for doubtful accounts | 1,124 | 1,456 |
| Deferred income taxes | 114 | 46 |
| Non-cash interest expense | 969 | 820 |
| Stock-based compensation | 12,187 | 13,077 |
| (Gain) loss on disposal of property, plant, and equipment | 64 | 158 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (9,323) | 93,368 |
| Inventories | (12,401) | 10,529 |
| Prepaid and other current assets | (26,201) | (13,891) |
| Other assets | 968 | (1,306) |
| Accounts payable | (40,104) | (57,233) |
| Accrued expenses | (83,963) | (44,803) |
| Other liabilities | (303) | 217 |
| Net cash provided by (used in) operating activities | 44,046 | 185,723 |
| | | |
| **Cash flows from investing activities** | | |
| Capital expenditures | (66,486) | (35,854) |
| Purchase of business | (205,276) | (8,270) |
| Proceeds from disposal of property, plant, and equipment | 89 | 2,007 |
| Investment in Equity Securities | (10,852) | — |
| Net cash (used in) provided by investing activities | (282,525) | (42,117) |
| | | |
| **Cash flows from financing activities** | | |
| Net (repayments) borrowings on short-term debt | (434) | (61) |
| Proceeds from Second Amended Revolver borrowings | 476,600 | 172,500 |
| Repayments of Second Amended Revolver borrowings | (76,600) | (252,500) |
| Repayments of Second and Third Amended Term Loans | — | (12,736) |
| Finance lease obligations | (8) | — |
| Option proceeds, net | 7,445 | 9,668 |
| Payment of taxes related to net share settlement of equity awards | (7,984) | (7,348) |
| Purchase of treasury stock | (75,187) | (47,340) |
| Issuance of treasury stock- ESPP | 537 | — |
| Dividends paid to stockholders | (18,598) | (16,341) |
| PPD Deferred Financing on Bond Issue-Legal Fees | (351) | — |
| Other | (166) | 690 |
| Net cash (used in) financing activities | 305,254 | (153,468) |
| Effect of exchange rate changes on cash and cash equivalents | 7,820 | (9,052) |
| Net increase (decrease) in cash and cash equivalents | 74,595 | (18,914) |
| Cash and cash equivalents at beginning of period | 333,324 | 346,665 |
| Cash and cash equivalents at end of period | $ 407,919 | $ 327,751 |

See accompanying notes.

**EnerSys**
**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)**
**(In Thousands, Except Share and Per Share Data)**

## 1. Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments except those otherwise described herein) considered necessary for a fair presentation have been included, unless otherwise disclosed. Operating results for the three and six months ended September 29, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2025.

The Consolidated Condensed Balance Sheet at March 31, 2024 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

The financial statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company’s 2024 Annual Report on Form 10-K (SEC File No. 001-32253), which was filed on May 22, 2024 (the “2024 Annual Report”).

EnerSys (the “Company”) reports interim financial information for 13-week periods, except for the first quarter, which always begins on April 1, and the fourth quarter, which always ends on March 31. The four quarters in fiscal 2025 end on June 30, 2024, September 29, 2024, December 29, 2024, and March 31, 2025, respectively. The four quarters in fiscal 2024 ended on July 2, 2023, October 1, 2023, December 31, 2023, and March 31, 2024, respectively.

The consolidated condensed financial statements include the accounts of the Company and its wholly-owned subsidiaries and any partially owned subsidiaries that the Company has the ability to control. All intercompany transactions and balances have been eliminated in consolidation.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions take into account historical and forward looking factors that the Company believes are reasonable, and the Company’s estimates and assumptions may evolve as conditions change. Actual results could differ from those estimates.

Examples of significant estimates include the allowance for credit losses, the recoverability of property, plant and equipment, the incremental borrowing rate for lease liabilities, the recoverability of intangible assets and other long-lived assets, fair value measurements, including those related to financial instruments, fair value of goodwill and intangible assets, valuation allowances on tax assets, production tax credits under the Inflation Reduction Act, pension and postretirement benefit obligations, contingencies and the identification and valuation of assets acquired and liabilities assumed in connection with business combinations.

### *Recently Issued Accounting Standards*

In November 2023, the Financial Accounting Standards Board issued new guidance that requires incremental disclosures related to reportable segments. That standard requires disclosure, on an annual and interim basis, of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of profit or loss. The title and position of the CODM and how the reported measure of segment profit or loss is used by the CODM to assess segment performance and allocate resources is also required to be disclosed. The standard also permits disclosure of additional measures of segment profit. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The guidance impacts disclosure only and will not have an impact on the Company's financial results. These changes in disclosure will initially be reflected in the annual financial statement footnotes for the year ended March 31, 2025.

In December 2023, the Financial Accounting Standards Board issued a final standard on improvements to income tax disclosures. The standard requires disclosure of specific categories within the effective tax rate reconciliation and details about significant reconciling items, subject to a quantitative threshold. The standard also requires information on income taxes paid disaggregated by federal, state and foreign based on a quantitative threshold. The standard is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The standard is applied prospectively with an option for retrospective adoption. The Company is currently evaluating the impact of adopting this standard on its disclosures.

## 2. Acquisition

***Bren-Tronics***

On July 26, 2024, the Company completed the acquisition of all of the equity of Bren-Tronics Defense LLC for aggregate purchase price consideration of $205,276 net of cash and restricted cash acquired subject to a final purchase price adjustments as set forth in the stock purchase agreement. Bren-Tronics Defense LLC, headquartered in Commack, New York, is a leading manufacturer of highly reliable portable power solutions, including small and large format lithium batteries and charging solutions, for military and defense applications. The transaction was accounted for as a business combination by applying the acquisition method of accounting.

The following table summarizes the provisional fair values of the assets acquired and liabilities assumed at the date of the acquisition:

| | | |
|---|---|---|
| Trade Receivables | | 10,478 |
| Inventory | | 47,937 |
| Prepaid and other current assets | | 1,178 |
| Property, plant and equipment | | 14,701 |
| Other intangible assets | | 90,600 |
| Other assets | | 2,003 |
| Total assets acquired | $ | 166,897 |
| Accounts payable | | 2,374 |
| Accrued liabilities | | 7,319 |
| Other liabilities | | 2,236 |
| Total liabilities assumed | $ | 11,929 |
| Net assets acquired | $ | 154,968 |
| | | |
| Consideration transferred: | | |
| Cash consideration, net of cash and restricted cash acquired | | 205,276 |
| Total consideration transferred | | 205,276 |
| Less: Fair value of acquired identifiable assets and liabilities | | 154,968 |
| Goodwill | $ | 50,308 |

The amounts above represent the Company's provisional fair value estimates related to the acquisition as of July 26, 2024 and are subject to subsequent adjustments as additional information is obtained during the applicable measurement period. The primary areas of estimates that are not yet finalized include certain tangible assets acquired and liabilities assumed, as well as the identifiable intangible assets. The purchase price was allocated to the tangible assets and identifiable intangible assets acquired and liabilities assumed based on their acquisition date estimated fair values. The fair value of accounts receivables acquired is $10,478, with gross contractual amounts being $10,478. The Company currently expects all to be collectible. The identifiable intangible assets consist of trademarks, customer relationships, and developed technology which were assigned fair values of $4,200, $63,200 and $23,200, respectively. The trade names and trademarks, customer relationships and developed technology are being amortized on a straight-line basis over weighted average useful lives of 6, 13 and 12 years, respectively.

Goodwill represents the excess of the purchase price over the net identifiable tangible and intangible assets acquired. The Company believes the goodwill related to the acquisition was attributable to the value of the assembled workforce as well as the collective experience of the management team with regards to its operations, customers, and industry. All acquired goodwill is deductible for tax purposes.

The results of the Bren-Tronics acquisition have been included in the Company’s results of operations in the Specialty operating segment from the date of acquisition. Pro forma earnings and earnings per share computations have not been presented as this acquisition is not considered material.

**3. Revenue Recognition**

The Company’s revenues by reportable segments are presented in Note 18 and are consistent with how we organize and manage our operations, as well as product line net sales information.

Service revenues related to the work performed for the Company’s customers by its maintenance technicians generally represent a separate and distinct performance obligation. Control for these services passes to the customer as the services are performed.

A small portion of the Company's customer arrangements oblige the Company to create customized products for its customers that require combining both products and services into a single performance obligation because the individual products and services that are required to fulfill the customer requirements do not meet the definition for a distinct performance obligation. These customized products generally have no alternative use to the Company and the terms and conditions of these arrangements give the Company the enforceable right to payment for performance completed to date, including a reasonable profit margin. For these arrangements, control transfers over time and the Company measures progress towards completion by selecting the input or output method that best depicts the transfer of control of the underlying goods and services to the customer for each respective arrangement. Methods used by the Company to measure progress toward completion include labor hours, costs incurred and units of production. Revenues recognized over time for the second quarter of fiscal 2025 and 2024 amounted to$49,520 and $68,812, respectively. Revenues recognized over time for the six months of fiscal 2025 and 2024 amounted to $101,852 and $127,466, respectively.

On September 29, 2024, the aggregate transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations was approximately $132,656, of which, the Company estimates that approximately $68,380 will be recognized as revenue in fiscal 2025, $54,568 in fiscal 2026, and $9,708 in fiscal 2027.

Any payments that are received from a customer in advance, prior to the satisfaction of a related performance obligation and billings in excess of revenue recognized, are deferred and treated as a contract liability. Advance payments and billings in excess of revenue recognized are classified as current or non-current based on the timing of when recognition of revenue is expected. As of September 29, 2024, the current and non-current portion of contract liabilities were $28,809 and $712, respectively. As of March 31, 2024, the current and non-current portion of contract liabilities were $27,649 and $960, respectively. Revenues recognized during the second quarter of fiscal 2025 and 2024 that were included in the contract liability at the beginning of the quarter, amounted to $7,096 and $6,737, respectively. Revenues recognized during the six months of fiscal 2025 and 2024 that were included in the contract liability at the beginning of the year, amounted to $7,928 and $14,113, respectively.

Amounts representing work completed and not billed to customers represent contract assets and were $75,556 and $55,363 as of September 29, 2024 and March 31, 2024, respectively.

The Company uses historic customer product return data as a basis of estimation for customer returns and records the reduction of sales at the time revenue is recognized. At September 29, 2024, the right of return asset related to the value of inventory anticipated to be returned from customers was $4,300 and refund liability representing amounts estimated to be refunded to customers was $7,177.

**4. Accounts Receivable**

| | September 29, 2024 | March 31, 2024 |
|---|---|---|
| Accounts receivable | $ 557,819 | $ 532,832 |
| Allowance for doubtful accounts | 8,808 | 8,107 |
| Accounts receivable, net | $ 549,011 | $ 524,725 |

During the third quarter of fiscal 2023, the Company entered into a Receivables Purchase Agreement (RPA), under which the Company continuously sells its interest in designated pools of trade accounts receivables, at a discount, to a special purpose entity, which in turn sells certain of the receivables to an unaffiliated financial institution ("unaffiliated financial institution") on a monthly basis. The Company may sell certain US-originated accounts receivable balances up to a maximum amount of $150,000. In return for these sales, the Company receives a cash payment equal to the face value of the receivables and is charged a fee of Secured Overnight Financing Rate (“SOFR”) plus 85 basis points against the sold receivable balance. The program is conducted through EnerSys Finance LLC ("EnerSys Finance"), an entity structured to be bankruptcy remote, and matures in December 2025. The Company is deemed the primary beneficiary of EnerSys Finance as the Company has both the power to direct the activities that most significantly impact the entity’s economic performance and the obligation to absorb losses or the right to receive the benefits that could potentially be significant to the entity from the transfer of the trade accounts receivables into the special purpose entity. Accordingly, EnerSys Finance is included in the Company’s Consolidated Condensed Financial Statements.

Receivables sold to unaffiliated financial institutions under the program are excluded from “Accounts receivable, net” on the Company’s Consolidated Condensed Balance Sheets, and cash receipts are reflected as cash provided by operating activities on the Consolidated Condensed Statements of Cash Flows. The purchase price is received in cash when the receivables are sold, and fees charged relating to this balance are recorded to other (income) expense. Certain unsold receivables held by EnerSys Finance serve as collateral to unaffiliated financial institutions. These unsold receivables are included in “Accounts receivable, net” in the Company’s Consolidated Condensed Balance Sheets. The Company continues servicing the receivables which were sold and in exchange receives a servicing fee from EnerSys Finance under the program.

During the second quarter and the six months of fiscal 2025, the Company sold $192,479 and $382,216, respectively, of accounts receivables for approximately $192,479 and $382,216, respectively, in proceeds to an unaffiliated financial institution, of which $192,479 and $382,216, respectively, were collected as of September 29, 2024. During the second quarter and six months of fiscal 2024, the Company sold $174,372 and $356,763, respectively, of accounts receivables for approximately $174,372 and $356,763, respectively, in net proceeds to an unaffiliated financial institution, of which$179,132 and$362,484, respectively, were collected as of October 1, 2023. Total collateralized accounts receivables of approximately $340,829 were held by EnerSys Finance at September 29, 2024.

Any accounts receivables held by EnerSys Finance would likely not be available to other creditors of the Company in the event of bankruptcy or insolvency proceedings relating to the Company until the outstanding balances under the RPA are satisfied. Additionally, the financial obligations of EnerSys Finance to the unaffiliated financial institutions under the program are limited to the assets it owns and there is no recourse to the Company for receivables that are uncollectible as a result of the insolvency of EnerSys Finance or its inability to pay the account debtors.

## 5. Goodwill and Other Intangible Assets

***Other Intangible Assets***

Information regarding the Company's other intangible assets are as follows:

| | Balance as of | | | | | |
|---|---|---|---|---|---|---|
| | September 29, 2024 | | | March 31, 2024 | | |
| | Gross Amount | Accumulated Amortization | Net Amount | Gross Amount | Accumulated Amortization | Net Amount |
| Indefinite-lived intangible assets: | | | | | | |
| Trademarks | $ 130,262 | $ (953) | $ 129,309 | $ 131,167 | $ (953) | $ 130,214 |
| Finite-lived intangible assets: | | | | | | |
| Customer relationships | 358,616 | (157,647) | 200,969 | 295,215 | (147,833) | 147,382 |
| Non-compete | 2,825 | (2,825) | — | 2,825 | (2,825) | — |
| Technology | 119,914 | (60,254) | 59,660 | 96,708 | (55,969) | 40,739 |
| Trademarks | 14,894 | (9,421) | 5,473 | 9,554 | (8,482) | 1,072 |
| Licenses | 1,196 | (1,196) | — | 1,196 | (1,196) | — |
| Total | $ 627,707 | $ (232,296) | $ 395,411 | $ 536,665 | $ (217,258) | $ 319,407 |

The Company's amortization expense related to finite-lived intangible assets was $8,152 and $15,038 for the second quarter and six months of fiscal 2025, compared to $7,152 and $14,181 for the second quarter and six months of fiscal 2024. The expected amortization expense based on the finite-lived intangible assets as of September 29, 2024, is $15,280 for the remainder of fiscal 2025, $33,133 in fiscal 2026, $32,331 in fiscal 2027, $31,767 in fiscal 2028 and $29,938 in fiscal 2029.

***Goodwill***

The following table presents the amount of goodwill, as well as any changes in the carrying amount of goodwill by segment during the six months of fiscal 2025:

| | Energy Systems | Motive Power | Specialty | Total |
|---|---|---|---|---|
| Balance at March 31, 2024 | $ 259,369 | $ 326,359 | $ 97,206 | $ 682,934 |
| Acquisitions during the year | | | 50,308 | 50,308 |
| Foreign currency translation adjustment | 1,648 | 2,868 | 845 | 5,361 |
| Balance as of September 29, 2024 | $ 261,017 | $ 329,227 | $ 148,359 | $ 738,603 |

## 6. Inventories

| | September 29, 2024 | March 31, 2024 |
|---|---|---|
| Raw materials | $ 314,498 | $ 284,773 |
| Work-in-process | 132,319 | 115,191 |
| Finished goods | 316,699 | 297,734 |
| Total | $ 763,516 | $ 697,698 |

## 7. Fair Value of Financial Instruments

***Recurring Fair Value Measurements***

The following tables represent the financial assets and (liabilities) measured at fair value on a recurring basis as of September 29, 2024 and March 31, 2024, and the basis for that measurement:

| | Total Fair Value Measurement September 29, 2024 | Quoted Price in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Lead forward contracts | $ (576) | $ — | $ (576) | $ — |
| Foreign currency forward contracts | (196) | — | (196) | — |
| Interest Rate Swaps | (1,601) | — | (1,601) | — |
| Net investment hedges | (30,258) | — | (30,258) | — |
| Total derivatives | $ (32,631) | $ — | $ (32,631) | $ — |

| | Total Fair Value Measurement March 31, 2024 | Quoted Price in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Lead forward contracts | $ (835) | $ — | $ (835) | $ — |
| Foreign currency forward contracts | 5 | — | 5 | — |
| Interest Rate Swaps | 2,696 | — | 2,696 | — |
| Net investment hedges | (19,167) | — | (19,167) | — |
| Total derivatives | $ (17,301) | $ — | $ (17,301) | $ — |

The fair values of lead forward contracts are calculated using observable prices for lead as quoted on the London Metal Exchange (“LME”) and, therefore, were classified as Level 2 within the fair value hierarchy, as described in Note 1- *Summary of Significant Accounting Policies* to the Company's Consolidated Financial Statements included in the 2024 Annual Report.

