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

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2022

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

Ascent Industries Co.

(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.)*
1400 16th Street Suite 270, **Oak Brook, Illinois**		**60523**
(Address of principal executive offices)		*(Zip Code)*
	(630) 884-9181	
	(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	ACNT	NASDAQ Global Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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, a smaller reporting company, or an 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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

Based on the closing price as of June 30, 2022, which was the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was $98.1 million.

The number of shares outstanding of the registrant's common stock as of March 28, 2023 was 10,172,266.

Documents Incorporated By Reference

Portions of the Proxy Statement for the 2023 annual shareholders' meeting are incorporated by reference into Part III of this Form 10-K.

Ascent Industries Co.
Form 10-K
For Period Ended December 31, 2022
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Disclosure Regarding Forward-Looking Statements

This Annual Report on Form 10-K 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 in Item 1A, Risk Factors, in this Annual Report on Form 10-K and from time-to-time in Ascent Industries Co.'s Securities and Exchange Commission filings. Ascent Industries Co. assumes no obligation to update any forward-looking information included in this Annual Report on Form 10-K.

PART I

Item 1. Business

Ascent Industries Co. is an industrials company focused on the production and distribution of industrial tubular products including stainless steel and galvanized pipe and tube, seamless carbon pipe and tube, and specialty chemicals. Ascent Industries Co. was incorporated in 1958 as the successor to a chemical manufacturing business founded in 1945 known as Blackman Uhler Industries Inc. On August 5, 2022, we filed with the Secretary of State of the State of Delaware a Certificate of Amendment to our Certificate of Incorporation to change our corporate name from Synalloy Corporation to Ascent Industries Co., effective August 10, 2022. The Company's executive office is located at 1400 16th Street, Suite 270, Oak Brook, Illinois 60523. Unless indicated otherwise, the terms "Ascent", "Company," "we" "us," and "our" refer to Ascent Industries Co. and its consolidated subsidiaries.

The Company's business is divided into two reportable operating segments, Tubular Products and Specialty Chemicals. The Tubular Products segment serves markets through pipe and tube and customers in the appliance, architectural, automotive and commercial transportation, brewery, chemical, petrochemical, pulp and paper, mining, power generation (including nuclear), water and waste-water treatment, liquid natural gas ("LNG"), food processing, pharmaceutical, oil and gas and other industries.

The Specialty Chemicals segment produces specialty products for the pulp and paper, coatings, adhesives, sealants and elastomers (CASE), textile, automotive, household, industrial and institutional ("HII"), agricultural, water and waste-water treatment, construction, oil and gas and other industries.

General

Tubular Products – Tubular Products is comprised of BRISMET, located in Bristol, Tennessee and Munhall, Pennsylvania; ASTI, located in Troutman and Statesville, North Carolina; Palmer, located in Andrews, Texas; and Specialty, located in Mineral Ridge, Ohio and Houston, Texas.

BRISMET manufactures welded pipe and tube, primarily from stainless steel, duplex, and nickel alloys. Pipe is produced in sizes from 3/8 inch outside diameter to 144 inches outside diameter and wall thickness from 1/4 inch up to 1 and 3/8 inches. Pipe smaller than 18 inches in outside diameter is made on equipment that forms and welds the pipe in a continuous process. Pipe larger than 18 inches in outside diameter is formed on presses or rolls and welded using a batch welding technique. Pipe is normally produced in standard 20-foot lengths, although BRISMET also has capabilities in the production of pipe without circumferential welds in lengths up to 60 feet. BRISMET is one of the few domestic producers capable of making pipe in 48-foot lengths up to 36 inches in diameter. Additionally, BRISMET's Munhall facility manufactures ornamental stainless tube and galvanized carbon tube, as well as similar stainless pipe products as produced at the Bristol facility. As of December 31, 2022, the Company made the decision to pursue an exit of the galvanized steel pipe and tube business at its Munhall facility. The Company is in the process of winding down operations and expects to permanently cease the production of galvanized steel pipe and tube in the first half of 2023.

ASTI is a leading manufacturer of high-end ornamental stainless steel tube, supplying the automotive, commercial transportation, marine, food services, construction, furniture, healthcare, and other industries. ASTI's facilities are located in Troutman and Statesville, North Carolina. ASTI incorporates proprietary finishing capabilities and the highest levels of customer service and technical support to provide the customer with the highest quality ornamental products available in the market. ASTI's product range includes a variety of shapes, including rounds, squares, rectangles and ellipticals up to 5 inches outside diameter.

Palmer is a manufacturer of fiberglass and steel storage tanks for the oil and gas, waste water treatment and municipal water industries. As of December 31, 2021, the Company permanently ceased operations and is in the process of divesting all remaining assets at the facility. The operating results of our Palmer business in Andrews, Texas, currently held for sale, are included within the Tubular Products segment for all periods presented in this annual report. Palmer will be removed from the segment beginning in the first quarter of 2023.

Specialty is a leading master distributor of hot finish, seamless, carbon steel pipe and tube, with an emphasis on large outside diameters and exceptionally heavy wall thickness. Specialty's products are primarily used for mechanical and high-pressure applications in the oil and gas, heavy industrial, construction equipment, and chemical and other industries. Operating from facilities located in Mineral Ridge, Ohio and Houston, Texas, Specialty is well-positioned to serve the major industrial and energy regions in the United States. Specialty performs value-added processing on a majority of products shipped and typically processes and ships orders in 24 hours or less. Specialty plays a critical role in the domestic supply chain, by maintaining a diverse inventory of hard to find sizes of pipe and tube that support critical infrastructure applications across the United States.

The majority of raw materials used by the segment are available from numerous independent suppliers and approximately 65% of total purchases are from its top 5 suppliers. The Company does not anticipate that the loss of this supplier would have a materially adverse effect on the Company as raw materials are readily available from a number of different sources, and the Company anticipates no difficulties in fulfilling its requirements.

Specialty Chemicals – Specialty Chemicals consists of the Company's three production facilities located in Cleveland, Tennessee, Fountain Inn, South Carolina and Danville, Virginia.

The segment produces specialty formulations and intermediates for use in a wide variety of applications and industries with primary product lines focusing on the production of defoamers, surfactants, and lubricating agents. End users include companies that supply agrochemical paper, metal working, coatings, water treatment, paint, mining, oil and gas, and janitorial and other applications. The segments sulfation products represent a renewable resource and are alternatives to non-renewable petroleum derivatives.

The segment also provides dedicated contract manufacturing services, as well as operating a multi-purpose plant with the ability to process a variety of difficult to handle materials including flammable solvents, viscous liquids and granular solids. The segment has long-term relationships with a number of leading chemical companies that outsource their manufacturing production to our production facilities allowing those customers to reach their target markets quicker.

The majority of raw materials used by the segment are available from numerous independent suppliers and approximately 31% of total purchases are from its top 5 suppliers. While some raw material needs are met by an individual supplier or only a few suppliers, the Company anticipates no difficulties in fulfilling its raw material requirements.

See Note 13 to the consolidated financial statements, which are included in Item 8 of this Form 10-K, for financial information about the Company's segments.

Sales

Tubular Products – The Tubular Products segment utilizes a sales force comprised of inside sales employees, outside sales employees and independent manufacturers' representatives. The segment's products are sold to various distributors, OEM and end use customers. There were no customers representing more than 10% of the Tubular Products segment's revenues for 2022 or 2021, respectively.

Specialty Chemicals – Specialty chemicals are sold directly to various industries nationwide by sales representatives comprised of outside sales employees and independent manufacturers' representatives. The Specialty Chemicals segment has one customer that accounted for approximately 21% of the segment's revenues for 2022 and 15% of the segment's revenues for 2021.

Mergers, Acquisitions and Dispositions

The Company is committed to a long-term strategy of reinvesting capital in our current business segments to foster organic growth and completing acquisitions that expand our manufacturing capabilities, product offerings and geographic footprint.

On October 22, 2021, the Company completed the acquisition of all of the issued and outstanding shares of common stock of DanChem Technologies, Inc. ("DanChem"). The purpose of the transaction was to accelerate product development capabilities and provide entrance into new end-markets and applications within the Specialty Chemicals segment. The purchase price was $32.95 million before adjustments for working capital, transaction expenses, cash and debt. The tangible assets purchased and liabilities assumed from DanChem included accounts receivable, inventory, equipment, real property and accounts payable. See Note 2 for additional information on the DanChem acquisition.

Environmental

Environmental expenditures that relate to an existing condition caused by past operations and do not contribute to future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or cleanups are probable and the costs of these assessments and/or cleanups can be reasonably estimated. Changes to laws and environmental issues, including climate change, are made or proposed with some frequency and some of the proposals, if adopted, might directly or indirectly result in a material reduction in the operating results of one or more of our operating units. We are presently unable to quantify this risk.

Seasonality

The Company's businesses and products are generally not subject to seasonal impacts that result in significant variations in revenues from one quarter to another.

Backlogs

The backlog of open orders for the Tubular Products segment were $49.8 million and $91.5 million at the end of 2022 and 2021, respectively. The backlog of open orders for the Specialty Chemicals segment were $10.4 million and $12.9 million at the end of 2022 and 2021, respectively. Our backlog may not be indicative of actual sales and, therefore, should not be used as a direct measure of future revenue.

Human Capital

Safety and Wellness

The health and safety of our workforce is fundamental to the success of our business. We have a long-standing commitment to the safety and health of every employee that works in our facilities. We are working to eliminate all injuries and incidents and our employees are making a daily commitment to follow safe work practices, look out for the safety of co-workers and ensuring safe working conditions for all employees. We provide our employees upfront and ongoing safety training to ensure that safety policies and procedures are effectively communicated and implemented. Personal protective equipment is provided to employees to safely perform their job responsibilities.

Talent Management

Our approach to human capital management is one that seeks to foster an inclusive and respectful work environment where employees are empowered at all levels to implement new ideas, to better serve our customers and continuously improve our processes and operations. Our business results depend on our ability to manage our human capital resources, including attracting, identifying, and retaining key talent. Factors that may affect our ability to attract and retain qualified employees include competition from other employers, availability of qualified individuals and opportunities for employee growth.

As of December 31, 2022, the Company had 698 employees, all of which were full-time employees. The Company considers relations with employees to be strong. The number of employees of the Company represented by unions, located at the Munhall, Pennsylvania, Mineral Ridge, Ohio, Bristol, Tennessee and Danville, Virginia facilities, is 334, or 48% of the Company's employees. They are represented by three locals affiliated with the United Steelworkers (the "USW") and one local affiliated with the United Food and Commercial Workers (the "UFCW"). Collective bargaining contracts for the USW locals expire at various dates between 2023 and 2024. Collective bargaining contracts for the UFCW local expires in 2024.

Our voluntary turnover rate in 2022 was approximately 25%. We monitor employee turnover rates by plant and the Company as a whole. The average employee tenure is approximately 7 years. We believe our competitive total rewards package offered to employees and development opportunities help attract talent and promotes longer employee tenure.

Total Rewards

We invest in our workforce by offering a competitive total rewards package that includes a combination of salaries and wages, health and wellness benefits, retirement benefits and educational benefits. We strive to offer competitive total rewards packages and benefits for eligible employees.

Diversity and Inclusion

We are an Equal Opportunity Employer and all qualified applicants for positions with the Company receive consideration for employment without regard to race, color, religion, sex, sexual orientation, gender, identity, national origin, disability, or veteran status. We strive to provide an equitable and inclusive environment for all our employees with representation across all levels of our workforce that reflects the diversity of the communities in which we live and work.

Available information

The Company electronically files with the Securities and Exchange Commission ("SEC") its annual reports on Form 10-K, its quarterly reports on Form 10-Q, its periodic reports on Form 8-K, amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 (the "1934 Act"), and proxy materials pursuant to Section 14 of the 1934 Act. The SEC maintains a site on the internet at www.sec.gov which contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The Company also makes its filings available, free of charge, through its website at www.ascentco.com as soon as reasonably practical after the electronic filing of such material with the SEC. The information on the Company's website is not incorporated into this Annual Report on Form 10-K or any other filing the Company makes with the SEC.

Item 1A. Risk Factors

There are inherent risks and uncertainties associated with our business that could adversely affect our operating performance and financial condition. Set forth below are descriptions of those risks and uncertainties that we believe to be material, but the risks and uncertainties described are not the only risks and uncertainties that could affect our business. Reference should be made to "Forward-Looking Statements" above, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and our consolidated financial statements and related notes inItem 8 below.

Industry and Segment Risks

The demand for our products may be cyclical, creating uncertainty regarding future profitability.
Various changes in general economic conditions affect (or disproportionately affect) the industries in which our customers operate. These changes include decreases in the rate of consumption or use of our customers' products due to economic downturns. Other factors causing fluctuation in our customers' positions are changes in market demand, capital spending, tariff induced price changes, lower overall pricing due to domestic and international overcapacity, lower priced imports, currency fluctuations, and increases in use or decreases in prices of substitute materials. As a result of these factors, our profitability has been and may in the future be subject to significant fluctuation.

Domestic competition and excess manufacturing capacity could force lower product pricing and may have an adverse effect on our revenues and profitability.
From time-to-time, intense competition and excess manufacturing capacity in the commodity stainless and galvanized steel industry have resulted in reduced selling prices, excluding raw material surcharges, for many of our stainless steel products sold by the Tubular Products segment. In such situations, in order to maintain market share, we would have to lower our prices to match the competition. These factors have had and may in the future have a material adverse impact on our revenues, operating results and financial condition.

Overcapacity and overproduction by foreign producers in our industry could result in lower domestic prices, which would adversely affect our sales, margins and profitability.
Our business is susceptible to the import of products from other countries, particularly in our Tubular Products segment. Import levels of various products are affected by, among other things, overall world-wide demand, lower cost of production in other countries, the trade practices of foreign governments, government subsidies to foreign producers, the strengthening of the U.S. dollar, and government-imposed trade restrictions in the United States, such as imposed in 2018 under Section 232 of the Trade Expansion Act of 1962 (section 232 tariffs). Although imports from certain countries have been curtailed by anti-dumping duties, imported products from other countries could significantly reduce prices. Increased imports of certain products, whether illegal dumping or legal imports, could reduce demand for our products or cause us to lower our prices to maintain demand for our products, which could adversely affect our business, financial position, or results of operations.

A substantial portion of our sales in the Specialty Chemicals segment is dependent upon a limited number of customers.The top 15 customers in the Specialty Chemicals segment accounted for approximately 67% and 60% of revenues for the years ended December 31, 2022 and 2021, respectively, with the top customer accounting for approximately 21% of revenues for 2022 and 15% of revenues for 2021. An adverse change in, or termination of, the relationship with one or more of our top customers could materially and adversely affect our results of operations.

Operations and Supply Chain Risks

Any interruption in our ability to procure raw materials, or significant volatility in the price of raw materials, could adversely affect our business and results of operations.
While the Company believes that raw materials for both segments are (in general) readily available from numerous sources, some of our raw material needs are met by a sole supplier or only a few suppliers and many such relationships are terminable by either party. If any key supplier that we rely on for raw materials ceases or limits production, we may incur significant additional costs, including capital costs, in order to find alternate, reliable raw material suppliers. We may also experience significant production delays while locating new supply sources, which could result in our failure to timely deliver products to our customers.

In addition, purchase prices and availability of these critical raw materials are subject to volatility which may negatively impact financial performance due to decreased sales volume and /or decreased profitability. At any given time, we may be unable to obtain an adequate supply of these critical raw materials on a timely basis, at acceptable prices and other terms, or at all. If suppliers increase the price of critical raw materials, we may not have alternative sources of supply. As well, though we attempt to pass changes in the prices of raw materials along to our customers, we cannot always do so due to market competition, among other reasons, or price increases to customers may occur on a delayed basis. In addition, although raw materials may remain available, volatility in raw material pricing may negatively impact customer ordering patterns.

The loss of or reduced supply from one or more key suppliers in either segment, or any other material change in our current supply channels, could materially affect the Company’s ability to meet the demand for its products and adversely affect the Company’s business and results of operations. In addition, any limitations (or delay) on our ability to pass through any price increases in raw materials could have an adverse effect on our profitability.

Loss of a key supplier or lack of product availability from suppliers could adversely affect our sales and earnings
Our Specialty Chemicals segment depends on maintaining an immediately available supply of various products to meet customer demand. Many of our relationships with key product suppliers are longstanding but are terminable by either party. The loss of key supplier authorizations, or a substantial decrease in the availability of their products, could put us at a competitive disadvantage and have a material adverse effect on our business or results of operations. Supply interruptions could arise from raw material shortages, inadequate manufacturing capacity or utilization to meet demand, financial difficulties, tariffs and other regulations affecting trade between the U.S. and other countries, labor disputes, weather conditions affecting suppliers' production, transportation disruptions or other reasons beyond our control.

Our operating results are sensitive to the availability and cost of energy and freight, which are important in the manufacture and transport of our products.
Our operating costs increase when energy or freight costs rise. During periods of increasing energy and freight costs, we might not be able to fully recover our operating cost increases through price increases without reducing demand for our products. In addition, we are dependent on third party freight carriers to transport many of our products, all of which are dependent on fuel to transport our products. The prices for and availability of electricity, natural gas, oil, diesel fuel and other energy resources are subject to volatile market conditions. These market conditions often are affected by political and economic factors beyond our control. Disruptions in the supply of energy resources could temporarily impair our ability to manufacture products for customers and may result in the decline of freight carrier capacity in our geographic markets, or make freight carriers unavailable or more expensive. Further, increases in energy or freight costs that cannot be passed on to customers, or adverse changes in our costs relative to energy and freight costs paid by competitors, has adversely affected, and may continue to adversely affect, our profitability.

We are dependent upon the continued operation of our production facilities, which are subject to a number of hazards.
Our manufacturing processes are dependent upon critical pieces of equipment. This equipment may, on occasion, be out of service as a result of unanticipated failures. We have experienced, and may in the future experience, material plant shutdowns or periods of reduced production as a result of such equipment failures. In addition, our production facilities are subject to hazards associated with the manufacture, handling, storage and transportation of materials and products, including leaks and ruptures, explosions, fires, inclement weather and natural disasters, unscheduled downtime and environmental hazards. As well, some of our production capabilities are highly specialized, which limits our ability to shift production to another facility. The occurrence of incidents in the future may result in production delays, failure to timely fulfill customer orders or otherwise have a material adverse effect on our business, financial condition or results of operations.

Our operations present significant risk of injury and other liabilities.
The industrial activities conducted at our facilities present significant risk of serious injury or even death to our employees or other visitors to our operations, notwithstanding our safety precautions, including our material compliance with federal, state and local employee health and safety regulations, and we may be unable to avoid material liabilities for any such incidents. We maintain various forms of insurance, including insurance covering claims related to our properties and risks associated with our operations, but there can be no assurance that the insurance coverage will be applicable and adequate, or will continue to be available on terms acceptable to us, or at all, which could result in material liability to us for any injuries or deaths.

