UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

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

For the Quarterly Period Ended September 30, 2021

OR

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

For the Transition Period from _____ to _____

COMMISSION FILE NUMBER 0-19687

Synalloy Corporation
(Exact name of registrant as specified in its charter)

Delaware	**57-0426694**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
4510 Cox Road, Suite 201, Richmond, Virginia	**23060**
(Address of principal executive offices)	*(Zip Code)*

(804) 822-3260
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of exchange on which registered
Common Stock, par value $1.00 per share	SYNL	NASDAQ Global Market

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 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, smaller reporting company or emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☐

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

The number of shares outstanding of the registrant's common stock as of November 8, 2021 was 9,372,346

Synalloy Corporation
Table of Contents

Forward-Looking Statements

This Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and other applicable federal securities laws. All statements that are not historical facts are forward-looking statements. Forward looking statements can be identified through the use of words such as "estimate," "project," "intend," "expect," "believe," "should," "anticipate," "hope," "optimistic," "plan," "outlook," "should," "could," "may" and similar expressions. The forward-looking statements are subject to certain risks and uncertainties, including without limitation those identified below, which could cause actual results to differ materially from historical results or those anticipated. Readers are cautioned not to place undue reliance on these forward-looking statements. The following factors could cause actual results to differ materially from historical results or those anticipated: adverse economic conditions, including risks relating to the impact and spread of and the government's response to COVID-19; inability to weather an economic downturn; the impact of competitive products and pricing; product demand and acceptance risks; raw material and other increased costs; raw material availability; financial stability of the Company's customers; customer delays or difficulties in the production of products; loss of consumer or investor confidence; employee relations; ability to maintain workforce by hiring trained employees; labor efficiencies; risks associated with acquisitions; environmental issues; negative or unexpected results from tax law changes; inability to comply with covenants and ratios required by the Company's debt financing arrangements; and other risks detailed from time-to-time in Synalloy Corporation's Securities and Exchange Commission filings, including our Annual Report on Form 10-K, which filings are available from the SEC. Synalloy Corporation assumes no obligation to update any forward-looking information included in this release.

Part I - Financial Information
Item 1. Financial Statements

SYNALLOY CORPORATION
Condensed Consolidated Balance Sheets
(in thousands, except par value and share data)

	(Unaudited) September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 1,174	$ 236
Accounts receivable, net of allowance for credit losses of $108 and $496, respectively	44,096	28,183
Inventories, net	98,334	85,080
Prepaid expenses and other current assets	8,820	13,384
Total current assets	152,424	126,883
Property, plant and equipment, net	29,691	35,096
Right-of-use assets, operating leases, net	30,975	31,769
Goodwill	1,355	1,355
Intangible assets, net	9,385	11,426
Deferred charges, net	327	455
Total assets	$ 224,157	$ 206,984
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 34,850	$ 19,732
Accounts payable - related parties	2	—
Accrued expenses and other current liabilities	10,144	6,123
Current portion of long-term debt	1,750	875
Current portion of earn-out liability	2,249	3,434
Current portion of operating lease liabilities	1,019	867
Current portion of finance lease liabilities	40	19
Total current liabilities	50,054	31,050
Long-term debt	47,213	60,495
Long-term portion of earn-out liability	—	287
Long-term portion of operating lease liabilities	32,191	32,771
Long-term portion of finance lease liabilities	46	37
Deferred income taxes	1,342	1,957
Other long-term liabilities	84	92
Total non-current liabilities	80,876	95,639
Commitments and contingencies – See Note 13		
Shareholders' equity		
Common stock, par value $1 per share; authorized 24,000,000 shares; issued 10,300,000 shares	10,300	10,300
Capital in excess of par value	37,037	37,719
Retained earnings	55,014	42,835
	102,351	90,854
Less: cost of common stock in treasury - 970,653 and 1,123,319 shares, respectively	9,124	10,559
Total shareholders' equity	93,227	80,295
Total liabilities and shareholders' equity	$ 224,157	$ 206,984

Note: The condensed consolidated balance sheet at December 31, 2020 has been derived from the audited consolidated financial statements at that date. See accompanying notes to condensed consolidated financial statements.

SYNALLOY CORPORATION
Condensed Consolidated Statements of Operations (Unaudited)
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net sales	$ 86,182	$ 59,266	$ 239,047	$ 200,099
Cost of sales	68,176	54,271	198,219	183,592
Gross profit	18,006	4,995	40,828	16,507
Expenses				
Selling, general and administrative	6,948	6,275	21,941	21,088
Acquisition costs and other	201	656	201	803
Proxy contest costs and recoveries	—	207	168	3,105
Earn-out adjustments	160	(146)	1,430	(969)
Asset impairments	—	—	233	6,079
Goodwill impairment	—	10,748	—	10,748
Gain on lease modification	—	(171)	—	(171)
Operating income (loss)	10,697	(12,574)	16,855	(24,176)
Other expense (income)				
Interest expense	329	452	1,068	1,703
Loss on extinguishment of debt	—	—	223	—
Change in fair value of interest rate swaps	—	(16)	(2)	65
Other, net	(10)	59	152	(1,244)
Income (loss) before income taxes	10,378	(13,069)	15,414	(24,700)
Income tax provision (benefit)	2,179	(2,530)	3,235	(6,026)
Net income (loss)	$ 8,199	$ (10,539)	$ 12,179	$ (18,674)
Net income (loss) per common share:				
Basic	$ 0.88	$ (1.16)	$ 1.32	$ (2.06)
Diluted	$ 0.87	$ (1.16)	$ 1.30	$ (2.06)
Weighted average shares outstanding:				
Basic	9,287	9,105	9,237	9,079
Dilutive effect from stock options and grants	116	—	111	—
Diluted	9,403	9,105	9,348	9,079

See accompanying notes to condensed consolidated financial statements.

SYNALLOY CORPORATION
Condensed Consolidated Statements of Cash Flows (Unaudited) (in thousands)

	Nine Months Ended September 30,	
	2021	**2020**
Operating activities		
Net income (loss)	$ 12,179	$ (18,674)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation expense	5,459	5,752
Amortization expense	2,041	2,324
Amortization of debt issuance costs	71	129
Asset impairments	233	6,079
Goodwill impairment	—	10,748
Loss on extinguishment of debt	223	—
Unrealized gain on equity securities	—	(208)
Deferred income taxes	(615)	(2,116)
Proceeds from business interruption insurance	—	1,040
Loss on sale of equity securities	—	38
Earn-out adjustments	1,430	(969)
Payments on earn-out liabilities in excess of acquisition date fair value	(11)	(292)
(Reduction of) provision for losses on accounts receivable	(388)	53
Provision for losses on inventories	2,286	874
(Gain) loss on disposal of property, plant and equipment	(580)	237
Non-cash lease expense	373	385
Non-cash lease termination loss	5	24
Gain on lease modification	—	(171)
Change in fair value of interest rate swap	(2)	65
Issuance of treasury stock for director fees	58	405
Stock-based compensation expense	695	1,036
Changes in operating assets and liabilities:		
Accounts receivable	(15,525)	1,438
Inventories	(15,539)	4,593
Other assets and liabilities	(1,443)	(1,902)
Accounts payable	15,118	(1,636)
Accounts payable - related parties	2	—
Accrued expenses	3,272	681
Accrued income taxes	6,844	(3,963)
Net cash provided by operating activities	16,186	5,970
Investing activities		
Purchases of property, plant and equipment	(761)	(2,824)
Proceeds from disposal of property, plant and equipment	1,054	102
Proceeds from sale of equity securities	—	4,430
Net cash provided by investing activities	293	1,708
Financing activities		
Borrowings from long-term debt	41,648	—
Payments on long-term debt	(54,056)	(3,000)
Payments on BB&T line of credit	—	(1,210)
Principal payments on finance lease obligations	(31)	(101)
Payments for finance lease terminations	—	(204)
Payments on earn-out liabilities	(2,891)	(2,939)
Payments for termination of interest rate swap	(46)	—
Repurchase of common stock	—	(635)
Payments for deferred financing costs	(165)	(52)
Net cash used in financing activities	(15,541)	(8,141)
Increase (decrease) in cash and cash equivalents	938	(463)
Cash and cash equivalents, beginning of period	236	626
Cash and cash equivalents, end of period	$ 1,174	$ 163

See accompanying notes to condensed consolidated financial statements.

SYNALLOY CORPORATION
Condensed Consolidated Statements of Cash Flows (Unaudited) (in thousands)

	Nine Months Ended September 30,	
Supplemental Disclosure	**2021**	**2020**
Cash paid for interest	$ 994	$ 1,573
Cash paid for income taxes	$ 649	$ 16

See accompanying notes to condensed consolidated financial statements.

SYNALLOY CORPORATION
Condensed Consolidated Statements of Shareholders' Equity (Unaudited)
(in thousands)

	Three Months Ended September 30, 2021				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
Balance June 30, 2021	$ 10,300	$ 37,309	$ 46,815	$ (9,693)	$ 84,731
Net income	—	—	8,199	—	8,199
Issuance of 60,494 shares of common stock from treasury	—	(511)	—	569	58
Stock-based compensation	—	239	—	—	239
Balance September 30, 2021	$ 10,300	$ 37,037	$ 55,014	$ (9,124)	$ 93,227

	Nine Months Ended September 30, 2021				
	Common Stock	Capital in Excess of Par Value	Retained Earnings	Cost of Common Stock in Treasury	Total
Balance December 31, 2020	$ 10,300	$ 37,719	$ 42,835	$ (10,559)	$ 80,295
Net income	—	—	12,179	—	12,179
Issuance of 152,666 shares of common stock from treasury	—	(1,377)	—	1,435	58
Stock-based compensation	—	695	—	—	695
Balance September 30, 2021	$ 10,300	$ 37,037	$ 55,014	$ (9,124)	$ 93,227

See accompanying notes to condensed consolidated financial statements.