The fair values for foreign currency forward contracts and net investment hedges are based upon current quoted market prices and are classified as Level 2 based on the nature of the underlying market in which these derivatives are traded.

The fair value of interest rate swap agreements are based on observable prices as quoted for receiving the variable one-month term SOFR and paying fixed interest rates and, therefore, were classified as Level 2.

***Financial Instruments***

The fair values of the Company’s cash and cash equivalents approximate carrying value due to their short maturities.

The fair value of the Company’s short-term debt and borrowings under the Fourth Amended Credit Facility (as defined in Note 13), approximate their respective carrying value, as they are variable rate debt and the terms are comparable to market terms as of the balance sheet dates and are classified as Level 2.

The fair value of the Company's 2032 Notes and 2027 Notes, (each as defined in Note 13 and collectively, the "Senior Notes"), represent the trading values based upon quoted market prices and are classified as Level 2. The 2032 Notes were trading at approximately 104% and 100% of face value on September 29, 2024 and March 31, 2024, respectively. The 2027 Notes were trading at approximately 96% and 94% of the face value on September 29, 2024 and March 31, 2024, respectively.

The carrying amounts and estimated fair values of the Company's derivatives and Senior Notes at September 29, 2024 and March 31, 2024 were as follows:

| | September 29, 2024 | | March 31, 2024 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| **Financial liabilities:** | | | | |
| Senior Notes (2) | $ 600,000 | $ 599,700 | $ 600,000 | $ 582,750 |
| Derivatives (1) | $ (32,631) | $ (32,631) | $ (17,301) | $ (17,301) |

(1) Represents lead, foreign currency forward contracts, interest rate swaps, and net investment hedges (see Note 8 for asset and liability positions of the lead, foreign currency forward contracts, interest rate swaps, and net investment hedges at September 29, 2024 and March 31, 2024).

(2) The fair value amount of the Senior Notes at September 29, 2024 and March 31, 2024 represent the trading value of the instruments.

## 8. Derivative Financial Instruments

The Company utilizes derivative instruments to reduce its exposure to fluctuations in commodity prices, foreign exchange rates and interest, under established procedures and controls. The Company does not enter into derivative contracts for speculative purposes. The Company's agreements are with creditworthy financial institutions and the Company anticipates performance by counterparties to these contracts and therefore no material loss is expected.

***Derivatives in Cash Flow Hedging Relationships***

*Lead Forward Contracts*

The Company enters into lead forward contracts to fix the price for a portion of its lead purchases. Management considers the lead forward contracts to be effective against changes in the cash flows of the underlying lead purchases. The vast majority of such contracts are for a period not extending beyond one year. At September 29, 2024 and March 31, 2024, the Company has hedged the price to purchase approximately 62.5 million pounds and 53.0 million pounds of lead, respectively, for a total purchase price of $59,350 and $49,977, respectively.

*Foreign Currency Forward Contracts*

The Company uses foreign currency forward contracts and options to hedge a portion of the Company's foreign currency exposures for lead, as well as other foreign currency exposures so that gains and losses on these contracts offset changes in the underlying foreign currency denominated exposures. The vast majority of such contracts are for a period not extending beyond one year. As of September 29, 2024 and March 31, 2024, the Company had entered into a total of $51,076 and $46,159, respectively, of such contracts.

*Interest Rate Swap Agreements*

The Company is exposed to changes in variable interest rates on borrowings under our credit agreement. On a selective basis, from time to time, it enters into interest rate swap agreements to reduce the negative impact that increases in interest rates could have on our outstanding variable rate debt. At September 29, 2024 and March 31, 2024 such agreements effectively convert $200,000 of our variable-rate debt to a fixed-rate basis, utilizing the one-month term SOFR, as a floating rate reference. Fluctuations in SOFR and fixed rates affect both our net financial investment position and the amount of cash to be paid or received by us under these agreements.

### ***Derivatives in Net Investment Hedging Relationships***

*Net Investment Hedges*

The Company uses cross currency fixed interest rate swaps to hedge its net investments in foreign operations against future volatility in the exchange rates between the U.S. Dollar and Euro.

On September 29, 2022, the Company entered into cross-currency fixed interest rate swap contracts with an aggregate notional amount of $150,000, maturing on December 15, 2027. Additionally, on July 2, 2024, the Company entered into cross-currency fixed interest rate swap contracts with an aggregate notional amount of $150,000, maturing on January 15, 2029. The cross-currency fixed interest rate swap contracts qualify for hedge accounting as a net investment hedging instrument, which allows for them to be remeasured to foreign currency translation adjustment within AOCI ("Accumulated Other Comprehensive Income") to offset the translation risk from those investments. Balances in the foreign currency translation adjustment accounts remain until the sale or substantially complete liquidation of the foreign entity, upon which they are recognized as a component of other income (expense).

### ***Impact of Hedging Instruments on AOCI***

In the coming twelve months, the Company anticipates that $116 of pretax loss relating to lead, foreign currency forward contracts, interest rate swaps, and net investment hedges will be reclassified from AOCI as part of cost of goods sold and interest expense. This amount represents the current net unrealized impact of hedging lead, foreign exchange rates and interest rates, which will change as market rates change in the future. This amount will ultimately be realized in the Consolidated Condensed Statements of Income as an offset to the corresponding actual changes in lead, foreign exchange rates and interest costs resulting from variable lead cost, foreign exchange and interest rates hedged.

### ***Derivatives not Designated in Hedging Relationships***

*Foreign Currency Forward Contracts*

The Company also enters into foreign currency forward contracts to economically hedge foreign currency fluctuations on intercompany loans and foreign currency denominated receivables and payables. These are not designated as hedging instruments and changes in fair value of these instruments are recorded directly in the Consolidated Condensed Statements of Income. As of September 29, 2024 and March 31, 2024, the notional amount of these contracts was $68,312 and $69,319, respectively.

Presented below in tabular form is information on the location and amounts of derivative fair values in the Consolidated Condensed Balance Sheets and derivative gains and losses in the Consolidated Condensed Statements of Income:

**Fair Value of Derivative Instruments**
**September 29, 2024 and March 31, 2024**

| | Derivatives and Hedging Activities Designated as Cash Flow Hedges | | Derivatives and Hedging Activities Designated as Net Investment Hedges | | Derivatives and Hedging Activities Not Designated as Hedging Instruments | |
|---|---|---|---|---|---|---|
| | September 29, 2024 | March 31, 2024 | September 29, 2024 | March 31, 2024 | September 29, 2024 | March 31, 2024 |
| Prepaid and other current assets: | | | | | | |
| Lead forward contracts | $ — | $ — | $ — | $ — | $ — | $ — |
| Foreign currency forward contracts | — | 396 | — | — | 72 | — |
| Net investment hedges | — | — | — | — | — | — |
| Other assets: | | | | | | |
| Interest rate swaps | — | 2,696 | — | — | — | — |
| Net investment hedges | — | — | — | — | — | — |
| Total assets | $ — | $ 3,092 | $ — | $ — | $ 72 | $ — |
| Accrued expenses: | | | | | | |
| Lead forward contracts | $ 576 | $ 835 | $ — | $ — | $ — | $ — |
| Foreign currency forward contracts | 268 | — | — | — | — | 391 |
| Other liabilities: | | | | | | |
| Interest rate swaps | 1,601 | — | — | — | — | — |
| Net investment hedges | — | — | 30,258 | 19,167 | — | — |
| Total liabilities | $ 2,445 | $ 835 | $ 30,258 | $ 19,167 | $ — | $ 391 |

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income**
**For the quarter ended September 29, 2024**

| Derivatives Designated as Cash Flow Hedges | Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion) | Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) | Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion) |
|---|---|---|---|
| Lead forward contracts | $ (3,123) | Cost of goods sold | $ 1,783 |
| Foreign currency forward contracts | (539) | Cost of goods sold | 227 |
| Interest rate swaps | (4,313) | Interest expense | 248 |
| Total | $ (7,975) | | $ 2,258 |

| Derivatives Designated as Net Investment Hedges | Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion) | Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) | Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion) |
|---|---|---|---|
| Cross currency fixed interest rate swaps | $ (12,375) | Interest expense | $ 711 |
| Total | $ (12,375) | | $ 711 |

| Derivatives Not Designated as Hedging Instruments | Location of Gain (Loss) Recognized in Income on Derivatives | Pretax Gain (Loss) |
|---|---|---|
| Foreign currency forward contracts | Other (income) expense, net | $ 1,429 |
| Total | | $ 1,429 |

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income**
**For the quarter ended October 1, 2023**

| Derivatives Designated as Cash Flow Hedges | Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion) | Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) | Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion) |
|---|---|---|---|
| Lead forward contracts | $ 1,903 | Cost of goods sold | $ 453 |
| Foreign currency forward contracts | (40) | Cost of goods sold | (235) |
| Interest rate swaps | 1,614 | Interest expense | — |
| Total | $ 3,477 | | $ 218 |

| Derivatives Designated as Net Investment Hedges | Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion) | Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) | Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion) |
|---|---|---|---|
| Cross currency fixed interest rate swaps | $ 3,701 | Interest expense | $ — |
| Total | $ 3,701 | | $ — |

| Derivatives Not Designated as Hedging Instruments | Location of Gain (Loss) Recognized in Income on Derivatives | Pretax Gain (Loss) |
|---|---|---|
| Foreign currency forward contracts | Other (income) expense, net | $ (701) |
| Total | | $ (701) |

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income**
**For the six months ended September 29, 2024**

| Derivatives Designated as Cash Flow Hedges | Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion) | Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) | Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion) |
|---|---|---|---|
| Lead forward contracts | $ (392) | Cost of goods sold | $ 297 |
| Foreign currency forward contracts | (191) | Cost of goods sold | 276 |
| Interest rate swaps | (3,231) | Interest expense | 1,066 |
| Total | $ (3,814) | | $ 1,639 |

| Derivatives Designated as Net Investment Hedges | Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion) | Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) | Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion) |
|---|---|---|---|
| Cross currency fixed interest rate swaps | $ (10,116) | Interest expense | $ 975 |
| Total | $ (10,116) | | $ 975 |

| Derivatives Not Designated as Hedging Instruments | Location of Gain (Loss) Recognized in Income on Derivative | Pretax Gain (Loss) |
|---|---|---|
| Foreign currency forward contracts | Other (income) expense, net | $ 1,783 |
| Total | | $ 1,783 |

**The Effect of Derivative Instruments on the Consolidated Condensed Statements of Income**
**For the six months ended October 1, 2023**

| Derivatives Designated as Cash Flow Hedges | Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion) | Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) | Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion) |
|---|---|---|---|
| Lead forward contracts | $ 2,378 | Cost of goods sold | $ 3,548 |
| Foreign currency forward contracts | 859 | Cost of goods sold | (64) |
| Interest rate swaps | 6,463 | Interest expense | 630 |
| Total | $ 9,700 | | $ 4,114 |

| Derivatives Designated as Net Investment Hedges | Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion) | Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion) | Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion) |
|---|---|---|---|
| Cross currency fixed interest rate swaps | $ 911 | Interest expense | $ 112 |
| Total | $ 911 | | $ 112 |

| Derivatives Not Designated as Hedging Instruments | Location of Gain (Loss) Recognized in Income on Derivative | Pretax Gain (Loss) |
|---|---|---|
| Foreign currency forward contracts | Other (income) expense, net | $ (1,204) |
| Total | | $ (1,204) |

## 9. Income Taxes

The Company's income tax provision consists of federal, state and foreign income taxes. The tax provision for the second quarter of fiscal 2025 and 2024 was based on the estimated effective tax rates applicable for the full years ending March 31, 2025 and March 31, 2024, respectively, after giving effect to items specifically related to the interim periods. The Company's effective income tax rate with respect to any period may be volatile based on the mix of income in the tax jurisdictions, in which the Company operates, changes in tax laws and the amount of the Company's consolidated earnings before taxes.

The Organization for Economic Co-operation and Development (OECD) has a global minimum corporate tax of 15% for companies with global revenues and profits above certain thresholds (referred to as Pillar 2), with certain aspects of Pillar 2 effective for taxable years beginning after December 31, 2023. While it is uncertain whether the U.S. will enact legislation to adopt Pillar 2, certain countries in which we operate have adopted legislation, and other countries are in the process of introducing legislation to implement Pillar 2. On August 26, 2024, the U.S. Tax Court issued a ruling in *Varian Medical Systems, Inc. v. Commissioner ("Varian")*. The ruling related to the U.S. taxation of deemed foreign dividends in the transition tax of the Tax Cuts and Jobs Act (our fiscal 2018). The impact of the enacted legislation and ruling is included below. The Company will continue to monitor and evaluate as new legislation and guidance is issued.

The consolidated effective income tax rates for the second quarter of fiscal 2025 and 2024 were 2.3% and 11.2% and for the six months of fiscal 2025 and 2024 were 6.8% and 10.2%. The rate decrease in the second quarter compared to the prior year period is primarily due to a discrete tax benefit as a result of *Varian*, offset by the impact of Pillar 2. The rate decrease in the six months of fiscal 2025 compared to the prior year periods are primarily due to a discrete tax benefit as a result of *Varian*, offset primarily by a discrete foreign exchange tax benefit related to undistributed earnings in first quarter of fiscal 2024, impact of Pillar 2, and mix of earnings among tax jurisdictions.

Foreign income as a percentage of worldwide income is estimated to be 53% for fiscal 2025 compared to 56% for fiscal 2024. The foreign effective tax rates for the six months of fiscal 2025 and 2024 were 15% and 13%, respectively. The foreign effective tax rate increase in the second quarter compared to the second quarter of the prior year is primarily due to the impact of Pillar 2. Income from the Company's Swiss subsidiary comprised a substantial portion of the Company's overall foreign mix of income for both fiscal 2025 and fiscal 2024 and were taxed at an effective income tax rate of approximately 11% and 9%, respectively.

## 10. Warranty

The Company provides for estimated product warranty expenses when products are sold, with related liabilities included within accrued expenses and other liabilities. As warranty estimates are forecasts that are based on the best available information, primarily historical claims experience, costs of claims may ultimately differ from amounts provided. An analysis of changes in the liability for product warranties is as follows:

| | Quarter ended | | Six months ended | |
|---|---|---|---|---|
| | September 29, 2024 | October 1, 2023 | September 29, 2024 | October 1, 2023 |
| Balance at beginning of period | $ 61,733 | $ 58,438 | $ 60,819 | $ 56,630 |
| Current period provisions | 7,027 | 7,784 | 14,174 | 16,469 |
| Costs incurred | (6,887) | (6,974) | (12,752) | (14,420) |
| Foreign currency translation adjustment | 670 | (412) | 302 | 157 |
| Balance at end of period | $ 62,543 | $ 58,836 | $ 62,543 | $ 58,836 |

## 11. Commitments, Contingencies and Litigation

*Litigation and Other Legal Matters*

In the ordinary course of business, the Company and its subsidiaries are routinely defendants in or parties to pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings are generally based on alleged violations of environmental, anticompetition, employment, contract and other laws. In some of these actions and proceedings, claims for substantial monetary damages are asserted against the Company and its subsidiaries. In the ordinary course of business, the Company and its subsidiaries are also subject to regulatory and governmental examinations, information gathering requests, inquiries, investigations, and threatened legal actions and proceedings. In connection with formal and informal inquiries by federal, state, local and foreign agencies, the Company and its subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their activities.

*European Competition Investigations*

Certain of the Company’s European subsidiaries had received subpoenas and requests for documents and, in some cases, interviews from, and have had on-site inspections conducted by, the competition authorities of Belgium, Germany and the Netherlands relating to conduct and anticompetitive practices of certain industrial battery participants. As of September 29, 2024 and March 31, 2024, the Company did not have a reserve balance related to these matters.

The precise scope, timing and time period at issue, as well as the final outcome of the investigations or customer claims, remain uncertain. Accordingly, the Company’s estimate may change from time to time, and actual losses could vary.

*Environmental Issues*

As a result of its operations, the Company is subject to various federal, state, and local, as well as international environmental laws and regulations and is exposed to the costs and risks of registering, handling, processing, storing, transporting, and disposing of hazardous substances, especially lead and acid. The Company’s operations are also subject to federal, state, local and international occupational safety and health regulations, including laws and regulations relating to exposure to lead in the workplace. The Company believes that it has adequate reserves to satisfy its environmental liabilities.