We may not be able to make the operational and product changes necessary to continue to be an effective competitor.
We must continue to enhance our existing products, develop and manufacture new products with improved capabilities, and accurately predict future customer needs and preferences in order to continue to be an effective competitor in our business markets. In addition, we must anticipate and respond to changes in industry standards, including government regulations, that affect our products and the needs of our customers. The success of any new or enhanced products will depend on a number of factors, such as technological innovations, increased manufacturing and material costs, customer acceptance, and the performance and quality of the new or enhanced products. We cannot predict the level of market acceptance or the amount of market share these new or enhanced products may achieve, and we may experience delays or problems in the introduction of new or enhanced products. Any failure in our ability to effectively and efficiently launch new or enhanced products could materially and adversely affect our business, financial condition or results of operation.

Government Regulation Risks

Our operations expose us to the risk of environmental, health and safety liabilities and obligations, which could have a material adverse effect on our financial condition or results of operations.
We are subject to numerous federal, state and local environmental protection and health and safety laws governing, among other things:

- the generation, use, storage, treatment, transportation, disposal and management of hazardous substances and wastes;
- emissions or discharges of pollutants or other substances into the environment;
- investigation and remediation of, and damages resulting from, releases of hazardous substances; and
- the health and safety of our employees.

Under certain environmental laws, we can be held strictly liable for hazardous substance contamination of any real property we have ever owned, operated or used as a disposal site. We are also required to maintain various environmental permits and licenses, many of which require periodic modification and renewal. Our operations entail the risk of violations of those laws and regulations, and we may not have been in the past or will be at all times in the future, in compliance with all of these requirements. In addition, these requirements and their enforcement may become more stringent in the future.

We have incurred, and expect to continue to incur, additional capital expenditures (in addition to ordinary or other costs and capital expenditures) to comply with applicable environmental laws. Our failure to comply with applicable environmental laws and permit requirements could result in civil and/or criminal fines or penalties, enforcement actions, and regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, such as the installation of pollution control equipment, which could have a material adverse effect on our financial condition, results of operations or cash flows.

We are currently, and may in the future be, required to investigate, remediate or otherwise address contamination at our current or former facilities. Many of our current and former facilities have a history of industrial usage for which additional investigation, remediation or other obligations could arise in the future and that could materially adversely affect our business, financial condition, results of operations or cash flows. In addition, we are currently, and could in the future be, responsible for costs to address contamination identified at any real property we used as a disposal site.

Although we cannot predict the ultimate cost of compliance with any of the requirements described above, the costs could be material. Non-compliance could subject us to material liabilities, such as government fines, third-party lawsuits or the suspension of non-compliant operations. We also may be required to make significant site or operational modifications at substantial cost. Future developments also could restrict or eliminate the use of or require us to make modifications to our products, which could have a significant negative impact on our results of operations. At any given time, we are (or may be) involved in claims, litigation, administrative proceedings and investigations of various types involving potential environmental liabilities, including cleanup costs associated with hazardous waste disposal sites at our facilities. We cannot assure you that the resolution of these environmental matters will not have a material adverse effect on our results of operations. The occurrence and ultimate costs and timing of environmental liabilities are difficult to predict. Liability under environmental laws relating to contaminated sites can be imposed retroactively and on a joint and several basis. We could incur significant costs, including cleanup costs, civil or criminal fines and sanctions and third-party claims, as a result of past or future violations of, or liabilities under, environmental laws.

We could be subject to third party claims for property damage, personal injury, nuisance or otherwise as a result of violations of, or liabilities under, environmental, health or safety laws in connection with releases of hazardous or other materials at any current or former facility. We could also be subject to environmental indemnification claims in connection with assets and businesses that we have acquired or divested.

There can be no assurance that any future capital and operating expenditures to maintain compliance with environmental laws, as well as costs incurred to address contamination or environmental claims, will not exceed any current estimates or adversely affect our financial condition and results of operations. In addition, any unanticipated liabilities or obligations arising, for example, out of discovery of previously unknown conditions or changes in laws or regulations, could have an adverse effect on our business, financial condition or results of operations.

Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing, as well as governmental reviews of such activities could result in delays or eliminate new wells from being started, thus reducing the demand for our pressure vessels and heavy walled pipe and tube.

Hydraulic fracturing (“fracking”) is currently an essential and common practice to extract oil from dense subsurface rock formations, and this lower cost extraction method is a significant driving force behind the surge of oil exploration and drilling in several locations in the United States. However, the Environmental Protection Agency, U.S. Congress and state legislatures have considered adopting legislation to provide additional regulations and disclosures surrounding this process. In the event that new legal restrictions surrounding the fracking process are adopted in the areas in which our customers operate, we may experience a decrease in revenue, which could have an adverse impact on our results of operations, including profitability.

Regulations related to “conflict minerals” may force us to incur additional expenses, may make our supply chain more complex and may result in damage to our reputation with customers.

On August 22, 2012, under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), the SEC adopted new requirements for companies that use certain minerals and metals, known as conflict minerals, in their products, whether or not these products are manufactured by third parties. These regulations require companies to conduct annual due diligence and disclose whether or not such minerals originate from the Democratic Republic of Congo and adjoining countries. Tungsten and tantalum are designated as conflict minerals under the Dodd-Frank Act. These metals are used to varying degrees in our welding materials and are also present in specialty alloy products. These new requirements could adversely affect the sourcing, availability and pricing of minerals used in our products. In addition, we could incur additional costs to comply with the disclosure requirements, including costs related to determining the source of any of the relevant minerals and metals used in our products. Since our supply chain is complex, we may not be able to sufficiently verify the origins for these minerals and metals used in our products through the due diligence procedures that we implement, which may harm our reputation. In such event, we may also face difficulties in satisfying customers who could require that all of the components of our products are conflict mineral-free.

Human Capital Risks

Certain of our employees in the Tubular Products segment are covered by collective bargaining agreements, and the failure to renew these agreements could result in labor disruptions and increased labor costs.

As of December 31, 2022, we had 334 employees represented by unions at our Bristol, Tennessee, Mineral Ridge, Ohio, Munhall, Pennsylvania and Danville, Virginia facilities, which is approximately 48% of the aggregate number of Company employees. These employees are represented by three local unions affiliated with the USW and one local affiliated with the UFCW. Collective bargaining contracts for the USW locals expire at various dates between 2023 and 2024. Collective bargaining contracts for the UFCW local expires in 2024. Although we believe that our present labor relations are strong, our failure to renew these agreements on reasonable terms as the current agreements expire could result in labor disruptions and increased labor costs, which could adversely affect our financial performance.

Failure to attract and retain key personnel may adversely impact our strategy and execution and financial results.
Our ability to successfully operate, grow our business and implement our business strategies is largely dependent on the efforts, abilities and services of our employees. The loss of employees or our inability to attract, train and retain additional personnel could reduce the competitiveness of our business or otherwise impair our operations. Our future success will also depend, in part, on our ability to attract and retain qualified personnel who have experience in the application of our products and are knowledgeable about our business, markets and products.

We also face risks associated with the actions taken in response to COVID-19, including those associated with workforce reductions, and may experience difficulties with hiring additional employees or replacing employees following the pandemic, which may be exacerbated by the tight labor market. In addition, COVID-19 has, and may again result in quarantines of our personnel or an inability to access facilities, which could adversely affect our operations.

Financial and Strategic Risks

There are risks associated with our outstanding and future indebtedness.
As of December 31, 2022, we had $71.5 million of total outstanding indebtedness, and we may incur additional indebtedness in the future. We have customary restrictive covenants in our current debt agreements, which may limit our flexibility to operate our business. Failure to comply with this covenant could result in an event of default that, if not cured or waived, could have a material adverse effect on our business, results of operations and financial condition. Additionally, our ability to pay interest and repay the principal for our indebtedness is dependent upon our ability to manage our business operations, generate sufficient cash flows to service such debt and the other factors discussed in this section. There can be no assurance that we will be able to manage any of these risks successfully.

Our Credit Agreement with BMO Harris Bank N.A. (as amended, the "Credit Agreement") bears interest at variable interest rates, primarily based on the London Interbank Offered Rate ("LIBOR"). LIBOR is currently in the process of being phased out. The Credit Agreement includes provisions intended to provide for the replacement of LIBOR with the Secured Overnight Financing Rate ("SOFR") upon the cessation of LIBOR or the occurrence of other triggering events, with corresponding adjustments to the applicable interest rate margins. However, uncertainty as to the timing and nature of such modifications could cause the interest rate calculated for the Credit Agreement to be materially different than expected, and there is no guarantee that a transition from LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have an adverse effect on our business, results of operations and financial condition. Our failure to manage these risks effectively could adversely affect our financial condition and results of operations.

We may need new or additional financing in the future to expand our business or refinance existing indebtedness, and our inability to obtain capital on satisfactory terms or at all may have an adverse impact on our operations and our financial results.
If we are unable to access capital on satisfactory terms and conditions, we may not be able to expand our business or meet our payment requirements under the Credit Agreement. Our ability to obtain new or additional financing will depend on a variety of factors, many of which are beyond our control. We may not be able to obtain new or additional financing because we may have substantial debt, our current receivable and inventory balances do not support additional debt availability or because we may not have sufficient cash flows to service or repay our existing or future debt. In addition, depending on market conditions and our financial performance, equity financing may not be available on satisfactory terms or at all. If we are unable to access capital on satisfactory terms and conditions, this could have an adverse impact on our operations and our financial results.

Impairment in the carrying value of our fixed assets, intangible assets, or goodwill could adversely affect our financial condition and consolidated results of operations.
Goodwill represents the excess of cost over the fair value of identified net assets of businesses acquired. We review goodwill for impairment annually, or whenever circumstances change in a way which could indicate that impairment may have occurred. Goodwill is tested at the reporting unit level. We identify potential goodwill impairments by comparing the fair value of the reporting unit to its carrying amount, which includes goodwill and other intangible assets. If the carrying amount of the reporting unit exceeds the fair value, an impairment exists. The amount of the impairment is the amount by which the carrying amount exceeds the fair value. A significant amount of judgment is involved in determining if an indication of impairment exists. Factors may include, among others: a significant decline in our expected future cash flows; a sustained, significant decline in our stock price and market capitalization; a significant adverse change in legal factors or in the business climate; unanticipated competition; the testing for recoverability of a significant asset group within a reporting unit; and slower growth rates. Any adverse change in these factors would have a significant impact on the recoverability of these assets

and negatively affect our financial condition and consolidated results of operations. We are required to record a non-cash impairment charge if the testing performed indicates that goodwill has been impaired.

We evaluate the useful lives of our fixed assets and intangible assets to determine if they are definite or indefinite-lived. Reaching a determination on useful life requires significant judgments and assumptions regarding the lease term, future effects of obsolescence, demand, competition, other economic factors (such as the stability of the industry, legislative action that results in an uncertain or changing regulatory environment, and expected changes in distribution channels), the level of required maintenance expenditures and the expected lives of other related groups of assets. We cannot accurately predict the amount and timing of any impairment of assets. Should the value of goodwill, fixed assets or intangible assets become impaired, there could be an adverse effect on our financial condition and consolidated results of operations.

Intellectual Property Risks

Our inability to sufficiently or completely protect our intellectual property rights could adversely affect our business, prospects, financial condition and results of operations.

Our ability to compete effectively in both of our business segments will depend on our ability to maintain the proprietary nature of the intellectual property used in our businesses. These intellectual property rights consist largely of trade-secrets and know-how. We rely on a combination of trade secrets and non-disclosure and other contractual agreements and technical measures to protect our rights in our intellectual property. We also depend upon confidentiality agreements with our officers, employees, consultants and subcontractors, as well as collaborative partners, to maintain the proprietary nature of our intellectual property. These measures may not afford us sufficient or complete protection, and others may independently develop intellectual property similar to ours, otherwise avoid our confidentiality agreements or produce technology that would adversely affect our business, financial condition or results of operations.

General Risk Factors

We encounter significant competition in all areas of our businesses and may be unable to compete effectively, which could result in reduced profitability and loss of market share.

We actively compete with companies producing the same or similar products and, in some instances, with companies producing different products designed for the same uses. We encounter competition from both domestic and foreign sources in price, delivery, service, performance, product innovation, and product recognition and quality, depending on the product involved. For some of our products, our competitors are larger and have greater financial resources than we do. As a result, these competitors may be better able to withstand a change in conditions within the industries in which we operate, a change in the prices of raw materials or a change in the economy as a whole. Our competitors can be expected to continue to develop and introduce new and enhanced products and more efficient production capabilities, which could cause a decline in market acceptance of our products. Current and future consolidation among our competitors and customers also may cause a loss of market share as well as put downward pressure on pricing. Our competitors could cause a reduction in the prices for some of our products as a result of intensified price competition. Competitive pressures can also result in the loss of major customers. If we cannot compete successfully, our business, financial condition and results of operation could be adversely affected.

We have identified and may continue to discover material weaknesses in our internal controls over financial reporting, which may adversely affect investor confidence in the accuracy and completeness of our financial reports and consequently the market price of our securities.

We have identified and may continue to discover material weaknesses in our internal controls over financial reporting, which may adversely affect investor confidence in the accuracy and completeness of our financial reports and consequently the market price of our securities**.** As a public company, we are required to design and maintain proper and effective internal controls over financial reporting and to report any material weaknesses in such internal controls. Section 404 of the Sarbanes-Oxley Act of 2002 requires that we evaluate and determine the effectiveness of our internal controls over financial reporting and provide a management report on the internal controls over financial reporting, which must be attested to by our independent registered public accounting firm. We have identified material weaknesses in our internal controls over financial reporting, and may not detect errors on a timely basis and our financial statements may be materially misstated.

The process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404 is challenging and costly. In the future, we may not be able to complete our evaluation, testing, and any required remediation in a timely fashion. If we continue to identify material weaknesses in our internal controls over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner, if we continue to be unable to assert that our internal controls over financial reporting are effective, or if our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal controls over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our securities could be negatively affected, and we could become subject to investigations by the Financial Industry Regulatory Authority, the SEC, or other regulatory authorities, which could require additional financial and management resources.

Cybersecurity risks and cyber incidents could adversely affect our business and disrupt operations.
Cyber incidents can result from deliberate attacks or unintentional events. These incidents can include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. The result of these incidents could include, but are not limited to, disrupted operations, misstated financial data, liability for stolen assets or information, increased cyber security protection costs, litigation and reputational damage adversely affecting customer or investor confidence. We have taken steps to address these concerns and have implemented internal control and security measures to protect our systems and networks from security breaches; however, there can be no assurance that a system or network failure, or security breach, will not impact our business, results of operations and financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company operates the major plants and facilities listed below, all of which are in adequate condition for their current usage and are able to accommodate our capacity needs for the immediate future. Substantially all of the value of the Company's leased plants and facilities relate to the Master Lease with Store Master Funding XII, LLC (“Store”), an affiliate of Store Capital Corporation ("Store Capital") that was entered into in 2016 and amended in 2019 and 2020; see Note 7 to the consolidated financial statements included in Item 8 of this Form 10-K for additional information on the Company's leases.

The following table sets forth certain information concerning our principal properties including which segment's products are supported out of each location:

					Segment	
Location	**Principal Operations**	**Square Feet**	**Land Acres**	**Leased or Owned**	**Tubular Products**	**Specialty Chemicals**
Munhall, PA	Manufacturing stainless steel pipe	284,000	20.0	Leased	✔	
Bristol, TN	Manufacturing stainless steel pipe	275,000	73.1	Leased	✔	
Cleveland, TN	Chemical manufacturing and warehousing	143,000	18.8	Leased		✔
Fountain Inn, SC	Chemical manufacturing and warehousing	136,834	16.9	Leased		✔
Danville, VA	Chemical manufacturing and warehousing	135,811	55.3	Owned		✔
Andrews, TX[1]	Liquid storage solutions and separation equipment	122,662	19.6	Leased	✔	
Troutman, NC	Manufacturing ornamental stainless steel tube	106,657	26.5	Leased	✔	
Statesville, NC	Manufacturing ornamental stainless steel tube	83,000	26.8	Leased	✔	
Houston, TX	Cutting facility and storage yard for heavy walled pipe	29,821	10.0	Leased	✔	
Mineral Ridge, OH	Cutting facility and storage yard for heavy walled pipe	12,000	12.0	Leased	✔	
Mineral Ridge, OH	Storage yard for heavy walled pipe	—	4.3	Leased	✔	

[1] *Company currently subleases facility to a third party*

In addition to the facilities listed above, the Company leases from a third party the Company's executive office located in Oak Brook, Illinois.

Item 3. Legal Proceedings

For a discussion of legal proceedings, see Note 15 to the Consolidated Financial Statements included in Item 8 of this Form 10-K.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company had 350 common shareholders of record at March 28, 2023. The Company's common stock trades on the NASDAQ Global Market under the trading symbol ACNT. The Company's credit agreement restricts the payment of dividends indirectly through a minimum fixed charge coverage covenant. No dividends were declared or paid in 2022 or 2021.

Stock Performance Graph

The Company is a smaller reporting company as defined in Rule 12b-2 of the Exchange Act and is not required to provide this information.

Issuer Purchases of Equity Securities

The following table sets forth information with respect to purchase of the Company's common stock made during the fourth quarter of 2022:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs[1]	Number of Shares that May Yet Be Purchased under the Program[1]
October 1, 2022 - October 31, 2022	—	$ —	—	760,183
November 1, 2022 - November 30, 2022	34,403	11.00	34,403	725,780
December 1, 2022 - December 31, 2022	45,801	10.30	45,801	679,979
As of December 31, 2022	**80,204**	**$ 10.60**	**80,204**	**679,979**

[1]*On December 20, 2022, the Company announced that is Board of Directors re-authorized the Company's share repurchase program that was set to expire on February 17, 2023. As re-authorized, the share repurchase program now extends to February 17, 2025.*

Item 6. Reserved

Item 7. 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, financial condition, liquidity, and capital resources during the fiscal years ended December 31, 2022 and 2021. Unless otherwise noted, all references herein for the years 2022 and 2021 represent the fiscal years ended December 31, 2022 and 2021, respectively. We intend for this discussion to provide the reader with information that will assist in understanding our financial statements, the changes in certain key items in those financial statements from year to year, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our financial statements. This discussion should be read in conjunction with our consolidated financial statements and notes to the consolidated financial statements included in this Annual Report that have been prepared in accordance with accounting principles generally accepted in the United States of America. This discussion and analysis is presented in five sections:

- Executive Overview
- Results of Operations and Non-GAAP Financial Measures
- Liquidity and Capital Resources
- Material Cash Requirements from Contractual and Other Obligations
- Critical Accounting Policies and Estimates

Executive Overview

Name Change

On August 5, 2022, we filed with the Secretary of State of the State of Delaware a Certificate of Amendment to our Certificate of Incorporation to change our corporate name from Synalloy Corporation to Ascent Industries Co., effective August 10, 2022**.** The rebrand to Ascent represents our commitment to unlocking the potential of our industrial manufacturing portfolio and embodies the considerable progress that we have made and our growth prospects into the future.