Synalloy Corporation
Condensed Consolidated Statements of Shareholders' Equity (Unaudited)
Continued

	Three Months Ended September 30, 2020				
	Common Stock	**Capital in Excess of Par Value**	**Retained Earnings**	**Cost of Common Stock in Treasury**	**Total**
Balance June 30, 2020	$ 10,300	$ 37,465	$ 61,967	$ (11,675)	$ 98,057
Net loss	—	—	(10,539)	—	(10,539)
Issuance of 50,652 shares of common stock from treasury	—	(71)	—	476	405
Stock-based compensation	—	270	—	—	270
Balance September 30, 2020	$ 10,300	$ 37,664	$ 51,428	$ (11,199)	$ 88,193

	Nine Months Ended September 30, 2020				
	Common Stock	**Capital in Excess of Par Value**	**Retained Earnings**	**Cost of Common Stock in Treasury**	**Total**
Balance December 31, 2019	$ 10,300	$ 37,407	$ 70,552	$ (11,748)	$ 106,511
Net loss	—	—	(18,674)	—	(18,674)
Cumulative adjustment due to adoption of ASC 326	—	—	(450)	—	(450)
Issuance of 126,092 shares of common stock from treasury	—	(779)	—	1,184	405
Stock-based compensation	—	1,036	—	—	1,036
Purchases of common stock	—	—	—	(635)	(635)
Balance September 30, 2020	$ 10,300	$ 37,664	$ 51,428	$ (11,199)	$ 88,193

See accompanying notes to condensed consolidated financial statements.

Unless indicated otherwise, the terms "Company," "we," "us," and "our" refer to Synalloy Corporation and its consolidated subsidiaries.

Note 1: Basis of Presentation

Basis of Financial Statement Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included as required by Regulation S-X, Rule 10-01.

These interim unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto in the Synalloy Corporation (the "Company") Annual Report on Form 10-K for the year ended December 31, 2020 (the "Annual Report"). The financial results for the interim periods may not be indicative of the financial results for the entire year.

COVID-19 Update

During the three and nine months ended September 30, 2021, aspects of the Company's business continued to be affected by macroeconomic factors related to the COVID-19 pandemic, specifically with production at our plants and within our supply chain. The nature of the situation is dynamic and the full extent of any future impacts of the COVID-19 pandemic on the Company's operational and financial performance is currently uncertain and will depend on many factors outside of the Company's control.

Recently Issued Accounting Standards - Adopted

On September 30, 2020, the Company early adopted ASU No. 2019-12 *"Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes."* This ASU removes certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences as well as adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for goodwill and allocating taxes to members of a consolidated group. The most significant impact to the Company is the removal of a limit on the tax benefit recognized on pre-tax losses in interim periods.

Recently Issued Accounting Standards - Not Yet Adopted

Recent accounting pronouncements pending adoption, other than those stated above, are not expected to have a material impact on the Company.

Note 2: Revenue Recognition

Revenues are recognized when control of the promised goods is transferred to our customers or when a service is rendered, in an amount that reflects the consideration we are to receive in exchange for those goods or services.

The following table presents the Company's revenues, disaggregated by product group. Substantially all of the Company's revenues are derived from contracts with customers where performance obligations are satisfied at a point-in-time.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Fiberglass and steel liquid storage tanks and separation equipment	$ 189	$ 538	881	4,994
Heavy wall seamless carbon steel pipe and tube	10,398	5,436	29,347	18,408
Stainless steel pipe and tube	48,331	37,231	134,632	120,265
Galvanized pipe and tube	11,209	3,875	28,578	16,094
Specialty chemicals	16,055	12,186	45,609	40,338
Net sales	$ 86,182	$ 59,266	$ 239,047	$ 200,099

Arrangements with Multiple Performance Obligations

Our contracts with customers may include multiple performance obligations. For such arrangements, revenue for each performance obligation is based on its stand-alone selling price and revenue is recognized as each performance obligation is satisfied. The Company generally determines stand-alone selling prices based on the prices charged to customers using the adjusted market assessment approach or expected cost plus margin.

Note 3: Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. To measure fair value, we use a three-tier valuation hierarchy based upon observable and non-observable inputs:

Level 1 - Unadjusted quoted prices that are available in active markets for identical assets or liabilities at the measurement date.

Level 2 - Significant other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in non-active markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Significant unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using model-based techniques, including option pricing models, discounted cash flow models, probability weighted models, and Monte Carlo simulations.

The Company's financial instruments include cash and cash equivalents, accounts receivable, derivative instruments, accounts payable, earn-out liabilities, a revolving line of credit, a term loan, and equity securities investments.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

Level 3: Contingent consideration (earn-out) liabilities

The fair value of contingent consideration ("earn-out") liabilities resulting from the 2017 MUSA-Stainless acquisition, 2018 MUSA-Galvanized acquisition, and 2019 American Stainless acquisition are classified as Level 3. Each quarter-end, the Company re-evaluates its assumptions for all earn-out liabilities and adjusts to reflect the updated fair values. Changes in the estimated fair value of the earn-out liabilities are reflected in operating income in the periods in which they are identified. Changes in the fair value of the earn-out liabilities will impact and cause volatility in the Company's operating results. The significant unobservable inputs used in the fair value measurement of the Company's earn-out liabilities are the discount rate, timing of the estimated payouts, and future revenue projections. Significant increases (decreases) in any of those inputs would not have resulted in a material difference in the fair value measurement of the earn-out liabilities for the three and nine months ended September 30, 2021.

The following table presents a summary of changes in fair value of the Company's Level 3 earn-out liabilities measured on a recurring basis for the nine months ended September 30, 2021:

(in thousands)	MUSA-Stainless	MUSA-Galvanized	American Stainless	Total
Balance December 31, 2020	$ 375	$ 941	$ 2,405	$ 3,721
Earn-out payments during the period	(385)	(780)	(1,737)	(2,902)
Changes in fair value during the period	10	949	471	1,430
Balance September 30, 2021	$ —	$ 1,110	$ 1,139	$ 2,249

For the three and nine months ended September 30, 2021, the Company hadno unrealized gains or losses included in other comprehensive income for recurring Level 3 fair value instruments.

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table summarizes the significant unobservable inputs in the fair value measurement of our contingent consideration (earn-out) liabilities as of September 30, 2021:

Instrument	Fair Value September 30, 2021	Principal Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
Contingent consideration (earn-out) liabilities	$2,249	Probability Weighted Expected Return	Discount rate	-	5%
			Timing of estimated payouts	2021 - 2022	-
			Future revenue projections	$6.4M - $9.5M	$8.3M

The weighted average discount rate was calculated by applying an equal weighting to each contingent consideration's (earn-out liabilities) discount rate. The weighted average future revenue projection was calculated by applying an equal weighting of probabilities to each forecasted scenario within the valuation models to determine the probability weighted sales applicable to the contingent consideration (earn-out liabilities).

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

During the three months ended September 30, 2021, the Company had no significant measurements of assets or liabilities at fair value on a non-recurring basis subsequent to their initial recognition. During the nine months ended September 30, 2021, the Company's only significant measurements of assets or liabilities at fair value on a non-recurring basis subsequent to their initial recognition were certain long-lived assets. The Company does not periodically adjust carrying value to fair value of these assets; rather, the carrying value of the asset is reduced to its fair value when the Company determines that impairment has occurred.

During the nine months ended September 30, 2021, the Company determined that technology associated with certain long lived assets within the Specialty Chemicals Segment was obsolete and, as a result, recognized a non-cash, pre-tax asset impairment charge of $0.2 million.

Fair Value of Financial Instruments

For short-term instruments, other than those required to be reported at fair value on a recurring and non-recurring basis and for which additional disclosures are included above, management concluded the historical carrying value is a reasonable estimate of fair value because of the short period of time between the origination of such instruments and their expected realization. Therefore, as of September 30, 2021 and December 31, 2020, the carrying amounts for cash and cash equivalents, accounts receivable, accounts payable, and the Company's revolving line of credit, which is based on a variable interest rate, approximate their fair values.

Note 4: Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by either specific identification or weighted average methodsThe components of inventories are as follows:

(in thousands)	September 30, 2021	December 31, 2020
Raw materials	$ 48,633	$ 36,349
Work-in-process	23,916	20,520
Finished goods	28,419	28,929
	100,968	85,798
Less: inventory reserves	(2,634)	(718)
Inventories, net	$ 98,334	$ 85,080

Note 5: Property, Plant and Equipment

Property, plant and equipment consist of the following:

(in thousands)	September 30, 2021	December 31, 2020
Land	$ 3	$ 3
Leasehold improvements	2,979	2,939
Buildings	—	84
Machinery, fixtures and equipment	99,419	100,352
Construction-in-progress	1,468	2,772
	103,869	106,150
Less: accumulated depreciation and amortization	(74,178)	(71,054)
Property, plant and equipment, net	$ 29,691	$ 35,096

Note 6: Intangible Assets and Deferred Charges

Intangible assets represent the fair value of intellectual, non-physical assets resulting from business acquisitions and are amortized over their estimated useful life using either an accelerated or straight-line method over a period of eight to 15 years.

The balances of intangible assets subject to amortization are as follows:

(in thousands)	September 30, 2021	December 31, 2020
Intangible assets, gross	$ 30,866	$ 30,866
Accumulated amortization of intangible assets	(21,481)	(19,440)
Intangible assets, net	$ 9,385	$ 11,426

Estimated amortization expense related to intangible assets for the next five years are as follows:

(in thousands)	
Remainder of 2021	$ 680
2022	2,501
2023	1,050
2024	952
2025	855
2026	758
Thereafter	2,589

Deferred Charges

Deferred charges represent debt issuance costs and are amortized over their estimated useful lives using the straight-line method over a period offour years.

On January 15, 2021, the Company and its subsidiaries entered into a new Credit Agreement (the "Credit Agreement") with BMO Harris Bank, N.A ("BMO") providing the Company with a new four-year revolving credit facility and replacing the Company's previous asset based revolving line of credit and term loan with Truist Bank ("Truist"). The Company accounted for this refinance as a debt extinguishment and, as a result, $0.2 million of unamortized debt issuance costs associated with the Company's previously existing bank debt were written off as a loss on extinguishment of debt during the nine months ended September 30, 2021. See Note 7 for additional information on the Company's new Credit Agreement.

The balance of deferred charges subject to amortization are as follows:

(in thousands)	September 30, 2021	December 31, 2020
Deferred charges, gross	$ 398	$ 792
Accumulated amortization of deferred charges	(71)	(337)
Deferred charges, net	$ 327	$ 455

Note 7: Long-term Debt

Long-term debt consists of the following:

(in thousands)	September 30, 2021	December 31, 2020
$150 million revolving line of credit, due January 15, 2025	$ 47,213	$ —
$100 million revolving line of credit, due December 20, 2021	—	49,037
$20 million term loan, due February 1, 2024	—	11,458
Current portion of long-term debt	1,750	875
Total long-term debt	$ 48,963	$ 61,370

On January 15, 2021, the Company and its subsidiaries entered into a new Credit Agreement with BMO. The new Credit Agreement provides the Company with a newfour-year revolving credit facility with up to $150.0 million of borrowing capacity (the "Facility"). The Facility refinances and replaces the Company's previous $100.0 million asset based revolving line of credit with Truist, which was scheduled to mature on December 20, 2021, and the remaining portion of the Company's five-year $20 million term loan with Truist, which was scheduled to mature on February 1, 2024.

