

**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 February 28, 2023
OR

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

Commission File No. 1-11288

ENERPAC TOOL GROUP CORP.

(Exact name of registrant as specified in its charter)

Wisconsin
(State of incorporation)

39-0168610
(I.R.S. Employer Id. No.)

N86 W12500 WESTBROOK CROSSING
MENOMONEE FALLS, WISCONSIN 53051
Mailing address: P. O. Box 3241, Milwaukee, Wisconsin 53201
(Address of principal executive offices)
(262) 293-1500
(Registrant's telephone number, including area code)

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

Title of each class	Ticker Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.20 par value per share	EPAC	NYSE

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

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

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

The number of shares outstanding of the registrant's Class A Common Stock as of March 20, 2023 was 57,180,193.

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FORWARD-LOOKING STATEMENTS AND CAUTIONARY FACTORS

This quarterly report on Form 10-Q contains certain statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Such forward-looking statements include statements regarding expected financial results and other planned events, including, but not limited to, anticipated liquidity, anticipated restructuring costs and related savings, anticipated future charges and anticipated capital expenditures. The terms “may,” “should,” “could,” “anticipate,” “believe,” “estimate,” “expect,” “objective,” “plan,” “project” and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual future events or results may differ materially from these statements. We disclaim any obligation to publicly update or revise any forward-looking statements as a result of new information, future events or any other reason.

The following is a list of factors, among others, that could cause actual results to differ materially from the forward-looking statements:

- supply chain issues, including shortages of adequate component supply that increase our costs or cause delays in our ability to fulfill orders;
- failure to estimate customer demand properly may result or could have an adverse impact on our business and operating results and our relationship with customers;
- the deterioration of, or instability in, the domestic and international economy and/or in our various end markets, including as a result of geopolitical activity;
- decreases in sales and/or increases in costs or reduced availability of commodities or components used in the production of our products due to sanctions and export controls targeting Russia in connection with the Russia-Ukraine conflict;
- decreased demand from customers in the oil & gas industry, including as a result of significant volatility in oil prices resulting from disruptions in the oil markets;
- uncertainty over global tariffs or the financial impact of tariffs;
- our ability to execute on restructuring actions and on the objectives related to the ASCEND transformation program in order to achieve anticipated incremental operating profit;
- logistics challenges, including global freight capacity shortages, significant increases in freight costs or other delays in our ability to fulfill orders;

- failure to collect on accounts receivable, including in certain foreign jurisdictions where sales are concentrated to a limited number of distributors or agents;
- a significant failure in our information technology (IT) infrastructure, such as unauthorized access to financial and other sensitive data or cybersecurity threats;
- a material disruption at a significant manufacturing facility;
- competition in the markets we serve;
- currency exchange rate fluctuations, export and import restrictions, transportation disruptions or shortages, and other risks inherent in our international operations;
- regulatory and legal developments, including litigation, such as product liability and warranty claims;
- the extent to which the COVID-19 pandemic (including new variants of COVID-19) continues to impact our employees, operations, customers and suppliers;
- failure to develop new products and the extent of market acceptance of new products;
- our ability to execute on our growth strategy;
- our ability to successfully identify, consummate and integrate acquisitions and realize anticipated benefits/results from acquired companies as part of our portfolio management process;
- the effects of divestitures and/or discontinued operations, including retained liabilities from, or indemnification obligations with respect to, disposed businesses;
- if the operating performance of our businesses were to fall significantly below normalized levels, the potential for a non-cash impairment charge of goodwill and/or other intangible assets, as they represent a substantial amount of our total assets;
- a global economic recession;
- the impact of rapidly rising interest rates;
- our ability to comply with the covenants in our debt agreements and fluctuations in interest rates;
- our ability to attract, develop, and retain qualified employees;
- inadequate intellectual property protection or infringement of the intellectual property of others; and
- other matters, including those of a political, economic, business, competitive and regulatory nature contained from time to time in our U.S. Securities and Exchange Commission ("SEC") filings, including, but not limited to, those factors listed in the "Risk Factors" section within Item 1A of Part I of our Form 10-K filed with the SEC on October 25, 2022.

When used herein, the terms "we," "us," "our" and the "Company" refer to Enerpac Tool Group Corp. and its subsidiaries. Reference to fiscal years, such as "fiscal 2023," are to the fiscal year ending on August 31 of the specified year. Enerpac Tool Group Corp. provides free-of-charge access to its Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments thereto, through its website, www.enerpactoolgroup.com, as soon as reasonably practicable after such reports are electronically filed with the SEC.

PART I—FINANCIAL INFORMATION

Item 1—Financial Statements

ENERPAC TOOL GROUP CORP.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended February 28,		Six Months Ended February 28,	
	2023	2022	2023	2022
Net sales	\$ 141,960	\$ 136,599	\$ 281,342	\$ 267,502
Cost of products sold	71,593	76,618	143,069	147,895
Gross profit	70,367	59,981	138,273	119,607
Selling, general and administrative expenses	52,059	50,668	105,306	99,145
Amortization of intangible assets	1,349	1,881	2,717	3,886
Restructuring charges	2,987	1,832	3,969	4,569
Impairment & divestiture charges	—	1,116	—	1,116
Operating profit	13,972	4,484	26,281	10,891
Financing costs, net	3,105	755	5,920	1,716
Other expense, net	721	271	1,423	751
Earnings before income tax expense	10,146	3,458	18,938	8,424
Income tax expense	2,988	1,337	5,370	3,118
Net earnings from continuing operations	7,158	2,121	13,568	5,306
Loss from discontinued operations, net of income taxes	(2,661)	(900)	(1,618)	(1,297)
Net earnings	\$ 4,497	\$ 1,221	\$ 11,950	\$ 4,009
Earnings per share from continuing operations				
Basic	\$ 0.13	\$ 0.04	\$ 0.24	\$ 0.09
Diluted	\$ 0.12	\$ 0.03	\$ 0.24	\$ 0.09
Loss per share from discontinued operations				
Basic	\$ (0.05)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Diluted	\$ (0.05)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Earnings per share*				
Basic	\$ 0.08	\$ 0.02	\$ 0.21	\$ 0.07
Diluted	\$ 0.08	\$ 0.02	\$ 0.21	\$ 0.07
Weighted average common shares outstanding				
Basic	57,042	60,387	56,964	60,324
Diluted	57,500	60,689	57,409	60,655

*The total of Earnings per share from continuing operations and Loss per share from discontinued operations may not equal Earnings per share due to rounding.

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

ENERPAC TOOL GROUP CORP.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended February 28,		Six Months Ended February 28,	
	2023	2022	2023	2022
Net earnings	\$ 4,497	\$ 1,221	\$ 11,950	\$ 4,009
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	877	1,519	6,818	(8,861)
Pension and other postretirement benefit plans	139	225	222	561
Cash flow and net investment hedges	227	—	227	—
Total other comprehensive income (loss), net of tax	1,243	1,744	7,267	(8,300)
Comprehensive income (loss)	<u>\$ 5,740</u>	<u>\$ 2,965</u>	<u>\$ 19,217</u>	<u>\$ (4,291)</u>

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

ENERPAC TOOL GROUP CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	<i>(Unaudited)</i>	
	February 28, 2023	August 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 124,663	\$ 120,699
Accounts receivable, net	100,339	106,747
Inventories, net	94,206	83,672
Other current assets	36,082	31,262
Total current assets	355,290	342,380
Property, plant and equipment, net	41,248	41,372
Goodwill	262,143	257,949
Other intangible assets, net	39,716	41,507
Other long-term assets	74,790	74,104
Total assets	\$ 773,187	\$ 757,312
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	\$ 54,291	\$ 72,524
Accrued compensation and benefits	24,180	21,390
Current maturities of debt	2,500	—
Short-term debt	—	4,000
Income taxes payable	6,609	4,594
Other current liabilities	55,839	50,680
Total current liabilities	143,419	153,188
Long-term debt, net	206,754	200,000
Deferred income taxes	8,478	7,355
Pension and postretirement benefit liabilities	11,701	11,941
Other long-term liabilities	62,047	66,217
Total liabilities	432,399	438,701
Commitments and contingencies (Note 14)		
Shareholders' equity		
Class A common stock, \$0.20 par value per share, authorized 168,000,000 shares, issued 83,731,920 and 83,397,458 shares, respectively	16,746	16,679
Additional paid-in capital	215,879	212,986
Treasury stock, at cost, 26,558,965 shares	(742,844)	(742,844)
Retained earnings	978,701	966,751
Accumulated other comprehensive loss	(127,694)	(134,961)
Stock held in trust	(3,320)	(3,209)
Deferred compensation liability	3,320	3,209
Total shareholders' equity	340,788	318,611
Total liabilities and shareholders' equity	\$ 773,187	\$ 757,312