Macroeconomic Events

Economic activity continues to be impacted by ongoing factors driving volatility in global markets including the misalignment of supply and demand for labor, transportation and logistic services, energy, raw materials and other inputs, the inflation of (or unavailability of) raw material inputs and transportation and logistics services, currency fluctuations, rising interest rates, extreme weather and the evolution of the novel coronavirus disease ("COVID-19"). The ongoing factors driving volatility in global markets that could impact our business' earnings and cash flows include, but are not limited to, the factors discussed above, the purchasing of commodities and relative commodity prices. The Company continues efforts to offset these inflationary pressures and continues to take action to improve working capital and evaluate other opportunities to maintain and improve financial performance in the short and long term.

In February 2022, the United States announced targeted economic sanctions on Russia in response to the military conflict in Ukraine. This conflict and the associated sanctions have disrupted the global economy, causing heightened cybersecurity risks, supply chain challenges, higher energy costs, and an exacerbation of existing inflationary pressures. As our operations are located in North America, we have no direct exposure to Russia and Ukraine, however, we are actively monitoring the broader economic impact of the crisis, especially the potential impact on commodity and fuel prices, and the potential decreased demand for our products.

The Inflation Reduction Act of 2022 was signed into law during the third quarter of 2022 and included provisions for an alternative minimum tax and a one percent excise tax on share repurchases. We anticipate being subject to the excise tax beginning in 2023 and continue to evaluate other provisions of the Inflation Reduction Act for their impact on our business.

Fiscal 2022 Highlights

Consolidated net sales increased 23.7%, or $79.4 million, compared to 2021 driven by increases in average selling price and the Company's acquisition of DanChem in the fourth quarter of 2021, partially offset by a decrease in pounds shipped. Excluding the DanChem acquisition, net sales increased 16.1%, or $52.8 million, over 2021.

Consolidated net income increased to $22.1 million in 2022, compared to net income of $20.2 million in 2021. Earnings per share decreased to $2.12 diluted earnings per share for the full-year 2022 compared to $2.14 diluted earnings per share in

2021. Excluding the DanChem acquisition, consolidated net income increased to $22.0 million and diluted earnings per share increased to $2.11 per share.

For 2022, cash flows from operating activities were $5.6 million, with $5.8 million used for capital expenditures.

Fiscal 2022 represented a year of solid financial performance for the Company with continued execution of our strategy and transformation efforts. Both of our segments contributed to the success of the Company in 2022, delivering solid financial results along with quality and reliability for our customers. During the year we continued to make progress on our transformation efforts and strategic priorities by investing in upgrades and new equipment at our facilities to further enhance and improve manufacturing processes, continued to focus on operational efficiencies within our facilities and continued efforts to maximize our working capital use. As part of these efforts, during the fourth quarter of 2022, the Company began a strategic reassessment of certain operations to drive an increased focus on its core operations and to continue to improve overall performance and operating profitability. As a result of this reassessment, management and the Board of Directors decided to pursue an exit of the Company's galvanized pipe and tube operations at its Munhall facility, resulting in accelerated depreciation and amortization charges of $0.9 million within our Tubular Products segment in the fourth quarter of 2022. We believe this will position the Company to focus on its most profitable operations enhancing and building efficiencies while further increasing long-term profitability.

The DanChem acquisition continues to drive growth as we continue to integrate the business with the existing portfolio. Full-year 2022 results include $32.3 million in net sales and $0.1 million in operating income attributable to the operations acquired in the fourth quarter of 2021.

During the year, we also repurchased 110,404 shares for $1.3 million through our share repurchase program as part of our continued efforts to create sustainable value for our shareholders.

Results of Operations

Comparison of 2022 to 2021 – Consolidated

Consolidated net sales for the full-year 2022 increased $79.4 million, or 23.7%, over the full-year 2021 to $414.1 million. The increase in net sales was primarily driven by a 42.2% increase in average price partially offset by a 14.0% decrease in pounds shipped. Excluding DanChem, net sales increased $52.8 million, or 16.1%, to $381.9 million driven by a 44.0% increase in average selling price partially offset by a 18.9% decrease in pounds shipped.

Full-year 2022 consolidated gross profit decreased 7.0% to $56.5 million, or 13.7% of sales, compared to $60.8 million, or 18.2% of sales, in the full-year 2021. The decrease in dollars and percentage of sales for the full-year 2022 were attributable to increasing raw material and freight costs.

Consolidated selling, general and administrative expense (SG&A) for the full-year 2022 increased by $4.8 million to $35.0 million compared to $30.1 million for the full-year 2021. SG&A as a percentage of sales was 8.4% of sales for 2022 and 9.0% of sales for 2021. The changes in SG&A expense were primarily driven by:

- Increases in professional fees primarily driven by accounting, tax and other advisory related costs;
- Increases in amortization expense primarily driven by DanChem acquisition related intangibles;
- Increases in repairs and maintenance costs in our facilities;
- Increases in travel expenses; and,
- Increases in other expenses primarily driven by increases in share-based compensation, bad debt expense, utilities, and insurance.

The full-year increases were partially offset by:

- Decreases in incentive bonus expense primarily driven by lower attainment of performance goals in the current year over the prior year; and,
- Decreases in taxes and licenses in the current year compared to the prior year.

Consolidated operating income for the full-year 2022 totaled $20.4 million compared to operating income of $27.3 million for the full-year 2021. The operating income decrease for the full-year 2022 was primarily driven by aforementioned increasing raw material and freight costs and increased SG&A expenses.

Comparison of 2022 to 2021 - Tubular Products

Net sales for the Tubular Products segment totaled $306.6 million for the full year of 2022, an increase of 14.7% compared to the full-year 2021. The increase in net sales was primarily driven by a 45.3% increase in average selling prices partially offset by a 20.3% decrease in pounds shipped.

The net sales increase (decrease) for the full-year 2022 compared to the full-year 2021 is summarized as follows:

(in thousands)	$	%	Average Selling Price	Units Shipped
Fiberglass and steel liquid storage tanks and separation equipment	$ (932)	(69.4)%	29.6 %	(78.1)%
Heavy wall seamless carbon steel pipe and tube	7,687	19.0 %	34.4 %	(11.5)%
Stainless steel pipe and tube	36,242	19.4 %	32.9 %	(10.2)%
Galvanized pipe and tube	(3,630)	(9.4)%	49.4 %	(39.3)%
Total increase	$ 39,367			

SG&A expense decreased $2.4 million, or 13.2%, for the full-year 2022 when compared to 2021. SG&A as a percentage of sales was 5.0% of sales for 2022 and 6.7% of sales for 2021. The changes in SG&A expense were primarily driven by decreases in incentive bonus primarily driven by lower attainment of performance goals in the current year over the prior year and lower allocated costs in the current year compared to the prior year. The full-year decreases were partially offset by increases in travel and bad debt expenses.

Operating income decreased to $27.6 million for the full-year 2022 compared to operating income of $33.6 million for the full-year 2021. The operating income decrease for the full-year 2022 was primarily driven by increased raw material and freight costs.

The following table summarizes operating results for the two years indicated. Reference should be made to Note 13 to the consolidated financial statements included in Item 8 of this Form 10-K.

	2022		2021	
(in thousands)	Amount	%	Amount	%
Net sales	$ 306,605	100.0 %	$ 267,238	100.0 %
Cost of goods sold	263,521	85.9 %	215,841	80.8 %
Gross profit	43,084	14.1 %	51,397	19.2 %
Selling, general and administrative expense	15,477	5.0 %	17,836	6.6 %
Operating income	**$ 27,607**	**9.0 %**	**$ 33,561**	**12.6 %**

Comparison of 2022 to 2021 – Specialty Chemicals

Net sales for the Specialty Chemicals segment increased 59.4%, or $40.1 million, to $107.5 million for 2022 compared to $67.5 million in 2021. The increase in net sales was primarily driven by a 52.2% increase in average selling prices partially offset by a 3.1% decrease in pounds shipped. Excluding DanChem, net sales increased $13.5 million, or 21.8%, to $75.2 million driven by a 45.2% increase in average selling prices partially offset by a 16.3% decrease in pounds shipped.

SG&A expense increased $0.9 million or 15.6%, to $6.9 million in 2022 when compared to 2021. Excluding DanChem, SG&A expense decreased $3.2 million, or 62.1% compared to 2021. SG&A as a percentage of sales decreased to 6.5% in 2022 from 8.8% in 2021. The changes in SG&A expense were primarily driven by increases in amortization expense related to DanChem acquisition related intangibles and incentive bonuses due to higher attainment of performance goals. The increases were partially offset by lower allocated costs in the current year compared to the prior year and decreases in salaries, wages and benefits.

Operating income increased to $7.0 million for the full-year 2022 compared to operating income of $3.6 million for the full-year 2021. The increase in operating income was primarily driven by the aforementioned increases in average selling prices partially offset increases in SG&A expense.

The following tables summarize operating results for the two years indicated. Reference should be made to Note 13 to the consolidated financial statements included in Item 8 of this Form 10-K.

	2022		2021	
(in thousands)	Amount	%	Amount	%
Net sales	$ 107,542	100.0 %	$ 67,477	100.0 %
Cost of goods sold	93,680	87.1 %	57,627	85.4 %
Gross profit	13,862	12.9 %	9,850	14.6 %
Selling, general and administrative expense	6,891	6.4 %	5,961	8.8 %
Asset impairment	—	— %	233	0.3 %
Operating income	**$ 6,971**	**6.5 %**	**$ 3,656**	**5.4 %**

Comparison of 2022 to 2021 - Corporate

Corporate expenses increased $6.2 million to $13.0 million, or 3.1% of sales, in 2022 up from $6.8 million, or 2.0% of sales, in 2021. The full-year increase resulted primarily from decreases in allocated costs in the current year over the prior year, increases in professional fees related to accounting, tax and other advisory related costs, share-based payment expense partially offset by decreases in salaries, wages and benefits and incentive bonus due to lower attainment of performance goals.

Interest expense was $2.7 million and $1.5 million for the full-years of 2022 and 2021, respectively. The increase was primarily driven by higher average debt outstanding and increasing interest rates in 2022 compared to 2021.

The Company's effective tax rate for 2022 was less than the U.S. statutory rate of 21% primarily driven by tax benefits associated with the closure of Palmer and the release of valuation allowances on certain deferred tax assets, partially offset by state taxes.

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 are useful because they are key measures used by our management team to evaluate our operating performance, generate future operating plans and make strategic decisions as well as 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, shelf registration costs, 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:

($ in thousands)	Year Ended December 31, 2022	2021
Consolidated		
Net income	$ 22,066	$ 20,245
Adjustments:		
Interest expense	2,742	1,486
Change in fair value of interest rate swap	—	(2)
Income taxes	(4,211)	5,253
Depreciation	8,722	7,547
Amortization	3,995	2,794
EBITDA	33,314	37,323
Acquisition costs and other	1,200	1,001
Shelf registration costs	12	—
Proxy contest costs and recoveries	—	168
Loss on extinguishment of debt	—	223
Earn-out adjustments	(7)	1,872
Loss on investments in equity securities and other investments	—	363
Asset impairment	—	233
Gain on lease modification	(2)	—
Stock-based compensation	1,016	799
Non-cash lease expense	414	481
Retention expense	—	500
Restructuring and severance costs	74	1,345
Adjusted EBITDA	$ 36,021	$ 44,308
% sales	8.7 %	13.2 %

Tubular Products EBITDA and Adjusted EBITDA are as follows:

($ in thousands)	Year Ended December 31, 2022	2021
Tubular Products		
Net income	$ 27,644	$ 31,893
Adjustments:		
Interest expense	1	—
Depreciation	4,814	5,485
Amortization	3,092	2,721
EBITDA	35,551	40,099
Acquisition costs and other	96	—
Earn-out adjustments	(7)	1,872
Stock-based compensation	100	129
Retention expense	—	500
Restructuring and severance costs	20	363
Tubular Products Adjusted EBITDA	$ 35,760	$ 42,963
% of segment sales	11.7 %	16.1 %

Specialty Chemicals EBITDA and Adjusted EBITDA are as follows:

($ in thousands)	Year Ended December 31, 2022	2021
Specialty Chemicals		
Net income	$ 6,935	$ 3,589
Adjustments:		
Interest expense	36	11
Depreciation	3,846	1,932
Amortization	903	73
EBITDA	11,720	5,605
Acquisition costs and other	—	61
Asset impairment	—	233
Stock-based compensation	41	165
Non-cash lease expense	2	—
Restructuring and severance costs	8	484
Specialty Chemicals Adjusted EBITDA	$ 11,771	$ 6,548
% of segment sales	10.9 %	9.7 %

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.

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 December 31, 2022, we held $1.4 million of cash and cash equivalents, as well as $37.6 million of remaining available capacity on our revolving line of credit. Our existing cash, cash equivalents, and credit facilities balances may fluctuate during 2023. Cash from operations could also be affected by various risks and uncertainties, including, but not limited to, continued effects of the pandemic and other risks detailed in Item 1A - Risk Factors of this report. 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 and beyond.

Cash Flows

Cash flows were as follows:

	Year ended December 31,	
(in thousands)	**2022**	**2021**
Total cash provided by (used in):		
Operating activities	5,577	19,055
Investing activities	(4,975)	(32,661)
Financing activities	(1,182)	15,391
Net (decrease) increase in cash and cash equivalents	$ (580)	$ 1,785

Operating Activities

The decrease in cash provided by operating activities for the year ended December 31, 2022 compared to cash provided by operating activities in the year ended December 31, 2021 was primarily driven by changes in working capital. Changes in working capital can vary significantly depending on factors such as the timing of inventory production and purchases, customer payments of accounts receivable and payments to vendors in the regular course of business. Inventory decreased operating cash flows for the year ended December 31, 2022 by approximately $13.8 million compared to a decrease of approximately $18.9 million for 2021, while accounts payable decreased operating cash flows by approximately $10.3 million for the year ended December 31, 2022 compared to an increase of approximately $10.8 million for the year ended December 31, 2021. The increase in inventory is primarily due to product cost and freight inflation over the prior year, partially offset by slightly higher inventory turns year-over-year while the decrease in accounts payable is primarily driven by a decrease in days payables outstanding. Accounts receivable increased operating cash flow by approximately $4.0 million compared to a decrease of $16.2 million driven by higher sales in the current year partially offset by slightly lower days sales outstanding.

Investing Activities

Net cash used in investing activities primarily consists of transactions related to capital expenditures, proceeds from the disposal of property, plant and equipment and acquisitions. The decrease in cash used in investing activities for the full-year 2022 compared to cash used in investing activities for the full-year 2021 was primarily driven by an increase in cash outflows related to the DanChem acquisition in the prior year not in the current year partially offset by an increase in capital expenditures in the current year over the prior year.

Financing Activities

Net cash used in financing activities primarily consist of transactions related to our long-term debt. The increase in net cash used in financing activities for the full-year 2022 compared to net cash provided by financing activities in the full-year 2021 was primarily due to increased borrowings against the Company's asset backed line of credit driven by the acquisition of DanChem in the prior year not in the current year and proceeds received from the Company's Rights Offering in the fourth quarter of 2021 that were not received in 2022.

Short-term Debt

The Company has a note payable in the amount of $1.0 million with an annual interest rate of 2.77% maturing April 1, 2023, associated with the financing of the Company's insurance premium in the current year. As of December 31, 2022, the outstanding balance was $0.4 million.

Long-term Debt

The Company and its subsidiaries have a Credit Agreement with BMO providing the Company with a four-year revolving credit facility, maturing on January 15, 2025, and providing the Company with up to $150.0 million of borrowing capacity. As of December 31, 2022, the Company had $71.5 million of total borrowings outstanding with its lender, an increase of $1.2 million from the balance at December 31, 2021. As of December 31, 2022, the Company had $37.6 million of remaining availability under it credit facility.

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 December 31, 2022, the Company was in compliance with all financial debt covenants. See Note 6 in the notes to the consolidated financial statements for additional information on the Company's line of credit.

Stock Repurchases and Dividends

We may repurchase common stock and pay dividends from time to time pursuant to programs approved by our Board of Directors. The payment of cash dividends is also subject to customary legal and contractual restrictions. Our capital allocation strategy is to first fund operations and investments in growth and then return excess cash over time to shareholders through share repurchases and dividends.

On December 20, 2022, the Board of Directors re-authorized the Company's share repurchase program. The previous share repurchase program had a term of 24 months and was set to expire on February 17, 2023. The share repurchase program allows for repurchase of up to 790,383 shares of the Company's outstanding common stock and extends to February 17, 2025. 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 December 31, 2022, the Company has 679,979 shares of its share repurchase authorization remaining.

Shares repurchased for the year ended December 31, 2022 and 2021 were as follows:

	Year ended December 31,	
	2022	**2021**
Number of shares repurchased	110,404	—
Average price per share	$ 12.16	$ —
Total cost of shares repurchased	$ 1,345,540	$ —

At the end of each fiscal year, the Board reviews the financial performance and capital needed to support future growth to determine the amount of cash dividend, if any, which is appropriate. In 2022 and 2021, 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. The metrics are defined as:

Liquidity Measure:
- Current ratio = current asset divided by current liabilities. The current ratio will be determined by the Company using generally accepted accounting principles, consistently applied.

Leverage Measure:
- Debt to capital = Total debt divided by total capital. The debt to capital ratio will be determined by the Company using generally accepted accounting principles, consistently applied.

Profitability Ratio:
- Return on average equity ("ROAE") = net income divided by the trailing 12-month average of equity. The ROAE will be determined by the Company using generally accepted accounting principles, consistently applied.

Results of these additional financial measures are as follows:

	Year ended December 31,	
	2022	**2021**
Current ratio	5.1	3.3
Debt to capital	34%	39%
Return on average equity	18.0%	21.1%

Material Cash Requirements from Contractual and Other Obligations

As of December 31, 2022, our material cash requirements for our known contractual and other obligations were as follows:

- *Debt Obligations and Interest Payments* - Outstanding obligations on our revolving credit facility and term loan were $67.4 million and $4.1 million, respectively, with $2.5 million payable within 12 months. The interest payments on our remaining borrowings will be determined based upon the average outstanding balance of our borrowings and the prevailing interest rate during that time. See Note 6 for further detail of our debt and the timing of expected future payments.