The initial borrowing capacity under the Facility totals $110.0 million consisting of a $105.0 million revolving line of credit and a $5.0 million delayed draw term loan. The revolving line of credit includes a $17.5 million machinery and equipment sub-limit which requires quarterly payments of $0.4 million with a balloon payment due upon maturity of the Facility in January 2025.

Availability under the Credit Agreement is based on eligible accounts receivable, inventory and fixed assets. Amounts outstanding under the revolving line of credit portion of the Facility currently bear interest, at the Company's option, at (a) the Base Rate (as defined in the Credit Agreement) plus 0.50%, or (b) LIBOR plus 1.50%. Amounts outstanding under the delayed draw term loan portion of the Facility bear interest at LIBOR plus 1.65%. The Facility also provides an unused commitment fee based on the daily used portion of the Facility. The weighted average interest rate per annum was 2.26% as of September 30, 2021.

Pursuant to the Credit Agreement, the Company was required to pledge all of its tangible and intangible properties, including the stock and membership interests of its subsidiaries. The Facility contains covenants requiring the maintenance of a minimum consolidated fixed charge coverage ratio if excess availability falls below the greater of (i) $7.5 million and (ii) 10% of the revolving credit facility (currently $10.5 million). As of September 30, 2021, the Company was in compliance with all debt covenants.

As of September 30, 2021, the Company had $56.0 million of remaining available capacity under the Facility.

Note 8: Leases

On August 30, 2021, the Company entered into a thirty-eight month operating lease agreement for office space with an entity affiliated with the Company's Interim President and Chief Executive Officer. Pursuant to the terms of the lease agreement, the Company will pay a base rent in the first year of the agreement beginning October 30, 2021 of $5,364 monthly with an annual increase of 2.5% through the term of the agreement. During the three and nine months ended September 30, 2021, the Company recognized $0.2 million of right-of-use assets in exchange for new operating lease liabilities associated with this lease agreement. See Note 16 for additional information on the Company's related party transactions.

Total Lease Cost

Individual components of the total lease cost incurred by the Company are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Operating lease cost	$ 1,026	$ 1,032	$ 3,072	$ 3,101
Finance lease cost:				
Amortization of right-of-use assets	13	9	33	84
Interest on finance lease liabilities	1	—	2	24
Total lease cost	$ 1,040	$ 1,041	$ 3,107	$ 3,209

Reduction in carrying amounts of right-of-use assets held under finance leases is included in depreciation expense. Minimum rental payments under operating leases are recognized on a straight-line method over the term of the lease including any periods of free rent and are included in selling, general, and administrative expense on the unaudited condensed consolidated statement of operations.

Maturity of Leases

The amounts of undiscounted future minimum lease payments under leases as of September 30, 2021 are as follows:

(in thousands)	**Operating**	**Finance**
Remainder of 2021	$ 930	$ 13
2022	3,731	37
2023	3,766	28
2024	3,607	14
2025	3,626	—
Thereafter	43,548	—
Total undiscounted minimum future lease payments	59,208	92
Imputed interest	25,998	6
Present value of lease liabilities	$ 33,210	$ 86

Lease Term and Discount Rate

Weighted-average remaining lease term	**September 30, 2021**	**December 31, 2020**
Operating leases	14.71 years	15.47 years
Finance leases	2.26 years	2.91 years
Weighted-average discount rate		
Operating leases	8.32 %	8.33 %
Finance leases	2.60 %	2.44 %

During the three and nine months ended September 30, 2021, $0.3 million of right-of-use assets were recognized in exchange for new operating lease liabilities.

Note 9: Shareholders' Equity

Share Repurchase Program

On February 17, 2021, the Board of Directors re-authorized the Company's share repurchase program. The previous share repurchase program had a term of 24 months and terminated on February 21, 2021. The share repurchase program allows for repurchase of up to 790,383 shares of the Company's outstanding common stock over 24 months. The shares will be purchased from time to time at prevailing market prices, through open market or privately negotiated transactions, depending on market conditions. Under the program, the purchases will be funded from available working capital, and the repurchased shares will be returned to the status of authorized, but unissued shares of common stock or held in treasury. There is no guarantee as to the exact number of shares that will be repurchased by the Company, and the Company may discontinue purchases at any time that management determines additional purchases are not warranted. As of September 30, 2021, the Company has 790,383 shares of its share repurchase authorization remaining.

Shares repurchased for the three and nine months ended September 30, 2021 and 2020 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Number of shares repurchased	—	—	—	59,617
Average price per share	$ —	$ —	$ —	$ 10.65
Total cost of shares repurchased	$ —	$ —	$ —	$ 636,940

Note 10: Exit Activities

On February 17, 2021 the Board of Directors authorized the permanent cessation of operations at Palmer and the subleasing of the Palmer facility. The Company expects to permanently cease operations at the facility by December 31, 2021.

The exit of operations at Palmer is not expected to have a material impact on any of the Company's other operating units and costs associated with the exit are not expected to be material.

Note 11: Earnings (Loss) Per Share

The following table sets forth the computation of basic and diluted earnings (loss) per share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except per share data)	2021	2020	2021	2020
Numerator:				
Net income (loss)	$ 8,199	$ (10,539)	$ 12,179	$ (18,674)
Denominator:				
Denominator for basic earnings per share - weighted average shares	9,287	9,105	9,237	9,079
Effect of dilutive securities:				
Employee stock options and stock grants	116	—	111	—
Denominator for diluted earnings per share - weighted average shares	9,403	9,105	9,348	9,079
Net income (loss) per share:				
Basic	$ 0.88	$ (1.16)	$ 1.32	$ (2.06)
Diluted	$ 0.87	$ (1.16)	$ 1.30	$ (2.06)

The diluted earnings per share calculations exclude the effect of potentially dilutive shares when the inclusion of those shares in the calculation would have an anti-dilutive effect. The Company had 0.2 million shares of common stock that were anti-dilutive for the three and nine months ended September 30, 2021, respectively. The Company had 0.3 million and 0.2 million shares of common stock that were anti-dilutive for the three and nine months ended September 30, 2020, respectively.

Note 12: Income Taxes

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company is no longer subject to U.S. federal examinations for years before 2017 or state examinations for years before 2017. During the first nine months of 2021 and 2020, the Company did not identify nor reserve for any unrecognized tax benefits.

Our income tax provision (benefit) and overall effective tax rates for the periods presented are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Income tax provision (benefit)	$ 2,179	$ (2,530)	$ 3,235	$ (6,026)
Effective income tax rate	21.0 %	19.4 %	21.0 %	24.4 %

The three and nine months ended September 30, 2021 effective tax rates approximated the U.S. statutory rate of 21.0%.

The three months ended September 30, 2020 effective tax rate was approximately equal to the U.S. statutory rate of 21.0%. The nine months ended September 30, 2020 effective tax rate was higher than the statutory rate of 21.0% due to discrete tax benefits over the costs associated with our public proxy contest, asset impairments at our Palmer facility, goodwill impairment over our Metals Segment and benefits from our stock compensation plan. Additionally, we recognized estimated tax benefits associated with the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which was signed into law on March 27, 2020. The CARES Act includes various income and payroll tax provisions, notably enabling the Company to carry back net operating losses and recover taxes paid in prior years.

Note 13: Commitments and Contingencies

The Company is from time-to-time subject to various claims, possible legal actions for product liability and other damages, and other matters arising out of the normal conduct of the Company's business.

Management is not currently aware of any asserted or unasserted matters which could have a material effect on the financial condition or results of operations of the Company.

Note 14: Industry Segments

The following table summarizes certain information regarding segments of the Company's operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	2021	2020	2021	2020
Net sales				
Metals Segment	$ 70,127	$ 47,079	$ 193,438	$ 159,761
Specialty Chemicals Segment	16,055	12,187	45,609	40,338
	$ 86,182	$ 59,266	$ 239,047	$ 200,099
Operating income (loss)				
Metals Segment	$ 11,711	$ (11,563)	$ 21,793	$ (19,784)
Specialty Chemicals Segment	1,356	1,061	1,999	3,508
Unallocated corporate expenses	2,009	1,526	5,138	5,132
Acquisition costs and other	201	656	201	803
Proxy contest costs and recoveries	—	207	168	3,105
Earn-out adjustments	160	(146)	1,430	(969)
Gain on lease modification	—	(171)	—	(171)
Operating income (loss)	10,697	(12,574)	16,855	(24,176)
Interest expense	329	452	1,068	1,703
Loss on extinguishment of debt	—	—	223	—
Change in fair value of interest rate swap	—	(16)	(2)	65
Other expense (income), net	(10)	59	152	(1,244)
Income (loss) before income taxes	$ 10,378	$ (13,069)	$ 15,414	$ (24,700)

	As of	
(in thousands)	September 30, 2021	December 31, 2020
Identifiable assets		
Metals Segment	$ 160,170	$ 141,799
Specialty Chemicals Segment	29,626	25,039
Corporate	34,361	40,146
	$ 224,157	$ 206,984

Note 15: Proxy Contest Costs and Recoveries

During the six months ended June 30, 2020, the Company engaged in a proxy contest with Privet Fund Management, LLC ("Privet") and UPG Enterprises, LLC ("UPG"), which parties acted as a group during the proxy contest. During the year ended December 31, 2020, total costs incurred by the Company relating to the proxy contest were $3.1 million.

During the three months ended September 30, 2021, the Company incurredno proxy contest costs. During the nine months ended September 30, 2021, the Company incurred proxy contest costs of $0.6 million related to the reimbursement of documented out-of-pocket fees and expenses to Privet and UPG. SeeNote 16 for further information on this related party transaction.

During the three months ended September 30, 2021, the Company receivedno insurance recoveries. During the nine months ended September 30, 2021, the Company received insurance recoveries of $0.5 million related to a claim for a portion of the costs associated with the proxy contest. The Company continues to seek coverage under its policies for reimbursement of costs associated with the proxy contest; however, any future reimbursement under the policies are neither probable nor estimable at this time.