*Lead, Foreign Currency Forward Contracts and Swaps*

To stabilize its lead costs and reduce volatility from currency and interest rate movements, the Company entered into contracts with financial institutions. The vast majority of lead and foreign currency contracts are for a period not extending beyond one year. The Company also entered into a cross currency fixed interest rate swap agreement, maturing on December 15, 2027, to hedge its net investments in foreign operations against future volatility in the exchange rates between the U.S. Dollar and Euro. The Company also entered into floating to fixed interest rate swap agreements maturing on September 30, 2026, to hedge its exposure to variable interest rates. Please refer to Note 8 - *Derivative Financial Instruments* for more details.

## 12. Restructuring and Other Exit Charges

*Restructuring Programs*

As disclosed in the 2024 Annual Report, the Company committed to restructuring plans aimed at improving operational efficiencies across its lines of business. A substantial portion of these plans are complete with an estimated $1,382 remaining to be incurred by the end of fiscal 2025, mainly related to new plans started in fiscal 2024. Restructuring and exit charges for the second quarter of fiscal 2025 by reportable segments are as follows:

| | Quarter ended September 29, 2024 | | | |
|---|---|---|---|---|
| | Energy Systems | Motive Power | Specialty | Total |
| Restructuring charges | $ 917 | $ 13 | $ 96 | $ 1,026 |
| Exit charges | (170) | 1,075 | 293 | 1,198 |
| Restructuring and other exit charges | $ 747 | $ 1,088 | $ 389 | $ 2,224 |

| | Six months ended September 29, 2024 | | | |
|---|---|---|---|---|
| | Energy Systems | Motive Power | Specialty | Total |
| Restructuring charges | $ 3,855 | $ 842 | $ 385 | $ 5,082 |
| Exit charges | 669 | 1,641 | 770 | 3,080 |
| Restructuring and other exit charges | $ 4,524 | $ 2,483 | $ 1,155 | $ 8,162 |

A roll-forward of the restructuring reserve, excluding exit charges, is as follows:

| | |
|---|---|
| Balance as of March 31, 2024 | $ 2,408 |
| Accrued | 5,082 |
| Costs incurred | (6,072) |
| Foreign currency impact | 55 |
| Balance as of September 29, 2024 | $ 1,473 |

*Exit Charges*

*Fiscal 2024 Program*

*Renewables*

On November 8, 2023, the Company's Board of Directors approved a plan to stop production and operations of residential renewable energy products, which include our OutBack and Mojave brands. Management determined that residential renewable energy products no longer fit with the company’s core strategy and resources will be better allocated toward commercial energy solutions for enterprise customers. The Company currently estimates that the total charges for these actions will amount to approximately $24,500. Non-cash charges for inventory and fixed assets write-offs, and impairment of an indefinite-lived intangible asset are estimated to be $23,600, and cash charges for employee severance and retention payments are estimated to be $900. The plan was substantially complete in fiscal 2024.

During fiscal 2024, the Company recorded non-cash charges totaling $551 primarily related to fixed assets and cash charges of $689 related to severance costs. The Company also recorded non-cash write-offs relating to inventories of $17,075, which was reported in cost of goods sold, and impairment of indefinite lived intangible asset of $6,020.

*Spokane*

On November 8, 2023, the Company committed to a plan to close its facility in Spokane, Washington, which primarily manufactures enclosure systems for telecommunications and related end markets. Management determined that existing manufacturing locations have the capacity to satisfy demand for these products and will execute more efficient distribution to customers. The Company currently estimates that the total charges for these actions will amount to approximately $3,600 relating to $1,400 in cash charges for employee severance, and non-cash charges of $2,200 relating to fixed assets, facility lease, and inventory. The majority of the charges were incurred in fiscal 2024.

During fiscal 2024, the Company recorded cash charges of $1,343 primarily related to severance costs and non-cash charges totaling $2,066 related to lease right of use asset and fixed asset write-offs.

During the six months of fiscal 2025, the Company recorded cash charges of $669 primarily related to manufacturing variances.

*Fiscal 2023 Programs*

*Sylmar*

In November 2022, the Company committed to a plan to close its facility in Sylmar, California, which manufactures specialty lithium batteries for aerospace and medical applications. Management determined to close the site upon the expiration of its lease on the property and to redirect production through consolidation into existing locations. The Company currently estimates total charges in the exit to amount to $13,499. Cash charges are estimated to total $9,607 primarily relating to severance and other costs to leave the site. Non-cash charges are estimated to be $3,892 relating to fixed assets, inventory, and contract assets. The plan was substantially complete in fiscal 2024.

During fiscal 2023, the Company recorded cash charges of $1,682 related primarily related to severance costs and non-cash charges totaling $417 primarily relating to contract assets.

During fiscal 2024, the Company recorded cash charges of $7,155 related primarily related to severance costs, relocation expenses, and manufacturing variances, and non-cash charges totaling $377. The Company also recorded a non-cash write-off relating to inventories of $3,098, which was reported in cost of goods sold.

During the six months of fiscal 2025, the Company recorded cash charges of $770 primarily related to relocation costs.

*Ooltewah*

On June 29, 2022, the Company committed to a plan to close its facility in Ooltewah, Tennessee, which produced flooded motive power batteries for electric forklifts. Management determined that future demand for traditional motive power flooded cells will decrease as customers transition to maintenance free product solutions in lithium and TPPL. The Company currently estimates that the total charges for these actions will amount to approximately $18,500. Cash charges for employee severance related payments, cleanup related to the facility, contractual releases and legal expenses are estimated to be $9,200 and non-cash charges from inventory and fixed asset write-offs are estimated to be $9,300. These actions will result in the reduction of approximately 165 employees. The majority of these charges were recorded by the end of fiscal 2024.

During fiscal 2023, the Company recorded cash charges relating to severance and manufacturing variances of $2,735 and non-cash charges of $7,261 relating to fixed asset write-offs. The Company also recorded a non-cash write-off relating to inventories of $1,613, which was reported in cost of goods sold.

During fiscal 2024, the Company recorded cash charges relating to site cleanup and decommissioning equipment of $4,399.

During the six months of fiscal 2025, the Company recorded $305 cash charges relating to site cleanup.

*Fiscal 2021 Program*

*Hagen, Germany*

In fiscal 2021, the Company's Board of Directors approved a plan to close substantially all of its facility in Hagen, Germany, which produced flooded motive power batteries for electric forklifts. Management determined that future demand for the motive power batteries produced at this facility was not sufficient, given the conversion from flooded to maintenance free batteries by customers, the existing number of competitors in the market, as well as the near term decline in demand and increased uncertainty from the pandemic. The Company plans to retain the facility with limited sales, service and administrative functions along with related personnel for the foreseeable future.

The Company currently estimates that the total charges for these actions will amount to approximately $60,000, of which cash charges for employee severance related payments, cleanup related to the facility, contractual releases and legal expenses were estimated to be $40,000 and non-cash charges from inventory and equipment write-offs were estimated to be $20,000. The majority of these charges were recorded as of January 1, 2023. These actions resulted in the reduction of approximately 200 employees.

During fiscal 2021, the Company recorded cash charges relating to severance of $23,331 and non-cash charges of $7,946 primarily relating to fixed asset write-offs.

During fiscal 2022, the Company recorded cash charges primarily relating to severance of $8,069 and non-cash charges of $3,522 primarily relating to fixed asset write-offs. The Company also recorded a non-cash write-off relating to inventories of $960, which was reported in cost of goods sold.

During fiscal 2023, the Company recorded cash charges of $2,207 relating to primarily to site cleanup and $562 of non-cash charges relating to accelerated depreciation of fixed assets.

During fiscal 2024, the Company recorded cash charges of $2,118 relating primarily to site cleanup and $526 of non-cash charges relating to accelerated depreciation of fixed assets.

During the six months of fiscal 2025, the Company recorded cash charges of $1,092 relating primarily to site cleanup and $244 of non-cash charges relating to accelerated depreciation of fixed assets.

**13. Debt**

The following summarizes the Company’s long-term debt as of September 29, 2024 and March 31, 2024:

| | September 29, 2024 | | March 31, 2024 | |
|---|---|---|---|---|
| | Principal | Unamortized Issuance Costs | Principal | Unamortized Issuance Costs |
| Senior Notes | $ 600,000 | $ 5,840 | $ 600,000 | $ 6,064 |
| Fourth Amended Credit Facility, due 2026 | 610,000 | 1,577 | 210,000 | 1,971 |
| | $ 1,210,000 | $ 7,417 | $ 810,000 | $ 8,035 |
| Less: Unamortized issuance costs | 7,417 | | 8,035 | |
| Long-term debt, net of unamortized issuance costs | $ 1,202,583 | | $ 801,965 | |

The Company's Senior Notes comprise the following:

***4.375% Senior Notes due 2027***

On December 11, 2019, the Company issued $300,000 in aggregate principal amount of its 4.375% Senior Notes due December 15, 2027 (the “2027 Notes”). Proceeds from this offering, net of debt issuance costs were $296,250 and were utilized to pay down the Amended 2017 Revolver (defined below). The 2027 Notes bear interest at a rate of 4.375% per annum accruing from December 11, 2019. Interest is payable semiannually in arrears on June 15 and December 15 of each year, commencing on June 15, 2020. The 2027 Notes mature on December 15, 2027, unless earlier redeemed or repurchased in full and are unsecured and unsubordinated obligations of the Company. They are fully and unconditionally guaranteed, jointly and severally, by certain of its subsidiaries that are guarantors under the Fourth Amended Credit Facility (defined below). These guarantees are unsecured and unsubordinated obligations of such guarantors.

The Company may redeem, prior to September 15, 2027, all or a portion of the 2027 Notes at a price equal to 100% of the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid interest and a “make whole” premium to, but excluding, the redemption date. The Company may redeem, on or after September 15, 2027, all or a portion of the 2027 Notes at a price equal to 100% of the principal amount of the 2027 Notes, plus accrued and unpaid interest to, but excluding, the redemption date. If a change of control triggering event occurs, the Company will be required to offer to repurchase the 2027 Notes at a price in cash equal to 101% of the aggregate principal amount of the 2027 Notes, plus accrued and unpaid interest to, but excluding, the date of repurchase.

***6.625% Senior Notes due 2032***

On January 11, 2024, the Company issued $300,000 in aggregate principal amount of its 6.625% Senior Notes due January 15, 2032 (the “2032 Notes”). Proceeds from this offering, net of debt issuance costs were $297,000 and were utilized to pay down the Fourth Amended Credit Facility. The 2032 Notes bear interest at a rate of 6.625% per annum accruing from January 11, 2024. Interest is payable semiannually in arrears on January 15 and July 15 of each year, commencing on July 15, 2024. The 2032 Notes mature on January 15, 2032, unless earlier redeemed or repurchased in full and are unsecured and unsubordinated obligations of the Company. They are fully and unconditionally guaranteed, jointly and severally, by certain of its subsidiaries that are guarantors under the Fourth Amended Credit Facility (defined below). These guarantees are unsecured and unsubordinated obligations of such guarantors.

The Company may redeem, prior to January 15, 2027, all or a portion of the 2032 Notes at a price equal to 100% of the aggregate principal amount of the 2032 Notes to be redeemed, plus accrued and unpaid interest and a "make whole" premium to, but excluding, the redemption date. The Company may redeem, on or after January 15, 2027, all or a portion of the 2032 Notes at a price equal to 100% of the principal amount of the 2032 Notes, plus accrued and unpaid interest and a redemption premium to, but excluding, the redemption date. The Company may, in compliance with certain conditions, on any one or more occasions redeem up to 40% of the original aggregate principal amount of the 2032 Notes, with the net cash proceeds of one or more equity offerings at a price equal to 106.625% of the aggregate principal amount of the 2032 Notes, plus accrued and unpaid interest to, but excluding, the redemption date. If a change of control triggering event occurs, the Company will be required to offer to repurchase the 2032 Notes at a price in cash equal to 101% of the aggregate principal amount of the 2032 Notes, plus accrued and unpaid interest to, but excluding, the date of repurchase.

***2017 Credit Facility and Subsequent Amendments***

In fiscal 2018, the Company entered into a credit facility (the "2017 Credit Facility"). The 2017 Credit Facility was scheduled to mature on September 30, 2022, initially comprised a $600,000 senior secured revolving credit facility ("2017 Revolver") and a $150,000 senior secured term loan ("2017 Term Loan"). The Company utilized the borrowings from the 2017 Credit Facility to repay its pre-existing credit facility.

In fiscal 2019, the Company amended the 2017 Credit Facility (as amended, the "Amended Credit Facility") to fund the Alpha acquisition. The Amended Credit Facility consisted of $449,105 senior secured term loans (the "Amended Term Loan"), including a CAD 133,050 ($99,105) senior secured term loan and a $700,000 senior secured revolving credit facility (the "Amended Revolver"). The amendment resulted in an increase of the 2017 Term Loan and the 2017 Revolver by $299,105 and $100,000, respectively.

During the second quarter of fiscal 2022, the Company entered into a second amendment to the 2017 Credit Facility (as amended, the "Second Amended Credit Facility"). The Second Amended Credit Facility, scheduled to mature on September 30, 2026, consists of a $130,000 senior secured term loan (the "Second Amended Term Loan"), a CAD 106,440 ($84,229) senior secured term loan and an $850,000 senior secured revolving credit facility (the "Second Amended Revolver"). The second amendment resulted in a decrease of the Amended Term Loan by $150,000 and an increase of the Amended Revolver by $150,000.

During the second quarter of fiscal 2023, the Company entered into a third amendment to the 2017 Credit Facility (as amended, the "Third Amended Credit Facility"). The Third Amended Credit Facility provides a new incremental delayed-draw senior secured term loan up to $300,000 (the "Third Amended Term Loan"), which shall be available to draw at any time until March 15, 2023. Once drawn, the funds will mature on September 30, 2026, the same as the Company's Second Amended Term Loan and Second Amended Revolver. In connection with the agreement, the Company incurred $1,161 in third party administrative and legal fees recognized in interest expense and capitalized $1,096 in charges from existing lenders as a deferred asset. During the fourth quarter of fiscal 2023, the Company drew $300,000 in the form of the Third Amended Term Loan. Additionally, the Company derecognized the capitalized deferred asset and recognized the $1,096 as deferred financing costs.

During the fourth quarter of fiscal 2023, the Company entered into a fourth amendment to the 2017 Credit Facility (as amended, the "Fourth Amended Credit Facility"). The Fourth Amended Credit Facility replaces the London Interbank Offered Rate ("LIBOR") with the Secured Overnight Financing Rate ("SOFR") in the calculation of interest for both the Second Amended Revolver and the Second Amended Term Loan.

In the fourth quarter of fiscal year 2024, we received proceeds from the issuance of the 2032 Senior Notes and paid down $86,488 and $188,750 towards the Second and Third Amended Term loans and wrote off $753 in deferred finance costs.

Subsequent to the fourth amendment, the quarterly installments payable on the Second Amended Term Loan are $2,609 beginning December 31, 2022, $3,913 beginning December 31, 2024 and $5,218 beginning December 31, 2025 with a final payment of $156,532 on September 30, 2026. The Fourth Amended Credit Facility may be increased by an aggregate amount of $350,000 in revolving commitments and /or one or more new tranches of term loans, under certain conditions. Both the Second Amended Revolver and the Second Amended Term Loan bear interest, at the Company's option, at a rate per annum equal to either (i) the SOFR plus 10 basis points plus (i) between 1.125% and 2.25% (currently 1.250% and based on the Company's consolidated net leverage ratio) or (ii) the U.S. Dollar Base Rate or Canadian Prime Rate plus between 0.125% and 1.25%, which equals, for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Effective Rate plus 0.50%, (b) Bank of America "Prime Rate" and (c) the Eurocurrency Base Rate plus 1%; provided that, if the Base Rate shall be less than zero, such rate shall be deemed zero) (iii) the CDOR Base Rate equal to the higher of (a) Bank of America "Prime Rate" and (b) average 30-day CDOR rate plus 0.50%.

The quarterly installments payable on the Third Amended Term Loan were $3,750 beginning June 30, 2023, $5,625 beginning December 31, 2024 and $7,500 beginning December 31, 2025 with a final payment of $232,500 on September 30, 2026. The Third Amended Term Loan bears interest, at the Company's option, at a rate per annum equal to either (i) SOFR plus 10 basis points plus (i) between 1.375% and 2.50% (currently 1.500% and based on the Company's consolidated net leverage ratio) or (ii) the U.S. Dollar Base Rate plus between 0.375% and 1.50%, which equals, for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Effective Rate plus 0.50%, (b) Bank of America "Prime Rate" and (c) the Term SOFR plus 1%; provided that, if the Base Rate shall be less than zero, such rate shall be deemed zero). Until the funds were drawn on March 13, 2023, the Company paid a commitment fee of 0.175% to 0.35% at a rate per annum on the unused portion.