- *Operating and Finance Leases* - The Company enters into various lease agreements for real estate and manufacturing equipment used in the normal course of business. Operating and finance lease obligations were $33.5 million, with $1.3 million payable within 12 months. See Note 7 for further detail of our lease obligations and the timing of expected future payments.

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. We expect capital spending in fiscal 2023 to be as much as $6.0 million.

Critical Accounting Policies and Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments based on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Our significant accounting policies are described in Note 1 to the consolidated financial statements included herein. We believe the following accounting policies affect the most significant estimates and management judgments used in the preparation of the Company's consolidated financial statements.

Business Combinations

Description
Business combinations are accounted for using the acquisition method of accounting in accordance with GAAP. Under this method, the total consideration transferred to consummate the business combination is allocated to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values as of the closing date of the transaction.

Judgments and uncertainties involved in the estimate
The acquisition method of accounting requires extensive use of estimates and judgments to allocate the consideration transferred to the identifiable tangible and intangible assets, if any, acquired and liabilities assumed. Fair value determinations involve significant assumptions about highly subjective variables, including future cash flows, discount rates, and expected business performance. There are also different valuation models and inputs for each component, the selection of which requires considerable judgment. Our estimates and assumptions may be based, in part, on the availability of listed market prices or other transparent market data. These determinations will affect the amount of amortization expense recognized in future periods as well the allocation of goodwill, if any, attributable to the transaction.

Effect if actual results differ from assumptions
We base our fair value estimates on assumptions we believe are reasonable, but recognize the assumptions are inherently uncertain. Depending on the size of the purchase price of a particular acquisition, the mix of intangible assets acquired and expected business performance, the purchase price allocation could be materially impacted by applying a different set of assumptions and estimates. Unanticipated events and circumstances may occur which may affect the accuracy or validity of such assumptions, estimates or actual results.

Goodwill

Description
Goodwill is the excess of the purchase price over the fair value of identifiable assets acquired, less fair value of liabilities assumed, in a business combination. The Company reviews goodwill for impairment at the reporting unit level, which is the operating segment level or one level below the operating segment level. A reporting unit is an operating segment or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. Goodwill is not amortized but is evaluated for impairment at least annually on October 1 or whenever events or changes in circumstances indicate that it is more likely than not that the carrying amount may not be recoverable. The evaluation begins with a qualitative assessment to determine whether a quantitative impairment test is necessary. If, after assessing qualitative factors, we determine it is more likely than not that the fair value of the reporting unit is less than the carrying amount, then the quantitative goodwill impairment test is performed.

Judgments and uncertainties involved in the estimate
We make various estimates and assumptions about our goodwill, including whether any potential impairment events have occurred. Examples of such events or changes in circumstances, many of which are subjective in nature, include the following:

- Significant negative industry or economic trends;
- A significant change in the use of the acquired assets or our strategy;
- A significant divestiture or other disposition activity;
- A significant decrease in the market value of the asset;
- A significant change in legal factors or the business climate that could affect the value of the asset; and
- A change in segment by one or more reporting unit

Additionally, we make estimates and assumptions regarding the inputs used to perform a quantitative assessment of our goodwill, if necessary. The Company performed a discounted cash flow analysis and a market multiple analysis. The discounted cash flow analysis included management assumptions for expected sales growth, capital expenditures and overall operational forecasts. The market multiple analysis included historical and projected performance, market capitalization, volatility and multiples for industry peers.

Effect if actual results differ from assumptions
We have not made any material changes in our methodology used to determine whether potential impairment events have occurred or any material changes in the estimates and assumptions used in our quantitative goodwill impairment testing. During 2022, goodwill was allocated to the Company's Specialty Chemicals segment and as of December 31, 2022, we determined that no impairment of the carrying value of goodwill for this reporting unit was required. In the event that our estimates vary from actual results, we may record additional impairment losses, which could be material to our results of operations.

Inventory

Description
Inventory is stated at the lower of cost or net realizable value. Cost is determined by either specific identification or weighted average methods. At the end of each quarter, all facilities review recent sales reports to identify sales price trends that would indicate products or product lines that are being sold below our cost. This would indicate that an adjustment would be required.

We record an obsolete inventory reserve for identified finished goods with no sales activity and raw materials with no usage. This reserve is based on our current knowledge with respect to inventory levels, sales trends and historical experience. During 2022, our reserve increased approximately $2.4 million to $3.5 million as of December 31, 2022.

We also record an inventory reserve for the estimated shrinkage (quantity losses) between physical inventories. This reserve is based upon the most recent physical inventory results. During 2022, the inventory shrink reserve had an immaterial increase in response to estimated shrinkage rates based on results from previous physical inventories. Our inventory reserve for estimated shrinkage was $0.2 million as of December 31, 2022.

Judgments and uncertainties involved in the estimate
We do not believe that our inventories are subject to significant risk of obsolescence in the near term and we have the ability to adjust purchasing practices based on anticipated sales trends and general economic conditions. However, changes in demand, product life cycle, cost trends, product pricing or a deterioration in product quality could result in the need for additional reserves. Likewise, changes in the estimated shrink reserve may be necessary, based on the timing and results of physical inventories. We also apply judgment in the determination of levels of obsolete inventory and assumptions about net realizable value.

Effect if actual results differ from assumptions
We have not made any material changes in the methodology used to establish our reserves for obsolete inventory or inventory shrinkage during the past two fiscal years. However, it is possible that actual results could differ from recorded reserves. For instance, a 10% change in the amount of products considered obsolete would have decreased net earnings by $2.7 million for 2022. A 10% change in the estimated shrinkage rate would not have had a material impact on net earnings for 2022.

Income Taxes

Description
In determining income for financial statement purposes, we must make certain estimates and judgments in the calculation of tax expense, the resultant tax liabilities and the recoverability of deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. In addition, deferred tax assets are also recorded with respect to net operating losses and other tax attribute carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Valuation allowances are established when realization of the benefit of deferred tax assets is not deemed to be more likely than not. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We recognize net tax benefits under the recognition and measurement criteria of FASB ASC Topic 740, Income Taxes, which prescribes requirements and other guidance for financial statement recognition and measurement of positions taken or expected to be taken on tax returns. We record interest and penalties, if any, related to uncertain tax positions as a component of income tax expense.

Judgments and uncertainties involved in the estimate
We assess on a tax jurisdictional basis the likelihood that our deferred tax assets can be recovered. If recovery is not more likely than not (a likelihood of less than 50 percent), the provision for taxes must be increased by recording a reserve in the form of a valuation allowance for the deferred tax assets that are estimated not to ultimately be recoverable. In this process, certain relevant criteria are evaluated including: the amount of income or loss in prior years, the existence of deferred tax liabilities that can be used to absorb deferred tax assets, the taxable income in prior carryback years that can be used to absorb net operating losses and credit carry backs, future expected taxable income and prudent and feasible tax planning strategies. Changes in taxable income, market conditions, tax laws and other factors may change our judgment regarding whether we will be able to realize the deferred tax assets. These changes, if any, may require material adjustments to the net deferred tax assets and an accompanying reduction or increase in income tax expense which will result in a corresponding increase or decrease in net income in the period when such determinations are made. The utilization of certain deferred tax assets is dependent on the amount and timing of taxable income that we will ultimately generate in the future and other factors, such as changes in tax laws.

We also assess the likelihood that our tax reporting positions will ultimately be sustained. To the extent it is determined it is more likely than not (a likelihood of more than 50 percent) that some portion, or all, of a tax reporting position will ultimately not be recognized and sustained, a provision for unrecognized tax benefit is provided by either reducing the applicable deferred tax asset or accruing an income tax liability. Our judgment regarding the sustainability of our tax reporting positions may change in the future due to changes in tax laws and other factors. These changes, if any, may require material adjustments to the related deferred tax assets or accrued income tax liabilities and an accompanying reduction or increase in income tax expense which will result in a corresponding increase or decrease in net income in the period when such determinations are made.

We have provided valuation allowances as of December 31, 2022, aggregating to $1.7 million against certain state and local net operating loss carryforwards and other deferred tax assets. As of December 31, 2022, the Company has no liability for unrecognized income tax benefits.

Effect if actual results differ from assumptions
Although management believes that the estimates and judgments discussed herein are reasonable, actual results could differ, which could result in income tax expense or benefits that could be material.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The Company is a smaller reporting company as defined in Rule 12b-2 of the Exchange Act and is not required to provide the information required by this Item.

Item 8. Financial Statements and Supplementary Data

Index to Financial Statements

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Ascent Industries Co.
Oak Brook, Illinois

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Ascent Industries Co. (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of income, shareholders' equity, and cash flows for each of the years then ended, and the related notes and schedules (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)*] issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and our report dated March 31, 2023, expressed an adverse opinion thereon.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Tax Benefits Associated with Closure of Palmer of Texas Tanks, Inc

As described in Note 11 to the consolidated financial statements, the Company's effective tax rate for 2022 was less than the U.S. statutory rate of 21% primarily driven by tax benefits associated with losses on the investment in Palmer of Texas Tanks, Inc. ("Palmer") and its ultimate wind down and closure. The tax benefits associated with the investment in Palmer which amounted to $5.7 million during the year related to a deduction claimed for the tax basis in the Company's stock in Palmer.

We identified accounting for the tax benefits associated with the Company's investment in Palmer as a critical audit matter. Determining the timing of recognition and measurement of the tax benefits associated with Palmer closure required significant management judgment, including the determination of whether the tax positions' technical merits are more likely than not to be sustained in an audit by a taxing authority based on the application and interpretation of the relevant tax laws to the facts of the specific transaction. Auditing these elements involved especially complex auditor judgment due to the nature and extent of audit effort required to address these matters, including the need to involve personnel with specialized skill and knowledge.

The primary procedures we performed to address this critical audit matter included:

- Utilizing personnel with specialized tax knowledge and skill to assist in the following:
  - Evaluating the appropriateness of management's interpretation and application of relevant tax laws in the U.S. and the conclusions within management's tax opinions, memoranda and other relevant documents.
  - Testing the completeness and accuracy of the gross receipts test used to determine the qualification for tax benefits associated with Palmer closure.
  - Testing the completeness and accuracy of the outside tax stock basis calculation used to determine the amount of the tax benefits recognized.
  - Assessing the appropriateness of the timing of recognition of the tax benefits associated with Palmer closure.

Valuation of goodwill related to the Specialty Chemicals Reporting Unit

As described in Note 1 to the consolidated financial statements, the Company's goodwill balance was $11.4 million at December 31, 2022, which pertains to its Specialty Chemicals reporting unit. The Company's evaluation of goodwill for impairment involves comparison of the fair value of the reporting unit to its carrying value. Management conducted an annual quantitative impairment assessment of the Specialty Chemicals reporting unit as of October 1, 2022. During the fourth quarter of 2022, the Company determined potential impairment indicators existed within the Specialty Chemicals reporting unit and therefore, performed another quantitative impairment assessment. The Company determined the fair value of the reporting unit using an equal weighting of the income and market approaches, which required management to make significant estimates and assumptions related to discount rate and forecasts of revenue and profits.

We identified the valuation of goodwill for the Specialty Chemicals reporting unit as a critical audit matter. Auditing management's impairment assessment is complex and highly judgmental due to the significant estimation required in determining the fair value of the Specialty Chemicals reporting unit. The determination of the fair value of the Specialty Chemicals reporting unit is sensitive to certain assumptions, which are affected by expected future market and economic conditions. Auditing management's impairment assessment involved especially challenging and subjective auditor judgment due to the uncertainty surrounding future events and the extent of specialized skill required to test certain valuation assumptions.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the reasonableness of assumptions used in the Company's impairment assessment, including the revenue growth rate and profit margins.
- Testing the accuracy and completeness of the data used by management to develop its projections.
- Utilizing personnel with specialized skills and knowledge in valuation approach and methodologies to assist in: (i) assessing the appropriateness of the fair value methodology, and (ii) evaluating the reasonableness of certain valuation assumptions used, including the discount rate.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2021.

Chicago, Illinois
March 31, 2023

Report of Independent Registered Public Accounting Firm

Shareholders and Board of Directors
Ascent Industries Co.
Oak Brook, Illinois

Opinion on Internal Control Over Financial Reporting

We have audited Ascent Industries Co.'s (the "Company's") internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We do not express an opinion or any other form of assurance on management's statements referring to any corrective actions taken by the Company after the date of management's assessment.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2022 and 2021, the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended and the related notes (collectively referred to as "the financial statements") and our report dated March 31, 2023, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of internal control over financial reporting in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Material weaknesses were identified regarding the following:

A. Entity Level Activities - Management did not maintain appropriately designed entity-level controls impacting:

   - Control Environment: Lack of structure and responsibility, insufficient number of qualified resources due to significant turnover in key personnel leading to insufficient oversight and accountability over the performance of controls;

   - Monitoring: Insufficient evaluation and determination as to whether the components of internal control were present and functioning based upon evidence maintained for certain management review controls and activity level controls across a significant portion of the Company's financial statement areas.

B. Control Activities - Management did not have effective policies and procedures or adequate selection and development of effective control activities, which resulted in the following additional material weaknesses:

   - Management did not appropriately design and implement controls over the existence, accuracy, completeness, and valuation of inventory.

- Management did not maintain effectively designed and implemented controls over recorded revenue and accounts receivable, including procedures over the existence and accuracy of data input for price and quantity, review of sales contracts, as well as appropriate allocation of transaction price across identified performance obligations within the Company's contracts with customers.
- Management did not maintain effectively designed and implemented controls to detect potential material misstatements to period-end financial statements through review of account reconciliations and account analyses on a timely basis as well as other aspects of the financial statement preparation and review process. Additionally, management did not maintain effectively designed and implemented controls over the review of journal entries.
- Management did not appropriately design and implement management review controls at a sufficient level of precision around complex accounting areas including goodwill impairment, long-lived asset impairment, and income taxes.
- Management did not fully design, implement and monitor general information technology controls in the areas of user access, cyber-security and segregation of duties for systems supporting many of the Company's internal control processes. As a result of these segregation of duties deficiencies the related manual business process controls were determined to be ineffective.

These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2022 financial statements, and this report does not affect our report dated March 31, 2023 on those financial statements.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BDO USA, LLP

Chicago, Illinois
March 31, 2023

Ascent Industries Co.
Consolidated Balance Sheets
As of December 31, 2022 and 2021
(in thousands, except par value and share data)

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 1,441	$ 2,021
Accounts receivable, net	45,120	50,126
Inventories, net		
Raw materials	57,518	48,448
Work-in-process	22,966	24,990
Finished goods	33,968	29,811
Total inventories, net	114,452	103,249
Prepaid expenses and other current assets	8,982	3,728
Assets held for sale	380	855
Total current assets	170,375	159,979
Property, plant and equipment, net	42,346	43,720
Right-of-use assets, operating leases, net	29,224	30,811
Goodwill	11,389	12,637
Intangible assets, net	10,387	14,382
Deferred income taxes	1,353	—
Deferred charges, net	203	302
Other non-current assets	3,766	4,171
Total assets	$ 269,043	$ 266,002
Liabilities and Shareholders' equity		
Current liabilities:		
Accounts payable	$ 22,731	$ 32,318
Accounts payable - related parties	—	2
Accrued expenses and other current liabilities	6,560	12,407
Current portion of note payable	387	—
Current portion of long-term debt	2,464	2,464
Current portion of earn-out liability	—	1,961
Current portion of operating lease liabilities	1,056	1,104
Current portion of finance lease liabilities	280	233
Total current liabilities	33,478	50,489
Long-term debt	69,085	67,928
Long-term portion of operating lease liabilities	30,911	32,059
Long-term portion of finance lease liabilities	1,242	1,414
Deferred income taxes	—	2,433
Other long-term liabilities	68	89
Total liabilities	134,784	154,412
Commitments and contingencies – see Note 15		
Shareholders' equity:		
Common stock - $1 par value: 24,000,000 shares authorized; 11,085,103 and 10,160,599 shares issued and outstanding, respectively	11,085	11,085
Capital in excess of par value	47,021	46,058
Retained earnings	85,146	63,080
	143,252	120,223
Less cost of common stock in treasury - 924,504 and 918,471 shares, respectively	(8,993)	(8,633)
Total shareholders' equity	134,259	111,590
Total liabilities and shareholders' equity	$ 269,043	$ 266,002

See accompanying notes to consolidated financial statements.

Ascent Industries Co.
Consolidated Statements of Income
For the years ended December 31, 2022 and 2021
(in thousands, except per share data)

	2022	2021
Net sales	$ 414,147	$ 334,715
Cost of sales	357,614	273,949
Gross profit	56,533	60,766
Selling, general and administrative expense	34,952	30,144
Acquisition costs and other	1,200	1,001
Proxy contest costs and recoveries	—	168
Earn-out adjustments	(7)	1,872
Asset impairment	—	233
Operating income	20,388	27,348
Other (income) and expense		
Interest expense	2,742	1,486
Loss on extinguishment of debt	—	223
Change in fair value of interest rate swap	—	(2)
Other, net	(209)	143
Income before income taxes	17,855	25,498
Income tax provision (benefit)	(4,211)	5,253
Net income	$ 22,066	$ 20,245
Net income per common share:		
Basic	$ 2.16	$ 2.17
Diluted	$ 2.12	$ 2.14
Weighted average number of common shares outstanding:		
Basic	10,230	9,340
Diluted	10,410	9,456

See accompanying notes to consolidated financial statements.

Ascent Industries Co.
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(in thousands)

	2022	2021
Cash flows from operating activities:		
Net income	$ 22,066	$ 20,245
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	8,722	7,547
Amortization expense	3,995	2,794
Amortization of debt issuance costs	99	95
Asset impairment	—	233
Loss on extinguishment of debt	—	223
Deferred income taxes	(4,211)	(2,071)
Earn-out adjustments	(7)	1,872
Payments of earn-out liabilities in excess of acquisition date fair value	(662)	(138)
Provision for (reduction of) losses on accounts receivable	1,034	(398)
Provision for losses on inventories	3,052	1,649
Loss (gain) on disposal of property, plant and equipment	27	(848)
Non-cash lease expense	414	481
Non-cash lease termination loss	—	5
Change in fair value of interest rate swap	—	(2)
Payments for termination of interest rate swap	—	(46)
Issuance of treasury stock for director fees	364	132
Share-based compensation expense	1,407	799
Changes in operating assets and liabilities:		
Accounts receivable	3,972	(16,185)
Inventories	(13,779)	(18,873)
Other assets and liabilities	(12)	(55)
Accounts payable	(10,277)	10,835
Accounts payable - related parties	(2)	2
Accrued expenses	(2,702)	1,506
Accrued income taxes	(7,923)	9,253
Net cash provided by operating activities	5,577	19,055
Cash flows from investing activities:		
Purchases of property, plant and equipment	(5,074)	(1,497)
Proceeds from disposal of property, plant and equipment	99	1,400
Acquisitions, net of cash acquired	—	(32,564)
Net cash used in investing activities	(4,975)	(32,661)
Cash flows from financing activities:		
Borrowings from long-term debt	443,363	215,528
Proceeds from note payable	967	—
Proceeds from the issuance of common stock related to Rights Offering	—	10,010
Proceeds from exercise of stock options	175	109
Payments on long-term debt	(442,206)	(206,505)
Payments on note payable	(580)	—
Principal payments on finance lease obligations	(266)	(92)
Payments on earn-out liabilities	(1,292)	(3,494)
Repurchase of common stock	(1,343)	—
Payments of deferred financing costs	—	(165)
Net cash (used in) provided by financing activities	(1,182)	15,391
(Decrease) Increase in cash and cash equivalents	(580)	1,785
Cash and cash equivalents at beginning of year	**2,021**	**236**
Cash and cash equivalents at end of year	**$ 1,441**	**$ 2,021**

See accompanying notes to consolidated financial statements.