Note 16: Related Party Transactions

The Company from time-to-time engages in transactions with related parties. The Company's Board of Directors reviews any related party relationships and approves any significant modifications to any existing related party transactions, as well as any new significant related party transactions.

Expense Reimbursement

During the six months ended June 30, 2020, Privet and UPG, with an ownership interest of approximately 25% of the Company's outstanding common shares, filed a proxy statement with the Securities and Exchange Commission seeking an election of five of its nominees to the Synalloy Board of Directors at the Company's 2020 Annual Meeting of Shareholders. At the Annual Meeting held on June 30, 2020, Synalloy shareholders voted to elect three of the five nominees designated by Privet and UPG to serve on Synalloy's Board of Directors. In May 2021, the Company agreed to reimburse Privet and UPG for up to 90% of its documented out-of-pocket fees and expenses (including legal expenses) incurred related to the proxy contest through the date of the 2020 Annual Meeting. During the third quarter of 2021, the Company paid $0.6 million related to the reimbursement to Privet and UPG. As of September 30, 2021, there are no charges outstanding related to this matter.

During the three and nine months ended September 30, 2021, the Company paid reimbursable travel expenses of $3,140 to an entity affiliated with the Company's Interim President and Chief Executive Officer.

Sales to Related Parties

The Company's Interim President and Chief Executive Officer has ownership interests in other entities with which the Company may, from time-to-time, conduct business. During the three months ended September 30, 2021, the Company recorded no revenue from the sale of product to these entities. During the nine months ended September 30, 2021, the Company recorded revenue of $31,073 from the sale of product to certain of these entities. During the three and nine months ended September 30, 2021, the Company received $40,000 in cash and recognized a loss on disposal of property, plant and equipment of $13,000 from the sale of property, plant and equipment to certain of these entities.

Lease Agreement

On August 30, 2021, the Company entered into a thirty-eight month operating lease agreement for office space with an entity affiliated with the Company's Interim President and Chief Executive Officer. Pursuant to the terms of the lease agreement, the Company will pay a base rent in the first year of the agreement beginning October 30, 2021 of $5,364 monthly with an annual increase of 2.5% through the term of the agreement. During the three and nine months ended September 30, 2021, the Company recognized $0.2 million of right-of-use assets in exchange for new operating lease liabilities and incurred no rent expense associated with this lease agreement. See Note 8 for additional information on the Company's leases.

Shared Services Agreement

In September 2021, the Company entered into a shared services agreement (the "Shared Services Agreement") with UPG, an entity that has an ownership interest of approximately 8% of the Company's outstanding common shares and an entity in which the Company's Interim Chief Executive Officer has an ownership interest. Pursuant to the agreement, UPG provides the Company with certain corporate functions, including human resources and information technology services. The Shared Services Agreement has an indefinite term, with either party having the right to terminate any or all services with 30 days' prior written notice. Charges allocated to the Company are based on the Company's actual use of specific services detailed in the Shared Services Agreement at a rate of $145 per hour. The Company will also pay or reimburse UPG for all out-of-pocket fees and expenses incurred by UPG in connection with the rendering of services under the Shared Services Agreement including, (i) reasonable fees and disbursements of any independent professionals and organizations, including independent accountants, outside legal counsel or consultants and (ii) travel expenses or similar expenses not associated with UPG's ordinary operations. During the three and nine months ended September 30, 2021, the Company incurred $2,320 of expense related to the Shared Service Agreement.

Note 17: Subsequent Events

On October 22, 2021, the Company entered into an agreement with DanChem Holdings, LLC. pursuant to which the Company purchased all of the issued and outstanding shares of common stock of DanChem Technologies, Inc. ("DanChem") for $32.95 million, subject to certain customary adjustments for working capital, transactions expenses, cash and debt. The acquisition closed simultaneously with the execution of the agreement and was funded under the Company's existing credit facility. DanChem is a leading, full-service specialty chemicals contract manufacturing organization boasting the largest fleet of horizontal reactors in the industry and producing a broad array of diversified products.

The Company incurred $0.2 million of related acquisition costs in the third quarter of 2021, which are reflected in "Acquisition costs and other" on the unaudited condensed consolidated statement of operations. The acquisition qualifies as a business combination and will be accounted for using the acquisition method of accounting.

As a result of the limited time since the acquisition date and the effort required to conform the financial statements to the Company's practices and policies, the initial accounting for the business combination is incomplete at the time of this filing. As a result, the Company is unable to provide the amounts recognized as of the acquisition date for the major classes of assets acquired and liabilities assumed. Also, the Company is unable to provide pro-forma revenues and earnings of the combined entity. This information will be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

On November 5, 2021, the Company drew the entirety of the $5.0 million delayed draw term loan under the Facility and immediately applied the proceeds towards its revolving line of credit. The term loan requires quarterly payments of $0.2 million with a balloon payment due upon maturity of the Facility in January 2025.

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

This discussion and analysis summarizes the significant factors affecting our consolidated operating results, liquidity, and capital resources during the three and nine months ended September 30, 2021 and 2020, respectively. This discussion and analysis should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements that are included in our Annual Report on Form 10-K for the year ended December 31, 2020 (the Annual Report), as well as the condensed consolidated financial statements (unaudited) and notes to the condensed consolidated financial statements (unaudited) contained in this report. Unless otherwise specified, all comparisons made are to the corresponding period of 2020. This discussion and analysis is presented in five sections:

- Business Overview
- Results of Operations and Non-GAAP Financial Measures
- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements and Contractual Obligations
- Significant Accounting Policies and Estimates

Business Overview

Synalloy Corporation, a Delaware corporation, was incorporated in 1958 as the successor to a chemical manufacturing business founded in 1945. Its charter is perpetual. The name was changed on July 31, 1967 from Blackman Uhler Industries, Inc. The Company's executive office is located at 4510 Cox Road, Suite 201, Richmond, Virginia 23060. Unless indicated otherwise, the terms "Synalloy", "Company," "we" "us," and "our" refer to Synalloy Corporation and its consolidated subsidiaries.

The Company's business is divided into two reportable operating segments, the Metals Segment and the Specialty Chemicals Segment. The Metals Segment operates as three reporting units, all International Organization for Standardization ("ISO") certified manufacturers, including Welded Pipe & Tube Operations, a unit that includes Bristol Metals, LLC ("BRISMET") and American Stainless Tubing, LLC ("ASTI"), Palmer of Texas Tanks, Inc. ("Palmer"), and Specialty Pipe & Tube, Inc. ("Specialty"). Welded Pipe & Tube Operations manufactures stainless steel, galvanized, ornamental stainless steel pipe and tube, and other alloy pipe and tube. Palmer manufactures liquid storage solutions and separation equipment. As discussed in Note 10, the Company expects to permanently cease operations at the Palmer facility by December 31, 2021. Specialty is a master distributor of seamless carbon pipe and tube. The Metals Segment serves the appliance, architectural, automotive, brewery, chemical, food processing, marine, mining, oil & gas, petrochemical, power generation, pulp and paper, water and waste water treatment consuming industries with pipe and tube. The Specialty Chemicals Segment operates as one reporting unit which includes Manufacturers Chemicals, LLC ("MC"), a wholly-owned subsidiary of Manufacturers Soap and Chemical Company ("MS&C"), and CRI Tolling, LLC ("CRI Tolling"). MC manufactures lubricants, surfactants, defoamers, reaction intermediaries and sulfated fats and oils. CRI Tolling provides chemical tolling manufacturing resources to global and regional chemical companies and contracts with other chemical companies to manufacture certain, pre-defined products. The Specialty Chemicals Segment produces specialty chemicals for the chemical, pulp and paper, coatings, adhesives, sealants and elastomers (CASE), textile, automotive, household, industrial and institutional, water and waste-water treatment, construction, oil and gas and other industries.

COVID-19 Update

The COVID-19 pandemic has negatively impacted the global economy, resulted in changes in consumer behavior and created significant volatility in financial markets and business operations. Beginning in the first quarter of 2021, there has been an increasing availability and administration of vaccines against COVID-19 and many of the restrictions on social, business, travel, and government activities that have been in place since the onset of the pandemic have started easing or have been completely lifted in many localities. The Company continues to be open in all locations, adhering to health guidelines provided by our government officials and the U.S. Centers for Disease Control and Prevention with protocols in place to operate safely and safeguard the health of our employees including creating space between work areas for employees, providing ample PPE and cleaning supplies in our offices and manufacturing plants and having formal policies for mitigation in the event of cases of illness.

The Company has seen wide ranging impacts partially attributable to COVID-19 to date, including an adverse effect on our reported results and operations for 2020 and impacts to our supply chain in 2021. However, during the first nine months of 2021, economic conditions have improved, leading to increased demand for our products and positive operating results. The Company has also taken a number of steps to continue to improve its financial position including:

- refinancing and expanding its revolving line of credit with a new lender to give the Company more favorable terms and increased liquidity;
- making the decision to permanently cease operations at the curtailed Palmer facility by December 31, 2021 and sublease the facility; and
- divesting the Company's ownership interest in N845BB Partners, LLC.

We continue to closely monitor the impact of the outbreak of COVID-19 on all aspects of our business. There remains significant uncertainty concerning the magnitude of the impact and the duration of the COVID-19 pandemic and we are unable to predict the ultimate impact it may have on our business, future operations, financial position or cash flows. The extent that our operations will continue to be impacted by the COVID-19 pandemic will depend on future developments, including the development of new strains of COVID-19, the sufficiency and amounts of vaccine availability and distribution and any further actions by government authorities to contain and treat the outbreak. All of which are highly uncertain and cannot be accurately predicted. See Part I - Item 1A, "Risk Factors," included in our Annual Report on Form 10-K for our risk factors regarding risks associated with the COVID-19 pandemic.

Results of Operations

Three months ended September 30, 2021 and 2020 Comparison

Consolidated net sales for the third quarter of 2021 were $86.2 million representing an increase of $26.9 million, or 45.4%, compared to net sales for the third quarter of 2020. The increase in net sales for the third quarter of 2021 was primarily driven by a 24.4% increase in average selling prices and a 16.4% increase in pounds shipped.

Consolidated gross profit for the third quarter of 2021 increased 260.5% to $18.0 million, or 20.9% of sales, compared to $5.0 million, or 8.4% of sales in the third quarter of 2020. The increase in dollars and percentage of sales for the third quarter of 2021 were attributable to increased selling prices and a continued favorable surcharge market environment partially offset by increasing raw material and freight costs.