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

ENERPAC TOOL GROUP CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended February 28,	
	2023	2022
Operating Activities		
Net earnings	\$ 11,950	\$ 4,009
Less: Net loss from discontinued operations	(1,618)	(1,297)
Net earnings from continuing operations	13,568	5,306
Adjustments to reconcile net earnings to net cash provided by operating activities - continuing operations:		
Impairment & divestiture charges	—	1,116
Depreciation and amortization	8,419	10,162
Stock-based compensation expense	4,275	8,289
Provision for deferred income taxes	440	418
Amortization of debt issuance costs	610	240
Other non-cash benefits (charges)	33	(254)
Changes in components of working capital and other, excluding acquisitions and divestitures:		
Accounts receivable	7,436	(11,889)
Inventories	(8,714)	(15,787)
Trade accounts payable	(19,040)	4,072
Prepaid expenses and other assets	(2,452)	1,478
Income tax accounts	3,440	2,430
Accrued compensation and benefits	2,193	(520)
Other accrued liabilities	(2,249)	180
Cash provided by operating activities - continuing operations	7,959	5,241
Cash provided by (used in) operating activities - discontinued operations	1,818	(564)
Cash provided by operating activities	9,777	4,677
Investing Activities		
Capital expenditures	(5,465)	(4,830)
Proceeds from sale of property, plant and equipment	584	163
Cash used in investing activities - continuing operations	(4,881)	(4,667)
Cash used in investing activities	(4,881)	(4,667)
Financing Activities		
Borrowings on revolving credit facility	41,000	15,000
Principal repayments on revolving credit facility	(31,000)	(15,000)
Proceeds from issuance of term loan	200,000	—
Payment for redemption of revolver	(200,000)	—
Swingline borrowings/repayments, net	(4,000)	—
Payment of debt issuance costs	(2,486)	—
Taxes paid related to the net share settlement of equity awards	(2,474)	(3,375)
Stock option exercises & other	1,021	152
Payment of cash dividend	(2,274)	(2,409)
Cash used in financing activities - continuing operations	(213)	(5,632)
Cash used in financing activities	(213)	(5,632)
Effect of exchange rate changes on cash	(719)	(1,300)
Net increase (decrease) in cash and cash equivalents	3,964	(6,922)
Cash and cash equivalents - beginning of period	120,699	140,352
Cash and cash equivalents - end of period	<u>\$ 124,663</u>	<u>\$ 133,430</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

General

Enerpac Tool Group Corp. ("Company") is a premier industrial tools, services, technology and solutions company serving a broad and diverse set of customers in more than 100 countries. The Company has one reportable segment, the Industrial Tools & Services Segment ("IT&S"), and an Other operating segment, which does not meet the criteria to be considered a reportable segment.

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial reporting and with the instructions of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The condensed consolidated balance sheet data as of August 31, 2022 was derived from the Company's audited financial statements but does not include all disclosures required by GAAP. For additional information, including the Company's significant accounting policies, refer to the consolidated financial statements and related footnotes in the Company's fiscal 2022 Annual Report on Form 10-K.

In the opinion of management, all adjustments considered necessary for a fair statement of financial results have been made. Such adjustments consist of only those of a normal recurring nature. Operating results for the three and six months ended February 28, 2023 are not necessarily indicative of the results that may be expected for the entire fiscal year ending August 31, 2023. The Company has historically sold products to companies located in or associated with Russia. In response to the Russia-Ukraine conflict, many countries, including the countries that are members of the North Atlantic Treaty Organization ("NATO"), including the United States, have initiated sanctions and export controls targeting Russia and entities associated with Russia which significantly limits our ability to serve certain customers and collect on our outstanding receivables. The duration and extent to which the trade sanctions against Russia effect the Company's business will depend on future developments which still remain uncertain.

Recently Issued Accounting Pronouncements

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which amends ASC 805 to require an acquirer to, at the date of acquisition, recognize and measure contract assets and contract liabilities acquired in accordance with ASU 2014-9, Revenue from Contracts with Customers (Topic 606) as if the entity had originated the contracts. The guidance is effective for fiscal years beginning after December 15, 2022. The Company will adopt this guidance in the event of a business combination subsequent to the effective date of the guidance.

Accumulated Other Comprehensive Loss

The following is a summary of the Company's accumulated other comprehensive loss (in thousands):

	February 28, 2023	August 31, 2022
Foreign currency translation adjustments	\$ 109,260	\$ 116,078
Pension and other postretirement benefit plans	18,207	18,883
Cash flow and net investment hedges	227	—
Accumulated other comprehensive loss	<u>\$ 127,694</u>	<u>\$ 134,961</u>

Property Plant and Equipment

The following is a summary of the Company's components of property, plant and equipment (in thousands):

	February 28, 2023	August 31, 2022
Land, buildings and improvements	\$ 14,725	\$ 14,121
Machinery and equipment	146,480	141,571
Gross property, plant and equipment	161,205	155,692
Less: Accumulated depreciation	(119,957)	(114,320)
Property, plant and equipment, net	<u>\$ 41,248</u>	<u>\$ 41,372</u>

Note 2. Revenue from Contracts with Customers

Nature of Goods and Services

The Company generates its revenue under two principal activities, which are discussed below:

Product Sales: Sales of tools, heavy-lifting solutions, and rope solutions are recorded when control is transferred to the customer (i.e., performance obligation has been satisfied). For the majority of the Company's product sales, revenue is recognized at a point in time when control of the product is transferred to the customer, which generally occurs when the product is shipped from the Company to the customer. For certain other products that are highly customized and have a limited alternative use, and for which the Company has an enforceable right of reimbursement for performance completed to date, revenue is recognized over time. We consider the input measure (efforts-expended or cost-to-cost) or output measure as a fair measure of progress for the recognition of over-time revenue associated with these custom products. For a majority of the Company's custom products, machine hours and labor hours (efforts-expended measurement) are used as a measure of progress.

Service & Rental Sales: Service contracts consist of providing highly trained technicians to perform bolting, technical services, machining and joint-integrity work for our customers. These revenues are recognized over time as our customers simultaneously receive and consume the benefits provided by the Company. We consider the input measure (efforts-expended or cost-to-cost) or output measure as a fair measure of progress for the recognition of over-time revenue associated with service contracts. For a majority of the Company's service contracts, labor hours (efforts-expended measurement) is used as the measure of progress when it is determined to be a better depiction of the transfer of control to the customer due to the timing and pattern of labor hours incurred. Revenue from rental contracts (less than a year and non-customized products) is generally recognized ratably over the contract term, depicting the customer's consumption of the benefit related to the rental equipment.

Disaggregated Revenue and Performance Obligations

The Company disaggregates revenue from contracts with customers by reportable segment and product line and by the timing of when goods and services are transferred. See [Note 13, "Segment Information"](#) for information regarding our revenue disaggregation by reportable segment and product line.

The following table presents information regarding revenues disaggregated by the timing of when goods and services are transferred (in thousands):

	Three Months Ended February 28,		Six Months Ended February 28,	
	2023	2022	2023	2022
Revenues recognized at point in time	\$ 113,875	\$ 104,919	\$ 223,778	\$ 205,092
Revenues recognized over time	28,085	31,680	57,564	62,410
Total	\$ 141,960	\$ 136,599	\$ 281,342	\$ 267,502

Contract Balances

The Company's contract assets and liabilities are as follows (in thousands):

	February 28, 2023	August 31, 2022
Receivables, which are included in accounts receivable, net	\$ 100,339	\$ 106,747
Contract assets, which are included in other current assets	1,474	2,397
Contract liabilities, which are included in other current liabilities	3,173	2,804

Receivables: The Company performs its obligations under a contract with a customer by transferring goods or services in exchange for consideration from the customer. The Company typically invoices its customers as soon as control of an asset is transferred and a receivable for the Company is established. Accounts receivable, net is recorded at face amount of customer receivables less an allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts for expected losses as a result of customers' inability to make required payments. Management evaluates the aging of customer receivable balances, the financial condition of its customers, historical trends and the time outstanding of specific balances to estimate the amount of receivables that may be collected in the future and records the appropriate provision. The allowance for doubtful accounts was \$17.7 million and \$17.5 million at February 28, 2023 and August 31, 2022, respectively.

As indicated in the "Concentration of Credit Risk" section below, as of February 28, 2023 the Company was exposed to a concentration of credit risk with an agent as a result of its continued payment delinquency. As of February 28, 2023, the Company has a reserve of \$13.2 million based on the consideration of the factors listed below, which fully reserves for the outstanding accounts receivable balance for this agent. In the three months ended February 28, 2022, the Company recorded an additional reserve of \$3.0 million through bad debt expense (included in "Selling, general and administrative expenses" (SG&A) in the Condensed Consolidated Statements of Operations). The allowance for doubtful accounts for this particular agent as of February 28, 2023 represents

management's best estimate of the amount probable of collection and considers various factors with the respect to this matter, including, but not limited to, (i) the lack of payment by the agent since the fiscal quarter ended February 28, 2021, (ii) our due diligence on balances due to the agent from its end customers related to sales of our services and products and the known markup on those sales from agent to end customer, (iii) the status of ongoing negotiations with the agent to secure payments and (iv) legal recourse available to secure payment. Actual collections from the agent may differ from the Company's estimate.

Concentration of Credit Risk: The Company sells products and services through distributors and agents. In certain jurisdictions, those third parties represent a significant portion of our sales in their respective country which can pose a concentration of credit risk if these larger distributors or agents are not timely in their payments. As of February 28, 2023, the Company was exposed to a concentration of credit risk as a result of the payment delinquency of one of our agents whose accounts receivable represent 11.0% of the Company's outstanding accounts receivable. As of February 28, 2023, the Company has fully reserved for the amounts due from this agent.