Obligations under the Fourth Amended Credit Facility are secured by substantially all of the Company's existing and future acquired assets, including substantially all of the capital stock of the Company's United States subsidiaries that are guarantors under the Fourth Amended Credit Facility and up to 65% of the capital stock of certain of the Company's foreign subsidiaries that are owned by the Company's United States subsidiaries.

The Fourth Amended Credit Facility allows for up to two temporary increases in the maximum leverage ratio to 4.50x from 4.00x to 4.25x for a four quarter period following an acquisition larger than $250,000. Effective with the Fourth Amended Credit Facility, the maximum leverage ratio increased from 3.50x to 4.25x effective to the last day of the second quarter of fiscal year 2024 and decreasing subsequently to 4.00x.

As of September 29, 2024, the Company had $400,000 outstanding under the Second Amended Revolver, $110,000 under the Second Amended Term Loan, and $100,000 outstanding under the Third Amended Term Loan.

***Current Portion of Debt***

The scheduled repayments within the next twelve months, relating to the Second Amended Term Loan, is $4,875 and is classified as long-term debt, as the Company expects to refinance the future quarterly payments with revolver borrowings under the Second Amended Credit Facility.

***Short-Term Debt***

As of September 29, 2024 and March 31, 2024, the Company had $30,080 and $30,444, respectively, of short-term borrowings. The weighted average interest rate on these borrowings was approximately 6.0% and 6.7%, respectively, at September 29, 2024 and March 31, 2024.

***Letters of Credit***

As of September 29, 2024 and March 31, 2024, the Company had $6,855 and $3,919 of standby letters of credit, respectively.

***Debt Issuance Costs***

In connection with the Senior Notes, the Company capitalized $4,412 in debt issuance costs and wrote off $753 of unamortized debt issuance costs. Amortization expense, relating to debt issuance costs, included in interest expense was $479 and $410, respectively, for the second quarter ended September 29, 2024 and October 1, 2023 and $969 and $820, respectively, for the six months ended fiscal 2025 and 2024. Debt issuance costs, net of accumulated amortization, totaled $7,417 and $8,035, respectively, at September 29, 2024 and March 31, 2024.

***Available Lines of Credit***

As of September 29, 2024 and March 31, 2024, the Company had available and undrawn, under all its lines of credit, $535,395 and $938,334, respectively, including $90,826 and $90,866, respectively, of uncommitted lines of credit.

## 14. Retirement Plans

The following tables present the components of the Company's net periodic benefit cost related to its defined benefit pension plans:

| | United States Plans Quarter ended | | International Plans Quarter ended | |
|---|---|---|---|---|
| | September 29, 2024 | October 1, 2023 | September 29, 2024 | October 1, 2023 |
| Service cost | $ — | $ — | $ 246 | $ 218 |
| Interest cost | 166 | 166 | 643 | 584 |
| Expected return on plan assets | (47) | (76) | (365) | (406) |
| Amortization and deferral | (17) | — | 150 | 27 |
| Net periodic benefit cost | $ 102 | $ 90 | $ 674 | $ 423 |

| | United States Plans Six months ended | | International Plans Six months ended | |
|---|---|---|---|---|
| | September 29, 2024 | October 1, 2023 | September 29, 2024 | October 1, 2023 |
| Service cost | $ — | $ — | $ 485 | $ 438 |
| Interest cost | 332 | 332 | 1,264 | 1,169 |
| Expected return on plan assets | (94) | (152) | (716) | (812) |
| Amortization and deferral | (34) | — | 294 | 56 |
| Net periodic benefit cost | $ 204 | $ 180 | $ 1,327 | $ 851 |

## 15. Stock-Based Compensation

As of September 29, 2024, the Company maintains the 2023 Equity Incentive Plan ("2023 EIP"). The 2023 EIP reserved 3,614,500 shares of common stock for the grant of various classes of nonqualified stock options, restricted stock units, market condition-based on total shareholder return ("TSR") and performance condition-based share units ("PSU") and other forms of equity-based compensation.

The Company recognized stock-based compensation expense associated with its equity incentive plans of $5,125 for the second quarter of fiscal 2025 and $5,144 for the second quarter of fiscal 2024. Stock-based compensation expense was $12,187 and $13,077 for the six months of fiscal 2025 and fiscal 2024, respectively. The Company recognizes compensation expense using the straight-line method over the vesting period of the awards.

During the six months of fiscal 2025, the Company granted to non-employee directors 25,107 restricted stock units, under the deferred compensation plan for non-employee directors. The awards vest immediately upon the date of grant and are settled in shares of common stock.

During the six months of fiscal 2025, the Company granted to management and other key employees 238,712 non-qualified stock options that vest ratably over three years from the date of the grant and 309,356 restricted stock units that vest ratably over four years from the date of grant.

Common stock activity during the six months of fiscal 2025 included the exercise of 105,055 stock options and the vesting or release of 306,932 restricted stock units including non-employee director restricted stock units

As of September 29, 2024, there were 1,323,766 non-qualified stock options, 1,032,531 restricted stock units including non-employee director restricted stock units and 1,134 TSRs outstanding.

## 16. Stockholders' Equity and Noncontrolling Interests

*Common Stock*

The following demonstrates the change in the number of shares of common stock outstanding during the six months ended September 29, 2024:

| | |
|---|---|
| Shares outstanding as of March 31, 2024 | 40,271,936 |
| Purchase of treasury stock | (780,849) |
| Shares issued under equity-based compensation plans, net of equity awards surrendered for option price and taxes | 322,817 |
| Shares outstanding as of September 29, 2024 | 39,813,904 |

*Treasury Stock*

During the six months ended September 29, 2024, the Company purchased 780,849 shares for $75,187 and purchased 480,060 shares for $47,340 during the six months ended October 1, 2023. At September 29, 2024 and March 31, 2024, the Company held 16,866,664 and 16,091,988 shares as treasury stock, respectively. During the six months ended September 29, 2024, the Company also issued 6,173 shares out of its treasury stock, valued at $62.55 per share to participants under the Company's Employee Stock Purchase Plan. During the six months ended October 1, 2023, the Company issued 7,312 shares out of its treasury stock, valued at $62.55 per share, to participants under the Company's Employee Stock Purchase Plan.

*Accumulated Other Comprehensive Income ("AOCI")*

The components of AOCI, net of tax, as of September 29, 2024 and March 31, 2024, are as follows:

| | March 31, 2024 | Before Reclassifications | Amounts Reclassified from AOCI | September 29, 2024 |
|---|---|---|---|---|
| Pension funded status adjustment | $ (9,798) | $ — | $ 197 | $ (9,601) |
| Net unrealized gain (loss) on derivative instruments | 755 | (2,923) | (1,257) | (3,425) |
| Foreign currency translation adjustment [1] | (195,808) | 15,391 | — | (180,417) |
| Accumulated other comprehensive (loss) income | $ (204,851) | $ 12,468 | $ (1,060) | $ (193,443) |

[1] Foreign currency translation adjustment for the six months ended September 29, 2024 includes a $8,497 loss (net of taxes of $2,594) related to the Company's $300,000 cross-currency fixed interest rate swap contracts.

The following table presents reclassifications from AOCI during the second quarter ended September 29, 2024:

| Components of AOCI | Amounts Reclassified from AOCI | Location of (Gain) Loss Recognized on Income Statement |
|---|---|---|
| **Derivatives in cash flow hedging relationships:** | | |
| Net unrealized gain on derivative instruments | $ (2,258) | Cost of goods sold |
| Tax expense | 527 | |
| Net unrealized gain on derivative instruments, net of tax | $ (1,731) | |
| **Derivatives in net investment hedging relationships:** | | |
| Net unrealized gain on derivative instruments | $ (711) | Interest expense |
| Tax expense | 166 | |
| Net unrealized gain on derivative instruments, net of tax | $ (545) | |
| **Defined benefit pension costs:** | | |
| Prior service costs and deferrals | $ 133 | Net periodic benefit cost, included in other (income) expense, net - See Note 14 |
| Tax benefit | (32) | |
| Net periodic benefit cost, net of tax | $ 101 | |

The following table presents reclassifications from AOCI during the six months ended September 29, 2024:

| Components of AOCI | Amounts Reclassified from AOCI | Location of (Gain) Loss Recognized on Income Statement |
|---|---|---|
| **Derivatives in cash flow hedging relationships:** | | |
| Net unrealized gain on derivative instruments | $ (1,639) | Cost of goods sold |
| Tax expense | 382 | |
| Net unrealized gain on derivative instruments, net of tax | $ (1,257) | |
| **Derivatives in net investment hedging relationships:** | | |
| Net unrealized gain on derivative instruments | $ (975) | Interest expense |
| Tax expense | 229 | |
| Net unrealized gain on derivative instruments, net of tax | $ (746) | |
| **Defined benefit pension costs:** | | |
| Prior service costs and deferrals | $ 260 | Net periodic benefit cost, included in other (income) expense, net - See Note 14 |
| Tax benefit | (63) | |
| Net periodic benefit cost, net of tax | $ 197 | |

The following table presents reclassifications from AOCI during the second quarter ended October 1, 2023:

| Components of AOCI | Amounts Reclassified from AOCI | Location of (Gain) Loss Recognized on Income Statement |
|---|---|---|
| **Derivatives in cash flow hedging relationships:** | | |
| Net unrealized gain on derivative instruments | $ (218) | Cost of goods sold |
| Tax expense | 51 | |
| Net unrealized gain on derivative instruments, net of tax | $ (167) | |
| **Derivatives in net investment hedging relationships:** | | |
| Net unrealized gain on derivative instruments | $ — | Interest expense |
| Tax expense | — | |
| Net unrealized gain on derivative instruments, net of tax | $ — | |
| **Defined benefit pension costs:** | | |
| Prior service costs and deferrals | $ 27 | Net periodic benefit cost, included in other (income) expense, net - See Note 14 |
| Tax benefit | (6) | |
| Net periodic benefit cost, net of tax | $ 21 | |

The following table presents reclassifications from AOCI during the six months ended October 1, 2023:

| Components of AOCI | Amounts Reclassified from AOCI | Location of (Gain) Loss Recognized on Income Statement |
|---|---|---|
| **Derivatives in cash flow hedging relationships:** | | |
| Net unrealized gain on derivative instruments | $ (4,114) | Cost of goods sold |
| Tax expense | 962 | |
| Net unrealized gain on derivative instruments, net of tax | $ (3,152) | |
| **Derivatives in net investment hedging relationships:** | | |
| Net unrealized gain on derivative instruments | $ (112) | Interest expense |
| Tax expense | 26 | |
| Net unrealized gain on derivative instruments, net of tax | $ (86) | |
| **Defined benefit pension costs:** | | |
| Prior service costs and deferrals | $ 56 | Net periodic benefit cost, included in other (income) expense, net - See Note 14 |
| Tax benefit | (15) | |
| Net periodic benefit cost, net of tax | $ 41 | |

The following demonstrates the change in equity attributable to EnerSys stockholders and nonredeemable noncontrolling interests during the second quarter and six months ended September 29, 2024:

| *(In Thousands, Except Per Share Data)* | Preferred Stock | Common Stock | Additional Paid-in Capital | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Contra-Equity | Total EnerSys Stockholders' Equity | Non-redeemable Non-Controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at March 31, 2024** | **$ —** | **$ 564** | **$ 629,879** | **$ (835,827)** | **$ 2,163,880** | **$ (204,851)** | **$ —** | **$ 1,753,645** | **$ 3,427** | **$ 1,757,072** |
| Stock-based compensation | — | — | 7,062 | — | — | — | — | 7,062 | — | 7,062 |
| Exercise of stock options | — | 1 | 6,963 | — | — | — | — | 6,964 | — | 6,964 |
| Purchase of common stock | — | — | — | (11,641) | — | — | — | (11,641) | — | (11,641) |
| Other | — | — | 24 | 185 | — | — | — | 209 | — | 209 |
| Net earnings | — | — | — | — | 70,111 | — | — | 70,111 | — | 70,111 |
| Dividends ($0.225 per common share) | — | — | 227 | — | (9,271) | — | — | (9,044) | — | (9,044) |
| Dissolution of joint venture | — | — | — | — | — | — | — | — | — | — |
| Other comprehensive income: | | | | | | | | | | |
| Pension funded status adjustment (net of tax benefit of $17) | — | — | — | — | — | 110 | — | 110 | — | 110 |
| Net unrealized gain (loss) on derivative instruments (net of tax expense of $1,117) | — | — | — | — | — | 3,662 | — | 3,662 | — | 3,662 |
| Foreign currency translation adjustment | — | — | — | — | — | (13,294) | — | (13,294) | (22) | (13,316) |
| **Balance at June 30, 2024** | **$ —** | **$ 565** | **$ 644,155** | **$ (847,283)** | **$ 2,224,720** | **$ (214,373)** | **$ —** | **$ 1,807,784** | **$ 3,405** | **$ 1,811,189** |
| Stock-based compensation | — | — | 5,125 | — | — | — | — | 5,125 | — | 5,125 |
| Exercise of stock options | — | — | 479 | — | — | — | — | 479 | — | 479 |
| Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net | — | — | (7,934) | — | — | — | — | (7,934) | — | (7,934) |
| Shares released under deferred compensation for directors | — | — | 2,404 | — | — | — | | 2,404 | — | 2,404 |
| Purchase of common stock | — | — | — | (63,546) | — | — | — | (63,546) | — | (63,546) |
| Other | — | 2 | (67) | 179 | — | — | — | 114 | — | 114 |
| Net earnings | — | — | — | — | 82,266 | — | — | 82,266 | — | 82,266 |
| Dividends ($0.240 per common share) | — | — | — | — | (9,555) | — | — | (9,555) | — | (9,555) |
| Other comprehensive income: | | | | | | | | | | |
| Pension funded status adjustment (net of tax benefit of $32) | — | — | — | — | — | 87 | — | 87 | — | 87 |
| Net unrealized gain (loss) on derivative instruments (net of tax of $2,392) | — | — | — | — | — | (7,842) | — | (7,842) | — | (7,842) |
| Foreign currency translation adjustment | — | — | — | — | — | 28,685 | — | 28,685 | 124 | 28,809 |
| **Balance at September 29, 2024** | **$ —** | **$ 567** | **$ 644,162** | **$ (910,650)** | **$ 2,297,431** | **$ (193,443)** | **$ —** | **$ 1,838,067** | **$ 3,529** | **$ 1,841,596** |

The following demonstrates the change in equity attributable to EnerSys stockholders and nonredeemable noncontrolling interests during the second quarter and six months ended October 1, 2023:

| *(In Thousands, Except Per Share Data)* | Preferred Stock | Common Stock | Additional Paid-in Capital | Treasury Stock | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Contra-Equity | Total EnerSys Stockholders' Equity | Non-redeemable Non-Controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at March 31, 2023** | **$ —** | **$ 560** | **$ 596,464** | **$ (740,956)** | **$ 1,930,148** | **$ (183,474)** | **$ (2,463)** | **$ 1,600,279** | **$ 3,602** | **$ 1,603,881** |
| Stock-based compensation | — | — | 7,933 | — | — | — | — | 7,933 | — | 7,933 |
| Exercise of stock options | — | 5 | 7,649 | — | — | — | — | 7,654 | — | 7,654 |
| Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net | — | — | — | — | — | — | — | — | — | — |
| Purchase of common stock | — | — | — | — | — | — | — | — | — | — |
| Other | — | — | 65 | 214 | — | — | — | 279 | — | 279 |
| Net earnings | — | — | — | — | 66,797 | — | — | 66,797 | — | 66,797 |
| Dividends ($0.175 per common share) | — | — | 184 | — | (7,357) | — | — | (7,173) | — | (7,173) |
| Dissolution of joint venture | — | — | — | — | — | — | — | — | — | — |
| Other comprehensive income: | | | | | | | | | | |
| Pension funded status adjustment (net of tax benefit of $9) | — | — | — | — | — | 20 | — | 20 | — | 20 |
| Net unrealized gain (loss) on derivative instruments (net of tax benefit of $544) | — | — | — | — | — | 1,786 | — | 1,786 | — | 1,786 |
| Foreign currency translation adjustment | — | — | — | — | — | 2,192 | — | 2,192 | (190) | 2,002 |
| **Balance at July 2, 2023** | **$ —** | **$ 565** | **$ 612,295** | **$ (740,742)** | **$ 1,989,588** | **$ (179,476)** | **$ (2,463)** | **$ 1,679,767** | **$ 3,412** | **$ 1,683,179** |
| Stock-based compensation | — | — | 5,144 | — | — | — | — | 5,144 | — | 5,144 |
| Exercise of stock options | — | (1) | 2,015 | — | — | — | — | 2,014 | — | 2,014 |
| Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net | — | — | (7,348) | — | — | — | — | (7,348) | — | (7,348) |
| Contra equity - adjustment to indemnification receivable for acquisition related tax liability | — | — | — | — | — | — | 475 | 475 | — | 475 |
| Purchase of common stock | — | — | — | (47,340) | — | — | — | (47,340) | — | (47,340) |
| Other | — | (1) | 151 | 194 | — | — | — | 344 | — | 344 |
| Net earnings | — | — | — | — | 65,229 | — | — | 65,229 | — | 65,229 |
| Dividends ($0.225 per common share) | — | — | 233 | — | (9,401) | — | — | (9,168) | — | (9,168) |
| Other comprehensive income: | | | | | | | | | | |
| Pension funded status adjustment (net of tax benefit of $6) | — | — | — | — | — | 21 | — | 21 | — | 21 |
| Net unrealized gain (loss) on derivative instruments (net of tax benefit of $762) | — | — | — | — | — | 2,495 | — | 2,495 | — | 2,495 |
| Foreign currency translation adjustment | — | — | — | — | — | (31,647) | — | (31,647) | (17) | (31,664) |
| **Balance at October 1, 2023** | **$ —** | **$ 563** | **$ 612,490** | **$ (787,888)** | **$ 2,045,416** | **$ (208,607)** | **$ (1,988)** | **$ 1,659,986** | **$ 3,395** | **$ 1,663,381** |