Consolidated selling, general, and administrative expense for the third quarter of 2021 was $6.9 million, or 8.1% of sales, as compared to $6.3 million, or 10.6% of sales, in the third quarter of 2020. The increase in dollars for the third quarter of 2021 was primarily driven by $0.8 million of severance expense related to workforce changes made during the third quarter, a $0.5 million increase in salaries and benefits, $0.1 million increase in taxes and licenses and $0.1 million increase in travel expense partially offset by a $0.6 million reduction in professional fees over the prior year quarter and a $0.5 million increase in gain recognized on the disposal of property, plant and equipment associated with wind down activities at the Palmer facility.

For the third quarter of 2021, the Company recorded net income of $8.2 million, or $0.87 diluted earnings per share, compared to a net loss of $10.5 million, or $1.16 diluted loss per share for the third quarter of 2020.

Metals Segment

Net sales for the Metals Segment in the third quarter of 2021 totaled $70.1 million, an increase of $23.0 million, or 49.0%, compared to net sales for the third quarter of 2020. The increase for the third quarter of 2021 was primarily driven by a 19.4% increase in average selling prices and a 24.2% increase in pounds shipped.

The net sales increase (decrease) for the third quarter of 2021 compared to the third quarter of 2020 is summarized as follows:

($ in thousands)	**$**	**%**	**Average selling price [1]**	**Units shipped**
Fiberglass and steel liquid storage tanks and separation equipment	$ (349)	(64.8)%	299.6%	(90.5)%
Heavy wall seamless carbon steel pipe and tube	4,962	91.3%	20.6%	58.3%
Stainless steel pipe and tube	11,100	29.8%	19.0%	8.4%
Galvanized pipe and tube	7,334	189.2%	86.8%	49.5%
Total increase	$ 23,047			

[1] Average price increases (decreases) for the third quarter of 2021 as compared to the third quarter of 2020 primarily relate to the following:

- Fiberglass and steel liquid storage tanks and separation equipment - due to the curtailment of Palmer operations and decision to sublease facility;
- Heavy wall seamless carbon steel pipe and tube - increase due to demand driven price increases and raw material availability;
- Stainless steel pipe and tube - increase due to demand driven price increases and raw material availability; and,
- Galvanized pipe and tube - increase due to improvement in indexed pricing

Selling, general, and administrative expense for the third quarter of 2021 was $4.0 million, or 5.7% of sales, as compared to $4.0 million, or 8.5% of sales, in the third quarter of 2020. The dollar impacts were primarily driven by $0.3 million of severance expense related to workforce changes made during the third quarter and a $0.3 million increase in salaries and benefits offset by a $0.5 million increase in gain recognized on the disposal of property, plant and equipment in the quarter associated with wind down activities at the Palmer facility.

Operating income increased $23.3 million, or 201.3%, to $11.7 million for the third quarter of 2021 compared to an operating loss of $11.6 million for the third quarter of 2020. Operating income increases for the third quarter of 2021 were primarily driven by increased demand driven sales, increases in average selling prices and goodwill impairment in the third quarter of 2020 that did not occur in the current year.

Specialty Chemicals Segment

Net sales for the Specialty Chemicals Segment in the third quarter of 2021 totaled $16.1 million, representing a $3.9 million, or 31.7%, increase from the third quarter of 2020. The increase was primarily driven by a 25.3% increase in average selling prices and a 5.5% increase in pounds shipped.

Selling, general, and administrative expense for the third quarter of 2021 was $1.1 million, or 6.8% of sales, compared to $0.9 million, or 7.3% of sales, in the third quarter of 2020. The increase in dollars for the third quarter of 2021 was primarily driven by a $0.2 million increase in salaries and benefits.

Operating income increased $0.3 million, or 27.8%, to $1.4 million for the third quarter of 2021 compared to operating income of $1.1 million for the third quarter of 2020. Current quarter operating results were primarily driven by the aforementioned increases in average selling prices partially offset by the increases in selling, general and administrative expenses.

Other Performance Items

Unallocated corporate expenses for the third quarter of 2021 increased $0.5 million, or 31.7%, to $2.0 million (2.3% of sales) compared to $1.5 million (2.6% of sales) in the third quarter of 2020 primarily driven by increases in severance expense related to workforce changes made during the quarter, increases in stock compensation expense and taxes and license expense partially offset by reductions in professional fees.

Interest expense was $0.3 million for the third quarter of 2021 compared to $0.5 million for the third quarter of 2020. The decrease in the current year compared to the prior year was driven by lower debt outstanding during the quarter compared to prior year along with the Company's debt refinance in the first quarter of 2021 and the favorability of interest rates associated with the new Credit Agreement.

During the third quarter of 2021, the Company paid $1.0 million related to the earn-out liabilities from the 2019 American Stainless and 2018 MUSA-Galvanized acquisitions.

Nine months ended September 30, 2021 and 2020 Comparison

Consolidated net sales for the first nine months of 2021 were $239.0 million, representing an increase of $38.9 million, or 19.5% when compared to the first nine months of 2020. The increase in net sales for the first nine months of 2021 was primarily driven by a 9.4% increase in average selling prices and a 9.1% increase in pounds shipped.

Consolidated gross profit for the first nine months of 2021 increased 147.3% to $40.8 million, or 17.1% of sales, compared to $16.5 million, or 8.2% of sales, in the first nine months of 2020. The increase in dollars and percentage of sales for the first nine months of 2021 were attributable to increased selling prices and a continued favorable surcharge market environment partially offset by increasing raw material and freight costs.

Consolidated selling, general, and administrative expense for the first nine months of 2021 was $21.9 million, or 9.2% of sales, compared to $21.1 million, or 10.5% of sales, for the first nine months of 2020. The increase in dollars for the first nine months of 2021 was primarily driven by $1.3 million of severance expense related to workforce changes made during the first nine months of 2021, a $0.2 million increase in salaries and benefits, $0.2 million increase in taxes and licenses, $0.1 million increase in insurance expense and $0.1 million increase in bad debt expense partially offset by a $0.7 million increase in gain recognized on the disposal of property, plant and equipment, $0.4 million decrease in depreciation and amortization expense and $0.3 million decrease in stock compensation expense.

For the first nine months of 2021, the Company recorded net income of $12.2 million, or $1.30 diluted earnings per share, compared to a net loss of $18.7 million, or $2.06 diluted loss per share for the first nine months of 2020.

Metals Segment

Net sales for the Metals Segment for the first nine months of 2021 totaled $193.4 million, an increase of $33.7 million, or 21.1%, compared to net sales for the first nine months of 2020. The increase for the first nine months of 2021 was primarily driven by a 6.8% increase in average selling prices and a 13.1% increase in pounds shipped.

The net sales increase (decrease) for the first nine months of 2021 compared to the first nine months of 2020 is summarized as follows:

($ in thousands)	$	%	Average selling price [1]	Units shipped
Fiberglass and steel liquid storage tanks and separation equipment	$ (4,113)	(82.4)%	(36.3)%	(70.0)%
Heavy wall seamless carbon steel pipe and tube	10,939	59.4%	7.7%	47.5%
Stainless steel pipe and tube	14,367	11.9%	5.5%	5.5%
Galvanized pipe and tube	12,484	77.6%	49.4%	17.1%
Total increase	$ 33,677			

[1] Average price increases (decreases) for the first nine months of 2021 as compared to the first nine months of 2020 primarily relate to the following:

- Fiberglass and steel liquid storage tanks and separation equipment - due to the curtailment of Palmer operations and decision to sublease facility;
- Heavy wall seamless carbon steel pipe and tube - increase due to demand driven price increases and higher mix of energy based sales;
- Stainless steel pipe and tube - increase due to demand driven price increases partially offset by a less favorable product mix; and,
- Galvanized pipe and tube - increase due to improvement in indexed pricing

Selling, general, and administrative expense for the first nine months of 2021 was $13.1 million, or 6.8% of sales, compared to $13.7 million, or 8.6% of sales, in the first nine months of 2020. The decrease in dollars for the first nine months of 2021 compared to the first nine months of 2020 is primarily driven by a $0.7 million increase in gain recognized on the disposal of property, plant and equipment, $0.3 million decrease in depreciation and amortization expense, $0.3 million decrease in allocated expenses, $0.2 million decrease in bad debt expense and $0.2 million decrease in stock compensation expense partially offset by a $0.6 million increase in salaries and benefits, $0.4 million in severance expense due to workforce changes made during the first nine months of 2021 and a $0.2 million increase in travel expense.

Operating income for the first nine months of 2021 increased $41.6 million, or 210.2%, to $21.8 million compared to an operating loss of $19.8 million in the first nine months of 2020. Operating income increases in the first nine months of 2021 were primarily driven by increasing demand driven sales, increases in average selling prices and goodwill and asset impairment expenses taken in the first nine months of 2020 not in the current year.

Specialty Chemicals Segment

Net sales for the first nine months of 2021 totaled $45.6 million, an increase of $5.3 million, or 13.1%, compared to the first nine months of 2020. The increase for the first nine months of 2021 was primarily driven by a 10.8% increase in average selling prices and a 2.7% increase in pounds shipped.

Selling, general, and administrative expense for the first nine months of 2021 was $4.1 million, or 9.0% of sales, compared to $2.7 million or 6.6%, of sales, in the first nine months of 2020. The increase for the first nine months of 2021 was primarily driven by $0.5 million of severance expense related to workforce changes in the period, a $0.3 million increase in salaries and benefits, $0.3 million of bad debt expenses, $0.2 million of asset impairment charges, and a $0.2 million increase in environmental expenses.

For the first nine months of 2021, operating income decreased $1.5 million, or 43.0%, to $2.0 million compared to operating income of $3.5 million in the first nine months of 2020. The decrease in operating income for the first nine months of 2021 was primarily driven by the aforementioned increases in selling, general, and administrative costs.

Other Performance Items

Unallocated corporate expenses for the first nine months of 2021 was $5.1 million (2.1% of sales) compared to $5.1 million (2.6% of sales) in the first nine months of 2020. The decrease as a percentage of sales was driven primarily from lower salaries and benefits, travel expenses, professional fees and stock compensation expense partially offset by increases in taxes and licenses and insurance expense.

Interest expense was $1.1 million for the first nine months of 2021 compared to $1.7 million for the first nine months of 2020. The decrease in the current year compared to the prior year was driven by lower debt outstanding compared to prior year along with the Company's debt refinance in the first quarter of 2021 and the favorability of interest rates associated with the new Credit Agreement.