Contract Assets: Contract assets relate to the Company's rights to consideration for work completed but not billed as of the reporting date on contracts with customers. The contract assets are transferred to receivables when the rights become unconditional. The Company has contract assets on contracts that are generally long-term and have revenues that are recognized over time.

Contract Liabilities: As of February 28, 2023, the Company had certain contracts where there were unsatisfied performance obligations and the Company had received cash consideration from customers before the performance obligations were satisfied. The majority of these contracts relate to long-term customer contracts (project durations of greater than three months) and are recognized over time. The Company estimates that substantially all of the \$3.2 million will be recognized in net sales from satisfying those performance obligations within the next twelve months.

Timing of Performance Obligations Satisfied at a Point in Time: The Company evaluates when the customer obtains control of the product based on shipping terms, as control will transfer, depending upon such terms, at different points between the Company's manufacturing facility or warehouse and the customer's location. The Company considers control to have transferred upon shipment or delivery because (i) the Company has a present right to payment at that time; (ii) the legal title has been transferred to the customer; (iii) the Company has transferred physical possession of the product to the customer; and (iv) the customer has significant risks and rewards of ownership of the product.

Variable Consideration: The Company estimates whether it will be subject to variable consideration under the terms of the contract and includes its estimate of variable consideration in the transaction price based on the expected value method when it is deemed probable of being realized based on historical experience and trends. Types of variable consideration may include rebates, incentives and discounts, among others, which are recorded as a reduction to net sales at the time when control of a performance obligation is transferred to the customer.

Practical Expedients & Exemptions: The Company elected to expense the incremental cost to obtaining a contract when the amortization period for such contracts would be one year or less. The Company does not disclose the value of unperformed obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which it recognizes revenue at the amount to which it has the right to invoice for services performed.

Note 3. ASCEND Transformation Program

In March 2022, the Company announced the launch of ASCEND, a new transformation program focused on driving accelerated earnings growth and efficiency across the business with the goal of delivering an incremental \$40 to \$50 million of annual operating profit once fully implemented. In March 2023, the Company announced this estimate had been revised to an incremental \$50 to \$60 million of annual operating profit as a result of additional ASCEND initiatives and high success rate. As part of ASCEND, the Company is focusing on the following key initiatives: (i) accelerating organic growth go-to-market strategies, (ii) improving operational excellence and production efficiency by utilizing a lean approach and (iii) driving greater efficiency and productivity in SG&A by better leveraging resources to create a more efficient and agile organization.

The Company is implementing the program and originally anticipated investing approximately \$60 to \$65 million and in March 2023 anticipates that this investment would increase to \$70 to \$75 million (as disclosed in [Note 4, "Restructuring Charges,"](#) approximately \$10 to \$15 million of these investments will be in the form of restructuring charges) over the life of the program, which is expected to be finalized as we exit fiscal 2024. Elements of these investments could include such cash costs as capital expenditures, restructuring costs, third-party support, and incentive costs. Total program expenses were approximately \$14.2 million and \$24.7 million for the three and six months ended February 28, 2023, respectively. Of the total ASCEND program expenses, \$11.2 million and \$20.6 million were recorded within SG&A expenses for the three and six months ended February 28, 2023, respectively, and \$0.2 million and \$0.2 million recorded within cost of goods sold for the three and six months ended February 28, 2023, respectively, and \$2.9 million and \$3.9 million were recorded within restructuring expenses for the three and six months ended February 28, 2023, respectively (see [Note 4, "Restructuring Charges,"](#) below).

Note 4. Restructuring Charges

The Company has undertaken or committed to various restructuring initiatives, including workforce reductions, leadership changes, plant consolidations to reduce manufacturing overhead, satellite office closures, the continued movement of production and product sourcing to low-cost alternatives, and the centralization and standardization of certain administrative functions. Liabilities for severance are generally to be paid within twelve months, while future lease payments related to facilities vacated as a result of restructuring are to be paid over the underlying remaining lease terms.

During fiscal 2019, the Company announced a restructuring plan focused on (i) the integration of the Enerpac and Hydratight businesses (IT&S segment), (ii) the strategic exit of certain commodity-type services in our North America Services operations (IT&S segment) and (iii) driving efficiencies within the overall corporate structure. In the third quarter of fiscal 2020, the Company announced the expansion and revision of this plan, which further simplified and flattened the corporate structure through elimination of redundancies between the segment and corporate functions, while enhancing our commercial and marketing processes to become even closer to our customers. Upon assessment of the Company's operating structure by the Company's new President and Chief Executive Officer (hired effective October 2021), the Company recorded \$1.9 million and \$4.6 million of charges in the three and six months ended February 28, 2022, respectively in order to further simplify and streamline the organizational structure. The total cumulative charges for the 2019 plan, which ended in the third quarter of fiscal year 2022, were \$18.0 million.

On June 27, 2022, the Company approved a new restructuring plan in connection with the initiatives identified as part of the ASCEND transformation program (see [Note 3, "ASCEND Transformation Program"](#)) to drive greater efficiency and productivity in global selling, general and administrative resources. The total costs of this plan were then estimated at \$6 to \$10 million, constituting predominately severance and other employee-related costs to be incurred as cash expenditures impacting both IT&S and Corporate. On September 23, 2022, the Company approved an updated restructuring plan. The costs of this updated plan (which includes the amounts for the plan approved in June 2022) are estimated at \$10 to \$15 million. These costs are expected to be incurred over the expected duration of the transformation program, ending in the fourth quarter of fiscal year 2024. For the three and six months ended February 28, 2023, the Company recorded \$2.9 million and \$3.9 million, respectively, of restructuring charges associated with the ASCEND transformation program.

The following summarizes restructuring reserve activity (which for the six months ended February 28, 2022 excludes \$0.8 million and \$0.5 million of charges associated with the 2019 Plan for IT&S and Corporate, respectively, associated with the accelerated vesting of equity awards which has no impact on the restructuring reserve) for the IT&S segment and Corporate (in thousands):

	Six Months Ended February 28, 2023			
	2019 Plan		ASCEND Plan	
	IT&S	Corporate	IT&S	Corporate
Balance as of August 31, 2022	\$ 212	\$ 6	\$ 2,008	\$ 797
Restructuring charges	56	—	3,441	472
Cash payments	(73)	—	(2,410)	(1,005)
Other non-cash uses of reserve	(84)	—	—	—
Impact of changes in foreign currency rates	2	—	62	—
Balance as of February 28, 2023	\$ 113	\$ 6	\$ 3,101	\$ 264

	Six Months Ended February 28, 2022	
	IT&S	Corporate
Balance as of August 31, 2021	\$ 1,737	\$ 26
Restructuring charges	2,271	1,000
Cash payments	(2,555)	(995)
Impact of changes in foreign currency rates	(37)	—
Balance as of February 28, 2022	\$ 1,416	\$ 31

Total restructuring charges (inclusive of the Other segment) were \$3.0 million and \$4.0 million in the three and six months ended February 28, 2023, respectively, and \$1.8 million and \$4.6 million in the three and six months ended February 28, 2022, respectively, being reported in "Restructuring charges."

Note 5. Discontinued Operations

On October 31, 2019, as part of our overall strategy to become a pure-play industrial tools and services company, the Company completed the sale of the businesses comprising its former Engineered Components & Systems ("EC&S") segment. This divestiture was considered part of our strategic shift to become a pure-play industrial tools and services company, and therefore, the results of operations are recorded as a component of "Earnings (loss) from discontinued operations, net of income taxes" in the Condensed Consolidated Statements of Earnings for all periods presented. All other discontinued operations activity included within the Condensed Consolidated Statements of Earnings and the Condensed Consolidated Statements of Cash Flows for the periods presented relate to impacts from certain retained liabilities.