## 17. Earnings Per Share

The following table sets forth the reconciliation from basic to diluted weighted-average number of common shares outstanding and the calculations of net earnings per common share attributable to EnerSys stockholders.

| | Quarter ended | | Six months ended | |
|---|---|---|---|---|
| | September 29, 2024 | October 1, 2023 | September 29, 2024 | October 1, 2023 |
| Net earnings attributable to EnerSys stockholders | $ 82,266 | $ 65,229 | $ 152,377 | $ 132,026 |
| Weighted-average number of common shares outstanding: | | | | |
| Basic | 40,165,080 | 40,922,959 | 40,184,546 | 40,930,146 |
| Dilutive effect of: | | | | |
| Common shares from exercise and lapse of equity awards, net of shares assumed reacquired | 698,125 | 761,675 | 740,114 | 761,333 |
| Diluted weighted-average number of common shares outstanding | 40,863,205 | 41,684,634 | 40,924,660 | 41,691,479 |
| Basic earnings per common share attributable to EnerSys stockholders | $ 2.05 | $ 1.59 | $ 3.79 | $ 3.23 |
| Diluted earnings per common share attributable to EnerSys stockholders | $ 2.01 | $ 1.56 | $ 3.72 | $ 3.17 |
| Anti-dilutive equity awards not included in diluted weighted-average common shares | 659,451 | 412,230 | 503,275 | 422,359 |

## 18. Business Segments

Effective April 1, 2023, the Company created a new line of business and operating segment named New Ventures in addition to the existing lines of businesses: Energy Systems, Motive Power, and Specialty. The results of New Ventures include start-up operating expenses captured within the "Corporate and other" category of operating earnings. New Ventures provides energy storage and management systems for demand charge reduction, utility back-up power, and dynamic fast charging for electric vehicles.

Summarized financial information related to the Company's reportable segments for the second quarter and six months ended September 29, 2024 and October 1, 2023, is shown below:

| | Quarter ended | | Six months ended | |
|---|---|---|---|---|
| | September 29, 2024 | October 1, 2023 | September 29, 2024 | October 1, 2023 |
| **Net sales by segment to unaffiliated customers** (1) | | | | |
| Energy Systems | $ 382,091 | $ 422,466 | $ 743,142 | $ 847,014 |
| Motive Power | 366,744 | 355,206 | 732,899 | 705,987 |
| Specialty | 134,834 | 123,361 | 260,544 | 256,601 |
| Total net sales | $ 883,669 | $ 901,033 | $ 1,736,585 | $ 1,809,602 |
| **Operating earnings by segment** | | | | |
| Energy Systems | $ 24,361 | $ 25,563 | $ 43,361 | $ 55,212 |
| Motive Power | 57,590 | 53,448 | 113,556 | 103,816 |
| Specialty | 7,338 | 5,587 | 12,238 | 15,404 |
| Corporate and other (2) | 25,281 | 18,894 | 51,106 | 36,297 |
| Inventory step up to fair value relating to acquisitions - Specialty | (1,883) | — | (1,883) | — |
| Inventory adjustment relating to exit activities - Specialty | — | — | — | (3,098) |
| Restructuring and other exit charges - Energy Systems | (747) | (2,227) | (4,524) | (2,715) |
| Restructuring and other exit charges - Motive Power | (1,088) | (3,479) | (2,483) | (5,038) |
| Restructuring and other exit charges - Specialty | (389) | (1,528) | (1,155) | (5,790) |
| Amortization - Energy Systems | (6,013) | (6,219) | (12,014) | (12,436) |
| Amortization - Motive Power | (187) | (231) | (370) | (342) |
| Amortization - Specialty | (1,952) | (702) | (2,654) | (1,404) |
| Acquisition expense - Energy Systems | (5) | (8) | (11) | (13) |
| Acquisition expense - Motive Power | (3) | (77) | (11) | (162) |
| Acquisition expense - Specialty | (1,082) | — | (2,434) | — |
| Integration costs - Energy Systems | (55) | (166) | (225) | (249) |
| Integration costs - Motive Power | — | — | — | — |
| Integration costs - Specialty | (1,779) | — | (1,779) | — |
| Other - Energy Systems | — | (136) | — | (797) |
| Other - Motive Power | — | (45) | — | (428) |
| Other - Specialty | — | (60) | — | (198) |
| Total operating earnings (3) | $ 99,387 | $ 88,614 | $ 190,718 | $ 178,059 |

(1) Reportable segments do not record inter-segment revenues and accordingly there are none to report.
(2) Corporate and other includes amounts managed on a company-wide basis and not directly allocated to any reportable segments, primarily relating to IRA production tax credits. Also, included are start-up costs for exploration of a new lithium plant as well as start-up operating expenses from the New Ventures operating segment.
(3) The Company does not allocate interest expense or other (income) expense, net, to the reportable segments.

## 19. Subsequent Events

On November 6, 2024, the Board of Directors approved a quarterly cash dividend of $0.24 per share of common stock to be paid on December 27, 2024 to stockholders of record as of December 13, 2024.

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

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the “Reform Act”) provides a safe harbor for forward-looking statements made by or on behalf of EnerSys. EnerSys and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in EnerSys’ filings with the Securities and Exchange Commission (“SEC”) and its reports to stockholders. Generally, the inclusion of the words “anticipate,” “believe,” “expect,” “future,” “intend,” “estimate,” “will,” “plans,” or the negative of such terms and similar expressions identify statements that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections. All statements addressing operating performance, events, or developments that EnerSys expects or anticipates will occur in the future, including statements relating to sales growth, earnings or earnings per share growth, and market share, as well as statements expressing optimism or pessimism about future operating results, are forward-looking statements within the meaning of the Reform Act. The forward-looking statements are and will be based on management’s then-current beliefs and assumptions regarding future events and operating performance, on information currently available to management, and are applicable only as of the dates of such statements.

Forward-looking statements involve risks, uncertainties and assumptions. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2024 (our “2024 Annual Report”) and other unforeseen risks. You should not put undue reliance on any forward-looking statements. These statements speak only as of the date of this Quarterly Report on Form 10-Q, even if subsequently made available by us on our website or otherwise, and we undertake no obligation to update or revise these statements to reflect events or circumstances occurring after the date of this Quarterly Report on Form 10-Q.

Our actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons, including the following factors:

- economic, financial and other impacts of the pandemic, including global supply chain disruptions;
- general cyclical patterns of the industries in which our customers operate;
- global economic trends, competition and geopolitical risks, including impacts from the ongoing conflict between Russia and Ukraine and the related sanctions and other measures, tensions across the Middle East, changes in the rates of investment or economic growth in key markets we serve, or an escalation of sanctions, tariffs or other trade tensions between the U.S. and China or other countries, and related impacts on our global supply chains and strategies;
- the extent to which we cannot control our fixed and variable costs;
- the raw materials in our products may experience significant fluctuations in market price and availability;
- certain raw materials constitute hazardous materials that may give rise to costly environmental and safety claims;
- legislation regarding the restriction of the use of energy or certain hazardous substances in our products;
- risks involved in our operations such as supply chain issues, disruption of markets, changes in import and export laws, environmental regulations, currency restrictions and local currency exchange rate fluctuations;
- our ability to raise our selling prices to our customers when our product costs increase;
- the extent to which we are able to efficiently utilize our global manufacturing facilities and optimize our capacity;
- changes in macroeconomic and market conditions and market volatility, including inflation, interest rates, the value of securities and other financial assets, transportation costs, costs and availability of electronic components, lead, plastic resins, steel, copper and other commodities used by us, and the impact of such changes and volatility on our financial position and business;
- competitiveness of the battery markets and other energy solutions for industrial applications throughout the world;
- our timely development of competitive new products and product enhancements in a changing environment and the acceptance of such products and product enhancements by customers;
- our ability to adequately protect our proprietary intellectual property, technology and brand names;
- litigation and regulatory proceedings to which we might be subject;
- our expectations concerning indemnification obligations;
- changes in our market share in the business segments where we operate;
- our ability to implement our cost reduction initiatives successfully and improve our profitability;
- quality problems associated with our products;

- our ability to implement business strategies, including our acquisition strategy, manufacturing expansion and restructuring plans;
- our acquisition strategy may not be successful in identifying advantageous targets;
- our ability to successfully integrate any assets, liabilities, customers, systems and management personnel we acquire into our operations and our ability to realize related revenue synergies, strategic gains, and cost savings may be significantly harder to achieve, if at all, or may take longer to achieve;
- our effective income tax rate with respect to any period may fluctuate based on the mix of income in the tax jurisdictions, in which we operate, changes in tax laws and the amount of our consolidated earnings before taxes;
- potential goodwill impairment charges, future impairment charges and fluctuations in the fair values of reporting units or of assets in the event projected financial results are not achieved within expected time frames;
- our debt and debt service requirements which may restrict our operational and financial flexibility, as well as imposing unfavorable interest and financing costs;
- our ability to maintain our existing credit facilities or obtain satisfactory new credit facilities or other borrowings;
- adverse changes in our short and long-term debt levels under our credit facilities;
- our exposure to fluctuations in interest rates on our variable-rate debt;
- our ability to attract and retain qualified management and personnel;
- our ability to maintain good relations with labor unions;
- credit risk associated with our customers, including risk of insolvency and bankruptcy;
- our ability to successfully recover in the event of a disaster affecting our infrastructure, supply chain, or our facilities;
- delays or cancellations in shipments;
- occurrence of natural or man-made disasters or calamities, including health emergencies, the spread of infectious diseases, pandemics, vaccine mandates, outbreaks of hostilities or terrorist acts, or the effects of climate change, and our ability to deal effectively with damages or disruptions caused by the foregoing; and
- the operation, capacity and security of our information systems and infrastructure.

This list of factors that may affect future performance is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

## Overview

EnerSys (the “Company,” “we,” or “us”) is a world leader in stored energy solutions for industrial applications. We design, manufacture, and distribute energy systems solutions and motive power batteries, specialty batteries, battery chargers, power equipment, battery accessories and outdoor equipment enclosure solutions to customers worldwide. Energy Systems, which combine power conversion, power distribution, energy storage, and enclosures, are used in the telecommunication, broadband, data center and utility industries, uninterruptible power supplies, and numerous applications requiring stored energy solutions. Motive Power batteries and chargers are utilized in electric forklifts, automated guided vehicles (AGVs), and other industrial electric powered vehicles. Specialty batteries are used in aerospace and defense applications, large over-the-road trucks, premium automotive, portable power solutions for soldiers in the field, medical and security systems applications. New Ventures provides energy storage and management systems for demand charge reduction, utility back-up power, and dynamic fast charging for electric vehicles. We also provide aftermarket and customer support services to over 10,000 customers in more than 100 countries through a network of distributors, independent representatives and our internal sales force around the world.

The Company's four operating segments, based on lines of business, are as follows:

- **Energy Systems -** uninterruptible power systems, or “UPS” applications for computer and computer-controlled systems, as well as telecommunications systems, switchgear and electrical control systems used in industrial facilities and electric utilities, large-scale energy storage and energy pipelines. Energy Systems also includes highly integrated power solutions and services to broadband, telecom, data center, and industrial customers, as well as thermally managed cabinets and enclosures for electronic equipment and batteries.
- **Motive Power -** power for electric industrial forklifts, AGVs other material handling equipment used in manufacturing and warehousing operations, as well equipment used in floor care, mining, rail and airport ground support applications.
- **Specialty -** premium starting, lighting and ignition applications in transportation, energy solutions for satellites, spacecraft, commercial aircraft, military aircraft, submarines, ships, other tactical vehicles, defense applications and portable power solutions for soldiers in the field, as well as medical devices and equipment.
- **New Ventures** - energy storage and management systems for demand charge reduction, utility back-up power, and dynamic fast charging for electric vehicles.

### *Bren-Tronics Acquisition*

On July 26, 2024, the Company completed the acquisition of all of the equity of Bren-Tronics Defense LLC for $205.3 million in cash consideration, subject to adjustments as set forth in the stock purchase agreement. Bren-Tronics Defense LLC, headquartered in Commack, New York, is a leading manufacturer of highly reliable portable power solutions, including small and large format lithium batteries and charging solutions, for military and defense applications. The financial results contributed from this business are reported within our Specialty line of business.

### *Economic Climate*

Global economic conditions are mixed with the impacts of elevated interest rates and heightened geopolitical tensions having various levels of impacts in North America, China and EMEA. The war in Ukraine continues to have widespread economic repercussions, particularly in Europe. The ongoing Israel-Hamas conflict is disrupting stability in the Middle East, raising significant concerns about the potential for further escalation across the region. Inflation in North America, China and EMEA, while somewhat more controlled compared to the sharp increases in 2023, remains a challenge with some signs of cooling in the U.S. and Europe. Interest rate cuts of 50 basis points by the Federal Reserve in September are expected to be followed by further rate cuts at the end of the calendar year. The European Central Bank (ECB) cut its main interest rate by 25 basis points in September following its initial rate cut in June. China’s economy saw some bright spots entering calendar year 2024 as a result of increasing travel and consumer spending due to relaxed COVID policies, but the region faces ongoing challenges from a weakened real estate market and declining exports.

The supply chain has been stabilizing since the second quarter of calendar year 2023. While some supply chain challenges and elevated costs remain, particularly for materials like copper and plastics, other costs, such as transportation, have returned to pre-COVID levels. However, the ongoing Israel-Hamas conflict have periodically disrupted some shipments in the Red Sea. As a result, some ocean freight costs and transit times may temporarily increase until shipping in the region returns to normal. Generally, our mitigation efforts and ongoing lean initiatives have tempered the impact of broad market challenges. The market demand in our Motive Power segment remains healthy, but we saw a decrease in demand in the Class 8 truck market in the first half of our fiscal year, which impacted the Specialty segment. The cyclical capex pauses in the communication networks market has decreased demand in the Energy Systems segment since our second quarter fiscal 2024, but we saw some improved order rates in the second quarter fiscal 2025.

### *Volatility of Commodities and Foreign Currencies*

Our most significant commodity and foreign currency exposures are related to lead and the Euro, respectively. Historically, volatility of commodity costs and foreign currency exchange rates have caused large swings in our production costs. In the fiscal year 2025, we have experienced a range in lead prices from approximately $1.05 per pound to $0.90 per pound. Costs in some of our other raw materials such as steel, acid, separator paper and electronics have moderated since the middle of fiscal year 2024, but we have seen some price increases in other raw materials such as copper since the beginning of fiscal year 2025.

***Customer Pricing***

Our selling prices fluctuated during the last several years to offset the volatile cost of commodities. Approximately 25% of our revenue is now subject to agreements that adjust pricing to a market-based index for lead. Customer pricing changes generally lag movements in lead prices and other costs by approximately six to nine months. In fiscal 2024 and 2025, customer pricing has increased due to certain commodity prices and other costs having increased throughout the year.

Based on current commodity markets, it is difficult to predict with certainty whether commodity prices will be higher or lower in fiscal 2025 versus fiscal 2024. However, given the lag related to increasing our selling prices for inflationary cost increase, on average our selling prices should be higher in fiscal 2025 versus fiscal 2024. As we concentrate more on energy systems and non-lead chemistries, the emphasis on lead is expected to continue to decline.