During the first nine months of 2021, the Company paid $2.9 million related to the earn-out liabilities from the 2019 American Stainless, 2018 MUSA-Galvanized, and 2017 MUSA-Stainless acquisitions.

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with accounting principles generally accepted in the United States ("GAAP"), we use the following non-GAAP financial measures: EBITDA and Adjusted EBITDA. Management believes that these non-GAAP measures provide additional useful information to allow readers to compare the financial results between periods. Non-GAAP measures should not be considered as an alternative to any measure of performance or financial condition as promulgated under GAAP, and investors should consider the Company's performance and financial condition as reported under GAAP and all other relevant information when assessing the performance or financial condition of the Company. Non-GAAP measures have limitations as analytical tools, and investors should not consider them in isolation or as a substitute for analysis of the Company's results or financial condition as reported under GAAP.

EBITDA and Adjusted EBITDA

We define "EBITDA" as earnings before interest (including change in fair value of interest rate swap), income taxes, depreciation and amortization. We define "Adjusted EBITDA" as EBITDA further adjusted for the impact of non-cash and other items we do not consider in our evaluation of ongoing performance. These items include: goodwill impairment, asset impairment, gain on lease modification, stock-based compensation, non-cash lease cost, acquisition costs and other fees, proxy contest costs and recoveries, loss on extinguishment of debt, earn-out adjustments, realized and unrealized (gains) and losses on investments in equity securities and other investments, retention costs and restructuring and severance costs from net income. We caution investors that amounts presented in accordance with our definitions of EBITDA and Adjusted EBITDA may not be comparable to similar measures disclosed by other companies because not all companies calculate EBITDA and Adjusted EBITDA in the same manner. We present EBITDA and Adjusted EBITDA because we consider them to be important supplemental measures of our performance and investors' understanding of our performance is enhanced by including these non-GAAP financial measures as a reasonable basis for comparing our ongoing results of operations.

Consolidated EBITDA and Adjusted EBITDA are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
($ in thousands)	**2021**	**2020**	**2021**	**2020**
Consolidated				
Net income (loss)	$ 8,199	$ (10,539)	$ 12,179	$ (18,674)
Adjustments:				
Interest expense	329	452	1,068	1,703
Change in fair value of interest rate swap	—	(16)	(2)	65
Income taxes	2,179	(2,530)	3,235	(6,026)
Depreciation	1,868	1,805	5,459	5,752
Amortization	680	705	2,041	2,324
EBITDA	13,255	(10,123)	23,980	(14,856)
Acquisition costs and other	201	656	201	807
Proxy contest costs and recoveries	—	207	168	3,105
Loss on extinguishment of debt	—	—	223	—
Earn-out adjustments	160	(146)	1,430	(969)
Loss (gain) on investments in equity securities and other investments	—	69	363	(170)
Asset impairments	—	—	233	6,079
Goodwill impairment	—	10,748	—	10,748
Gain on lease modification	—	(171)	—	(171)
Stock-based compensation	239	270	695	1,036
Non-cash lease expense	124	130	373	386
Retention expense	18	—	494	235
Restructuring and severance costs	811	—	1,287	—
Adjusted EBITDA	$ 14,808	$ 1,640	$ 29,447	$ 6,230
% of sales	17.2 %	2.8 %	12.3 %	3.1 %

Metals Segment EBITDA and Adjusted EBITDA are as follows:

($ in thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Metals Segment				
Net income (loss)	$ 11,556	$ (11,417)	$ 20,558	$ (17,798)
Adjustments:				
Interest expense	—	—	—	11
Depreciation	1,449	1,387	4,192	4,457
Amortization	680	705	2,041	2,324
EBITDA	13,685	(9,325)	26,791	(11,006)
Acquisition costs and other	—	—	—	3
Earn-out adjustments	160	(146)	1,430	(969)
Asset impairments	—	—	—	6,079
Goodwill impairment	—	10,748	—	10,748
Stock-based compensation	(7)	78	75	249
Retention expense	18	—	494	—
Restructuring and severance costs	313	—	363	—
Metals Segment Adjusted EBITDA	$ 14,169	$ 1,355	$ 29,153	$ 5,104
% of segment sales	20.2 %	2.9 %	15.1 %	3.2 %

Specialty Chemicals Segment EBITDA and Adjusted EBITDA are as follows:

($ in thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Specialty Chemicals Segment				
Net income (loss)	$ 1,360	$ 1,061	$ 2,001	$ 3,521
Adjustments:				
Interest expense	—	—	1	9
Depreciation	389	378	1,165	1,170
EBITDA	1,749	1,439	3,167	4,700
Asset impairments	—	—	233	—
Stock-based compensation	5	59	172	178
Restructuring and severance costs	—	—	427	—
Specialty Chemicals Segment Adjusted EBITDA	$ 1,754	$ 1,498	$ 3,999	$ 4,878
% of segment sales	10.9 %	12.3 %	8.8 %	12.1 %

Liquidity and Capital Resources

We closely manage our liquidity and capital resources. Our liquidity requirements depend on key variables, including level of investment required to support our business strategies, the performance of our business, capital expenditures, credit facilities and working capital management. Capital expenditures and share repurchases are a component of our cash flow and capital management strategy which we can adjust in response to economic and other changes in our business environment. We have a disciplined approach to capital allocation focusing on priorities that support our business and growth.

Sources of Liquidity

Funds generated by operating activities supplemented by our available cash and cash equivalents and our credit facilities are our most significant sources of liquidity. As of September 30, 2021, we held $1.2 million of cash and cash equivalents, as well as $56.0 million of remaining available capacity on our revolving line of credit. We believe our sources of liquidity will be sufficient to fund operations and anticipated capital expenditures as well as repay our debt obligations as they become due over the next 12 months.

Cash Flows

Cash flows from total operations were as follows ($ in thousands):

	Nine Months Ended September 30,	
	2021	**2020**
Total cash provided by (used in):		
Operating activities	$ 16,186	$ 5,970
Investing activities	293	1,708
Financing activities	(15,541)	(8,141)
Net increase (decrease) in cash and cash equivalents	$ 938	$ (463)

Operating Activities

The increase in cash provided by operating activities for the nine months ended September 30, 2021 compared to cash provided by operating activities for the nine months ended September 30, 2020 was primarily driven by higher net earnings partially offset by changes in working capital. Accounts receivable increased for the first nine months of 2021 by $15.5 million, compared to an decrease of $1.4 million for the first nine months of 2020, driving a reduction of $16.9 million in operating cash flows for the first nine months of 2021. Inventories increased $15.5 million in the first nine months of 2021 compared to an decrease of $4.6 million in the first nine months of 2020, driving a reduction of $20.1 million in operating cash flow for the first nine months of 2021. The increases in accounts receivable and inventories were due to increases in sales volume and higher inventory purchases to meet customer demand during the first nine months of 2021. The increases in cash used from accounts receivable and inventories were partially offset by an increase in accounts payable due to higher inventory purchases to meet customer demand and days payables outstanding of 38 days in the first nine months of 2021 and 2020, respectively, as well as changes in accrued income taxes due to tax benefits the Company continues to receive as part of the CARES Act.

Investing Activities

Net cash provided by investing activities primarily consists of transactions related to capital expenditures and equity transactions. The decrease in cash provided by investing activities for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily due proceeds received from the sale of investments in equity securities in the prior year not in the current year partially offset by an increase in proceeds received from the disposal of property, plant and equipment and a decrease in capital expenditures in the current year compared to the prior year.

Financing Activities

Net cash used in financing activities primarily consists of transactions related to our long-term debt. The increase in cash used in financing activities for the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 was primarily due to increased payments towards the Company's line of credit in the current year and payments to pay off the Company's previous term loan as part of the Company's debt refinancing in the first quarter of 2021.

Long-term Debt

On January 15, 2021, the Company and its subsidiaries entered into a new Credit Agreement with BMO providing the Company with a new four-year revolving credit facility and replacing the Company's previous asset based revolving line of credit and term loan with Truist. As of September 30, 2021, the Company had $49.0 million of total borrowings outstanding with its lender, a decrease of $12.4 million from the balance at December 31, 2020. The Facility contains covenants requiring the maintenance of a minimum consolidated fixed charge coverage ratio if excess availability falls below the greater of (i) $7.5 million and (ii) 10% of the revolving credit facility (currently $10.5 million). As of September 30, 2021, the Company was in compliance with all covenants. See Note 7 in the notes to the unaudited condensed consolidated financial statements for additional information on the Company's line of credit.

Share Repurchases and Dividends

We have a share repurchase program, authorized by the Company's Board of Directors, that is executed through purchases made from time to timeat prevailing market prices, through open market or privately negotiated transactions, depending on market conditions. Shares repurchased are returned to status of authorized, but unissued shares of common stock or held in treasury. The following table presents the total number of shares repurchased, average price paid per share, and the total amount paid per share for the nine months ended September 30, 2021 and 2020.

	Nine Months Ended September 30,	
	2021	**2020**
Number of shares repurchased	—	59,617
Average price per share	$ —	$ 10.65
Total cost of shares repurchased	$ —	$ 636,940

At the end of each fiscal year, the Board of Directors reviews the financial performance and capital needed to support future growth to determine the amount of cash dividend, if any, which is appropriate. In 2020, no dividends were declared or paid by the Company.

Other Financial Measures

Below are additional financial measures that we believe are important in understanding the Company's liquidity position from year to year. Results of these additional measures are as follows:

	September 30, 2021	**December 31, 2020**
Current ratio[a]	3.0	4.1
Debt to capital[b]	34%	43%
Return on average equity[c]	13.4%	(29.2)%
Days sales outstanding[d]	41	53
Days payables outstanding[e]	38	38
Inventory turnover[f]	2.16	1.81

(a) Current ratio = current assets divided by current liabilities

(b) Debt to capital = total debt divided by total capital

(c) Return on average equity = net income divided by the trailing 12-month average of equity

(d) Days sales outstanding = average AR divided by average sales by day on a nine-month average basis

(e) Days payables outstanding = average AP divided by cost of sales multiplied by number of days on a nine-month average basis

(f) Inventory turnover = average inventory divided by cost of sales on a nine-month average basis

Off-Balance Sheet Arrangements and Contractual Obligations

The Company has no off-balance sheet arrangements that are reasonably likely to have a material current or future effect on the Company's financial position, revenues, results of operations, liquidity, or capital expenditures.