The following represents the detail of "Loss from discontinued operations, net of income taxes" within the Condensed Consolidated Statements of Earnings (in thousands):

	Three Months Ended February 28,		Six Months Ended February 28,	
	2023	2022	2023	2022
Selling, general and administrative expenses	\$ 3,435	\$ 1,157	\$ 3,441	\$ 1,661
Impairment & divestiture benefit	—	—	(1,329)	—
Operating loss	(3,435)	(1,157)	(2,112)	(1,661)
Other loss, net	—	—	—	—
Loss before income tax benefit	(3,435)	(1,157)	(2,112)	(1,661)
Income tax benefit	(774)	(257)	(494)	(364)
Loss from discontinued operations, net of income taxes	\$ (2,661)	\$ (900)	\$ (1,618)	\$ (1,297)

Note 6. Goodwill, Intangible Assets and Long-Lived Assets

Changes in the gross carrying value of goodwill and intangible assets result from changes in foreign currency exchange rates, business acquisitions, divestitures and impairment charges. The changes in the carrying amount of goodwill for the six months ended February 28, 2023 are as follows (in thousands):

	IT&S	Other	Total
Balance as of August 31, 2022	\$ 246,740	\$ 11,209	\$ 257,949
Impact of changes in foreign currency rates	4,194	—	4,194
Balance as of February 28, 2023	\$ 250,934	\$ 11,209	\$ 262,143

The gross carrying value and accumulated amortization of the Company's intangible assets are as follows (in thousands):

	Weighted Average Amortization Period (Years)	February 28, 2023			August 31, 2022		
		Gross Carrying Value	Accumulated Amortization	Net Book Value	Gross Carrying Value	Accumulated Amortization	Net Book Value
Amortizable intangible assets:							
Customer relationships	14	\$ 136,693	\$ 121,013	\$ 15,680	\$ 135,101	\$ 117,275	\$ 17,826
Patents	11	13,838	13,262	576	13,708	13,104	604
Trademarks and tradenames	12	3,162	2,410	752	3,132	2,329	803
Indefinite lived intangible assets:							
Tradenames	N/A	22,708	—	22,708	22,274	—	22,274
		\$ 176,401	\$ 136,685	\$ 39,716	\$ 174,215	\$ 132,708	\$ 41,507

The Company estimates that amortization expense will be \$2.6 million for the remaining six months of fiscal 2023. Amortization expense for future years is estimated to be: \$3.7 million in fiscal 2024, \$3.0 million in fiscal 2025, \$1.8 million in both fiscal 2026 and 2027, \$1.6 million in fiscal 2028 and \$2.5 million cumulatively thereafter. The future amortization expense amounts represent estimates and may be impacted by future acquisitions, divestitures, or changes in foreign currency exchange rates, among other causes.

In the three months ended February 28, 2022, the Company recorded "Impairment & divestiture charges" of \$1.1 million; \$0.8 million related to a customer relationship intangible asset whereby the Company no longer intends to operate in the country associated with said customers and \$0.3 million associated with an indefinite lived tradename intangible asset on a secondary brand whereby the Company plans to sunset its use over the remainder of the fiscal year.

Note 7. Product Warranty Costs

The Company generally offers its customers an assurance warranty on products sold, although warranty periods may vary by product type and application. The reserve for future warranty claims, which is recorded within the "Other current liabilities" line in the Condensed Consolidated Balance Sheets, is based on historical claim rates and current warranty cost experience. The following summarizes the changes in product warranty reserves for the six months ended February 28, 2023 and 2022, respectively (in thousands):

	Six Months Ended February 28,	
	2023	2022
Beginning balance	\$ 1,140	\$ 1,300
Provision for warranties	389	627
Warranty payments and costs incurred	(416)	(296)
Impact of changes in foreign currency rates	20	(33)
Ending balance	<u>\$ 1,133</u>	<u>\$ 1,598</u>

Note 8. Debt

The following is a summary of the Company's long-term indebtedness (in thousands):

	February 28, 2023	August 31, 2022
Previous Senior Credit Facility		
Short-term debt	\$ —	\$ 4,000
Revolver	—	200,000
New Senior Credit Facility		
Revolver	10,000	—
Term Loan	200,000	—
Total Senior Indebtedness	<u>210,000</u>	<u>204,000</u>
Less: Current maturities of long-term debt	(2,500)	—
Short-term debt	—	(4,000)
Debt issuance costs	(746)	—
Total long-term debt, less current maturities	<u>\$ 206,754</u>	<u>\$ 200,000</u>

Senior Credit Facility

Prior to refinancing the Company's senior credit facility on September 9, 2022, the Company's previous senior credit facility matured in March 2024, and provided a \$400 million revolving line of credit, a \$200 million term loan and a \$300 million accordion. Borrowings bore interest at a variable rate based on LIBOR or a base rate, ranging from 1.125% to 2.00% in the case of loans bearing interest at LIBOR and from 0.125% to 1.00% in the case of loans bearing interest at the base rate. In addition, a non-use fee was payable quarterly on the average unused amount of the revolving line of credit ranging from 0.15% to 0.3% per annum, based on the Company's net leverage. The previous senior credit facility contained two financial covenants, which were a maximum leverage ratio of 3.75:1 and a minimum interest coverage ratio of 3.5:1. Certain transactions resulted in adjustments to the underlying ratios, including an increase to the leverage ratio from 3.75 to 4.25 during the four fiscal quarters after a significant acquisition.

On September 9, 2022, the Company refinanced its previous senior credit facility with a new \$600 million senior credit facility, comprised of a \$400 million revolving line of credit and a \$200 million term loan, which will mature in September 2027. The Company has the option to request up to \$300 million of additional revolving commitments and/or term loans under the new facility, subject to customary conditions, including the commitment of the participating lenders. The new facility replaces LIBOR with adjusted term SOFR as the interest rate benchmark and provides for interest rate margins above adjusted term SOFR ranging from 1.125% to 1.875% per annum depending on the Company's net leverage ratio. Borrowings under the new facility initially bear interest at adjusted term SOFR plus 1.125% per annum.

In addition, the new facility contains financial covenants requiring the Company to not permit (i) the net leverage ratio, determined as of the end of each of its fiscal quarters, to exceed 3.75 to 1.00 (or, at the Company's election and subject to certain conditions, 4.25 to 1.00 for the covenants period during which certain material acquisitions occur and the next succeeding four testing periods) or (ii) the interest coverage ratio, determined as of the end of each of its fiscal quarters, to be less than 3.00 to 1.00. Borrowings under the new facility are secured by substantially all personal property assets of the Company and its domestic subsidiary guarantors (other than certain specified excluded assets) and certain of the equity interests of certain subsidiaries of the Company. The Company was in compliance with all financial covenants under the new facility at February 28, 2023.

At February 28, 2023, there were \$10.0 million of borrowings under the revolving line of credit and \$386.4 million available under the revolving line of credit facility after reduction for \$3.6 million of outstanding letters of credit issued under the new facility.

Note 9. Fair Value Measurements

The Company assesses the inputs used to measure the fair value of financial assets and liabilities using a three-tier hierarchy. Level 1 inputs include unadjusted quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, foreign currency exchange rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing an asset or liability.

The fair value of the Company's cash and cash equivalents, accounts receivable, accounts payable and variable rate long-term debt approximated book value at both February 28, 2023 and August 31, 2022 due to their short-term nature and/or the fact that the interest rates approximated market rates. Foreign currency exchange contracts and interest rate swaps are recorded at fair value. The fair value of the Company's foreign currency exchange contracts was a net asset of less than \$0.1 million and a net liability of less than \$0.1 million at February 28, 2023 and August 31, 2022, respectively. The fair value of the Company's interest rate swap (see [Note 10, "Derivatives"](#), for further information on the Company's interest rate swap) was an asset of \$0.7 million at February 28, 2023. The fair value of the Company's net investment hedge (see [Note 10, "Derivatives"](#) for further information on the Company's net investment hedge) was a liability of \$0.4 million at February 28, 2023. The fair value of the foreign currency exchange and interest rate swap contracts were based on quoted inactive market prices and therefore classified as Level 2 within the valuation hierarchy.

Note 10. Derivatives

All derivatives are recognized in the balance sheet at their estimated fair value. The Company does not enter into derivatives for speculative purposes. Changes in the fair value of derivatives (not designated as hedges) are recorded in earnings along with the gain or loss on the hedged asset or liability.

The Company is exposed to market risk for changes in foreign currency exchange rates due to the global nature of its operations. In order to manage this risk, the Company utilizes foreign currency exchange contracts to reduce the exchange rate risk associated with recognized non-functional currency balances. The effects of changes in exchange rates are reflected concurrently in earnings for both the fair value of the foreign currency exchange contracts and the related non-functional currency asset or liability. These derivative gains and losses offset foreign currency gains and losses from the related revaluation of non-functional currency assets and liabilities (amounts included in "Other expense" in the Condensed Consolidated Statements of Earnings). The U.S. dollar equivalent notional value of these short duration foreign currency exchange contracts was \$18.6 million and \$16.7 million at February 28, 2023 and August 31, 2022, respectively. The fair value of outstanding foreign currency exchange contracts was a net asset of less than \$0.1 million and a net liability of less than \$0.1 million at February 28, 2023 and August 31, 2022, respectively. Net foreign currency (gain) loss (included in "Other expense" in the Condensed Consolidated Statements of Earnings) related to these derivative instruments were as follows (in thousands):

	Three Months Ended February 28,		Six Months Ended February 28,	
	2023	2022	2023	2022
Foreign currency loss (gain), net	\$ (16)	\$ (54)	\$ 620	\$ 128

During December 2022, the Company entered into an interest rate swap for the notional amount of \$0.0 million at a fixed interest rate of 4.022% to hedge the floating interest rate of the Company's term loan with a maturity date of November 30, 2025. The interest rate swap was designated and qualified as a cash flow hedge. The Company uses the interest rate swap for the management of interest rate risk exposure, as an interest rate swap effectively converts a portion of the Company's debt from a floating to a fixed rate.

The Company records the fair value of the interest rate swap as an asset or liability on its balance sheet. The change in the fair value of the interest rate swap, a net gain of \$0.5 million for both the three and six months ended February 28, 2023, is recorded in other comprehensive income (loss).