Ascent Industries Co.
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(in thousands)

	Year Ended December 31,	
Supplemental Disclosure of Cash Flow Information	**2022**	**2021**
Cash paid for:		
Interest	$ 2,230	$ 1,315
Income taxes	7,859	1,654
Noncash Investing Activities:		
Capital expenditures, not yet paid	$ 751	$ —

See accompanying notes to consolidated financial statements.

Ascent Industries Co.
Consolidated Statements of Shareholders' Equity
For the years ended December 31, 2022 and 2021
(in thousands, except share and per share data)

	Common Stock				Treasury Stock		
	Shares	**Amount**	**Capital in Excess of Par Value**	**Retained Earnings**	**Shares**	**Amount**	**Total**
Balance December 31, 2020	**10,300**	**$ 10,300**	**$ 37,719**	**$ 42,835**	**1,123**	**$ (10,559)**	**$ 80,295**
Net income	—	—	—	20,245	—	—	20,245
Issuance of 785,103 shares of common stock - Rights Offering	785	785	9,225	—	—	—	10,010
Issuance of 191,673 shares of common stock from treasury	—	—	(1,670)	—	(192)	1,802	132
Exercise of stock options for 13,174 shares, net	—	—	(15)	—	(13)	124	109
Share-based compensation	—	—	799	—	—	—	799
Balance December 31, 2021	**11,085**	**$ 11,085**	**$ 46,058**	**$ 63,080**	**918**	**$ (8,633)**	**$ 111,590**
Net income	—	—	—	22,066	—	—	22,066
Issuance of 86,274 shares of common stock from treasury	—	—	(449)	—	(86)	813	364
Exercise of stock options for 18,098 shares, net	—	—	5	—	(18)	170	175
Share-based compensation	—	—	1,407	—		—	1,407
Repurchase of common stock	—	—	—	—	110	(1,343)	(1,343)
Balance December 31, 2022	**11,085**	**$ 11,085**	**$ 47,021**	**$ 85,146**	**924**	**$ (8,993)**	**$ 134,259**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Ascent Industries Co. is an industrials company focused on the production and distribution of industrial tubular products including stainless steel and galvanized pipe and tube, seamless carbon pipe and tube, and specialty chemicals. Ascent Industries Co. was incorporated in 1958 as the successor to a chemical manufacturing business founded in 1945 known as Blackman Uhler Industries Inc. On August 5, 2022, we filed with the Secretary of State of the State of Delaware a Certificate of Amendment to our Certificate of Incorporation to change our corporate name from Synalloy Corporation to Ascent Industries Co., effective August 10, 2022. The Company's executive office is located at 1400 16th Street, Suite 270, Oak Brook, Illinois 60523. Unless indicated otherwise, the terms "Ascent", "Company," "we" "us," and "our" refer to Ascent Industries Co. and its consolidated subsidiaries.

The Company's business is divided into two reportable operating segments, Tubular Products and Specialty Chemicals. The Tubular Products segment serves markets through pipe and tube and customers in the appliance, architectural, automotive and commercial transportation, brewery, chemical, petrochemical, pulp and paper, mining, power generation (including nuclear), water and waste-water treatment, liquid natural gas ("LNG"), food processing, pharmaceutical, oil and gas and other industries.

The Specialty Chemicals segment produces specialty products for the pulp and paper, coatings, adhesives, sealants and elastomers (CASE), textile, automotive, household, industrial and institutional ("HII"), agricultural, water and waste-water treatment, construction, oil and gas and other industries.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Intercompany transactions and balances have been eliminated.

Use of Estimates - The preparation of the Company's financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosures of contingent assets and liabilities. Significant items subject to such estimates and assumptions include the carrying value of property, plant and equipment; intangible assets; the fair value of assets or liabilities acquired in a business combination; valuation allowances for receivables, inventories and deferred income tax assets and liabilities; environmental liabilities; liabilities for potential tax deficiencies; and, potential litigation claims and settlements. The Company bases these estimates on historical results and various other assumptions believed to be reasonable, all of which form the basis for making estimates concerning the carrying value of assets and liabilities that are readily available from other sources. Actual results may differ from these estimates.

Cash and Cash Equivalents - The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains cash levels in bank accounts that, at times, may exceed federally-insured limits.

Accounts Receivable - Accounts receivable from the sale of products are recorded at net realizable value and the Company generally grants credit to customers on an unsecured basis. Substantially all of the Company's accounts receivable are due from companies located throughout the United States. The Company provides an allowance for credit losses for expected uncollectible amounts. The allowance is based upon an analysis of accounts receivable balances with similar risk characteristics on a collective basis, considering factors such as the aging of receivables balances, historical loss experience, current information, and future expectations. Each reporting period, the Company reassesses whether any accounts receivable no longer share similar risk characteristics and should instead be evaluated as part of another pool or on an individual basis. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral. Receivables are generally due within 30 to 60 days. Delinquent receivables are written off based on individual credit evaluations and specific circumstances of the customer. Activity in the allowance for credit losses were as follows:

(in thousands)	2022	2021
Balance at beginning of period	$ 216	$ 496
Current period provision for expected credit losses	1,405	(68)
Deductions from allowance	(371)	(330)
Acquired allowance	—	118
Balance at end of period	$ 1,250	$ 216

Inventories - Inventory is stated at the lower of cost or net realizable value ("LCNRV"). Cost is determined by either specific identification or weighted average methods.

At the end of each quarter, all facilities review recent sales reports to identify sales price trends that would indicate products or product lines that are being sold below our cost. This would indicate that an adjustment would be required. An LCNRV adjustment is recorded when the Company's inventory cost, based upon a historical price, is greater than the current selling price of that product. During the year ended December 31, 2022 and 2021, no significant LCNRV adjustments were required by our Specialty Chemicals segment.

Stainless steel, both in its raw material (coil or plate) or finished goods (pipe and tube) state is purchased/sold using a base price plus an additional surcharge which is dependent on current nickel prices. As raw materials are purchased, it is priced to the Company based upon the surcharge at that date. When the selling price of the finished pipe is set for the customer, approximately three months later, the then-current nickel surcharge is used to determine the proper selling prices. An LCNRV adjustment is recorded when the Company's inventory cost, based upon a historical nickel price, is greater than the current selling price of that product due to a reduction in the nickel surcharge. During the years ended December 31, 2022, LCNRV adjustments of $0.5 million were required by our Tubular Products segment. During the year ended December 31, 2021 no significant LCNRV adjustments were required by our Tubular Products segment.

In addition, the Company establishes inventory reserves for:

- *Estimated obsolete or unmarketable inventory -* The Company identified inventory items with no sales activity for finished goods or no usage for raw materials for a certain period of time. For those inventory items not currently being marketed and unable to be sold, a reserve was established for 100% of the inventory cost less any estimated scrap proceeds. The Company reserved $3.5 million and $1.1 million as of December 31, 2022 and 2021, respectively.

- *Estimated quantity losses -* The Company performs an annual physical count of inventory during the fourth quarter each year for all facilities. A reserve is established for the potential quantity losses that could occur subsequent to their physical inventory. This reserve is based upon the most recent physical inventory results. The Company had $0.2 million reserved for physical inventory quantity losses as of December 31, 2022 and 2021, respectively.

Property, Plant and Equipment - Property, plant and equipment are stated at cost. Depreciation is determined based on the straight-line method over the estimated useful life of the assets. Substantially all depreciation is recorded within cost of goods sold on the consolidated statement of income. Leasehold improvements are depreciated over the shorter of their useful lives or the remaining non-cancellable lease term, buildings are depreciated over a range of 10 years to 40 years, and machinery, fixtures and equipment are depreciated over a range of three years to 20 years. The costs of software licenses are amortized over five years using the straight-line method. The Company continually reviews the recoverability of the carrying value of long-lived assets. The Company also reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of such assets may not be recoverable. When the future undiscounted cash flows of the operation to which the assets relate do not exceed the carrying value of the asset, the assets are written down to fair value.

Business Combinations - Business combinations are accounted for using the acquisition method of accounting. Under this method, the total consideration transferred to consummate the business combination is allocated to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values as of the closing date of the transaction. The acquisition method of accounting requires extensive use of estimates and judgments to allocate the consideration transferred to the identifiable tangible and intangible assets acquired, if any, and liabilities assumed. See Note 2 for further discussion on the Company's acquisition of DanChem.

Goodwill - Goodwill is the excess of the purchase price over the fair value of identifiable assets acquired, less fair value of liabilities assumed, in a business combination. The Company reviews goodwill for impairment at the reporting unit level, which is the operating segment level or one level below the operating segment level. Goodwill is not amortized but is evaluated for impairment at least annually on October 1 or whenever events or changes in circumstances indicate that it is more likely than not that the carrying amount may not be recoverable. The evaluation begins with a qualitative assessment to determine whether a quantitative impairment test is necessary. If, after assessing qualitative factors, we determine it is more likely than not that the fair value of the reporting unit is less than the carrying amount, then the quantitative goodwill impairment test is performed.

The quantitative goodwill impairment test used to identify potential impairment compares the fair value of a reporting unit with its carrying amount, including goodwill. Fair value represents the price a market participant would be willing to pay in a potential sale of the reporting unit and is based on a combination of an income approach, based on discounted future cash flows, and a market approach, based on market multiples applied to free cash flow. If the fair value exceeds the carrying value, then no goodwill impairment has occurred. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. Any impairment identified is included within "goodwill impairment" in the consolidated statements of income.

A reporting unit is an operating segment or a business unit one level below that operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. During 2022 and 2021, goodwill was allocated to the Specialty Chemicals reporting unit.

The changes in the carrying amount of goodwill for the years ended December 31, 2022 and 2021 were as follows:

(in thousands)	**Specialty Chemicals**
Balance December 31, 2020	$ 1,355
Acquisitions	11,282
Balance December 31, 2021	12,637
PPA Revisions	(1,248)
Balance December 31, 2022	$ 11,389

During the third quarter of 2022, subsequent to the preliminary estimates of fair value of intangible assets acquired and liabilities assumed, management revised the initial estimate of the fair value of property, plant and equipment resulting in an increase of $1.6 million. As a result of this revision, goodwill was decreased by $l.2 million and the Company's deferred tax balances were increased $0.4 million. In addition, the change to the provisional amount resulted in an increase in depreciation expense and accumulated depreciation of $0.2 million of which $0.1 million relates to a previous reporting period.

During the fourth quarter of 2022, subsequent to the preliminary estimates of fair value of intangible assets acquired and liabilities assumed, management finalized the values of deferred tax balances upon completion of the DanChem pre-acquisition tax returns. As a result, within the measurement period, the Company's deferred tax balances were decreased by $40,475 and goodwill was decreased by $40,475.

We conducted our annual impairment test of the Specialty Chemicals reporting unit as of October 1, 2022. The Company performed a discounted cash flow analysis and a market multiple analysis for the Specialty Chemicals reporting unit. The discounted cash flow analysis included management assumptions for expected sales growth, capital expenditures and overall operational forecasts. the market multiple analysis included historical and projected performance, market capitalization, volatility and multiples for industry peers. As a result of the goodwill impairment evaluation, it was concluded that the estimated fair value of the Specialty Chemicals reporting unit was greater than its carrying value and, as such, no goodwill impairment was necessary.

During the fourth quarter of 2022, the Company determined potential indicators of impairment within the Specialty Chemicals reporting unit, with an associated goodwill balance of $11.4 million, existed. Significant decreases in the Company's stock price and performance relative to forecast, collectively, indicated that the reporting unit had experienced a triggering event and the need to perform another quantitative evaluation of goodwill. As a result, the Company quantitatively evaluated the Specialty Chemicals reporting unit for impairment. As a result of the goodwill impairment evaluation, it was concluded that the estimated fair value of the Specialty Chemicals reporting unit was above its carrying value and, as such, no goodwill impairment was necessary.

Intangible Assets - Intangible assets consists of customer relationships, trademarks and trade names, and Other and represents the fair value of intellectual, non-physical assets resulting from business acquisitions and are amortized over their estimated useful lives using either an accelerated or straight-line method over a period ranging from eight to 15 years.

Amortization expense is recorded in selling, general and administrative expense on the consolidated statements of income. The weighted average amortization period for the customer relationships is approximately 12 years.

The gross carrying amount and accumulated amortization of intangible assets consist of the following:

	2022		2021	
(in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Definite-lived intangible assets:				
Customer related	$ 28,226	$ (18,437)	$ 28,226	$ (14,486)
Trademarks and trade names	150	(12)	150	(2)
Other	500	(40)	500	(6)
Total definite-lived intangible assets	$ 28,876	$ (18,489)	$ 28,876	$ (14,494)

The Company recorded amortization expense related to intangible assets of $4.0 million and $2.8 million for 2022 and 2021, respectively.

Estimated amortization expense for the next five fiscal years based on existing intangible assets is as follows:

(in thousands)	
2023	$ 1,580
2024	1,555
2025	1,384
2026	1,153
2027	973
Thereafter	3,742
Total	$ 10,387

Deferred Charges - Deferred charges represent debt issuance costs and are amortized over their estimated useful lives using the straight-line method over a period of four years and is recorded in interest expense on the consolidated statements of income. 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 year ended December 31, 2021.

Deferred charges totaled $0.4 million as of December 31, 2022 and 2021, respectively. Accumulated amortization of deferred charges as of December 31, 2022 and 2021 totaled $0.2 million and $0.1 million, respectively.

The Company recorded amortization expense related to deferred charges of $0.1 million for 2022 and 2021.

Long-Lived Asset Impairment - The carrying amounts of long-lived assets are reviewed whenever certain events or changes in circumstances indicate that the carrying amounts may not be recoverable. A potential impairment has occurred for long-lived assets held-for-use if projected future undiscounted cash flows expected to result from the use and eventual disposition of the assets are less than the carrying amounts of the assets. An impairment loss is recorded for long-lived assets held-for-use when the carrying amount of the asset is not recoverable and exceeds its fair value.

Long-lived assets that are expected to be sold within the next 12 months and meet the other relevant held-for-sale criteria are classified as long-lived assets held-for-sale. An impairment loss is recorded for long-lived assets held-for-sale when the carrying amount of the asset exceeds its fair value less cost to sell. A long-lived asset is not depreciated while its classified as held-for-sale.

For long-lived assets to be abandoned, the Company considers the asset to be disposed of when it ceases to be used. Until it ceases to be used, the Company continues to classify the asset as held-for-use and test for potential impairment accordingly. If the Company commits to a plan to abandon a long-lived asset before the end of its previously estimated useful life, its depreciable life is re-evaluated.

Fair value measurements associated with long-lived asset impairments are included in Note 4 to the consolidated financial statements.

Earn-Out Liabilities - In connection with the 2019 American Stainless acquisition, the Company is required to make quarterly earn-out payments to American Stainless for a period of three years following closing equal to six and one-half percent (6.5%) of ASTI's revenue over the three-year earn-out period. These quarterly earn-out payments ended in 2022.

In connection with the 2018 MUSA-Galvanized acquisition, the Company is required to make quarterly earn-out payments to MUSA for a period of four years following closing, based on actual sales levels of galvanized pipe and tube. These quarterly earn-out payments ended in 2022.

In connection with the 2017 MUSA-Stainless acquisition, the Company is required to make quarterly earn-out payments to MUSA for a period of four years following closing, based on actual sales levels of stainless steel pipe and tube (outside diameter of 10 inches or less). These quarterly earn-out payments ended in 2021.

The fair value of the earn-out liabilities are estimated by applying the probability-weighted expected return method using management's estimates of pounds to be shipped and future price per unit. Changes to the fair value of the earn-out liabilities are determined each quarter-end and charged to income or expense in the "Earn-Out Adjustments" line item in the consolidated statements of income. See Note 4 for additional information on the Company's earn-out liabilities.

Revenue Recognition - Revenues are recognized when control of the promised goods or services is transferred to our customers upon shipment, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. The Company's revenues are derived from contracts with customers where performance obligations are satisfied at a point-in-time or over-time. For certain contracts under which the Company produces product with no alternative use and for which the Company has an enforceable right to payment during the production cycle, product in which the material is customer owned or in which the customer simultaneously consumes the benefits throughout the production cycle, progress toward satisfying the performance obligation is measured using an output method of units produced. Certain customer arrangements consist of bill-and-hold characteristics under which transfer of control has been met (including the passing of title and significant risk and reward of ownership to the customers). Therefore, the customers can direct the use of the bill-and-hold inventory while we retain physical possession of the product until it is shipped to a customer at a point in time in the future.

Our contracts with customers may include multiple performance obligations. For such arrangements, revenue for each performance obligation is based on its standalone selling price and revenue is recognized as each performance obligation is satisfied. The Company generally determines standalone selling prices based on the prices charged to customers using the adjusted market assessment approach or expected cost plus margin. Deferred revenues are recorded when cash payments are received in advance of satisfying the performance obligation, including amounts which are refundable. See Note 3 for additional information on the Company's revenue.

Shipping Costs - Shipping costs are treated as fulfillment activities at the time control and title of the promised good and services rendered are transferred to the customer. Shipping costs of approximately $11.2 million and $9.4 million in 2022 and 2021, respectively, are recorded in cost of goods sold on the consolidated statements of income.

Share-Based Compensation - Share-based payments to employees, including grants of employee stock options, are recognized in the consolidated statements of income as compensation expense (based on their estimated fair values at grant date) generally over the vesting period of the awards using the straight-line method. Any forfeitures of share-based awards are recorded as they occur. See Note 10 for additional information on the Company's accounting for share-based payments.

Income Taxes - Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing accounts and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

Additionally, the Company maintains reserves for uncertain tax provisions, if necessary. See Note 11 for additional information on the Company's income taxes.