Our Annual Report on Form 10-K for the year ended December 31, 2020 includes a table in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, summarizing our contractual obligations as of December 31, 2020, including approximately $54.1 million of long-term debt obligations and projected future interest due in 2021. As discussed in Note 7, on January 15, 2021, the Company and its subsidiaries entered into a new Credit Agreement with BMO providing the Company with a new four-year revolving credit facility and replacing the Company's previous asset based revolving line of credit and term loan with Truist.

As of September 30, 2021, the Company's contractual obligations and other commitments were as follows:

		Payment Obligations for the Year Ended					
(in thousands)	**Total**	**2021**	**2022**	**2023**	**2024**	**2025**	**Thereafter**
Obligations:							
Revolving credit facility	$ 48,963	$ 438	$ 1,750	$ 1,750	$ 1,750	$ 43,275	$ —
Interest on line of credit	3,383	878	858	824	791	32	—
Finance leases	92	13	37	28	14	—	—
Operating leases	59,208	930	3,731	3,766	3,607	3,626	43,548
Total	$ 111,646	$ 2,259	$ 6,376	$ 6,368	$ 6,162	$ 46,933	$ 43,548

Significant Accounting Policies and Estimates

We describe our significant accounting policies in Note 1, *Summary of Significant Accounting Policies*, of the notes to the consolidated financial statements presented in the Annual Report on Form 10-K for the year ended December 31, 2020. We discuss our critical accounting estimates in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, in the Annual Report on Form 10-K for the year ended December 31, 2020. There have been no significant changes in our significant accounting policies or critical accounting estimates since the end of 2020.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

We are a smaller reporting company as defined in Rule 12b-2 of the Exchange Act; therefore, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Based on the evaluation required by 17 C.F.R. Section 240.13a-15(b) or 240.15d-15(b) of the Company's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-15(e) and 240.15d-15(e)), the Company's Chief Executive Officer and Chief Financial Officer concluded that such controls and procedures, as of the end of the period covered by this quarterly report, were effective.

Changes in Internal Control over Financial Reporting

The Company's management, including the Chief Executive Officer and Chief Financial Officer, identified no change in the Company's internal control over financial reporting that occurred during the most recent quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II

Item 1. Legal Proceedings

It is not unusual for us and our subsidiaries to be involved in various unresolved legal actions, administrative proceedings and claims in the ordinary course of business involving, among other things, product liability, commercial, employment, workers' compensation, and environmental matters. We establish reserves in a manner that is consistent with accounting principles generally accepted in the U.S. for costs associated with such matters when a liability is probable and those costs are capable of being reasonably estimated. We cannot predict with any certainty the outcome of these unresolved legal actions or the range of possible loss or recovery. Based on current information, however, we believe that the eventual outcome of these unresolved legal actions, either individually or in the aggregate, will not have a material adverse effect on our financial position, results of operations or cash flows. There were no material changes in our Legal Proceedings, as discussed in Part I, Item 3 in the Company's Annual Report on Form 10-K for the period ending December 31, 2020.

Item 1A. Risk Factors

There were no material changes in our assessment of risk factors as discussed in Part I, Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
10.1	Joinder Agreement, dated November 5, 2021, between Registrant and BMO Harris Bank N.A.
31.1	Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32	Certifications Pursuant to 18 U.S.C. Section 1350
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL document and included in Exhibit 101*)
*	In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed "furnished" and not "filed."

SIGNATURES

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

SYNALLOY CORPORATION
(Registrant)

Date:	November 9, 2021	By:	**/s/ Christopher G. Hutter**
			Christopher G. Hutter Interim President and Chief Executive Officer (principal executive officer)
Date:	November 9, 2021	By:	**/s/ Aaron M. Tam**
			Aaron M. Tam Chief Financial Officer (principal accounting officer)

OMNIBUS JOINDER TO LOAN DOCUMENTS

This OMNIBUS JOINDER TO LOAN DOCUMENTS (this "Joinder"), dated as of November 5, 2021, is entered into by and among SYNALLOY CORPORATION, a Delaware corporation ("Synalloy"), CRI TOLLING, LLC, a South Carolina limited liability company ("CRI"), SYNALLOY FABRICATION, LLC, a South Carolina limited liability company (" Synalloy Fabrication"), MANUFACTURERS SOAP & CHEMICAL COMPANY, a Tennessee corporation ("Manufacturers Soap"), MANUFACTURERS CHEMICALS, LLC, a Tennessee limited liability company ("Manufacturers Chemicals"), SYNALLOY METALS, INC., a Tennessee corporation (" Synalloy Metals"), BRISTOL METALS, LLC, a Tennessee corporation (" Bristol Metals"), SPECIALTY PIPE & TUBE, INC., a Delaware corporation ("Specialty Pipe"), PALMER OF TEXAS TANKS, INC., a Texas corporation ("Palmer of Texas"), AMERICAN STAINLESS TUBING, LLC, a North Carolina limited liability company ("American Stainless Tubing", and together with Synalloy, CRI, Synalloy Fabrication, Manufacturers Soap, Manufacturers Chemicals, Synalloy Metals, Bristol Metals, Specialty Pipe and Palmer of Texas, the "Existing Borrowers"), DANCHEM TECHNOLOGIES, INC. ("DanChem", and together with the Existing Borrowers, the "Borrowers"), the Lenders (as defined in the Credit Agreement) party hereto, and BMO HARRIS BANK N.A., as Administrative Agent for the Lenders (in such capacity, the "Administrative Agent"). Unless otherwise specified herein, capitalized and/or initially capitalized terms used in this Joinder shall have the meanings ascribed to them in the Credit Agreement.

RECITALS

WHEREAS, the Existing Borrowers, the Lenders party thereto and the Administrative Agent are parties to that certain Credit Agreement, dated as of January 15, 2021 (as amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Existing Credit Agreement", and as modified by this Joinder, the "Credit Agreement");

WHEREAS, the Existing Borrowers and the Administrative Agent are parties to that certain Pledge and Security Agreement, dated as of January 15, 2021 (as amended, restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Existing Pledge and Security Agreement" and as modified by this Joinder, the "Pledge and Security Agreement");

WHEREAS, the Borrowers have requested that the Administrative Agent and the Lenders, inter alia, permit DanChem to become a Borrower under the Credit Agreement and a Grantor under the Pledge and Security Agreement; and

WHEREAS, the Administrative Agent and the Lenders have agreed to do so, but only on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the matters set forth in the above Recitals and the covenants and provisions herein set forth, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

Section 1 Acknowledgements with Respect to Loan Documents. Effective as of the date hereof (the "Joinder Effective Date"), but subject to the satisfaction of the conditions precedent set forth in Section 2 below, (i) the schedules to the Credit Agreement are hereby deleted in their entirety and replaced with the schedules attached hereto as Exhibit A and (ii) the schedules to the Pledge and Security Agreement are hereby deleted in their entirety and replaced with the schedules attached hereto as Exhibit B. Notwithstanding anything to the contrary in the Credit Agreement or the Pledge and Security Agreement, (x) none of the assets of DanChem will be included in the Borrowing Base until the Administrative Agent has conducted a Field Exam with respect to DanChem and (y) DanChem shall, within sixty (60) calendar days of the Joinder Effective Date, deliver to the Administrative Agent Control Agreements covering each of its Deposit Accounts, Securities Accounts or Commodity Accounts, if any. For the avoidance of doubt, the Stock Purchase Agreement dated as of October 22, 2021, between DanChem Holdings, LLC, and Synalloy is deemed to be a Material Contract for the purposes of the Credit Agreement.

Section 2 Conditions Precedent to Effectiveness of Amendment. This Joinder shall become effective upon the satisfaction of each of the following conditions:

2.1 the Administrative Agent shall have received a copy of this Joinder signed by the Loan Parties, the Administrative Agent and the Lenders; and

2.2 each of the conditions set forth in Section 5.02 of the Credit Agreement shall have been satisfied or waived in writing by the Administrative Agent.

Section 3 Omnibus Joinder to Loan Documents.

3.1 Each of the Loan Parties (including, for avoidance of doubt, DanChem) hereby acknowledges, agrees and confirms that by its execution of this Joinder, DanChem assumes all the Obligations of a Borrower and a Loan Party under the Credit Agreement and the other Loan Documents (and as a Grantor under the Pledge and Security Agreement and as a Payor and Payee under the Master Intercompany Note), and acknowledges, agrees and confirms that DanChem is a Borrower and a Loan Party and bound as a Borrower and a Loan Party under the terms of the Credit Agreement and the other Loan Documents (and is a Grantor and bound as a Grantor under the terms of the Pledge and Security Agreement and as a Payor and Payee under the Master Intercompany Note), in all cases as if it had been an original signatory to all such agreements. In furtherance of the foregoing, DanChem hereby grants to the Administrative Agent for the benefit of the Secured Parties (as defined the in the Pledge and Security Agreement) a continuing Lien upon all of its Collateral, whether now owned or existing or hereafter created, acquired or arising and wheresoever located, to secure the prompt payment and performance of all Obligations.

3.2 In furtherance of its obligations under Section 6(a) of the Pledge and Security Agreement, DanChem agrees to deliver to the Administrative Agent (i) complete UCC financing statements naming such person or entity as debtor and the Administrative Agent as secured party, and describing its Collateral and such other documentation as the Administrative Agent (or its successors or assigns) may require to evidence, protect and perfect the Liens created by the Pledge and Security Agreement, as modified hereby (ii) stock certificates representing all of the Equity Interests of DanChem and accompanying stock powers executed in blank. DanChem acknowledges the authorizations given to the Administrative Agent under the Section 8(b) of the Guaranty and Collateral Agreement and otherwise.

3.3 DanChem's address for notices under the Guaranty and Collateral Agreement shall be the address of the Loan Parties set forth in the Credit Agreement and DanChem hereby appoints the Borrower Agent as its agent to receive notices hereunder.