***Primary Operating Capital***

As part of managing the performance of our business, we monitor the level of primary operating capital, and its ratio to net sales. We define primary operating capital as accounts receivable, plus inventories, minus accounts payable. The resulting net amount is divided by the trailing three-month net sales (annualized) to derive a primary operating capital percentage. We believe these three elements included in primary operating capital are most operationally driven, and this performance measure provides us with information about the asset intensity and operating efficiency of the business on a company-wide basis that management can monitor and analyze trends over time. Primary operating capital was $978.8 million (yielding a primary operating capital percentage of 27.7%) at September 29, 2024, $852.9 million (yielding a primary operating capital percentage of 23.4%) at March 31, 2024 and $990.2 million at October 1, 2023 (yielding a primary operating capital percentage of 27.5%). The primary operating capital percentage of 27.7% at September 29, 2024 increased by 430 basis points compared to March 31, 2024 and increased 20 basis points compared to October 1, 2023. The increase in primary operating capital percentage at September 29, 2024 compared to March 31, 2024 was primarily due to the addition of Bren-Tronics balances as well as increases to inventory for strategic build up and decreases to accounts payable levels due to timing of payments this quarter. Accounts receivable amounts increased comparatively mainly due to longer termed collections from customers compared to the fourth fiscal quarter of the prior fiscal year. The slight increase in primary operating capital percentage at September 29, 2024 compared to October 1, 2023 was increases from Bren-Tronics offset by reduction in accounts receivable due to higher collections and inventory due to improved inventory management actions and easing of supply chain constraints compared to the second quarter of fiscal 2024.

Primary operating capital and primary operating capital percentages at September 29, 2024, March 31, 2024 and October 1, 2023 are computed as follows:

| *($ in Millions)* | **September 29, 2024** | **March 31, 2024** | **October 1, 2023** |
|---|---|---|---|
| Accounts receivable, net | $ 549.0 | $ 524.7 | $ 536.5 |
| Inventory, net | 763.5 | 697.7 | 776.5 |
| Accounts payable | (333.7) | (369.5) | (322.8) |
| Total primary operating capital | $ 978.8 | $ 852.9 | $ 990.2 |
| Trailing 3 months net sales | $ 883.7 | $ 910.7 | $ 901.0 |
| Trailing 3 months net sales annualized | $ 3,534.8 | $ 3,642.8 | $ 3,604.0 |
| | | | |
| Primary operating capital as a % of annualized net sales | 27.7 % | 23.4 % | 27.5 % |

***Liquidity and Capital Resources***

We believe that our financial position is strong, and we have substantial liquidity to cover short-term liquidity requirements and anticipated growth in the foreseeable future, with $408 million of available cash and cash equivalents and available and undrawn committed credit lines of approximately $445 million at September 29, 2024, availability subject to credit agreement financial covenants.

A substantial majority of the Company's cash and investments are held by foreign subsidiaries and are considered to be indefinitely reinvested and expected to be utilized to fund local operating activities, capital expenditure requirements and acquisitions. The Company believes that it has sufficient sources of domestic and foreign liquidity.

During the second quarter of fiscal 2022, we entered into a second amendment to the Amended Credit Facility (as amended, the "Second Amended Credit Facility"). As a result, the Second Amended Credit Facility, now scheduled to mature on September 30, 2026, consists of a $130.0 million senior secured term loan and a CAD 106.4 million ($84.2 million) term loan (the "Second Amended Term Loan") and an $850.0 million senior secured revolving credit facility (the "Second Amended Revolver"). This amendment resulted in a decrease of the Amended Term Loan by $150.0 million and an increase of the Amended Revolver by $150.0 million.

During the second quarter of fiscal 2023, the Company entered into a third amendment to the 2017 Credit Facility (as amended, the "Third Amended Credit Facility"). The Third Amended Credit Facility provided a new incremental delayed-draw senior secured term loan up to $300 million (the "Third Amended Term Loan"), which was available to draw until March 15, 2023. During the fourth quarter of fiscal 2023, the Company drew $300 million in the form of the Third Amended Term Loan. The funds will mature on September 30, 2026, the same as the Company's Second Amended Term Loan and Second Amended Revolver. In connection with the agreement, the Company incurred $1.2 million in third party administrative and legal fees recognized in interest expense and capitalized $1.1 million in charges from existing lenders as a deferred asset. Additionally, the Company derecognized the capitalized deferred asset and recognized the $1.1 million as deferred financing costs.

During the fourth quarter of fiscal 2023, the Company entered into a fourth amendment to the 2017 Credit Facility (as amended, the "Fourth Amended Credit Facility"). The Fourth Amended Credit Facility replaces the London Interbank Offered Rate ("LIBOR") with the Secured Overnight Financing Rate ("SOFR") in the calculation of interest for both the Second Amended Revolver and the Second Amended Term Loan.

On January 11, 2024, we issued $300 million in aggregate principal amount of our 6.625% Senior Notes due 2032 (the "2032 Notes"). Proceeds from this offering, net of debt issuance costs, were $297.0 million and were utilized to pay down the Fourth Amended Credit Facility.

During the six months of fiscal 2025, we purchased 780,849 shares for $75.2 million.

We believe that our strong capital structure and liquidity affords us access to capital for future acquisitions, capital investments, stock repurchase opportunities and continued dividend payments.

## Results of Operations

### Net Sales

Net sales decreased $17.3 million or 1.9% in the second quarter of fiscal 2025 as compared to the second quarter of fiscal 2024. This decrease was the result of a 3% decrease in organic volume and a 1% decrease in pricing, partially offset by a 2% increase in acquisitions.

Net sales decreased $73.0 million or 4.0% in the six months of fiscal 2025 as compared to the six months of fiscal 2024. This decrease was due to an 3% decrease in organic volume, a 1% decrease in pricing, and a 1% decrease in foreign currency translation, partially offset by a 1% increase in acquisitions.

*Segment sales*

| | Quarter ended September 29, 2024 | | Quarter ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Energy Systems | $ 382.1 | 43.2 % | 422.5 | 46.9 % | $ (40.4) | (9.6)% |
| Motive Power | 366.7 | 41.5 | 355.2 | 39.4 | 11.5 | 3.2 |
| Specialty | 134.9 | 15.3 | 123.3 | 13.7 | 11.6 | 9.3 |
| Total net sales | $ 883.7 | 100.0 % | $ 901.0 | 100.0 % | $ (17.3) | (1.9)% |

| | Six months ended September 29, 2024 | | Six months ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Energy Systems | $ 743.1 | 42.8 % | $ 847.1 | 46.8 % | $ (103.9) | (12.3)% |
| Motive Power | 732.9 | 42.2 | 706.0 | 39.0 | 26.9 | 3.8 |
| Specialty | 260.6 | 15.0 | 256.5 | 14.2 | 4.0 | 1.5 |
| Total net sales | $ 1,736.6 | 100.0 % | $ 1,809.6 | 100.0 % | $ (73.0) | (4.0)% |

Net sales of our Energy Systems segment in the second quarter of fiscal 2025 decreased $40.4 million or 9.6% compared to the second quarter of fiscal 2024. This decrease was due to an 8% decrease in organic volume and a 2% decrease in pricing. This decrease in sales was driven by continued capital spending pauses of our network communications customers, which was partially offset by an increase in datacenter customers. Net sales of our Energy Systems segment in the six months of fiscal 2025 decreased $103.9 million or 12.3% compared to the six months of fiscal 2024. This decrease was due to a 9% decrease in organic volume, a 2% decrease in pricing, and a 1% decrease in foreign currency translation. This decrease in sales was driven by continued capital spending pauses of our network communications customers particularly of our higher margin power electronics products.

Net sales of our Motive Power segment in the second quarter of fiscal 2025 increased by $11.5 million or 3.2% compared to the second quarter of fiscal 2024. This increase was primarily due to a 3% increase in organic volume. Net sales of our Motive Power segment in the six months of fiscal 2025 increased by $26.9 million or 3.8% compared to the six months of fiscal 2024. This increase was primarily due to a 5% increase in organic volume, offset by a 1% decrease in foreign currency translation. We continue to benefit from increased volumes of our maintenance-free thin plate pure lead and lithium product sales mix for the quarter and six months.

Net sales of our Specialty segment in the second quarter of fiscal 2025 increased by $11.6 million or 9.3% compared to the second quarter of fiscal 2024. The increase was primarily due to a 12% increase in acquisitions and a 1% increase in pricing, partially offset by a 4% decrease in organic volume. This increase in sales was primarily driven by increased volumes in Aerospace and Defense including impacts from the Bren-Tronics acquisition. Net sales of our Specialty segment in the six months of fiscal 2025 increased by $4.0 million or 1.5% compared to the six months of fiscal 2024. The increase was primarily due to a 6% increase in acquisitions, partially offset by a 3% decrease in organic volume and a 1% decrease in pricing. This increase in sales was primarily driven by increased volumes in Aerospace and Defense including impacts from the Bren-Tronics acquisition, partially offset by decreased demand in OEM transportation customers.

## Gross Profit

| | Quarter ended September 29, 2024 | | Quarter ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Gross Profit | $ 252.1 | 28.5 % | $ 239.6 | 26.6 % | $ 12.5 | 5.2 % |

| | Six months ended September 29, 2024 | | Six months ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Gross Profit | $ 490.5 | 28.2 % | $ 479.9 | 26.5 % | $ 10.6 | 2.2 % |

Gross profit increased $12.5 million or 5.2% in the second quarter and increased $10.6 million or 2.2% in the six months of fiscal 2025 compared to the comparable periods of fiscal 2024. Gross profit, as a percentage of net sales, increased 190 basis points and increased 170 basis points in the second quarter and six months of fiscal 2025, respectively, compared to the second quarter and six months of fiscal 2024. . The increase in the gross profit margin in the current quarter and six months reflects greater impact of IRA benefits compared to the same periods in fiscal year 2024 as well as improved mix from higher margin maintenance-free sales in Motive Power.

## Operating Items

| | Quarter ended September 29, 2024 | | Quarter ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Operating expenses | $ 150.5 | 17.0 % | $ 143.8 | 16.0 % | $ 6.8 | 4.7 % |
| Restructuring and other exit charges | $ 2.2 | 0.3 % | $ 7.2 | 0.8 % | $ (5.0) | (69.3)% |

| | Six months ended September 29, 2024 | | Six months ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Operating expenses | $ 291.7 | 16.8 % | $ 288.4 | 15.9 % | $ 3.3 | 1.1 % |
| Restructuring and other exit charges | $ 8.1 | 0.5 % | $ 13.5 | 0.8 % | $ (5.4) | (39.7)% |

Operating expenses, as a percentage of sales, increased 100 basis points and increased 90 basis points in the second quarter and six months of fiscal 2025, compared to the comparable periods of fiscal 2024. The increases are primarily a result of additional costs incurred relating to the Bren-Tronics acquisition as compared to the prior year.

Selling expenses, a main component of operating expenses, decreased $3.4 million or 5.7% in the second quarter of fiscal 2025 compared to the second quarter of fiscal 2024, and decreased 25 basis points as a percentage of net sales. In the six months of fiscal 2025, selling expenses decreased by $8.4 million or 7.2% compared to the six months of fiscal 2024 and decreased 21 basis points as a percentage of net sales. The decrease in selling expenses as a percentage of sales in the current quarter is a result of our cost reduction initiatives partially offsetting labor increases earlier this fiscal year.

### ***Restructuring and Other Exit Charges***

*Restructuring Programs*

Included in our second quarter and six months of fiscal 2025 operating results of Energy Systems were restructuring charges of $0.9 million and $3.8 million respectively. Included in our second quarter and six months of fiscal 2025 operating results of Motive Power were restructuring charges of $0.0 million and $0.8 million, respectively. Included in our second quarter and six months of fiscal 2025 operating results of Specialty were restructuring charges of $0.1 million and $0.4 million, respectively.

Included in our second quarter and six months of fiscal 2024 operating results of Energy Systems were restructuring charges of $2.2 million and $2.7 million, respectively. Included in our second quarter and six months of fiscal 2024 operating results of Motive Power were restructuring charges of $0.8 million and $0.8 million, respectively.

*Exit Charges*

*Fiscal 2024 Programs*

*Renewables*

On November 8, 2023, the Company's Board of Directors approved a plan to stop production and operations of residential renewable energy products, which include our OutBack and Mojave brands. Management determined that residential renewable energy products no longer fit with the company’s core strategy and resources will be better allocated toward commercial energy solutions for enterprise customers. The Company currently estimates that the total charges for these actions will amount to $24.5 million relating primarily to $23.6 million in non-cash charges primarily including inventory and an indefinite-lived intangible asset write-offs and $0.9 million in cash charges including employee severance and retention payments. The plan is expected to be completed in fiscal 2024.

During fiscal 2024, the Company recorded non-cash charges totaling $0.6 million primarily related to fixed assets and cash charges of $0.7 million related to severance costs. The Company also recorded a non-cash write-offs relating to inventories of $17.1 million, which was reported in cost of goods sold, and impairment of indefinite lived intangible asset of $6.0 million.

*Spokane*

On November 8, 2023, the Company committed to a plan to close its facility in Spokane, Washington, which primarily manufactures enclosure systems for telecommunications and related end markets. Management determined that existing manufacturing locations have the capacity to satisfy demand for these products and will execute more efficient distribution to customers. The Company currently estimates that the total charges for these actions will amount to approximately $3.6 million relating to $1.4 million in cash charges for employee severance, and non-cash charges of $2.2 million fixed assets, facility lease, and inventory. The majority of the charges were incurred in fiscal 2024.

During fiscal 2024, the Company recorded cash charges of $1.3 million primarily related to severance costs and non-cash charges totaling $2.1 million related to lease right of use asset and fixed asset write-offs.

During the six months of fiscal 2025, the Company recorded cash charges of $0.7 million primarily related to manufacturing variances.

*Fiscal 2023 Programs*

*Sylmar*

In November 2022, the Company committed to a plan to close its facility in Sylmar, California, which manufactures specialty lithium batteries for aerospace and medical applications. Management determined to close the site upon the expiration of its lease on the property and to redirect production through consolidation into existing locations. The Company currently estimates total charges in the exit to amount to $13.5 million. Cash charges are estimated to total $9.6 million primarily relating to severance and other costs to leave the site. Non-cash charges are estimated to be $3.9 million relating to fixed assets, inventory, and contract assets. The plan was substantially complete as the end of fiscal 2024.

During fiscal 2023, the Company recorded $1.7 million primarily related to severance costs and non-cash charges totaling $0.4 million primarily relating to contract assets.

During fiscal 2024, the Company recorded cash charges of $7.2 million related primarily related to severance costs, relocation expenses, and manufacturing variances, and non-cash charges totaling $0.4 million. The Company also recorded a non-cash write-off relating to inventories of $3.1 million, which was reported in cost of goods sold.

.During the six months of fiscal 2025, the Company recorded cash charges of $0.8 million primarily related to relocation costs.

*Ooltewah*

On June 29, 2022, the Company committed to a plan to close its facility in Ooltewah, Tennessee, which produced flooded motive power batteries for electric forklifts. Management determined that future demand for traditional motive power flooded cells will decrease as customers transition to maintenance free product solutions in lithium and TPPL. The Company currently estimates that the total charges for these actions will amount to approximately $18.5 million. Cash charges for employee severance related payments, cleanup related to the facility, contractual releases and legal expenses are estimated to be $9.2 million and non-cash charges from inventory and fixed asset write-offs are estimated to be $9.3 million. These actions will result in the reduction of approximately 165 employees. The majority of these charges were recorded by the end of fiscal 2024.

During fiscal 2023, the Company recorded cash charges relating primarily to severance and manufacturing variances of $2.8 million and non-cash charges of $7.3 million relating to fixed asset write-offs. The Company also recorded a non-cash write-off relating to inventories of $1.6 million, which was reported in cost of goods sold.

During fiscal 2024, the Company recorded cash charges relating to site cleanup and decommissioning equipment of $4.4 million.

During the six months of fiscal 2025, the Company recorded cash charges relating to site cleanup and decommissioning equipment of $0.3 million.

*Fiscal 2021 Programs*

*Hagen, Germany*

In fiscal 2021, we committed to a plan to close substantially all of our facility in Hagen, Germany, which produced flooded motive power batteries for electric forklifts. Management determined that future demand for the motive power batteries produced at this facility was not sufficient, given the conversion from flooded to maintenance free batteries by customers, the existing number of competitors in the market, as well as the near term decline in demand and increased uncertainty from the pandemic. We plan to retain the facility with limited sales, service and administrative functions along with related personnel for the foreseeable future.

We currently estimate that the total charges for these actions will amount to approximately $60.0 million of which cash charges for employee severance related payments, cleanup related to the facility, contractual releases and legal expenses were estimated to be $40.0 million and non-cash charges from inventory and equipment write-offs were estimated to be $20.0 million. The majority of these charges have been recorded as of Janurary 1, 2023. These actions resulted in the reduction of approximately 200 employees.

During fiscal 2021, the Company recorded cash charges relating to severance of $23.3 million and non-cash charges of $7.9 million primarily relating to fixed asset write-offs.

During fiscal 2022, the Company recorded cash charges, primarily relating to severance of $8.1 million and non-cash charges of $3.5 million primarily relating to fixed asset write-offs. The Company also recorded a non-cash write-off relating to inventories of $1.0 million, which was reported in cost of goods sold.