Earnings Per Share - Earnings per share of common stock are computed based on the weighted average number of basic and diluted shares outstanding during each period.

Leases - The Company determines whether an arrangement is a lease at contract inception. For leases in which the Company is the lessee, the Company recognizes a right-of-use asset and corresponding lease liability on the consolidated balance sheets equal to the present value of the fixed lease payments over the lease term. Lease liabilities represent an obligation to make lease payments arising from a lease while right-of-use assets represent a right to use an underlying asset during the lease term. The Company does not separate lease and non-lease components for its underlying assets. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets.

If readily determinable, the rate implicit in the lease is used to discount lease payments to present value; however, the Company's leases generally do not provide a readily determinable implicit rate. When the implicit rate is not determinable, the Company's estimated incremental borrowing rate is utilized, determined on a fully collateralized and fully amortizing basis, to discount lease payments based on information available at lease commencement. The Company determines the appropriate incremental borrowing rate by identifying a reference rate and making adjustments that take into consideration financing options and certain lease-specific circumstances. Such adjustments include assuming the Store Capital lease would require two lenders with the secondary lender being secured on a second lien requiring mezzanine rates. Lease costs are recognized on a straight-line basis over the lease term.

Right-of-use assets and operating lease liabilities are remeasured upon certain modifications to leases using the present value of the remaining lease payments and estimated incremental borrowing rate upon lease modification. The difference between the remeasured right-of-use asset and the operating lease liabilities are recognized as a gain or loss within operating expenses. The Company reviews any changes to its lease agreements for potential modifications and/or indicators of impairment of the respective right-of-use asset. Operating leases are included in ROU assets, current portion of operating lease liabilities and long-term portion of operating lease liabilities on the accompanying consolidated balance sheets. Finance leases are included in property, plant and equipment, current portion of finance lease liabilities and long-term portion of finance lease liabilities. See Note 7 for additional information on the Company's leases.

The Company subleases portions of certain properties that are not used in its operations. Sublease income was $0.2 million for 2022. Sublease income was not significant for 2021.

Concentrations of Credit Risk - Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash deposits and trade accounts receivable. The Company monitors the financial institutions where it invests its cash and cash equivalents as well as performs credit reviews of potential customers when extending credit to purchase and periodic reviews of existing customers to mitigate exposure and risk. The Specialty Chemicals segment has one customer that accounted for approximately 21% of the segment's revenues for 2022 and 15% of the segment's revenues for 2021.

Accounting Pronouncements Not Yet Adopted - In March 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-04 *"Reference Rate Reform (Topic 848): Facilitation of Effects of Reference Rate Reform on Financial Reporting."* The ASU, and subsequent clarifications, provide practical expedients for contract modification accounting related to the transition away from the London Interbank Offered Rate (LIBOR) and other interbank offering rates to alternative reference rates. On December 21, 2022, the FASB issued ASU 2022-06 to defer the sunset date of Topic 848 until December 31, 2024. The Company intends to use the expedients where needed for reference rate transition. The Company continues to evaluate this standard update and does not currently expect a material impact to the Company’s financial statements or disclosures.

Note 2: Acquisitions

Acquisition of DanChem Technologies, Inc.

On October 22, 2021, the Company completed the acquisition of DanChem, a contract manufacturer of chemical products located in Danville, Virginia. The Company accounted for the transaction as a business combination using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") Topic 805 - "Business Combinations". The preliminary purchase price was $34.1 million including $1.5 million in cash obtained through the acquisition. The purchase price was paid in cash and funded through a drawdown of $34.5 million on the Company's existing revolving credit facility. 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%. See Note 6 for more information on the Company's long-term debt.

During the third quarter of 2022, subsequent to the preliminary estimates of fair value of intangible assets acquired and liabilities assumed, management revised the initial estimate of the fair value of property, plant and equipment resulting in an increase of $1.6 million. As a result of this revision within the measurement period, goodwill was decreased by $1.2 million and the Company's deferred tax balances were increased $0.4 million. In addition, the change to the provisional amount resulted in an increase in depreciation expense and accumulated depreciation of $0.2 million of which $0.1 million relates to a previous reporting period.

During the fourth quarter of 2022, subsequent to the preliminary estimates of fair value of intangible assets acquired and liabilities assumed, management finalized the values of deferred tax balances upon completion of the DanChem pre-acquisition tax returns. As a result, within the measurement period, the Company's deferred tax balances were decreased by $40,475 and goodwill was decreased by $40,475.

The table below summarizes the fair value of identifiable assets acquired and liabilities assumed in the Acquisition and the revisions made in 2022:

(in thousands)	October 22, 2021	Revisions	December 31, 2022
Cash and cash equivalents	$ 1,533		$ 1,533
Accounts receivable, net of allowance for credit losses of $118	5,358		5,358
Inventories, net	1,561		1,561
Prepaid expenses and other current assets	454		454
Property, plant and equipment, net	15,697	$ 1,594	17,291
Right of use asset, operating leases, net	208		208
Intangible assets, net	5,750		5,750
Total identifiable assets acquired	**30,561**	**1,594**	**32,155**
Accounts payable	1,751		1,751
Accrued expenses and other current liabilities	1,622		1,622
Current portion of operating lease liabilities	51		51
Current portion of finance lease liabilities	215		215
Deferred income taxes	2,542	346	2,888
Long-term portion of operating lease liabilities	157		157
Long-term portion of finance lease liabilities	1,408		1,408
Total identifiable liabilities assumed	**7,746**	**346**	**8,092**
Net identifiable assets acquired	22,815	1,248	24,063
Transaction price	34,097		34,097
Goodwill	**$ 11,282**	**$ (1,248)**	**$ 10,034**

Goodwill is calculated as the excess of the purchase price over the fair value of the net assets acquired. The recognized goodwill is attributable to operational synergies, assembled workforce and growth opportunities and was allocated to the Company's Specialty Chemicals segment. Substantially all of the goodwill resulting from this acquisition is not expected to be deductible for tax purposes.

Approximately $0.5 million and $1.0 million of one-time, acquisition-related costs, is recognized in acquisition costs and other expenses in the consolidated statements of income as of December 31, 2022 and 2021, respectively.

The Company identified DanChem’s customer relationships, product development know-how, and tradename as finite-lived assets with estimated fair values as of the acquisition date of $5.1 million, $0.5 million, and $0.2 million, respectively. The finite-lived assets are subject to amortization using either an accelerated or straight-line method over 15 years.

Total net sales and operating income for DanChem for the period from October 22, 2021 through December 31, 2022 were as follows:

(in thousands)		2022		Period from 10/22/2021 - 12/31/2021
Net sales	$	32,297	$	5,692
Operating income	$	115	$	621

Pro Forma Financial Information

The following unaudited consolidated pro forma summary has been prepared by adjusting the Company's historical data to give effect to the acquisition of DanChem as if it had occurred on January 1, 2021:

(unaudited) *(in thousands, except per share data)*		Year Ended December 31, 2021
Net sales	$	358,735
Net income		21,681
Basic net income per common share		2.32
Diluted net income per common share	$	2.29

These unaudited pro forma results include adjustments, such as property, plant and equipment step-up, amortization of acquired intangible assets and interest expense on debt financing in connection with the acquisition.

The unaudited consolidated pro forma financial information was prepared in accordance with GAAP and is not necessarily indicative of the results of operations that would have occurred if the acquisition had been completed on the date indicated, nor is it indicative of the future operating results of the Company.

The unaudited pro forma results do not reflect events that either have occurred or may occur after the acquisition date, including, but not limited to, the anticipated realization of operating synergies in subsequent periods. These results do not give effect to certain charges that the Company expects to incur in connection with the acquisition, including, but not limited to, additional professional fees and employee integration.

Note 3: Revenue Recognition

Revenue is generated primarily from contracts to produce, ship and deliver steel and specialty chemical products. The Company’s performance obligations are satisfied and revenue is recognized when control and title of the contract promised goods or services is transferred to our customers for product shipped or services rendered. Sales tax and other taxes we collect with revenue-producing activities are excluded from revenue. Shipping costs charged to customers are treated as fulfillment activities and are recorded in both revenue and cost of sales at the time control is transferred to the customer. Costs related to obtaining sales contracts are incidental and are expensed when incurred. Because customers are invoiced at the time title transfers and the Company’s right to consideration is unconditional at that time, the Company does not maintain contract asset balances. Additionally, the Company does not maintain material contract liability balances, as performance obligations for substantially all contracts are satisfied prior to customer payment for product. The Company offers industry standard payment terms.

The following table presents the Company's revenues, disaggregated by product group.

(in thousands)		2022		2021
Fiberglass and steel liquid storage tanks and separation equipment	$	411	$	1,343
Heavy wall seamless carbon steel pipe and tube		48,227		40,539
Stainless steel pipe and tube		222,892		186,651
Galvanized pipe and tube		35,075		38,705
Specialty chemicals		107,542		67,477
Net sales	**$**	**414,147**	**$**	**334,715**

The Company's revenues are derived from contracts with customers where performance obligations are satisfied at a point-in-time or over-time. Performance obligations are supported by contracts with customers, providing a framework for the nature of the distinct goods, services or bundle of goods and services. The timing of satisfying the performance obligation is typically indicated by the terms of the contract. The following table represents the Company's revenue recognized at a point- in-time and over-time.

(in thousands)		2022		2021
Point-in-time	$	387,498	$	311,287
Over-time	$	26,649	$	23,428

Note 4: Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an 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, accounts payable, notes payable, earn-out liabilities, revolving line of credit, and long-term debt.

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 liabilities ("earn-out") resulting from the 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 may materially 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 years ended December 31, 2022 and 2021, respectively.

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 December 31, 2021:

Instrument	Fair Value December 31, 2021	Principal Valuation Technique	Significant Unobservable Inputs	Range	Weighted Average
			Discount rate	-	5%
Contingent consideration (earn-out) liabilities	$1,961	Probability Weighted Expected Return	Timing of estimated payouts	2022	-
			Future revenue projections	$9.1M	$9.1M

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 2022 and 2021:

(in thousands)	MUSA-Galvanized	American Stainless	Total
Balance December 31, 2021	$ 1,106	$ 855	$ 1,961
Earn-out payments during period	(1,099)	(855)	$ (1,954)
Changes in fair value during the period	(7)	—	$ (7)
Balance December 31, 2022	$ —	$ —	$ —

For the year ended December 31, 2022, the Company had no unrealized gains or losses included in other comprehensive income for recurring Level 3 fair value instruments.

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

For the fiscal year ended December 31, 2022 and 2021, the Company's only significant measurements of assets and liabilities at fair value on a non-recurring basis subsequent to their initial recognition were certain long-lived assets, certain assets held for sale and goodwill (see Note 1 to the consolidated financial statements for additional information regarding this Level 3 fair value measurement).

Long-lived assets
The Company reviews the carrying amounts of long-lived assets whenever certain events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company assesses performance quarterly against historical patterns, projections of future profitability, and whether it is more likely than not that the assets will be disposed of significantly prior to the end of their estimated useful life for evidence of possible impairment. An impairment loss is recognized when the carrying amount of the asset (disposal) group is not recoverable and exceeds fair value. The Company estimates the fair values of assets subject to long-lived asset impairment based on the Company's own judgments about the assumptions market participants would use in pricing the assets and observable market data, when available. The Company classifies these fair value measurements as Level 3.

During the fourth quarter of 2022, the Company began a strategic reassessment of certain operations to drive an increased focus on its core operations and to continue to improve overall performance and operating profitability. As a result of this reassessment, management and the Board of Directors decided to pursue an exit of the Company's galvanized pipe and tube operations at its Munhall facility. It was determined that a significant change in the use of the assets of the Munhall facility had occurred before the end of their previous useful lives, and therefore, had experienced a triggering event and were evaluated for recoverability. Based on this evaluation of the Munhall assets, it was determined the assets were recoverable and no impairment was recorded, however, certain long-lived assets and intangible assets related to the galvanized pipe and tube operations were written down to their fair value of zero resulting in accelerated depreciation and amortization charges of $0.9 million. Expenses associated with accelerated depreciation are included in depreciation and amortization expense in the consolidated statements of income.

During 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 $0.2 million non-cash, pre-tax asset impairment charge.

Assets Held-for-Sale
On February 17, 2021 the Board of Directors authorized the permanent cessation of operations at Palmer and the subleasing of the Palmer facility. As of December 31, 2021, the Company permanently ceased operations at the Palmer facility and determined that the remaining asset group met the criteria to be classified as held for sale, and therefore classified the related assets as held for sale on the consolidated balance sheets. The Company determined that the exit from this business did not represent a strategic shift that had a major effect on its consolidated results of operations, and therefore this business was not classified as discontinued operations. As of December 31, 2022, the remaining Palmer assets continue to be classified as held for sale with the remaining assets to be disposed of in the first quarter of 2023. The results of operations for this business are included within the Tubular Products segment for all periods presented in this annual report. The Company uses observable inputs, such as prices of comparable assets in active markets to determine the fair value of the remaining assets. The Company classifies these fair value measurements as Level 2.

The assets classified as held for sale as of December 31, 2022 and 2021 are as follows:

(in thousands)	**2022**	**2021**
Inventory, net	$ 198	$ 617
Property, plant and equipment, net	182	238
Assets held for sale	$ 380	$ 855

The Company remains obligated under the terms of the leases for the rent and other costs that may be associated with the lease of the facility through 2036. During the fourth quarter of 2022, the Company entered into an amended sublease agreement with a third party to sublease the entirety of the Palmer facility. The sublease agreement amends the previous sublease agreement entered into in the fourth quarter of 2021 and continues through the remaining term of the Master Lease Agreement. The sublease will expire on September 30, 2036, unless terminated in accordance with the amended sublease agreement. The sublease provides for an annual base rent of approximately $0.5 million in the first year, which increases on an annual basis by 2.0%. The sublessee is responsible for its pro rata share of certain costs, taxes and operating expenses related to the subleased space. The sublease includes an initial security deposit of $0.1 million.

Fair Value of Financial Instruments

The fair values of cash and cash equivalents, accounts receivable, accounts payable and the Company's note payable approximated their carrying value because of the short-term nature of these instruments. The Company's revolving line of credit and long-term debt, which is based on a variable interest rate, are also reflected in the financial statements at carrying value which approximates fair value as of December 31, 2022. The carrying amount of cash and cash equivalents are considered Level 1 measurements. The carrying amounts of accounts receivable, accounts payable, note payable, revolving line of credit and long-term debt are considered Level 2 measurements. See Note 6 for further information on the Company's debt.

Note 5: Property, Plant and Equipment

Property, plant and equipment consist of the following:

(in thousands)	2022	2021
Land	$ 723	$ 723
Leasehold improvements	4,114	4,641
Buildings	1,534	53
Machinery, fixtures and equipment	113,413	110,127
Construction-in-progress	3,270	1,900
	123,054	117,444
Less accumulated depreciation and amortization	(80,708)	(73,724)
Property, plant and equipment, net	$ 42,346	$ 43,720

The following table sets forth depreciation expense related to property, plant and equipment:

(in thousands)	2022	2021
Cost of sales	$ 8,472	$ 7,293
Selling, general and administrative	250	254
Total depreciation	$ 8,722	$ 7,547

Note 6: Debt

Short-term debt

On June 6, 2022, the Company entered into a note payable in the amount of $1.0 million with an interest rate of 2.77% maturing April 1, 2023. The agreement is associated with the financing of the Company's insurance premium in the current year. As of December 31, 2022, the outstanding balance was $0.4 million.

Credit Facilities

(in thousands)	2022	2021
Revolving line of credit, due January 15, 2025	$ 67,442	$ 65,571
Term loan, due January 15, 2025	4,107	4,821
Total long-term debt	71,549	70,392
Less: Current portion of long-term debt	(2,464)	(2,464)
Long-term debt, less current portion	$ 69,085	$ 67,928

The Company and its subsidiaries have a Credit Agreement with BMO Harris Bank N.A. ("BMO") which provides the Company with a four-year revolving credit facility with up to $150.0 million of borrowing capacity (the "Facility").

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. The term loan requires quarterly payments of $0.2 million with a balloon payment due upon maturity of Facility in January 2025.

We have pledged all of our accounts receivable, inventory, and certain machinery and equipment as collateral for the Credit Agreement. Availability under the Credit Agreement is subject to the amount of eligible collateral as determined by the lenders' borrowing base calculations. 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 Credit

Agreement includes provisions intended to provide for the replacement of LIBOR with the Secured Overnight Financing Rate ("SOFR") upon the cessation of LIBOR. The Company plans to transition away from LIBOR by June 2023.

The revolving line of credit interest rate was5.18% and 2.29% as of December 31, 2022 and 2021, respectively. Average borrowings under the revolving line of credit during 2022 and 2021 were $71.0 million and $61.9 million with a weighted average interest rate of3.67% and 2.23%, respectively.

The term loan interest rate was6.38% and 1.90% as of December 31, 2022 and 2021, respectively.

The Company made interest payments on all credit facilities of $2.6 million and 1.4 million in 2022 and 2021, respectively.

Principal payments on long-term debt are as follows (in thousands):

2023	$	2,464
2024		2,464
2025	$	66,621

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 December 31, 2022, the Company was in compliance with all financial debt covenants.

As of December 31, 2022, the Company had $37.6 million of remaining availability under it credit facility.

Note 7: Leases

The Company's portfolio of leases contains both finance and operating leases that relate to real estate and manufacturing equipment. Substantially all of the value of the Company's lease portfolio relates to the Master Lease with Store Master Funding XII, LLC (“Store”), an affiliate of Store Capital Corporation ("Store Capital") that was entered into in 2016 and amended with the American Stainless acquisition in 2019 as well as the sale of land at the Munhall facility in 2020. As of December 31, 2022, operating lease liabilities related to the master lease agreement with Store Capital totaled $31.5 million, or 94% of the total lease liabilities on the consolidated balance sheet.

As discussed in Note 2, on October 22, 2021, the Company completed the DanChem acquisition. As part of the acquisition, the Company assumed certain operating and finance leases. As of December 31, 2022, the balances associated with these leases in the consolidated balance sheet include operating lease assets and liabilities of $0.3 million and finance lease assets and liabilities of $2.9 million.

During the year ended December 31, 2022, the Company entered into new operating lease agreements resulting in an additional $0.2 million of right-of-use assets and lease liabilities.