The Company also uses interest-rate derivatives to hedge portions of our net investments in non-U.S. subsidiaries (net investment hedge) against the effect of exchange rate fluctuations on the translation of foreign currency balances to the U.S. dollar. For derivatives that are designated and qualify as a net investment hedge in a foreign operation the net gains or losses attributable to the hedge changes are recorded in other comprehensive income (loss) where they offset gains and losses recorded on our net investments where the entity has non-U.S. dollar functional currency. As of February 28, 2023, the notional amount of cross-currency swaps designated as net investment hedges was \$30.5 million. The change in the fair value of the net investment hedge, a net loss of \$0.3 million for the three and six months ended February 28, 2023, is recorded in other comprehensive income (loss).

Note 11. Earnings per Share and Shareholders' Equity

The Company's Board of Directors has authorized the repurchase of shares of the Company's common stock under publicly announced share repurchase programs. Since the inception of the initial share repurchase program in fiscal 2012, the Company has repurchased 26,558,965 shares of common stock for \$742.8 million. The Company suspended the initial share repurchase program in response to the COVID-19 pandemic in the third quarter of fiscal 2020. In March 2022, the Company's Board of Directors rescinded its prior share repurchase authorization and approved a new share repurchase program authorizing the repurchase of a total of 10,000,000 shares of the Company's outstanding common stock. The Company did not repurchase shares in either of the six months ended February 28, 2023 or 2022. As of February 28, 2023, the maximum number of shares that may yet be purchased under the program is 6,240,265 shares.

The reconciliation between basic and diluted earnings per share is as follows (in thousands, except per share amounts):

	Three Months Ended February 28,		Six Months Ended February 28,	
	2023	2022	2023	2022
Numerator:				
Net earnings from continuing operations	\$ 7,158	\$ 2,121	\$ 13,568	\$ 5,306
Net loss from discontinued operations	(2,661)	(900)	(1,618)	(1,297)
Net earnings	\$ 4,497	\$ 1,221	\$ 11,950	\$ 4,009
Denominator:				
Weighted average common shares outstanding - basic	57,042	60,387	56,964	60,324
Net effect of dilutive securities - stock based compensation plans	458	302	445	331
Weighted average common shares outstanding - diluted	57,500	60,689	57,409	60,655
Earnings per share from continuing operations:				
Basic	\$ 0.13	\$ 0.04	\$ 0.24	\$ 0.09
Diluted	\$ 0.12	\$ 0.03	\$ 0.24	\$ 0.09
Loss per share from discontinued operations:				
Basic	\$ (0.05)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Diluted	\$ (0.05)	\$ (0.01)	\$ (0.03)	\$ (0.02)
Earnings per share:*				
Basic	\$ 0.08	\$ 0.02	\$ 0.21	\$ 0.07
Diluted	\$ 0.08	\$ 0.02	\$ 0.21	\$ 0.07
Anti-dilutive securities from stock based compensation plans (excluded from earnings per share calculation)	1,986	1,037	1,402	941

*The total of Earnings per share from continuing operations and loss per share from discontinued operations may not equal Earnings per share due to rounding.

The following table illustrates the changes in the balances of each component of shareholders' equity for the six months ended February 28, 2023 (in thousands):

	Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Stock Held in Trust	Deferred Compensation Liability	Total Shareholders' Equity
	Issued Shares	Amount							
Balance at August 31, 2022	83,397	\$ 16,679	\$ 212,986	\$ (742,844)	\$ 966,751	\$ (134,961)	\$ (3,209)	\$ 3,209	\$ 318,611
Net earnings	—	—	—	—	7,453	—	—	—	7,453
Other comprehensive loss, net of tax	—	—	—	—	—	6,024	—	—	6,024
Stock contribution to employee benefit plans and other	3	1	41	—	—	—	—	—	42
Vesting of equity awards	84	17	(17)	—	—	—	—	—	—
Stock based compensation expense	—	—	2,155	—	—	—	—	—	2,155
Stock option exercises	42	8	922	—	—	—	—	—	930
Tax effect related to net share settlement of equity awards	—	—	(969)	—	—	—	—	—	(969)
Stock issued to, acquired for and distributed from rabbi trust	3	1	76	—	—	—	(30)	30	77
Balance at November 30, 2022	83,529	\$ 16,706	\$ 215,194	\$ (742,844)	\$ 974,204	\$ (128,937)	\$ (3,239)	\$ 3,239	\$ 334,323
Net earnings	—	—	—	—	4,497	—	—	—	4,497
Other comprehensive income, net of tax	—	—	—	—	—	1,243	—	—	1,243
Stock contribution to employee benefit plans and other	2	—	49	—	—	—	—	—	49
Vesting of equity awards	173	34	(34)	—	—	—	—	—	—
Stock based compensation expense	—	—	2,120	—	—	—	—	—	2,120
Tax effect related to net share settlement of equity awards	—	—	(1,505)	—	—	—	—	—	(1,505)
Stock issued to, acquired for and distributed from rabbi trust	28	6	55	—	—	—	(81)	81	61
Balance at February 28, 2023	83,732	\$ 16,746	\$ 215,879	\$ (742,844)	\$ 978,701	\$ (127,694)	\$ (3,320)	\$ 3,320	\$ 340,788

The following table illustrates the changes in the balances of each component of shareholders' equity for the six months ended February 28, 2022 (in thousands):

	Common Stock		Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Stock Held in Trust	Deferred Compensation Liability	Total Shareholders' Equity
	Issued Shares	Amount							
Balance at August 31, 2021	83,022	\$ 16,604	\$ 202,971	\$ (667,732)	\$ 953,339	\$ (92,984)	\$ (3,067)	\$ 3,067	\$ 412,198
Net earnings	—	—	—	—	2,788	—	—	—	2,788
Other comprehensive income, net of tax	—	—	—	—	—	(10,044)	—	—	(10,044)
Stock contribution to employee benefit plans and other	2	1	84	—	—	—	—	—	85
Vesting of equity awards	67	17	(17)	—	—	—	—	—	—
Stock based compensation expense	—	—	6,147	—	—	—	—	—	6,147
Tax effect related to net share settlement of equity awards	—	—	(1,393)	—	—	—	—	—	(1,393)
Stock issued to, acquired for and distributed from rabbi trust	1	—	25	—	—	—	(25)	25	25
Balance at November 30, 2021	83,092	\$ 16,622	\$ 207,817	\$ (667,732)	\$ 956,127	\$ (103,028)	\$ (3,092)	\$ 3,092	\$ 409,806
Net earnings	—	—	—	—	1,221	—	—	—	1,221
Other comprehensive income, net of tax	—	—	—	—	—	1,744	—	—	1,744
Stock contribution to employee benefit plans and other	5	1	64	—	—	—	—	—	65
Vesting of equity awards	247	46	(46)	—	—	—	—	—	—
Stock based compensation expense	—	—	2,142	—	—	—	—	—	2,142
Tax effect related to net share settlement of equity awards	—	—	(1,980)	—	—	—	—	—	(1,980)
Stock issued to, acquired for and distributed from rabbi trust	1	—	25	—	—	—	3	(3)	25
Balance at February 28, 2022	83,345	\$ 16,669	\$ 208,022	\$ (667,732)	\$ 957,348	\$ (101,284)	\$ (3,089)	\$ 3,089	\$ 413,023

Note 12. Income Taxes

The Company's global operations, acquisition activity (as applicable) and specific tax attributes provide opportunities for continuous global tax planning initiatives to maximize tax credits and deductions. Comparative earnings before income taxes, income tax expense and effective income tax rates from continuing operations are as follows (dollars in thousands):

	Three Months Ended February 28,		Six Months Ended February 28,	
	2023	2022	2023	2022
Earnings from continuing operations before income tax expense	\$ 10,146	\$ 3,458	\$ 18,938	\$ 8,424
Income tax expense	2,988	1,337	5,370	3,118
Effective income tax rate	29.5 %	38.7 %	28.4 %	37.0 %

The Company's earnings from continuing operations before income taxes include earnings from both U.S. and foreign jurisdictions. As several foreign tax rates are higher than the U.S. tax rate of 21%, the annual effective tax rate is impacted by foreign rate differentials, withholding taxes, losses in jurisdictions where no benefit can be realized, and various aspects of the U.S. Tax Cuts and Jobs Act, such as the Global Intangible Low-Taxed Income and Foreign-Derived Intangible Income provisions.

The effective tax rate for the three months ended February 28, 2023 was 29.5%, compared to 38.7% for the comparable prior-year period. The effective tax rate in each time period was significantly impacted by year-to-date losses and deductions in jurisdictions where no tax benefit can be realized. The lower effective tax rate for the three months ended February 28, 2023 was primarily due to tax benefits driven by revaluing tax assets due to tax rate changes. Both the current and prior-year effective income tax rates include the impact of non-recurring items.

Note 13. Segment Information

The Company is a global manufacturer of a broad range of industrial products and solutions. The IT&S reportable segment is primarily engaged in the design, manufacture and distribution of branded hydraulic and mechanical tools and in providing services and tool rental to the infrastructure, industrial maintenance, repair and operations, oil & gas, mining, alternative and renewable energy,

civil construction and other markets. The Other segment is included for purposes of reconciliation of the respective balances below to the condensed consolidated financial statements.