During fiscal 2023, the Company recorded cash charges of $2.2 million relating primarily to site cleanup and $0.6 million of non-cash charges relating to accelerated depreciation of fixed assets.

During fiscal 2024, the Company recorded cash charges of $2.1 million relating primarily to site cleanup and $0.5 million of non-cash charges relating to accelerated depreciation of fixed assets.

During the six months of fiscal 2025, the Company recorded cash charges of $1.1 million relating primarily to site cleanup and $0.2 million of non-cash charges relating to accelerated depreciation of fixed assets.

**Operating Earnings**

| | Quarter ended September 29, 2024 | | Quarter ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales (1) | In Millions | Percentage of Total Net Sales (1) | In Millions | % |
| Energy Systems | $ 24.2 | 6.4 % | $ 25.6 | 6.1 % | $ (1.4) | (4.7)% |
| Motive Power | 57.6 | 15.7 | 53.4 | 15.0 | 4.2 | 7.7 |
| Specialty | 7.5 | 5.4 | 5.6 | 4.5 | 1.9 | 31.3 |
| Corporate and other (2) | 25.3 | 2.9 | 18.9 | 2.1 | 6.4 | 33.8 |
| Subtotal | 114.6 | 13.0 | 103.5 | 11.5 | 11.1 | 10.7 |
| Inventory adjustment related to recent acquisitions - Specialty | (1.9) | (1.4) | — | — | (1.9) | NM |
| Restructuring and other exit charges - Energy Systems | (0.7) | (0.2) | (2.2) | (0.5) | 1.5 | (66.5) |
| Restructuring and other exit charges - Motive Power | (1.1) | (0.3) | (3.5) | (1.0) | 2.4 | (68.7) |
| Restructuring and other exit charges - Specialty | (0.4) | (0.3) | (1.5) | (1.2) | 1.1 | (74.5) |
| Amortization of intangible assets - Energy Systems | (6.0) | (1.6) | (6.3) | (1.5) | 0.3 | (3.3) |
| Amortization of intangible assets - Motive Power | (0.2) | (0.1) | (0.2) | (0.1) | — | (19.0) |
| Amortization of intangible assets - Specialty | (2.0) | (1.4) | (0.7) | (0.6) | (1.3) | NM |
| Integration costs - Energy Systems | — | — | (0.2) | — | 0.2 | (66.9) |
| Integration costs - Specialty | (1.8) | (1.3) | — | — | (1.8) | NM |
| Acquisition activity expense - Motive | — | — | (0.1) | — | 0.1 | NM |
| Acquisition activity expense - Specialty | (1.1) | (0.8) | — | — | (1.1) | NM |
| Other - Energy Systems | — | — | (0.1) | — | 0.1 | NM |
| Other - Specialty | — | — | (0.1) | — | 0.1 | NM |
| Total operating earnings | $ 99.4 | 11.2 % | $ 88.6 | 9.8 % | $ 10.8 | 12.2 % |

NM = not meaningful

(1) The percentages shown for the segments are computed as a percentage of the applicable segment's net sales; Corporate and other is computed based on total consolidated net sales

(2) Corporate and other includes amounts managed on a company-wide basis and not directly allocated to any reportable segments, primarily relating to IRA production tax credits. Also, included are start-up costs for exploration of a new lithium plant as well as start-up operating expenses from the New Ventures operating segment.

| | Six months ended September 29, 2024 | | Six months ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales (1) | In Millions | Percentage of Total Net Sales (1) | In Millions | % |
| Energy Systems | $ 43.2 | 5.8 % | $ 55.3 | 6.5 % | $ (12.1) | (21.5)% |
| Motive Power | 113.6 | 15.5 | 103.7 | 14.7 | 9.9 | 9.4 |
| Specialty | 12.4 | 4.7 | 15.4 | 6.0 | (3.0) | (20.6) |
| Corporate and other (2) | 51.1 | 2.9 | 36.3 | 2.0 | 14.8 | 40.8 % |
| Subtotal | 220.3 | 12.7 | 210.7 | 11.6 | 9.6 | 4.5 |
| Inventory adjustment relating to exit activities - Specialty | — | — | (3.1) | (1.2) | 3.1 | NM |
| Inventory adjustment related to recent acquisitions - Specialty | (1.9) | (0.7) | — | — | (1.9) | NM |
| Restructuring and other exit charges - Energy Systems | (4.5) | (0.6) | (2.7) | (0.3) | (1.8) | 66.6 |
| Restructuring and other exit charges - Motive Power | (2.5) | (0.3) | (5.0) | (0.7) | 2.5 | (50.7) |
| Restructuring and other exit charges - Specialty | (1.1) | (0.4) | (5.8) | (2.3) | 4.7 | (80.1) |
| Amortization of intangible assets - Energy Systems | (12.0) | (0.7) | (12.5) | (0.7) | 0.5 | (3.4)% |
| Amortization of intangible assets - Motive Power | (0.4) | (0.1) | (0.3) | — | (0.1) | 8.2 % |
| Amortization of intangible assets - Specialty | (2.7) | (1.0) | (1.4) | (0.5) | (1.3) | 89.0 % |
| Integration costs - Energy Systems | (0.2) | — | (0.3) | — | 0.1 | (9.6)% |
| Integration costs - Specialty | (1.8) | (0.7) | — | — | (1.8) | NM |
| Acquisition activity expense - Motive | — | — | (0.2) | — | 0.2 | NM |
| Acquisition activity expense - Specialty | (2.5) | (0.9) | — | — | (2.5) | NM |
| Other - Energy Systems | — | — | (0.8) | (0.1) | 0.8 | NM |
| Other - Motive Power | — | — | (0.4) | (0.1) | 0.4 | NM |
| Other - Specialty | — | — | (0.2) | (0.1) | 0.2 | NM |
| Total operating earnings | $ 190.7 | 11.0 % | $ 178.0 | 9.8 % | $ 12.7 | 7.1 % |

NM = not meaningful
(1) The percentages shown for the segments are computed as a percentage of the applicable segment's net sales; Corporate and other is computed based on total consolidated net sales
(2) Corporate and other includes amounts managed on a company-wide basis and not directly allocated to any reportable segments, primarily relating to IRA production tax credits. Also, included are start-up costs for exploration of a new lithium plant as well as start-up operating expenses from the New Ventures operating segment.

Operating earnings increased $10.8 million or 12.2% and increased $12.7 million or 7.1% in the second quarter and six months of fiscal 2025, respectively, compared to the second quarter and six months of fiscal 2024. Operating earnings, as a percentage of net sales, increased 140 basis points and 120 basis points in the second quarter and six months of fiscal 2025, respectively, compared to the second quarter and six months of fiscal 2024.

The Energy Systems operating earnings, as a percentage of sales, increased 30 basis points and decreased 70 basis points in the second quarter and six months of fiscal 2025, respectively, compared to the second quarter and six months of fiscal 2024. The increase for the quarter was primarily as a result of lower commodity costs as well as lower operating expenses as a percentage of sales on lower volumes partially offset by unfavorable product mix; and the decrease for the six months was a result of continued lower volumes and unfavorable mix from lower high margin power electronics sales, partially offset by lower operating costs.

The Motive Power operating earnings, as a percentage of sales, increased 70 basis points and 80 basis points in the second quarter and six months of fiscal 2025, respectively, compared to the second quarter and six months of fiscal 2024. These increases were driven by continued volume growth in addition to favorable lead costs.

The Specialty operating earnings, as a percentage of sales, increased 90 basis points and decreased 130 basis points in the second quarter and six months of fiscal 2025, respectively, compared to the second quarter and six months of fiscal 2024. The increase for the quarter is a result of the accretive Bren-Tronics acquisition combined with robust Aerospace and Defense volumes, partially offset by declines in transportation OEM volume. The decrease for the six months is a result of the volume declines from the transportation OEM customers which outweighed the improvements from the Bren-Tronics acquisition.

## Interest Expense

| | Quarter ended September 29, 2024 | | Quarter ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Interest expense | $ 12.5 | 1.4 % | $ 12.2 | 1.4 % | $ 0.3 | 2.2 % |

| | Six months ended September 29, 2024 | | Six months ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Interest expense | $ 23.5 | 1.4 % | $ 27.4 | 1.5 % | $ (3.9) | (14.5)% |

Interest expense of $12.5 million in the second quarter of fiscal 2025 (net of interest income of $0.7 million) was $0.3 million higher than the interest expense of $12.2 million in the second quarter of fiscal 2024 (net of interest income of $0.5 million).

Interest expense of $23.5 million in the six months of fiscal 2025 (net of interest income of $1.8 million) was $3.9 million lower than the interest expense of $27.4 million in the six months of fiscal 2024 (net of interest income of $1.2 million).

The increase in interest expense in the second quarter of fiscal 2025 and the decrease in the six months of fiscal 2025 is primarily due to higher borrowing levels in the quarter where the six months benefited from lower average borrowing levels. Our average debt outstanding was $1,126.9 million and $1,009.2 million in the second quarter and six months of fiscal 2025, compared to $990.3 million and $1,030.3 million in the second quarter and six months of fiscal 2024.

Included in interest expense are non-cash charges for deferred financing fees of $0.5 million and $1.0 million for the second quarter and six months of fiscal 2025 and $0.4 million and $0.8 million in the second quarter and six months of fiscal 2024.

**Other (Income) Expense, Net**

| | Quarter ended September 29, 2024 | | Quarter ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Other (income) expense, net | $ 2.7 | 0.3 % | $ 3.0 | 0.3 % | $ (0.3) | (9.2)% |

NM = not meaningful

| | Six months ended September 29, 2024 | | Six months ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Other (income) expense, net | $ 3.7 | 0.2 % | $ 3.7 | 0.2 % | $ — | 2.0 % |

NM = not meaningful

Other (income) expense, net in the second quarter of fiscal 2025 was expense of $2.7 million compared to expense of $3.0 million in the second quarter of fiscal 2024. Other (income) expense, net in the six months of fiscal 2025 was expense of $3.7 million compared to expense of $3.7 million in the six months of fiscal 2024. Foreign currency impact resulted in a gain of $0.8 million and a gain of $2.1 million in the second quarter and six months of fiscal 2025, respectively, compared to a foreign currency gain of $0.5 million and a gain of $2.8 million in the second quarter and six months of fiscal 2024, respectively.

**Earnings Before Income Taxes**

| | Quarter ended September 29, 2024 | | Quarter ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Earnings before income taxes | $ 84.2 | 9.5 % | $ 73.4 | 8.1 % | $ 10.8 | 14.7 % |

| | Six months ended September 29, 2024 | | Six months ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Earnings before income taxes | $ 163.5 | 9.4 % | $ 146.9 | 8.1 % | $ 16.6 | 11.3 % |

As a result of the above, earnings before income taxes in the second quarter of fiscal 2025 increased $10.8 million, or 14.7%, compared to the second quarter of fiscal 2024 and increased $16.6 million, or 11.3% in the six months of fiscal 2025 compared to the six months of fiscal 2024.

**Income Tax Expense**

| | Quarter ended September 29, 2024 | | Quarter ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Income tax expense | $ 1.9 | 0.2 % | $ 8.2 | 0.9 % | $ (6.3) | (76.5)% |
| Effective tax rate | 2.3% | | 11.2% | | (8.9)% | |

| | Six months ended September 29, 2024 | | Six months ended October 1, 2023 | | Increase (Decrease) | |
|---|---|---|---|---|---|---|
| | In Millions | Percentage of Total Net Sales | In Millions | Percentage of Total Net Sales | In Millions | % |
| Income tax expense | $ 11.1 | 0.6 % | $ 14.9 | 0.8 % | $ (3.8) | (25.3)% |
| Effective tax rate | 6.8% | | 10.2% | | (3.4)% | |

The Company's income tax provision consists of federal, state and foreign income taxes. The tax provision for the second quarter of fiscal 2025 and 2024 was based on the estimated effective tax rates applicable for the full years ending March 31, 2025 and March 31, 2024, respectively, after giving effect to items specifically related to the interim periods. Our effective income tax rate with respect to any period may be volatile based on the mix of income in the tax jurisdictions, in which we operate, changes in tax laws and the amount of our consolidated earnings before taxes.

The Organization for Economic Co-operation and Development (OECD) has a global minimum corporate tax of 15% for companies with global revenues and profits above certain thresholds (referred to as Pillar 2), with certain aspects of Pillar 2 effective for taxable years beginning after December 31, 2023. While it is uncertain whether the U.S. will enact legislation to adopt Pillar 2, certain countries in which we operate have adopted legislation, and other countries are in the process of introducing legislation to implement Pillar 2. On August 26, 2024, the U.S. Tax Court issued a ruling in *Varian.* The ruling related to the U.S. taxation of deemed foreign dividends in the transition tax of the Tax Cuts and Jobs Act (our fiscal 2018). The impact of the enacted legislation and ruling is included below. The Company will continue to monitor and evaluate as new legislation and guidance is issued.

The consolidated effective income tax rates for the second quarter of fiscal 2025 and 2024 were 2.3% and 11.2% and for the six months of fiscal 2025 and 2024 were 6.8% and 10.2%. The rate decrease in the second quarter compared to the prior year period is primarily due to a discrete tax benefit as a result of *Varian*, offset by the impact of Pillar 2. The rate decrease in the six months of fiscal 2025 compared to the prior year periods are primarily due to a discrete tax benefit as a result of *Varian*, offset primarily by a discrete foreign exchange tax benefit related to undistributed earnings in first quarter of fiscal 2024, impact of Pillar 2, and mix of earnings among tax jurisdictions.

Foreign income as a percentage of worldwide income is estimated to be 53% for fiscal 2025 compared to 56% for fiscal 2024. The foreign effective tax rates for the six months of fiscal 2025 and 2024 were 15% and 13%, respectively. The foreign effective tax rate increase in the second quarter compared to the second quarter of the prior year is primarily due to the impact of Pillar 2. Income from the Company's Swiss subsidiary comprised a substantial portion of the Company's overall foreign mix of income for both fiscal 2025 and fiscal 2024 and were taxed at an effective income tax rate of approximately 11% and 9%, respectively.

**Critical Accounting Policies and Estimates**

There have been no material changes to our critical accounting policies from those discussed under the caption "Critical Accounting Policies and Estimates" in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2024 Annual Report.

**Liquidity and Capital Resources**

*Cash Flow and Financing Activities*

Operating activities provided cash of $44.0 million in the six months of fiscal 2025 compared to $185.7 million of cash provided in the six months of fiscal 2024, with the decrease in operating cash resulting mainly due to activity in accounts receivable, inventory, accrued expenses and accounts payable. Inventory increased or used cash of $12.4 million, and accounts receivable increased or used cash of $9.3 million. Additionally, accounts payable decreased or used cash of $40.1 million. In the six months of fiscal 2025, net earnings were $152.4 million, depreciation and amortization $48.8 million, stock-based compensation $12.2 million, allowance for doubtful debts of $1.1 million, non-cash interest of $1.0 million and, non-cash charges relating to exit charges $0.2 million. Prepaid and other current assets were a use of funds of $26.2 million, primarily from an increase of $19.4 million in contract assets, $7.6 million in other prepaid expenses, and $1.6 million in prepaid insurance, partially offset by a decrease of $2.4 million in prepaid taxes. Accrued expenses were a use of funds of $83.9 million primarily from decrease in tax accruals of $81.8 million, interest payments net of accruals of $31.6 million, other miscellaneous accruals of $3.9 million, sales related accruals of $5.0 million, and payroll related payments of $0.5 million net of accruals, partially offset by $36.4 million in accrued interest, warranty accruals of $1.6 million, and $0.9 million in contract liabilities.

In the six months of fiscal 2024, operating activities provided cash of $185.7 million, with the increase in operating cash resulting mainly due to net earnings. Accounts receivable decreased or provided cash of $93.4 million due to lower sales in the current quarter compared to the previous quarter. Inventory decreased or provided cash of $10.5 million due to lower inventory turns as compared to the previous quarter. Accounts payable decreased or used cash of $57.2 million due to seasonal reduction. In the six months of fiscal 2024, net earnings were $132.0 million, depreciation and amortization $45.2 million, stock based compensation $13.1 million, non-cash charges relating to exit charges $4.1 million, allowance for doubtful debts $1.5 million, derivative losses of $1.2 million, non-cash interest of $0.8 million, and derivatives cash proceeds of $0.7 million. Prepaid and other current assets were a use of funds of $13.9 million, primarily from an increase of $6.3 million in contract assets and $3.9 million in prepaid insurance partially offset by a decrease of $3.7 million in other prepaid expenses, such as taxes, non-trade receivables and other advances. Accrued expenses were a use of funds of $44.8 million primarily from decrease in tax accruals of $37.4 million, deferred income and contract liabilities of $10.8 million, payroll related payments of $4.7 million net of accruals, decrease to sales related accruals of $2.9 million, and interest payments net of accruals of $1.0 million, partially offset by $2.9 million of freight charges, warranty accruals of $2.5 million, and other miscellaneous accruals of $7.2 million.