Balance Sheet Presentation

Operating and finance lease amounts included in the consolidated balance sheet are as follows (in thousands):

		Year Ended December 31,			
Classification	**Financial Statement Line Item**		**2022**		**2021**
Operating lease assets	Right-of-use assets, operating leases	$	29,224	$	30,811
Finance lease assets	Property, plant and equipment, net		1,494		1,640
Current liabilities	Current portion of lease liabilities, operating leases		1,056		1,104
Current liabilities	Current portion of lease liabilities, finance leases		280		233
Non-current liabilities	Non-current portion of lease liabilities, operating leases		30,911		32,059
Non-current liabilities	Non-current portion of lease liabilities, finance leases	$	1,242	$	1,414

Total Lease Cost

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

(in thousands)	Year Ended December 31, 2022	2021
Operating lease cost[1]	$ 4,151	$ 4,099
Finance lease cost:		
Reduction in carrying amount of right-of-use assets	273	100
Interest on finance lease liabilities	36	11
Sublease income	(187)	—
Total lease cost	$ 4,273	$ 4,210

[1] *Includes short term leases, which are immaterial*

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 consolidated statements of income.

Maturity of Leases

The amounts of undiscounted future minimum lease payments under leases as of December 31, 2022 are as follows:

(in thousands)	Operating	Finance
2023	$ 3,645	$ 311
2024	3,667	257
2025	3,687	244
2026	3,703	244
2027	3,765	244
Thereafter	36,151	327
Total undiscounted minimum future lease payments	54,618	1,627
Imputed Interest	(22,651)	(105)
Total lease liabilities	$ 31,967	$ 1,522

Lease Term and Discount Rate

	Year Ended December 31, 2022	2021
Weighted-average discount rate		
Operating leases	8.31 %	8.30 %
Finance leases	2.32 %	2.27 %
Weighted-average remaining lease term		
Operating leases	13.61 years	14.43 years
Finance leases	6.06 years	7.07 years

Note 8: Accrued Expenses

Accrued expenses consist of the following:

(in thousands)		2022		2021
Salaries, wages, and commissions	$	2,344	$	5,052
Income taxes		—		3,212
Taxes, other than income taxes		1,217		889
Advances from customers		304		441
Insurance		553		517
Professional fees		505		527
Warranty reserve		59		40
Benefit plans		426		333
Customer rebate liability		194		379
Other accrued items		958		1,017
Total accrued expenses	$	6,560	$	12,407

Note 9: Shareholders' Equity

Authorized shares of common stock were $24.0 million ($1.00 par value) at December 31, 2022 and 2021.

Share Repurchase Program

On December 20, 2022, the Board of Directors re-authorized the Company's share repurchase program. The previous share repurchase program had a term of 24 months and was set to expire on February 17, 2023. The share repurchase program allows for repurchase of up to 790,383 shares of the Company's outstanding common stock and extends to February 17, 2025. 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 December 31, 2022, the Company has 679,979 shares of its share repurchase authorization remaining.

Shares repurchased for the year ended December 31, 2022 and 2021 were as follows:

	Year Ended December 31,			
		2022		2021
Number of shares repurchased		110,404		—
Average price per share	$	12.16	$	—
Total cost of shares repurchased	$	1,345,540	$	—

Rights Offering

On November 16, 2021, the Company announced its Board of Directors had approved a Rights Offering to existing shareholders. Under the terms of the Rights Offering, the Company distributed non-transferable subscription rights to each holder of its common stock as of November 29, 2021 with each subscription right exercisable for 0.083768 shares of common stock at an exercise price of $12.75 per full common share. The Company completed its Rights Offering to the Company’s shareholders as of the close of business on December 16, 2021. The Rights Offering was fully subscribed for the maximum offering amount of 785,103 shares of the Company’s common stock resulting in gross proceeds to the Company of approximately $10.0 million. The proceeds of the Rights Offering was used for general corporate purposes, including in part, certain growth initiatives (including acquisitions) as well as repayment of the revolving credit facility.

Dividends

At the end of each fiscal year the Board reviews the financial performance and capital needed to support future growth to determine the amount of cash dividend, if any, which is appropriate. In 2022 and 2021, no dividends were declared or paid by the Company.

Note 10: Accounting for Share-Based Payments

Overview of Share-Based Payment Plans

The Company has a number of active and inactive equity incentive plans (the "Incentive Plans") under which the Company has been authorized to grant share-based awards to key employees and non-employee directors. On April 25, 2022, the Board of Directors approved, upon the recommendation of the Compensation & Long-Term Incentive Committee but subject to stockholder approval, adoption of the Ascent Industries Co. 2022 Omnibus Equity Incentive Plan (the "Plan") and directed that the Plan be submitted for approval by our stockholders at our 2022 Annual Meeting of Stockholders (the "Annual Meeting"). On June 8, 2022, at the 2022 Annual Meeting, upon the recommendation of the Company's Board of Directors, a majority of the shareholders of the Company voted to approve the Plan. A total of 0.8 million shares have been authorized for grant to key employees and non-employee directors under the Company's currently active Incentive Plans. As of December 31, 2022, there were 0.7 million shares remaining available for grants under the currently active equity Incentive Plans.

The Company recognized share-based compensation expense within SG&A expense on the consolidated statements of income of $1.4 million and $0.8 million in 2022 and 2021, respectively.

Total unrecognized share-based payment expense for all share-based payment plans was $1.5 million at December 31, 2022, of which $1.0 million will be recognized in 2023, $0.4 million in 2024, and $0.1 million thereafter. This results in these amounts being recognized over a weighted-average period of2.04 years.

Stock Options

Stock options have terms of 10 years and vest in 20% or 33% increments annually on a cumulative basis, beginning one year after the date of grant, and are assigned an exercise price equal to the average of the high and low common stock price on the day prior to the date of grant. Options are expensed on a straight-line basis over the grant vesting period, which is considered to be the requisite service period. Compensation expense charged against income for options was insignificant for 2022 and 2021

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. When determining expected volatility, the Company considers the historical volatility of the Company's stock price. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant, based on the options' expected term. The Company granted no new options in 2022.

Transactions related to stock options for the year ended December 31, 2022 are summarized as follows:

	Weighted Average Exercise Price	Options Outstanding	Weighted Average Contractual Term (in years)	Intrinsic Value of Options
Outstanding at December 31, 2021	$ 13.04	143,828	6.0	$ 487,011
Exercised	9.67	(18,098)		
Canceled, forfeited, or expired	11.71	(7,588)		
Outstanding at December 31, 2022	$ 13.66	118,142	5.2	$ —
Vested and expected to vest at December 31, 2022[1]	$ 13.00	5,665	7.1	$ —
Exercisable options	$ 13.69	112,477	5.1	$ —

[1] *Includes outstanding vested and nonvested options*

Restricted Stock Awards

Restricted stock awards are valued based on the average of the high and low common stock price on the day prior to the date of grant. In general, these awards vest in either 20% or 33% increments annually on a cumulative basis, beginning one year after the date of grant. Certain of these awards vest 100% at the end of a three-year period from the date of grant. In order for the awards to vest, the employee must be in the continuous employment of the Company since the date of the award. Except for death, disability, or qualifying retirement, any portion of an award that has not vested is forfeited upon termination of employment. An employee is not entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable.

All awards are expensed on a straight-line basis over the grant vesting period, which is considered to be the requisite service period. The weighted average period over which the restricted stock awards compensation expense is expected to be recognized is 2.31 years.

Transactions related to restricted stock awards for the year ended December 31, 2022 are summarized as follows:

	Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2021	43,581	$ 9.82
Granted	72,110	18.19
Vested	(24,641)	7.75
Forfeited	(11,947)	13.33
Nonvested at December 31, 2022	79,103	$ 17.31

Performance Stock Units

The Company issues performance stock units classified as equity awards which contain market conditions that must be satisfied for an employee to earn the right to benefit from the award. Performance stock units vest upon the achievement of specific thirty-day volume-weighted average price targets of a share of the Company's common stock over a period of three years. In order for the awards to vest, the employee must be in the continuous employment of the Company since the date of the award. Except for death, disability, or qualifying retirement, any portion of an award that has not vested is forfeited upon termination of employment. An employee is not entitled to any voting rights with respect to any shares not yet vested, and the shares are not transferable.

The performance stock units are divided into tranches, each one vesting on the date the thirty-day volume-weighted average price of the Company's common stock `meets or exceeds the price target as set forth in the table below:

	Shares	Volume Weighted Average Price Target
Tranche I	9,663	$ 22.50
Tranche II	50,000	25.00
Tranche III	40,000	27.50
Tranche IV	30,000	30.00
Tranche V	30,000	$ 35.00

The fair value of the performance stock units granted with a market performance condition are determined using a Monte Carlo simulation considering historical performance of the Company's stock as well as the probability of attaining the market performance condition determined on the date of grant. Expense is recognized on a straight-line method over the requisite service period. Performance stock units do not have dividend rights. The weighted average period over which the performance stock units compensation expense is expected to be recognized is 2.20 years.

The weighted-average grant-date fair value per unit of performance stock units granted was $3.92 and $0.69 in 2022 and 2021, respectively. There were no performance stock units vesting in 2022. The total fair value of performance stock units vesting was approximately $1.1 million in 2021.

Transactions related to performance stock units for the year ended December 31, 2022 were as follows:

	Units	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2021	—	$ —
Granted	159,663	3.92
Outstanding at December 31, 2022	159,663	$ 3.92

Inducement Awards

The Company has previously granted stock-based awards to incoming executive officers as incentives to enter into an at-will employment agreement with the Company. These inducement awards were approved by the Compensation Committee of the Board of Directors and did not require shareholder approval in accordance with NASDAQ Rule 5635(c)(4). In accordance with the rule, the only persons eligible to receive incentive awards are individuals not previously an employee or director of the Company.

In general, 50% of the inducement awards vest based on the achievement of thirty-day volume weighted average price targets of a Company share of stock and 50% vest on the third anniversary of the grant date. The fair value of the market based portion of inducement awards are determined using a Monte Carlo simulation considering historical performance of the Company's stock as well as the probability of attaining the market condition determined on the date of grant. The fair value of the time based portion of inducement awards are determined based on the average of the high and low common stock price on the day prior to the date of grant. Transactions related to inducement stock awards as of December 31, 2022 were as follows:

	Units	Weighted-Average Grant Date Fair Value
Outstanding December 31, 2021	30,856	$ 8.11
Vested	(9,170)	2.21
Outstanding December 31, 2022	21,686	$ 10.61

The total fair value of inducement awards vesting was approximately $0.2 million in 2022 and 2021, respectively. The weighted average period over which inducement award compensation cost is expected to be recognized is 1.52 years.

Non-Employee Director Compensation Plan

Non-employee directors are paid an annual retainer of $102,000, and each director has the opportunity to elect to receive 100% of the retainer in restricted stock, which vest quarterly over a one year period. The number of restricted shares is determined by the average of the high and low sale price of the Company's stock on the day prior to the Annual Meeting of Shareholders. In 2022, the Company issued an aggregate of 17,173 shares of restricted stock to non-employee directors in lieu of $0.3 million of their annual cash retainer fees. The Company also issued an aggregate of 65,000 additional shares of restricted stock to the Company's Executive Chairman of the Board consisting of 15,000 restricted stock units and 50,000 performance stock units. The restricted stock units will vest 50% on the first and second anniversary of the award while the performance stock units vest upon the achievement of specific thirty-day volume weighted average price targets of the Company's common stock. The weighted average period over which the non-employee director award compensation expense is expected to be recognized is 2.04 years.

Note 11: Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows at the respective year ends:

(in thousands)	2022	2021
Deferred income tax assets:		
Inventory valuation reserves	$ 963	$ 310
Inventory capitalization	907	1,207
Accrued bonus	150	680
State net operating loss carryforwards	1,572	1,606
Federal net operating loss carryforwards	1,088	890
Lease liabilities	7,744	8,069
Accrued Federal Insurance Contributions Act ("FICA") deferral	—	155
Interest Limitation Carryforwards	555	—
Intangible asset basis differences	3,262	2,980
Other	1,192	550
Total deferred income tax assets	17,433	16,447
Federal & State valuation allowance	(1,371)	(3,700)
Total net deferred income tax assets	16,062	12,747
Deferred income tax liabilities:		
Fixed asset basis differences	7,184	7,276
Prepaid expenses	418	381
Lease assets	7,107	7,523
Total deferred income tax liabilities	14,709	15,180
Deferred income taxes, net	$ 1,353	$ (2,433)

Significant components of the provision for income taxes are as follows:

(in thousands)	2022	2021
Current:		
Federal	$ (189)	$ 6,786
State	199	538
Total current	10	7,324
Deferred:		
Federal	(3,657)	(1,943)
State	(564)	(128)
Total deferred	(4,221)	(2,071)
Total	$ (4,211)	$ 5,253

The reconciliation of income tax computed at the U. S. federal statutory tax rates to income tax expense is:

	2022		2021	
(in thousands)	Amount	%	Amount	%
Tax at U.S. statutory rates	$ 3,750	21.0 %	$ 5,354	21.0 %
State income taxes, net of federal tax benefit	226	1.3 %	371	1.5 %
Federal and State valuation allowance	(2,366)	(13.2)%	(539)	(2.1)%
Stock option compensation	(173)	(1.0)%	(196)	(0.8)%
Executive compensation limitation	—	— %	59	0.2 %
Transaction costs	—	— %	134	0.5 %
Tax Benefits Associated with Palmer Closure	(5,707)	(32.0)%	—	— %
Other nondeductible expenses	69	0.4 %	51	0.2 %
Other, net	(10)	(0.1)%	19	0.1 %
Total	$ (4,211)	(23.6)%	$ 5,253	20.6 %

The Company's effective tax rate for 2022 was less than the U.S. statutory rate of 21% primarily driven by tax benefits associated with losses on our investment in Palmer of Texas Tanks, Inc. and its ultimate wind down and closure and the release of valuation allowances on certain deferred tax assets, partially offset by state taxes. The tax benefits associated with the investment in Palmer relate to a deduction claimed for the tax basis in the Company's stock in Palmer of Texas Tanks, Inc.

The Company made income tax payments of $7.8 million and $1.6 million in 2022 and 2021, respectively. The Company has $5.2 million of U.S. Federal net operating loss carryforwards and $2.6 million of interest limitation carryforwards at the end of 2022 compared to $4.2 million of U.S. Federal net operating loss carryforwards and no interest limitation carryforwards at the end of 2021. The majority of our U.S. Federal net operating loss carryforwards were acquired in the DanChem acquisition and are subject to certain limitations under IRC Section 382. However, the Company believes that these losses are more likely than not to be utilized. In addition, on a gross basis the Company had state operating loss carryforwards of $37.2 million and $36.2 million at the end of 2022 and 2021, respectively. The majority of these losses will expire between the years of 2023 and 2040, while certain losses are not subject to expiration.

In prior years, primarily due to the historical losses, the Company established valuation allowances against certain deferred tax assets. At each reporting date, the Company considers new and historical evidence, both positive and negative, that could affect its view of the future realization of its deferred tax assets. When the Company demonstrates that it can generate taxable income on a sustained basis, its conclusion can change regarding the need for a valuation allowance against its deferred tax assets. During the tax year ended December 31, 2022, the Company continued to generate pre-tax profits and as a result of sustained profitability evidenced by a strong earnings history and additional positive evidence, the Company determined it was more likely than not it would be able to support realization of certain deferred tax assets and released valuation allowances on deferred tax assets of $2.4 million. The remaining valuation allowances relate to certain U.S. state deferred tax assets that are not considered realizable based on the assessment of all available evidence as of December 31, 2022.

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 2019 or state examinations for years before 2018.

The Company had no uncertain tax position activity during 2022 or 2021. The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in the provision for income taxes. The Company had no accruals for uncertain tax positions including interest and penalties at the end of 2022.

On August 16, 2022, the Inflation Reduction Act of 2022 was signed into law, which, among other things, implemented a CAMT of 15 percent on book income of certain large corporations, a one percent excise tax on net stock repurchases and several tax incentives to promote clean energy. The provision pertaining to an excise tax on corporate stock repurchases imposes a nondeductible one percent excise tax on a publicly traded corporation for the net value of certain stock that the corporation repurchases. The value of the repurchases subject to the tax is reduced by the value of any stock issued by the corporation during the tax year, including stock issued or provided to the employees. The CAMT imposes a minimum tax on net income adjusted for certain items prescribed by the legislation. Both the CAMT and the excise tax provisions of this legislation are effective for tax years beginning after December 31, 2022. Although management is currently assessing the impact of the law change and awaiting guidance from the Department of Treasury, the Company anticipates being subject to the new excise tax on share repurchases, but does not believe that it will have a material impact on its consolidated financial statements.

Note 12: Earnings Per Share

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

(in thousands, except per share data)		**2022**		**2021**
Numerator:				
Net earnings	$	22,066	$	20,245
Denominator:				
Denominator for basic earnings per share - weighted average shares		10,230		9,340
Effect of dilutive securities:				
Employee stock options and stock grants		180		116
Denominator for diluted earnings per share - weighted average shares		10,410		9,456
Net earnings per share:				
Basic	$	2.16	$	2.17
Diluted	$	2.12	$	2.14

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 an insignificant number of shares of common stock that were anti-dilutive in 2022. The Company had 0.1 million shares of common stock that were anti-dilutive in 2021.

Note 13: Industry Segments

Ascent Industries Co. hastwo reportable segments: Tubular Products and Specialty Chemicals. The Tubular Products segment includes the operating results of the Company's plants involved in the production and distribution of stainless steel, galvanized steel and seamless carbon pipe and tube. The Tubular Products segment includes the operating results of our Palmer business in Andrews, Texas currently held for sale, which will be removed from the segment beginning in 2023. The Tubular Products segment serves markets through pipe and tube and customers in the appliance, architectural, automotive and commercial transportation, brewery, chemical, petrochemical, pulp and paper, mining, power generation (including nuclear), water and waste-water treatment, liquid natural gas ("LNG"), food processing, pharmaceutical, oil and gas and other industries.

The Specialty Chemicals segment includes the operating results of the Company's plants involved in the production of specialty chemicals. The Specialty Chemicals segment produces products for the pulp and paper, coatings, adhesives, sealants and elastomers (CASE), textile, automotive, household, industrial and institutional ("HII"), agricultural, water and waste-water treatment, construction, oil and gas and other industries.

The chief operating decision maker evaluates performance and determines resource allocations based on a number of factors, the primary measures being operating income and Adjusted earnings (loss) before interest, income taxes, depreciation and amortization. Adjusted earnings (loss) before interest, income taxes, depreciation and amortization excludes certain items that management believes are not indicative of future results.

The accounting principles applied at the operating segment level are the same as those applied at the consolidated financial statement level. Intersegment sales and transfers are eliminated at the corporate consolidation level.