The following tables summarize financial information by reportable segment and product line (in thousands):

Net Sales by Reportable Segment & Product Line	Three Months Ended February 28,		Six Months Ended February 28,	
	2023	2022	2023	2022
IT&S Segment				
Product	\$ 104,195	\$ 97,498	\$ 203,113	\$ 189,847
Service & Rental	26,709	28,442	55,088	57,406
	<u>130,904</u>	<u>125,940</u>	<u>258,201</u>	<u>247,253</u>
Other Segment	11,056	10,659	23,141	20,249
	<u>\$ 141,960</u>	<u>\$ 136,599</u>	<u>\$ 281,342</u>	<u>\$ 267,502</u>
Operating Profit (Loss)				
IT&S Segment	\$ 30,437	\$ 12,582	\$ 57,077	\$ 30,646
Other Segment	1,156	334	2,580	(923)
General Corporate	(17,621)	(8,432)	(33,376)	(18,832)
	<u>\$ 13,972</u>	<u>\$ 4,484</u>	<u>\$ 26,281</u>	<u>\$ 10,891</u>
Assets				
		February 28, 2023	August 31, 2022	
IT&S Segment		\$ 624,250	\$ 618,412	
Other Segment		44,752	46,428	
General Corporate		104,185	92,472	
		<u>\$ 773,187</u>	<u>\$ 757,312</u>	

In addition to the impact of changes in foreign currency exchange rates, the comparability of segment and product line information is impacted by acquisition/divestiture activities, impairment and divestiture charges, restructuring costs and related benefits. Corporate assets, which are not allocated, principally represent cash and cash equivalents, property, plant and equipment, Right of Use ("ROU") assets, capitalized debt issuance costs and deferred income taxes.

Note 14. Commitments and Contingencies

The Company had outstanding letters of credit of \$9.2 million and \$10.7 million at February 28, 2023 and August 31, 2022, respectively, the majority of which relate to commercial contracts and self-insured workers' compensation programs.

As part of the Company's global sourcing strategy, we have entered into agreements with certain suppliers that require the supplier to maintain minimum levels of inventory to support certain products for which we require a short lead time to fulfill customer orders. We have the ability to notify the supplier that they no longer need maintain the minimum level of inventory should we discontinue manufacturing of a product during the contract period; however, we must purchase the remaining minimum inventory levels the supplier was required to maintain within a defined period of time.

The Company is a party to various legal proceedings that have arisen in the normal course of business. These legal proceedings include regulatory matters, product liability, breaches of contract, employment, personal injury and other disputes. The Company has recorded reserves for loss contingencies based on the specific circumstances of each case. Such reserves are recorded when it is probable a loss has been incurred and can be reasonably estimated. The Company maintains a policy to exclude from such reserves an estimate of legal defense costs. In the opinion of management, resolution of these contingencies is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

Additionally, in fiscal 2019, the Company provided voluntary self-disclosures to both Dutch and U.S. authorities related to sales of products and services linked to the Crimea region of Ukraine, which sales potentially violated European Union and U.S. sanctions provisions. Although the U.S. investigation closed without further implication, the Dutch investigation continued. The Dutch Investigator concluded his investigation in March 2022 and provided the results to the Public Prosecutor's office for review.

Specifically, the Investigator concluded that the sales transactions violated EU sanctions. The conclusion in the Investigator's report was consistent with the Company's understanding of what could be stated in the report and supported the Company to record an expense in the fiscal year-ended August 31, 2021, representing the low end of a reasonable range of financial penalties the Company may incur as no other point within the range was deemed more probable. The Company has not adjusted its estimate of financial penalties as a result of the completion of the investigation in the six months ended February 28, 2023. While there can be no assurance of the ultimate outcome of the matter, the Company currently believes that there will be no material adverse effect on the Company's financial position, results of operations or cash flows from this matter.

Note 15. Leases

The Company has operating leases for real estate, vehicles, manufacturing equipment, IT equipment and office equipment (the Company does not have any financing leases). Our leases typically range in term from 3 to 15 years and may contain renewal options for periods up to 5 years at our discretion. Operating leases are recorded as operating lease ROU assets in "Other long-term assets" and operating lease liabilities in "Other current liabilities" and "Other long-term liabilities" of the Condensed Consolidated Balance Sheets. There have been no material changes to our operating lease ROU assets and operating lease liabilities during the six months ended February 28, 2023.

The components of lease expense were as follows (in thousands):

	Three Months Ended February 28,		Six Months Ended February 28,	
	2023	2022	2023	2022
Lease Cost:				
Operating lease cost	\$ 3,346	\$ 3,698	\$ 6,619	\$ 7,423
Short-term lease cost	590	399	1,084	849
Variable lease cost	1,108	1,110	2,222	2,014

Supplemental cash flow and other information related to leases were as follows (in thousands):

	Six Months Ended February 28,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 6,547	\$ 7,190
Right-of-use assets obtained in exchange for new lease liabilities:		
Operating leases	805	3,598

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

Energac Tool Group Corp. is a premier industrial tools, services, technology, and solutions company serving a broad and diverse set of customers in more than 100 countries. The Company makes complex, often hazardous jobs possible safely and efficiently. Energac Tool Group's businesses are global leaders in high pressure hydraulic tools, controlled force products and solutions for precise positioning of heavy loads that help customers safely and reliably tackle some of the most challenging jobs around the world. The Company was founded in 1910 and is headquartered in Menomonee Falls, Wisconsin. The Company has one reportable segment, the Industrial Tools & Services Segment ("IT&S"). The IT&S segment is primarily engaged in the design, manufacture and distribution of branded hydraulic and mechanical tools and in providing services and tool rental to the industrial, maintenance, infrastructure, oil & gas, alternative energy and other markets. Financial information related to the Company's reportable segment is included in [Note 13, "Segment Information"](#) in the notes to the condensed consolidated financial statements.

Our businesses provide an array of products and services across multiple markets and geographies, which results in significant diversification. The IT&S segment and the Company are well-positioned to drive shareholder value through a sustainable business strategy built on well-established brands, broad global distribution and end markets, clear focus on the core tools and services business and disciplined capital deployment.

Our Business Model

Our long-term goal is to create sustainable returns for our shareholders through above-market growth in our core business, expanding our margins, generating strong cash flow and being disciplined in the deployment of our capital. We intend to grow through execution of our organic growth strategy focused on key vertical markets which benefit from long-term macro trends, driving

customer driven innovation, expansion of our digital ecosystem to acquire and engage customers, and expansion in emerging markets such as Asia Pacific. In addition to organic growth, we also will focus on margin expansion through operational efficiency techniques including lean, continuous improvement and 80/20 to drive productivity and lower costs and leverage our selling, general and administrative expenses. We also intend to use these techniques and pricing actions to offset commodity increases and inflationary pricing. Finally, cash flow generation is critical to achieving our financial and long-term strategic objectives. We believe driving profitable growth and margin expansion will result in cash flow generation and we expect to supplement that through minimizing primary working capital. The cash flow that results from the execution of our strategy will be allocated in a disciplined way toward investment in the business, maintaining our strong balance sheet, disciplined M&A and opportunistically returning capital to shareholders. We anticipate the compounding effect of reinvesting in our business will fuel further growth and profitable returns.

General Business Update

In March 2022, the Company announced the start of its ASCEND transformation program (“ASCEND”). ASCEND’s key initiatives include accelerating organic growth go-to-market strategies, improving operational excellence and production efficiency by utilizing a Lean approach, and driving greater efficiency and productivity in selling, general and administrative expense by better leveraging resources to create a more efficient and agile organization. In March 2022, the Company originally expected an incremental \$40-\$50 million of annual operating profit from the execution of ASCEND, with the full run rate of operating profit expected to be reflected in its results as it exits fiscal 2024 and anticipated investing approximately \$60-\$65 million over the life of the program to support the ASCEND initiatives. In March 2023, the Company updated the expected annual operating profit range to \$50-\$60 million from the execution of ASCEND. The run rate and full incorporation timeline did not change with this update. The Company now anticipates investing approximately \$70-\$75 million over the life of the program to support the ASCEND initiatives. The realized benefit to operating profit from executing the ASCEND transformation program totaled approximately \$21 million for the six months ended February 28, 2023.

In June 2022, the Company approved a restructuring plan in connection with the initiatives identified as part of the ASCEND transformation program (see [Note 3, “ASCEND Transformation Program”](#) in the notes to the consolidated financial statements) to drive greater efficiency and productivity in global selling, general and administrative resources. The total costs of this plan were then estimated at \$6 to \$10 million, constituting predominately severance and other employee-related costs to be incurred as cash expenditures and impacting both IT&S and Corporate. On September 23, 2022, the Company approved an updated restructuring plan. The costs of this updated plan (which includes the amounts for the plan approved in June 2022) are estimated at \$10 to \$15 million. These costs are expected to be incurred over the expected duration of the transformation program, ending in the fourth quarter of fiscal year 2024.