Section 4 Representations and Warranties. To induce the Administrative Agent and the Lenders to execute this Joinder, each Loan Party hereby represents and warrants to the Administrative Agent and the Lenders as of the Joinder Effective Date as follows:

4.1 the execution and delivery of this Joinder and the performance of this Joinder and the Credit Agreement by the Loan Parties has been duly authorized, and each of this Joinder and the Credit Agreement constitutes the legal, valid and binding obligation of each Loan Party, enforceable against such Loan Party in accordance with its terms, except as the enforceability may be limited by bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally and to general principles of equity;

4.2 the execution and delivery of this Joinder and the performance of this Joinder and the Credit Agreement by each Loan Party does not require any consent or approval of any governmental agency or authority (other than (i) any consent or approval which has been obtained and is in full force and effect, or (ii) where the failure to obtain such consent would not reasonably be expected to result in a Material Adverse Effect);

4.3 after giving effect to this Joinder and the transactions contemplated hereby and thereby, each of the representations and warranties of each Loan Party set forth in the Credit Agreement, the Pledge and Security Agreement and the other Loan Documents, are true and correct in all respects with the same effect as though made on and as of the date hereof (except to the extent such representations and warranties expressly relate to a specific earlier date, in which case such representations and warranties shall be true and correct in all respects as of such earlier date); and

4.4 after giving effect to this Joinder and the transactions contemplated hereby and thereby, no Default or Event of Default has occurred and is continuing or would result from the execution and effectiveness of this Joinder.

Section 5 Ratification and Reaffirmation. Each Loan Party hereby ratifies and confirms the Credit Agreement, the Pledge and Security Agreement and each other Loan Document to which it is a party, each of which shall remain in full force and effect according to their respective terms, as amended hereby. In connection with the execution and delivery of this Joinder and the other Loan Documents delivered herewith, each Loan Party, as borrower, debtor, grantor, mortgagor, pledgor, guarantor, assignor, obligor or in other similar capacities in which such Loan Party grants liens or security interests in its properties or otherwise acts as an accommodation party, guarantor, obligor or indemnitor or in such other similar capacities, as the case may be, in any case under any Loan Documents, hereby (a) ratifies, reaffirms, confirms and continues all of its payment and performance and other obligations, including obligations to indemnify, guarantee, act as surety, or as principal obligor, in each case contingent or otherwise, under each of such Loan Documents to which it is a party, (b) ratifies, reaffirms, confirms and continues its grant of liens on, or security interests in, and assignments of its properties pursuant to such Loan Documents to which it is a party as security for the Obligations, and (c) confirms and agrees that such liens and security interests secure all of the Obligations. Each Loan Party hereby consents to the terms and conditions of the Credit Agreement and the Pledge and Security Agreement. Each Loan Party acknowledges (i) that each of the Loan Documents to which it is a party remains in full force and effect, (ii) that each of the Loan Documents to which it is a party is hereby ratified, continued and confirmed, (iii) that any and all obligations of such Loan Party under any one or more such documents to which it is a party is hereby ratified, continued and reaffirmed, and (iv) that there exists no offset, counterclaim, deduction or defense to any obligations described in this Section 5. This Joinder shall not constitute a course of dealing with the Administrative Agent or the Lenders at variance with the Credit Agreement, the Pledge and Security Agreement or the other Loan Documents such as to require further notice by the Administrative Agent or the Lenders to require strict compliance with the terms of the Credit Agreement, the Pledge and Security Agreement and the other Loan Documents in the future.

Section 6 Release. In consideration of the agreements of the Administrative Agent and the Lenders contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each Loan Party, on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges the Administrative Agent, each Lender and their respective successors and assigns, and their respective present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, administrative agents and other representatives (the Administrative Agent, the Lenders and all such other Persons being hereinafter referred to collectively as the "Releasees" and individually as a "Releasee"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set off, demands and liabilities whatsoever (individually, a "Claim" and collectively, "Claims") of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which such Loan Party or any of its successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Joinder for or on account of, or in relation to, or in any way in connection with the Existing Credit Agreement or any of the other Loan Documents or transactions thereunder or related thereto.

Section 7 Miscellaneous.

7.1 Signatures; Effect of Joinder. By executing this Joinder, each of the Loan Parties is deemed to have executed the Credit Agreement, as a Borrower and a Loan Party and the Pledge and Security Agreement, as a Grantor. All such Loan Parties, Grantors, the Administrative Agent and the Lenders acknowledge and agree that (a) nothing contained in this Joinder in any manner or respect limits or terminates any of the provisions of the Credit Agreement, the Pledge and Security Agreement or any of the other Loan Documents other than as expressly set forth herein and further agree and acknowledge that the Credit Agreement, the

Pledge and Security Agreement and each of the other Loan Documents remain and continue in full force and effect and are hereby ratified and confirmed, and (b) other than as expressly set forth herein, the obligations under the Credit Agreement and the Pledge and Security Agreement and the guarantees, pledges and grants of security interests created under or pursuant to the Credit Agreement, the Pledge and Security Agreement and the other Loan Documents continue in full force and effect in accordance with their respective terms and the Collateral secures and shall continue to secure the Loan Parties' obligations under the Credit Agreement and any other obligations and liabilities provided for under the Loan Documents. Except to the extent expressly set forth herein, the execution, delivery and effectiveness of this Joinder shall not operate as a waiver of any rights, power or remedy of the Administrative Agent or the Lenders under the Credit Agreement, the Pledge and Security Agreement or any other Loan Document, nor constitute a waiver of any provision of the Credit Agreement, Pledge and Security Agreement or any other Loan Document, nor constitute a novation of any of the Obligations under the Credit Agreement or obligations under the Loan Documents. This Joinder does not extinguish the indebtedness or liabilities outstanding in connection with the Credit Agreement, the Pledge and Security Agreement or any of the other Loan Documents. No delay on the part of the Administrative Agent or any Lender in exercising any of their respective rights, remedies, powers and privileges under the Credit Agreement, the Pledge and Security Agreement or any of the Loan Documents or partial or single exercise thereof, shall constitute a waiver thereof. None of the terms and conditions of this Joinder may be changed, waived, modified or varied in any manner, whatsoever, except in accordance with Section 11.01 of the Credit Agreement.

7.2 Counterparts. This Joinder may be executed in any number of counterparts and by the different parties on separate counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of the executed counterpart of this Joinder by telecopy or electronic mail shall be as effective as delivery of a manually executed counterpart to this Joinder. This Joinder to the extent signed and delivered by means of a facsimile machine or other electronic transmission (including, without limitation, "pdf", "tif" or "jpg") and other electronic signatures (including, without limitation, DocuSign and AdobeSign), shall be treated in all manner and respects and for all purposes as an original agreement or amendment and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No party hereto shall raise the use of a facsimile machine or other electronic transmission to deliver a signature or the fact that any signature or agreement or amendment was transmitted or communicated through the use of a facsimile machine or other electronic transmission as a defense to the formation or enforceability of a contract and each such party forever waives any such defense. The use of electronic signatures and electronic records (including, without limitation, any contract or other record created, generated, sent, communicated, received, or stored by electronic means) shall be of the same legal effect, validity and enforceability as a manually executed signature or use of a paper-based record-keeping system to the fullest extent permitted by applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act and any other applicable law, including, without limitation, any federal or state law based on or equivalent to the Uniform Electronic Transactions Act or the Uniform Commercial Code.

7.3 Severability. The illegality or unenforceability of any provision of this Joinder or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Joinder or any instrument or agreement required hereunder.

7.4 Captions. Section captions used in this Joinder are for convenience only, and shall not affect the construction of this Joinder.

7.5 Entire Agreement. This Joinder embodies the entire agreement and understanding among the parties hereto and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof.

7.6 References. Any reference to the Credit Agreement or the Pledge and Security Agreement contained in any notice, request, certificate, or other document executed concurrently with or after the execution and delivery of this Joinder shall be deemed to include this Joinder unless the context shall otherwise require. Reference in any of this Joinder, the Credit Agreement, the Pledge and Security Agreement or any other Loan Document to the Credit Agreement or the Pledge and Security Agreement shall be a reference to the Credit Agreement and/or the Pledge and Security Agreement, as applicable, as amended hereby and as may be further amended, modified, restated, supplemented or extended from time to time.

7.7 Governing Law. THIS JOINDER AND ALL CLAIMS SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES.

7.8 Payment of Costs and Expenses. The Loan Parties agree, pursuant to the terms of Section 11.04 of the Credit Agreement, to pay on demand all reasonable and documented out-of-pocket expenses of the Administrative Agent incurred in connection with the transactions contemplated hereby to the extent not previously paid or paid on the date hereof (including attorney costs) in connection with the preparation, execution and delivery of this Joinder and the other Loan Documents.

[Signatures Immediately Follow]

IN WITNESS WHEREOF, the undersigned have executed this Omnibus Joinder to Loan Documents as of the date first written above.

BORROWERS:

SYNALLOY CORPORATION

By:
Name:
Title:

CRI TOLLING, LLC

By:
Name:
Title:

SYNALLOY FABRICATION, LLC

By:
Name:
Title:

MANUFACTURERS SOAP & CHEMICAL CO

By:
Name:
Title:

MANUFACTURERS CHEMICALS, LLC

By:
Name:
Title:

SYNALLOY METALS, INC.

By:
Name:
Title:

BRISTOL METALS, LLC

By:
Name:
Title:

SPECIALTY PIPE & TUBE, INC.

By:
Name:
Title:

PALMER OF TEXAS TANKS, INC.

By:
Name:
Title:

AMERICAN STAINLESS TUBING, LLC

By:
Name:
Title:

DANCHEM TECHNOLOGIES, INC.

By:
Name:
Title:

ADMINISTRATIVE AGENT:	**BMO HARRIS BANK N.A.**, as Administrative Agent
	By: __ Name: Title:

Signature page to Omnibus Consent and Joinder Agreement

LENDER:

BMO HARRIS BANK N.A., as a Lender

By: __
Name:
Title:

Signature page to Omnibus Consent and Joinder Agreement

EXHIBIT A

Schedules to Credit Agreement

See attached.

EXHIBIT B

Schedules to Pledge and Security Agreement

See attached.

Exhibit 31.1

CERTIFICATIONS

I, Christopher G. Hutter, certify that:

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

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 officers 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 officers 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:	November 9, 2021	/s/ Christopher G. Hutter
		Christopher G. Hutter
		Interim Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Aaron M. Tam, certify that:

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

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 officers 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 officers 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: November 9, 2021

/s/ Aaron M. Tam
Aaron M. Tam
Chief Financial Officer

Exhibit 32

Certifications Pursuant to 18 U.S.C. Section 1350

The undersigned, who are the chief executive officer and the chief financial officer of Synalloy Corporation, each hereby certifies that, to the best of his knowledge, the accompanying Form 10-Q of the issuer fully complies with the requirements of Section 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 issuer.

Date:	November 9, 2021	/s/ Christopher G. Hutter
		Christopher G. Hutter
		Interim Chief Executive Officer

Date:	November 9, 2021	/s/ Aaron M. Tam
		Aaron M. Tam
		Chief Financial Officer