Investing activities used cash of $282.5 million in the six months of fiscal 2025, which primarily consisted of the Bren-Tronics acquisition of $205.3 million, capital expenditures of $66.5 million relating to plant improvements and $10.9 million relating to investment in equity securities.

Investing activities used cash of $42.1 million in the six months of fiscal 2024, which primarily consisted of capital expenditures of $35.9 million relating to plant improvements and $8.3 million relating to the purchase of a business partially offset by $2.0 million in proceeds from sale of disposal property, plant, and equipment.

Financing activities provided cash of $305.3 million in the six months of fiscal 2025. During the six months of fiscal 2025, we borrowed $476.6 million under the Second Amended Revolver and repaid 76.7 million of the Second Amended Revolver. Net repayments on short-term debt were $0.4 million. We purchased treasury stock totaling $75.2 million, paid cash dividends to our stockholders totaling $18.6 million, and received proceeds from stock options of $7.4 million. Payments for financing costs for debt modification were $0.4 million. We paid $8.0 million for taxes related to net share settlement of equity awards.

Financing activities used cash of $153.5 million in the six months of fiscal 2024. During the six months of fiscal 2024, we borrowed $172.5 million under the Second Amended Revolver and repaid $252.5 million of the Second Amended Revolver. We repaid $12.7 million of the Second Amended Term Loan, and net repayments on short-term debt were $0.1 million. We purchased treasury stock totaling $47.3 million, paid cash dividends to our stockholders totaling $16.3 million and received proceeds from stock options of $9.7 million.

Currency translation had a positive impact of $7.8 million on our cash balance in the six months of fiscal 2025 compared to the negative impact of $9.1 million in the six months of fiscal 2024. In the six months of fiscal 2025, principal currencies in which we do business such as the Euro, Polish zloty, Swiss Franc and British pound strengthened versus the U.S. dollar.

As a result of the above, total cash and cash equivalents increased by $74.6 million to $407.9 million, in the six months of fiscal 2025 compared to a decrease of $18.9 million to $327.8 million, in the six months of fiscal 2024.

*Compliance with Debt Covenants*

During the second quarter of fiscal 2022, we entered into a second amendment to the Amended Credit Facility (as amended, the “Second Amended Credit Facility”). As a result, the Second Amended Credit Facility, now scheduled to mature on September 30, 2026, consists of a $130.0 million senior secured term loan (the “Second Amended Term Loan”), a CAD 106.4 million ($84.2 million) term loan and an $850.0 million senior secured revolving credit facility (the “Second Amended Revolver”). This amendment resulted in a decrease of the Amended Term Loan by $150.0 million and an increase of the Amended Revolver by $150.0 million.

During the second quarter of fiscal 2023, the Company entered into a third amendment to the 2017 Credit Facility (as amended, the “Third Amended Credit Facility”). The Third Amended Credit Facility provided a new incremental delayed-draw senior secured term loan up to $300 million (the “Third Amended Term Loan”), which was available to draw until March 15, 2023. During the fourth quarter, the Company drew $300 million in the form of the Third Amended Term Loan. The funds will mature on September 30, 2026, the same as the Company's Second Amended Term Loan and Second Amended Revolver. In connection with the agreement, the Company incurred $1.2 million in third party administrative and legal fees recognized in interest expense and capitalized $1.1 million in charges from existing lenders as a deferred asset. Additionally, the Company derecognized the capitalized deferred asset and recognized the $1.1 million as deferred financing costs.

During the fourth quarter of fiscal 2023, the Company entered into a fourth amendment to the 2017 Credit Facility (as amended, the “Fourth Amended Credit Facility”). The Fourth Amended Credit Facility replaces the London Interbank Offered Rate (“LIBOR”) with the Secured Overnight Financing Rate (“SOFR”) in the calculation of interest for both the Second Amended Revolver and the Second Amended Term Loan.

All obligations under our Fourth Amended Credit Facility are secured by, among other things, substantially all of our U.S. assets. The Fourth Amended Credit Facility contains various covenants which, absent prepayment in full of the indebtedness and other obligations, or the receipt of waivers, limit our ability to conduct certain specified business transactions, buy or sell assets out of the ordinary course of business, engage in sale and leaseback transactions, pay dividends and take certain other actions. There are no prepayment penalties on loans under this credit facility.

We are in compliance with all covenants and conditions under our Fourth Amended Credit Facility and Senior Notes. We believe that we will continue to comply with the financial covenants and conditions, and that we have the financial resources and the capital available to fund the foreseeable organic growth in our business and to remain active in pursuing further acquisition opportunities. See Note 10 to the Consolidated Financial Statements included in our 2024 Annual Report and Note 13 to the Consolidated Condensed Financial Statements included in this Quarterly Report on Form 10-Q for a detailed description of our debt.

**Contractual Obligations and Commercial Commitments**

A table of our obligations is contained in Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations — Contractual Obligations of our 2024 Annual Report. As of September 29, 2024, we had no significant changes to our contractual obligations table contained in our 2024 Annual Report.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

***Market Risks***

Our cash flows and earnings are subject to fluctuations resulting from changes in raw material costs, foreign currency exchange rates and interest rates. We manage our exposure to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. Our policy does not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. We monitor our underlying market risk exposures on an ongoing basis and believe that we can modify or adapt our hedging strategies as needed.

***Counterparty Risks***

We have entered into lead forward purchase contracts, foreign exchange forward and purchased option contracts, interest rate swaps, and cross currency fixed interest rate swaps to manage the risk associated with our exposures to fluctuations resulting from changes in raw material costs, foreign currency exchange rates and interest rates. The Company’s agreements are with creditworthy financial institutions. Those contracts that result in a liability position at September 29, 2024 are $20.2 million (pre-tax). Those contracts that result in an asset position at September 29, 2024 are $5.2 million (pre-tax). The impact on the Company due to nonperformance by the counterparties has been evaluated and not deemed material.

We hedge our net investments in foreign operations against future volatility in the exchange rates between the U.S. dollar and Euro. On September 29, 2022, we terminated our cross-currency fixed interest rate swap contracts with an aggregate notional amount of $300 million and executed cross-currency fixed interest rate swap contracts with an aggregate notional amount of $150 million, maturing on December 15, 2027. Additionally, on July 2, 2024,we entered into cross-currency fixed interest rate swap contracts with an aggregate notional amount of $150 million, maturing on January 15, 2029. Depending on the movement in the exchange rates between the U.S. dollar and Euro at maturity, the Company may owe the counterparties an amount that is different from the notional amount of $300 million.

Excluding our cross currency fixed interest rate swap agreements, the vast majority of these contracts will settle within one year.

***Interest Rate Risks***

We are exposed to changes in variable U.S. interest rates on borrowings under our credit agreements, as well as short-term borrowings in our foreign subsidiaries. On a selective basis, from time to time, we enter into interest rate swap agreements to reduce the negative impact that increases in interest rates could have on our outstanding variable rate debt. At September 29, 2024 and March 31, 2024 such agreements effectively convert $200.0 million of our variable-rate debt to a fixed-rate basis, utilizing the one-month Term SOFR, as a floating rate reference.

A 100 basis point increase in interest rates would have increased annual interest expense by approximately $4.4 million on the variable rate portions of our debt.

***Commodity Cost Risks – Lead Contracts***

We have a significant risk in our exposure to certain raw materials. Our largest single raw material cost is for lead, for which the cost remains volatile. In order to hedge against increases in our lead cost, we have entered into forward contracts with financial institutions to fix the price of lead. The vast majority of such contracts are for a period not extending beyond one year. We had the following contracts outstanding at the dates shown below:

| Date | $'s Under Contract (in millions) | # Pounds Purchased (in millions) | Average Cost/Pound | Approximate % of Lead Requirements (1) |
|---|---|---|---|---|
| September 29, 2024 | $ 59.4 | 62.5 | $ 0.95 | 8 % |
| March 31, 2024 | 50.0 | 53.0 | 0.94 | 8 |
| October 1, 2023 | 58.2 | 59.0 | 0.99 | 8 |

(1) Based on the fiscal year lead requirements for the periods then ended.

For the remaining quarter of this fiscal year, we believe approximately 68% of the cost of our lead requirements is known. This takes into account the hedge contracts in place at September 29, 2024, lead purchased by September 29, 2024 that will be reflected in future costs under our FIFO accounting policy, and the benefit from our lead tolling program.

We estimate that a 10% increase in our cost of lead would have increased our cost of goods sold by approximately $35.0 million in the second quarter.

***Foreign Currency Exchange Rate Risks***

We manufacture and assemble our products globally in the Americas, EMEA and Asia. Approximately 40% of our sales and related expenses are transacted in foreign currencies. Our sales revenue, production costs, profit margins and competitive position are affected by the strength of the currencies in countries where we manufacture or purchase goods relative to the strength of the currencies in countries where our products are sold. Additionally, as we report our financial statements in U.S. dollars, our financial results are affected by the strength of the currencies in countries where we have operations relative to the strength of the U.S. dollar. The principal foreign currencies in which we conduct business are the Euro, Swiss franc, British pound, Polish zloty, Chinese renminbi, Canadian dollar, Brazilian real and Mexican peso.

We quantify and monitor our global foreign currency exposures. Our largest foreign currency exposure is from the purchase and conversion of U.S. dollar-based lead costs into local currencies in Europe. Additionally, we have currency exposures from intercompany financing and intercompany and third-party trade transactions. On a selective basis, we enter into foreign currency forward contracts and purchase option contracts to reduce the impact from the volatility of currency movements; however, we cannot be certain that foreign currency fluctuations will not impact our operations in the future.

At a point in time, we hedge approximately 5% - 10% of the nominal amount of our known annual foreign exchange transactional exposures. We primarily enter into foreign currency exchange contracts to reduce the earnings and cash flow impact of the variation of non-functional currency denominated receivables and payables. The vast majority of such contracts are for a period not extending beyond one year.

Gains and losses resulting from hedging instruments offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Realized and unrealized gains and losses on these contracts are recognized in the same period as gains and losses on the hedged items. We also selectively hedge anticipated transactions that are subject to foreign exchange exposure, primarily with foreign currency exchange contracts, which are designated as cash flow hedges in accordance with Topic 815 - Derivatives and Hedging. During the third quarter of fiscal year 2022, we also entered into cross-currency fixed interest rate swap agreements, to hedge our net investments in foreign operations against future volatility in the exchange rates between the U.S. dollar and Euro.

At September 29, 2024 and October 1, 2023, we estimate that an unfavorable 10% movement in the exchange rates would have adversely changed our hedge valuations by approximately $48.8 million and $27.1 million, respectively.

## ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) and determined that there was no change in our internal control over financial reporting during the quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We completed the Bren-Tronics acquisition on July 26, 2024 and are in the process, but have not yet concluded our assessment of the effectiveness of our internal control over financial reporting including this recent acquisition. Accordingly, pursuant to the SEC's general guidance that an assessment of a recently acquired business may be omitted from the scope of an assessment in the year of acquisition, the scope of our assessment of the effectiveness of our disclosure controls and procedures does not include Bren-Tronics. For the second quarter and six months of fiscal 2025, Bren-Tronics accounted for less than 2% of sales and as of September 29, 2024 less than 5% of total assets.

## PART II OTHER INFORMATION

### Item 1. Legal Proceedings

From time to time, we are involved in litigation incidental to the conduct of our business. See Litigation and Other Legal Matters in Note 11 - *Commitments, Contingencies and Litigation* to the Consolidated Condensed Financial Statements, which is incorporated herein by reference.

### Item 1A. Risk Factors

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our 2024 Annual Report, which could materially affect our business, financial condition or future results.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table summarizes the number of shares of common stock we purchased from participants in our equity incentive plans, as well as repurchases of common stock authorized by the Board of Directors. As provided by the Company's equity incentive plans, (a) vested options outstanding may be exercised through surrender to the Company of option shares or vested options outstanding under the Company's equity incentive plans to satisfy the applicable aggregate exercise price (and any withholding tax) required to be paid upon such exercise and (b) the withholding tax requirements related to the vesting and settlement of restricted stock units and market and performance condition-based share units may be satisfied by the surrender of shares of the Company's common stock.

**Purchases of Equity Securities**

| Period | (a) Total number of shares (or units) purchased | (b) Average price paid per share (or unit) | (c) Total number of shares (or units) purchased as part of publicly announced plans or programs | (d) Maximum number (or approximate dollar value) of shares (or units) that may be purchased under the plans or programs (1) (2) |
|---|---|---|---|---|
| July 1 - July 31, 2024 | 3,134 | $ 111.67 | — | $ 121,214,054 |
| August 1 - August 31, 2024 | 360,109 | 97.09 | 274,996 | 94,347,501 |
| September 1 - September 29, 2024 | 378,270 | 97.46 | 376,420 | 57,668,306 |
| Total | 741,513 | $ 97.34 | 651,416 | |

(1) The Company's Board of Directors has authorized the Company to repurchase up to such number of shares as shall equal the dilutive effects of any equity-based awards issued during such fiscal year under the 2017 Equity Incentive Plan and the 2023 Equity Incentive Plan and the number of shares exercised through stock option awards during such fiscal year, approximately $34.0 million.

(2) On March 9, 2022, the Company announced the establishment of a $150.0 million stock repurchase authorization, with no expiration date.

## Item 4. Mine Safety Disclosures

Not applicable.

## Item 5. Other Information

During the quarter ended September 29, 2024, none of our directors or officers (as defined in Section 16 of the Securities Exchange Act of 1934, as amended) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (each as defined in Item 408(a) and (c) of Regulation S-K) except as follows:

On August 26, 2024, David M. Shaffer, President and Chief Executive Officer and member of the board of directors, entered into a trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act (a "10b5-1 Plan"). Mr. Shaffer's 10b5-1 Plan provides for the potential sale of up to 20,000 shares of EnerSys common stock, subject to certain conditions, the 10b5-1 Plan expires on August 22, 2025.

## Item 8.01 Other Events.

On November 6, 2024, EnerSys's Board of Directors authorized a new $200 million stock repurchase program. The authorized repurchases shall be made from time to time in either the open market or through privately negotiated transactions. The timing, volume and nature of share repurchases will be at the sole discretion of management, dependent on market conditions, applicable securities laws, and other factors, and may be suspended or discontinued at any time. No assurance can be given that any particular amount of common stock will be repurchased. All or part of the repurchases may be implemented under a Rule 10b5-1 trading plan, which would allow repurchases under pre-set terms at times when EnerSys might otherwise be prevented from doing so under insider trading laws or because of self-imposed blackout periods. This repurchase program may be modified, extended or terminated by the Board of Directors at any time.

## ITEM 6. EXHIBITS

| Exhibit Number | Description of Exhibit |
|---|---|
| 2.1 | Stock Purchase Agreement, by and among EnerSys Advanced Systems Inc., the Trusts named therein and Barbara Dworkin, as Seller's and the Trusts' representative, dated May 2, 2024 (incorporated herein by reference to Exhibit 2.1 to EnerSys's Current Rep on Form 8-K, filed May 2, 2024) |
| 3.1 | Fifth Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Amendment No. 3 to the Company's Registration Statement on Form S-1 (File No. 333-115553) filed on July 13, 2004). |
| 3.2 | Fourth Amended and Restated Bylaws (incorporated by reference to Exhibits 3.1 to EnerSys' Current Report on Form 8-K (File No. 001-32253) filed on November 10, 2021). |
| 31.1 | Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act of 1934 (filed herewith). |
| 31.2 | Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act of 1934 (filed herewith). |
| 32.1 | Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith). |
| 101.INS | XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document. |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

## 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.

ENERSYS (Registrant)

By /s/ Andrea J. Funk
Andrea J. Funk
Chief Financial Officer

Date: November 6, 2024

**Exhibit 31.1**

**Certification of Principal Executive Officer**
**Pursuant To Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act Of 1934**

I, David M. Shaffer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EnerSys;
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.

By /s/ David M. Shaffer

David M. Shaffer
Chief Executive Officer

Date: November 6, 2024

**Exhibit 31.2**

**Certification of Principal Financial Officer**
**Pursuant To Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act Of 1934**

I, Andrea J. Funk, certify that:

1. I have reviewed this quarterly report on Form 10-Q of EnerSys;
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.

By /s/ Andrea J. Funk

Andrea J. Funk
Chief Financial Officer

Date: November 6, 2024

**Exhibit 32.1**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER**
**AND CHIEF FINANCIAL OFFICER**
**PURSUANT TO**
**18. U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report of EnerSys on Form 10-Q for the quarterly period ended September 29, 2024, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of EnerSys.

By /s/ David M. Shaffer

David M. Shaffer
Chief Executive Officer

By /s/ Andrea J. Funk

Andrea J. Funk
Chief Financial Officer

Date: November 6, 2024