Results of Operations

The following table sets forth our results of continuing operations (dollars in millions, except per share amounts):

Continuing Operations ⁽¹⁾	Three Months Ended February 28,			Six Months Ended February 28,					
	2023	2022	2022	2023	2022	2022			
	\$	\$42	100%	\$37	100%	\$81	100%	268	100%
Units sold		72	5%	77	5%	143	5%	148	5%
Profit		70	4%	60	4%	138	4%	120	4%
Selling and administrative expenses		52	3%	51	3%	105	3%	99	3%
Depreciation of intangible assets		1	1%	2	1%	3	1%	4	1%
Restructuring charges		3	2%	2	1%	4	1%	5	2%
Goodwill divestiture charges		—	0%	1	1%	—	0%	1	0%
Operating profit		14	10%	4	9%	26	9%	11	4%
Interest expense, net		3	2%	1	1%	6	2%	2	1%
Income tax expense, net		1	1%	—	0%	1	0%	1	0%
Operating profit before income tax expense		10	7%	3	2%	19	7%	8	3%
Other expense		3	2%	1	1%	5	2%	3	1%
Operating profit from continuing operations		7	5%	2	1%	14	5%	5	2%
Operating profit per share from continuing operations	\$	\$12		\$03		\$24		0.09	

⁽¹⁾ The summation of the individual components may not equal the total due to rounding.

Consolidated net sales for the second quarter of fiscal 2023 were \$142 million, an increase of \$5 million, or 4% compared to the prior year comparable period. Core sales, which excludes the impact of foreign currency changes, increased 6%, impacted from the strengthening of the U.S. dollar which unfavorably impacted sales by 2%. Product core sales increased 9%, which was substantially driven by the impact of pricing actions that started in late fiscal 2021 and continued into the current fiscal year because of significant inflationary pressures on commodities, freight, and the energy crisis, which was slightly offset by sales mix decrease compared to prior-year second quarter. Service sales decreased 4% compared to the second quarter of fiscal 2022, driven by the Middle East region additional 80/20 analysis and a more selective process for quoting service projects and focus on more differentiated solutions. Gross profit margins as a percentage of sales increased approximately 6% as a result of pricing actions and productivity efficiency related to ASCEND transformation program actions. Operating profit was \$9 million higher in the second quarter of fiscal 2023 compared to the second quarter of fiscal 2022. Selling, general, and administrative ("SG&A") expenses increased \$3 million primarily due to ASCEND transformation program charges of \$11 million, offset by lower leadership transition charges (\$2 million) compared to the prior-year period, business review charges related to external support for the deep-dive holistic business review (\$2 million), impact of prior-year discrete bad debt charges associated with significant delinquency in payments from an agent in the Middle East region (\$3 million) and reserve collection risk for customers and distributors associated with Russia (\$3 million total impact), with the remaining impact from personnel cost savings as part of the ASCEND program offset by higher incentive compensation compared to the prior year. Restructuring charges increased by \$1 million compared to the prior-year comparable period as ASCEND actions took place during the quarter.

Consolidated net sales for the first half of fiscal 2023 were \$281 million compared to \$268 million, an increase of \$14 million, or 5% compared to the prior year. Core sales increased 9%, with sales being 4% unfavorably impacted by foreign currency. The gross profit margin as a percentage of sales increased approximately 4% from pricing actions and ASCEND transformation program initiatives as discussed above. Operating profit increased approximately \$15 million primarily driven by the pricing actions. SG&A expenses increased \$6 million compared to the first half of fiscal 2022. The SG&A increase from the prior year was driven by the ASCEND transformation program charges of \$21 million, offset by leadership transition charges (\$5 million), business review charges (\$2 million), fiscal 2022 discrete bad debt actions (\$3 million), with the remaining impact from personnel cost savings as part of the ASCEND transformation program offset by higher incentive compensation compared to the prior year. Restructuring charges decreased by \$1 million compared to the prior-year comparable period as ASCEND actions took place during the first half of fiscal 2023 while fiscal 2022 included a larger impact from severance expenses arising from the termination of former executives.

Segment Results

IT&S Segment

The IT&S segment is a global supplier of branded hydraulic and mechanical tools and services to a broad array of end markets, including infrastructure, industrial maintenance, repair and operations, oil & gas, mining, alternative and renewable energy, and civil construction markets. Its primary products include branded tools, cylinders, pumps, hydraulic torque wrenches, highly engineered heavy lifting technology solutions and other tools (Product product line). On the service and rental side, the segment provides maintenance and manpower services to meet customer-specific needs and rental capabilities for certain of our products (Service & Rental product line). The following table sets forth the results of operations for the IT&S segment (dollars in millions):

	Three Months Ended February 28,		Six Months Ended February 28,	
	2023	2022	2023	2022
Net sales	\$ 131	\$ 126	\$ 258	\$ 247
Operating profit	30	13	57	31
Operating profit %	23.3 %	10.0 %	22.1 %	12.4 %

IT&S segment net sales for the second quarter of fiscal 2023 increased \$5 million, or 4%, compared to the second quarter of fiscal 2022. Core sales increased \$8 million, or 7%, year-over-year due to the strengthening of the U.S. dollar and pricing actions slightly offset by lower volume due to sales mix change compared to the prior year. Operating profit percentage increased approximately 13% from the prior year quarter from pricing actions.

IT&S segment net sales for the first half of fiscal 2023 were \$258 million, an increase of \$11 million, or 4%, compared to the prior-year period. Core sales increased 9% due to the strengthening of the U.S. dollar, pricing actions and volume increases primarily in the Americas. Operating profit was 22.1% for the first half of fiscal 2023 compared to 12.4% for the prior-year first half. The year-over-year increase is driven by the pricing actions taken, which covered increased costs, lower selling, general, and administrative expenses from salaries, and the discrete bad debt item from fiscal 2022.

Corporate

Corporate expenses were \$18 million and \$8 million in the three months ended February 28, 2023 and 2022, respectively, and \$33 million and \$19 million in the six months ended February 28, 2023 and 2022, respectively. The approximately \$10 million increase for the three months ended February 28, 2023 was driven by ASCEND transformation program charges. The \$14 million increase for the six months ended February 28, 2023 was driven by \$17 million of ASCEND transformation program charges, increased incentive compensation and salary, offset by leadership transition charges (\$5 million) and business review charges (\$2 million).

Financing Costs, net

Net financing costs were \$3 million and \$1 million for the three months ended February 28, 2023 and 2022, respectively. For the six months ended February 28, 2023 and 2022, net financing costs were \$6 million and \$2 million, respectively. Financing costs increased due to higher debt balances (approximately \$35 million) and higher interest rates.

Income Tax Expense

The Company's global operations, acquisition activity (as applicable) and specific tax attributes provide opportunities for continuous global tax planning initiatives to maximize tax credits and deductions. Comparative earnings before income taxes, income tax expense and effective income tax rates from continuing operations are as follows (dollars in millions):

	Three Months Ended February 28,		Six Months Ended February 28,	
	2023	2022	2023	2022
Earnings from continuing operations before income tax expense	\$ 10	\$ 3	\$ 19	\$ 8
Income tax expense	3	1	5	3
Effective income tax rate	29.5 %	38.7 %	28.4 %	37.0 %

The Company's earnings from continuing operations before income taxes include earnings from both U.S. and foreign jurisdictions. As many foreign tax rates are higher than the U.S. tax rate of 21%, the annual effective tax rate is impacted by foreign rate differentials, withholding taxes, losses in jurisdictions where no benefit can be realized, and various aspects of the U.S. Tax Cuts and Jobs Act, such as the Global Intangible Low-Taxed Income and Foreign-Derived Intangible Income provisions.

The effective tax rate for the three months ended February 28, 2023 was 29.5%, compared to 38.7% for the comparable prior-year period. The effective tax rate in each time period was significantly impacted by year-to-date losses and deductions in jurisdictions where no tax benefit can be realized. The lower effective tax rate for the three months ended February 28, 2023 was primarily due to tax benefits driven by revaluing tax assets due to tax rate changes. Both the current and prior-year effective income tax rates include the impact of non-recurring items.

Cash Flows and Liquidity

At February 28, 2023, we had \$125 million of cash and cash equivalents of which \$121 million was held by our foreign subsidiaries and \$4 million was held domestically. The following table summarizes our cash flows provided by operating, investing and financing activities (dollars in millions):

	Six Months Ended February 28,	
	2023	2022
Cash provided by operating activities	\$ 10	\$ 5
Cash used in investing activities	(5)	(5)
Cash used in financing activities	—	(6)
Effect of exchange rate changes on cash	(1)	(1)
Net increase (decrease) in cash and cash equivalents	\$ 4	\$ (7)

Net cash provided by operating activities was \$10 million for the six months ended February 28, 2023 as compared to \$5 million net cash provided by operating activities for the six months ended February 28, 2022. The \$5 million increase in cash flow provided by operating activities was primarily the result of \$5 million in higher earnings and \$22 million in account receivable balances from stronger collections and timing of large project billings, net of \$23 million decrease in the accounts payable balance due to ASCEND payments made in the quarter.

Net cash used in investing activities was \$5 million for both the six months ended February 28, 2023 and 2022. The cash used in investing activities for both fiscal years primarily related to capital expenditures.

Net cash used in financing activities was less than \$1 million for the six months ended February 28, 2023 compared to \$6 million for the six months ended February 28, 2022. The net cash used in financing activities for the six months ended February 28, 2023 predominantly consisted of \$2 million paid for the annual dividend, \$2 million for debt issuance costs associated to our new senior credit facility, and \$2 million for taxes paid to the net share settlement of equity awards offset by an increase of \$6 million in total borrowings. The net cash used in financing activities for the six months ended February 28, 2022 predominantly consisted of \$2 million paid for the annual dividend and \$3 million for taxes paid related to the net share settlement of equity awards.

On September 9, 2022, the Company refinanced its previous senior credit facility with a new \$600 million senior credit facility, comprised of a \$400 million revolving line of credit and a \$200 million term loan, which will mature in September 2027. The Company has the option to request up to \$300 million of additional revolving commitments and/or term loans under the new facility, subject to customary conditions, including the commitment of the participating lenders. See [Note 8, "Debt"](#) in the notes to the condensed consolidated financial statements for further details regarding the senior credit facility.

At February 28, 2023, there were \$10 million of borrowings under the revolving line of credit and \$386 million available under the revolving line of credit facility after reduction for \$4 million of outstanding letters of credit issued under the new facility. The Company was in compliance with all financial covenants under the senior credit facility at February 28, 2023.

We believe that the revolving credit line, combined with our existing cash on hand and anticipated operating cash flows, will be adequate to meet operating, debt service, acquisition and capital expenditure funding requirements for the foreseeable future.

Primary Working Capital Management

We use primary working capital as a percentage of sales (PWC %) as a key metric of working capital management. We define this metric as the sum of net accounts receivable and net inventory less accounts payable, divided by the past three months sales annualized. The following table shows a comparison of primary working capital (dollars in millions):

	February 28, 2023	PWC%	August 31, 2022	PWC%
Accounts receivable, net	\$ 100	18 %	\$ 107	18 %
Inventory, net	94	17 %	84	14 %
Accounts payable	(54)	(10) %	(73)	(12) %
Net primary working capital	<u>\$ 140</u>	<u>25 %</u>	<u>\$ 118</u>	<u>20 %</u>

Commitments and Contingencies

We had outstanding letters of credit totaling \$9.2 million and \$10.7 million at February 28, 2023 and August 31, 2022, respectively, the majority of which relate to commercial contracts and self-insured workers' compensation programs.

We are also subject to certain contingencies with respect to legal proceedings and regulatory matters which are described in [Note 14, "Commitments and Contingencies"](#) in the notes to the condensed consolidated financial statements. While there can be no assurance of the ultimate outcome of these matters, the Company believes that there will be no material adverse effect on the Company's results of operations, financial position or cash flows.

Contractual Obligations

Our contractual obligations have not materially changed at February 28, 2023 from what was previously disclosed in Part 1, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the heading "Contractual Obligations" in our Annual Report on Form 10-K for the year ended August 31, 2022.

Critical Accounting Estimates

Management has evaluated the accounting estimates used in the preparation of the Company's condensed consolidated financial statements and related notes and believe those estimates to be reasonable and appropriate. Certain of these accounting estimates are considered by management to be the most critical in understanding judgments involved in the preparation of our condensed consolidated financial statements and uncertainties that could impact our results of operations, financial position and cash flow. For information about more of the Company's policies, methodology and assumptions related to critical accounting policies refer to the Critical Accounting Policies in Part 1, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," included in the Annual Report on Form 10-K for the year ended August 31, 2022.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

The diverse nature of our business activities necessitates the management of various financial and market risks, including those related to changes in interest rates, foreign currency exchange rates and commodity costs.

Interest Rate Risk: As of February 28, 2023, long-term debt consisted of \$10 million of borrowing under the revolving line of credit (variable rate debt) and \$200 million of term loan debt bearing interest based on SOFR (variable rate). An interest-rate swap effectively converts the SOFR-based rate of \$60 million of term borrowings under our credit facility to a fixed rate. A ten percent increase in the average costs of our variable rate debt would have resulted in a \$0.6 million increase in financing costs for the three months ended February 28, 2023.

Foreign Currency Risk: We maintain operations in the U.S. and various foreign countries. Our more significant non-U.S. operations are located in Australia, the Netherlands, the United Kingdom, United Arab Emirates and China, and we have foreign currency risk relating to receipts from customers, payments to suppliers and intercompany transactions denominated in foreign currencies. Under certain conditions, we enter into hedging transactions (primarily foreign currency exchange contracts) that enable us to mitigate the potential adverse impact of foreign currency exchange rate risk (see [Note 10, “Derivatives”](#) in the notes to the consolidated financial statements for further information). We do not engage in trading or other speculative activities with these transactions, as established policies require that these hedging transactions relate to specific currency exposures.

The strengthening of the U.S. dollar against most currencies can have an unfavorable impact on our results of operations and financial position as foreign denominated operating results are translated into U.S. dollars. To illustrate the potential impact of changes in foreign currency exchange rates on the translation of our results of operations, quarterly sales and operating profit were remeasured assuming a ten percent decrease in all foreign exchange rates compared with the U.S. dollar. Using this assumption, quarterly sales would have been lower by \$6 million and operating profit would have been lower by approximately \$1 million, respectively, for the three months ended February 28, 2023. This sensitivity analysis assumes that each exchange rate would change in the same direction relative to the U.S. dollar and excludes the potential effects that changes in foreign currency exchange rates may have on sales levels or local currency prices. Similarly, a ten percent decline in foreign currency exchange rates versus the U.S. dollar would result in a \$34 million reduction to equity (accumulated other comprehensive loss) as of February 28, 2023, as a result of non-U.S. dollar denominated assets and liabilities being translated into U.S. dollars, our reporting currency.

Commodity Cost Risk: We source a wide variety of materials and components from a network of global suppliers. While such materials are typically available from numerous suppliers, commodity raw materials, such as steel and plastic resin, are subject to price fluctuations, which could have a negative impact on our results. We strive to pass along such commodity price increases to customers to avoid profit margin erosion.

Item 4 – Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

Under the supervision and with the participation of our senior management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as 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 quarterly report (the “Evaluation Date”). Based on this evaluation, our chief executive officer and chief financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to the Company, including consolidated subsidiaries, required to be disclosed in our Securities and Exchange Commission (“SEC”) reports (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to the Company’s management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). There have been no changes in our internal control over financial reporting that occurred during the quarter ended February 28, 2023 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

The Company's Board of Directors has authorized the repurchase of shares of the Company's common stock under publicly announced share repurchase programs. Since the inception of the initial share repurchase program in fiscal 2012, the Company has repurchased 26,558,965 shares of common stock for \$743 million. The Company suspended the initial share repurchase program in response to the COVID-19 pandemic in the third quarter of fiscal 2020. In March 2022, the Company's Board of Directors rescinded its prior share repurchase authorization and approved a new share repurchase program authorizing the repurchase of a total of 10,000,000 shares of the Company's outstanding common stock. The Company did not repurchase shares in either of the six months ended February 28, 2023 or 2022. As of February 28, 2023, the maximum number of shares that may yet be purchased under the program is 6,240,265 shares.

Item 6 – Exhibits

Exhibit	Description	Incorporated Herein By Reference To	Filed Herewith	Furnished Herewith
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		X	
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002		X	
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			X
101	The following materials from the Enerpac Tool Group Corp. Form 10-Q for the three and six months ended February 28, 2023 and 2022 formatted in Inline Extensible Business Reporting Language (Inline XBRL): (i) the Condensed Consolidated Statements of Earnings, (ii) the Condensed Consolidated Statements of Comprehensive Income (Loss), (iii) the Condensed Consolidated Balance Sheets, (iv) the Condensed Consolidated Statements of Cash Flows and (v) the Notes to the Condensed Consolidated Financial Statements.		X	
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in the Interactive Data Files submitted as Exhibit 101)			

SIGNATURE

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.

ENERPAC TOOL GROUP CORP.

(Registrant)

Date: March 24, 2023

By:

/S/ ANTHONY P. COLUCCI

Anthony P. Colucci

*Executive Vice President and Chief Financial Officer
(Principal Financial Officer)*

CERTIFICATION

I, Paul E. Sternlieb, certify that:

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

Date: March 24, 2023

/s/ Paul E. Sternlieb

Paul E. Sternlieb
Chief Executive Officer and President

CERTIFICATION

I, Anthony P. Colucci, certify that:

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

Date: March 24, 2023

/s/ Anthony Colucci

Anthony P. Colucci

Executive Vice President and Chief Financial Officer

WRITTEN STATEMENT OF THE CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. ss.1350, I, the undersigned Chief Executive Officer and President of Enerpac Tool Group Corp. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended February 28, 2023 (the "Report") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

Date: March 24, 2023

/s/ Paul E. Sternlieb

Paul E. Sternlieb

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Enerpac Tool Group Corp. and will be retained by Enerpac Tool Group Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be considered filed as part of the Form 10-Q.

WRITTEN STATEMENT OF THE CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. ss.1350, I, the undersigned Executive Vice President and Chief Financial Officer of Enerpac Tool Group Corp. (the "Company"), hereby certify, based on my knowledge, that the Quarterly Report on Form 10-Q of the Company for the quarterly period ended February 28, 2023 (the "Report") fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

Date: March 24, 2023

/s/ Anthony Colucci

Anthony P. Colucci

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Enerpac Tool Group Corp. and will be retained by Enerpac Tool Group Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-Q and shall not be considered filed as part of the Form 10-Q.