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

(in thousands)		2022		2021
Net sales				
Tubular Products	$	306,605	$	267,238
Specialty Chemicals		107,542		67,477
	$	414,147	$	334,715
Operating income				
Tubular Products	$	27,607	$	33,561
Specialty Chemicals		6,971		3,656
		34,578		37,217
Corporate				
Unallocated corporate expenses		(12,997)		(6,828)
Acquisition costs and other		(1,200)		(1,001)
Proxy contest costs and recoveries		—		(168)
Earn-out adjustments		7		(1,872)
Total Corporate		(14,190)		(9,869)
Operating income		20,388		27,348
Interest expense		2,742		1,486
Change in fair value of interest rate swap		—		(2)
Loss on extinguishment of debt		—		223
Other income, net		(209)		143
Income before income taxes	$	17,855	$	25,498
Identifiable assets				
Tubular Products	$	158,664	$	160,625
Specialty Chemicals		72,990		72,908
Corporate		37,389		32,469
	$	269,043	$	266,002
Depreciation and amortization				
Tubular Products	$	7,906	$	8,206
Specialty Chemicals		4,749		2,005
Corporate		62		130
	$	12,717	$	10,341
Capital expenditures				
Tubular Products	$	3,756	$	1,011
Specialty Chemicals		1,140		486
Corporate		178		—
	$	5,074	$	1,497
Sales by product group				
Fiberglass and steel liquid storage tanks and separation equipment	$	411	$	1,343
Heavy wall seamless carbon steel pipe and tube		48,227		40,539
Stainless steel pipe and tube		222,892		186,651
Galvanized pipe and tube		35,075		38,705
Specialty chemicals		107,542		67,477
	$	414,147	$	334,715
Geographic sales				
United States	$	403,956	$	325,335
Elsewhere		10,191		9,380
	$	414,147	$	334,715

Note 14: Benefit Plans and Collective Bargaining Agreements

The Company has a 401(k) Employee Stock Ownership Plan (the "401(k)/ESOP Plan") covering all non-union employees. Employees could contribute to the 401(k)/ESOP Plan up to 100% of their wages with a maximum of $20,500 for 2022. Under the Economic Growth and Tax Relief Reconciliation Act, employees who are age 50 or older could contribute an additional $6,500 per year for a maximum of $27,000 for 2022. Contributions by the employees are invested in one or more funds at the direction of the employee; however, employee contributions cannot be invested in Company stock. Contributions by the Company are made in accordance with the investment elections made by each participant for his or her deferral contributions. The Company contributes on behalf of each eligible participant a matching contribution equal to a percentage determined each year by the Board of Directors. For 2022 and 2021 the maximum was 100% of employee contributions up to a maximum of 4% of their eligible compensation. The matching contribution is applied to the employee accounts after each payroll. Matching contributions of approximately $0.7 million were made for both 2022 and 2021. The Company may also make a discretionary contribution, which if made, would be distributed to all eligible participants regardless of whether they contribute to the 401(k)/ESOP Plan. No discretionary contributions were made to the 401(k)/ESOP Plan in 2022 or 2021.

The Company has a 401(k) and Profit Sharing Plan (the "Bristol Plan") covering all employees as part of the United Steel Workers of America, Local Union 4586 Collective Bargaining Agreement (the "Bristol CBA"). Employees could contribute to the Bristol Plan up to 60% of pretax annual compensation, as defined in the Bristol Plan, with a maximum of $20,500 for 2022. Under the Economic Growth and Tax Relief Reconciliation Act, employees who are age 50 or older could contribute an additional $6,500 per year for a maximum of $27,000 for 2022. During 2022, the Company contributed 4% of a participant's eligible compensation regardless of whether the participants contribute to the Bristol Plan. During 2021, the Company contributed 3% of a participant's eligible compensation from January to July and increased the amount to 4% for the remainder of the plan year. The Company's contributions were $0.3 million for both 2022 and 2021. Additional profit sharing amounts may also be contributed at the option of the Company's Board of Directors, which if made, would be allocated to participants based on the ratio of the participant's compensation to the total compensation of all participants eligible to participate in the Bristol Plan. No discretionary contributions were made to the Bristol Plan in 2022 or 2021.

The Company also has a 401(k) Plan (the "Virginia Plan") covering substantially all employees at the Virginia facility. Employees could contribute to the Virginia Plan up to a maximum of $20,500 for 2022. Under the Economic Growth and Tax Relief Reconciliation Act, employees who are age 50 or older could contribute an additional $6,500 per year for a maximum of $27,000 for 2022. The Company contributes on behalf of each eligible participant a matching contribution equal to a percentage determined each year by the Board of Directors. For 2022 and 2021 the maximum was 100% of employee contributions up to the first 3% of their eligible compensation and 50% for employee contributions from 3% to 6%. The Company also maintains a Collective Bargaining Agreement (the "Virginia CBA") with the United Food and Commercial Workers, Local Union 400 (the "Virginia Union"), which represents employees at the Virginia facility and is required to make additional quarterly contributions for hourly employees who had a hire date prior to June 1, 2013. Matching contributions of approximately $0.4 million were made for 2022 and 2021.

The Company maintains a Collective Bargaining Agreement (the "Munhall CBA") with the United Steel Workers of America, Local Union 5852-22 (the "Munhall Union"), which represents the employees at the Munhall facility. As a part of this Munhall CBA, the Company assumed the obligation of participating in the Steelworkers Pension Trust, a union-sponsored multi-employer defined benefit plan (the "Munhall Plan"), which covers all the Company's eligible Munhall Union employees. The Munhall Plan has a calendar plan year. Per the most recent available annual funding notice, the plan was at least 90% funded for the plan year ended December 31, 2021. Per the terms of the Munhall CBA the Company contributed 4.50% of each participant's eligible compensation for the 2022 plan year. Munhall Union employees make no contributions to the Munhall Plan. The Company's contributions to the Munhall Plan totaled $0.3 million and $0.2 million for the year ended December 31, 2022 and 2021, respectively. Additionally, as part of the Munhall CBA, members of the union are eligible to make deferral contributions to the Company's 401(k)/ESOP Plan per the plan guidelines; however they do not receive matching contributions of the 401(k)/ESOP Plan.

The Company maintains a Collective Bargaining Agreement (the "Mineral Ridge CBA") with the United Steel Workers of America, Local Union 4564-07, which represents employees at the Specialty-Mineral Ridge facility. In connection with the Mineral Ridge CBA, the Company contributes to union-sponsored defined contribution retirement plans. Contributions relating to these plans were $40,835 and $37,208 for 2022 and 2021, respectively.

Note 15: Commitments and Contingencies

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.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

a) Evaluation of Disclosure Controls and Procedures

The Company conducted an evaluation, under the supervision and with the participation of its management, of the effectiveness of the design and operation of its disclosure controls and procedures. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (“Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, the Company’s principal executive and principal financial officers concluded as of December 31, 2022 that its disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses in its internal control over financial reporting discussed below.

(b) Management's Report on Internal Control Over Financial Reporting.

The Company’s management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company’s internal control over financial reporting is a process designed by, or under the supervision of, its CEO and CFO, or persons performing similar functions, and effected by its Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America (GAAP). The Company’s internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that receipts and expenditures of the Company are being made only in accordance with authorization of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2022. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in the 2013 *Internal Control-Integrated Framework*. Based on its evaluation, management has concluded that the Company’s internal control over financial reporting was not effective at the reasonable assurance level as of December 31, 2022.

Material Weaknesses in Internal Control over Financial Reporting

A material weakness, as defined in the standards established by the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

Management has determined that the Company had the following material weaknesses in its internal control over financial reporting:

• *Entity Level Activities* - Management did not maintain appropriately designed entity-level controls impacting the control environment and effective monitoring activities to prevent or detect potential material misstatements to the financial statements. These deficiencies were attributed to:

- Lack of structure and responsibility, insufficient number of qualified resources due to significant turnover in key personnel leading to insufficient oversight and accountability over the performance of controls; and,

- Insufficient evaluation and determination as to whether the components of internal control were present and functioning based upon evidence maintained for certain management review controls and activity level controls across a significant portion of the Company's financial statement areas.

• *Control Activities* - Management did not have effective policies and procedures or adequate selection and development of effective control activities, which resulted in the following additional material weaknesses:

- *Inventory* - Management did not appropriately design and implement controls over the existence, accuracy, completeness and valuation of inventory.
- *Revenue recognition* – Management did not maintain effectively designed and implemented controls over recorded revenue and accounts receivable, including procedures over the existence and accuracy of data input for price and quantity, review of sales contracts, as well as appropriate allocation of transaction price across identified performance obligations within the Company's contracts with customers.
- *Period-end financial reporting, journal entries, reconciliations, and account analyses* - Management did not maintain effectively designed and implemented controls to detect potential material misstatements to period-end financial statements through review of account reconciliations and account analyses on a timely basis as well as other aspects of the financial statement preparation and review process. Additionally, management did not maintain effectively designed and implemented controls over the review of journal entries.
- *Complex Accounting* - Management did not appropriately design and implement management review controls at a sufficient level of precision around complex accounting areas including goodwill impairment, long-lived asset impairment and income taxes.
- *Information Technology* - Management did not fully design, implement and monitor general information technology controls in the areas of user access, cyber-security and segregation of duties for systems supporting many of the Company's internal control processes. As a result of those segregation of duties deficiencies the related manual business process controls were determined to be ineffective.

While there were no material misstatements in 2022, these material weaknesses, individually or in the aggregate, could result in misstatements of accounts or disclosures in the consolidated financial statements that would not be prevented or detected on a timely basis. Accordingly, management has concluded that these control deficiencies constitute material weaknesses.

Management’s Plan to Remediate the Material Weakness

Management plans to implement measures designed to ensure that we improve our internal controls over financial reporting and remediate the material weaknesses. The remediation actions planned include development of policies and procedures and design and enhancement of internal controls over our financial reporting process as well as monitoring of the effectiveness of these controls.

Remediation Plan

In response to the identified deficiencies that aggregated to the aforementioned material weaknesses, management, with oversight from the Company's Audit Committee, is in the process of developing a detailed plan for remediation, including:

- Providing relevant training on internal controls over financial reporting to control owners and control preparers
- Evaluating and realigning roles and responsibilities of management
- Evaluating and realigning roles and responsibilities of control owners and control prepares to maintain segregation of duties
- Enhancing/designing/implementing controls over the inventory, revenue recognition and accounts receivable, period-end financial reporting, account analyses, and journal entry processes
- Enhancing/designing/implementing controls over accounting for complex areas
- Enhancing/designing/implementing controls over general information technology controls, including user access provisioning and cyber-security

As the Company continues to evaluate the control deficiencies that gave rise to the material weaknesses, the Company may determine additional remediation measures are necessary.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. A control system, no matter how well designed and operated can provide only reasonable, but not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their cost.

c) Changes in Internal Control over Financial Reporting

Other than the material weaknesses described above, there were no changes in the Company's internal controls over financial reporting during the fiscal quarter ended December 31, 2022 that materially affected, or are reasonably likely to have a materially affect, on our internal control over financial reporting.

BDO USA, LLP, our independent registered public accounting firm, has issued their report on our internal control over financial reporting as of December 31, 2022, which is included in Item 8 under the heading "Report of Independent Registered Public Accounting Firm."

Item 9B. Other Information

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

In accordance with General Instruction G(3), information called for by Part III, Item 10, is incorporated herein by reference from the information appearing under the caption "Proposal 1 - Election of Directors," "Executive Officers," and "Section 16(a) Beneficial Ownership Reporting Compliance" in the definitive Proxy Statement for the 2023 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

Code of Conduct. The Company's Board of Directors has adopted a Code of Conduct that applies to the Company's Chief Executive Officer, Chief Financial Officer and corporate and divisional controllers. The Code of Conduct is available on the Company's website at www.ascentco.com. Any amendment to, or waiver from, this Code of Conduct will be posted on the Company's website.

Audit Committee. The Company has a separately designated standing Audit Committee of the Board of Directors established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee are Henry L. Guy, Aldo J. Mazzaferro, Jr. and John P. Schauerman.

Audit Committee Financial Expert. The Company's Board of Directors has determined that the Company has at least one "audit committee financial expert," as that term is defined by Item 407(d)(5) of Regulation S-K promulgated by the Securities and Exchange Commission, serving on its Audit Committee. Mr. John P. Schauerman meets the terms of the definition and is independent, as independence is defined for audit committee members in the rules of the NASDAQ Global Market. Pursuant to the terms of Item 407(d) of Regulation S-K, a person who is determined to be an "audit committee financial expert" will not be deemed an expert for any purpose as a result of being designated or identified as an "audit committee financial expert" pursuant to Item 407(d), and such designation or identification does not impose on such person any duties, obligations or liability that are greater than the duties, obligations or liability imposed on such person as a member of the Audit Committee and Board of Directors in the absence of such designation or identification. Further, the designation or identification of a person as an "audit committee financial expert" pursuant to Item 407(d) does not affect the duties, obligations or liability of any other member of the Audit Committee or Board of Directors.

Item 11. Executive Compensation

In accordance with General Instruction G(3), information called for by Part III, Item 11, is incorporated herein by reference from the information appearing under the caption "Board of Directors and Committees - Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Discussion of Executive Compensation" and "Compensation Committee Report" in the definitive Proxy Statement for the 2023 Annual Meeting of Stockholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

In accordance with General Instruction G(3), information called for by Part III, Item 12, is incorporated by reference from the information appearing under the caption "Beneficial Owners of More Than Five Percent of the Company's Common Stock" and "Security Ownership of Certain Beneficial Owners and Management" in the definitive Proxy Statement for the 2023 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

Equity Compensation Plan Information. The following table sets forth aggregated information as of December 31, 2022 about all of the Company's equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))[1] (c)
Equity compensation plans approved by security holders	118,142	$ 13.66	668,523
Equity compensation plans not approved by security holders	—	—	—
Total	118,142	$ 13.66	668,523

[1] *Represents shares remaining available for issuance under the 2022 Omnibus Equity Incentive Plan*

Non-employee directors are paid an annual retainer of $102,000, and each director has the opportunity to elect to receive 100% of the retainer in restricted stock, which vest quarterly over a one year period. The number of restricted shares is determined by the average of the high and low sale price of the Company's stock on the day prior to the Annual Meeting of Shareholders. In 2022, the Company issued an aggregate of 17,173 shares of restricted stock to non-employee directors in lieu of $0.3 million of their annual cash retainer fees. The Company also issued an aggregate of 65,000 additional shares of restricted stock to the Company's Executive Chairman of the Board consisting of 15,000 restricted stock units and 50,000 performance stock units. The restricted stock units will vest 50% on the first and second anniversary of the award while the performance stock units vest upon the achievement of specific 30-day volume weighted average price targets of the Company's common stock.

Item 13. Certain Relationships and Related Transactions, and Director Independence

In accordance with General Instruction G(3), information called for by Part III, Item 13, is incorporated by reference from the information appearing under the caption "Board of Directors and Committees – Related Party Transactions" and "– Director Independence" in the definitive Proxy Statement for the 2023 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

Item 14. Principal Accounting Fees and Services

In accordance with General Instruction G(3), information called for by Part III, Item 14, is incorporated by reference from the information appearing under the caption "Independent Registered Public Accounting Firm - Fees Paid to Independent Registered Public Accounting Firm" and "– Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm" in the definitive Proxy Statement for the 2023 Annual Meeting of Shareholders, which definitive Proxy Statement will be filed electronically with the SEC pursuant to Regulation 14A.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of this report:

1. Financial Statements: The following consolidated financial statements of Ascent Industries Co. are included in Part II, Item 8:

2. Financial Statements Schedule: The following consolidated financial statements schedule of Ascent Industries Co. is included in Item 15:

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

3. Listing of Exhibits:

   See "Exhibit Index"

2. Financial Statement Schedule

Schedule II Valuation and Qualifying Accounts

(in thousands)	Balance at Beginning of Period	Charged to (Reduction of) Cost and Expenses	Other	Deductions	Balance at End of Period
Year ended December 31, 2022					
Deducted from asset account:					
Inventory reserves	$ 1,272	$ 3,052	$ —	$ (627)	$ 3,697
Year ended December 31, 2021					
Deducted from asset account:					
Inventory reserves	$ 718	$ 1,649	$ 216 [(a)]	$ (1,311)	$ 1,272

[(a)] *DanChem acquired reserve on October 22, 2021*

3. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
2.1	Stock Purchase Agreement, dated as of October 22, 2021, by and between the Company and DanChem Holdings, LLC.†	8-K	001-05200	2.1	October 25, 2021
3.1	Amended and Restated Certificate of Incorporation of Registrant	8-K	001-05200	3.1	August 10, 2022
3.2	Amended and Restated Bylaws of Registrant	8-K	001-05200	3.2	August 10, 2022
4.1	Description of Common Stock	10-K	001-05200	4.2	March 29, 2022
10.1	Amended and Restated Synalloy Corporation 2015 Stock Awards Plan	10-Q	001-05200	10.2	August 9, 2021
10.2	2011 Long-Term Incentive Stock Option Plan	DEF 14A	000-19687	A	March 25, 2011
10.3	2022 Omnibus Equity Incentive Plan	DEF 14A	001-05200	A	April 27, 2022
10.4	Agreement between Registrant's Bristol Metals, LLC subsidiary and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union Local 5852-22, dated March 12, 2018, but effective January 6, 2018	10-K	000-19687	10.11	March 13, 2018
10.5	Agreement between Registrant's Bristol Metals, LLC subsidiary and the United Steelworkers of America Local 4586, dated August 1, 2019	10-K	000-19687	10.31	March 6, 2020
10.6	Agreement between Registrant's Specialty Pipe & Tube, Inc. subsidiary and the United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial and Service Workers International Union Local 1375-18, dated July 1, 2020	10-K	001-05200	10.9	March 9, 2021
10.7	Credit Agreement, dated as of January 15, 2021, between Registrant and BMO Harris Bank N.A.	8-K	001-05200	99.1	January 19, 2021
10.8	Joinder Agreement, dated November 5, 2021, between Registrant and BMO Harris Bank N.A.	10-Q	001-05200	10.1	November 9, 2021
10.9	Employment Agreement between Registrant and Christopher G. Hutter	8-K	001-05200	99.3	October 28, 2020
10.10	Offer Letter, dated as of August 1, 2021, between Registrant and Aaron Tam.	8-K	001-05200	10.1	August 30, 2021

Exhibit Number	Exhibit Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.11	Third Amended and Restated Master Lease Agreement, dated as of September 10, 2020, between Registrant and Store Master Funding XII, LLC	10-Q	001-05200	10.1	November 9, 2020
21	Subsidiaries of the Registrant				
23.1	Consent of BDO USA LLP, independent registered public accounting firm				
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 the Chief Financial Officer				
32.1	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 Annual Report on Form 10-K shall be deemed "furnished" and not "filed."				
†	Portions of this exhibit have been omitted pursuant to Item 601(b)(10)(iv) of Regulation S-K.				

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

ASCENT INDUSTRIES CO.

By: /s/ Christopher G. Hutter Christopher G. Hutter President and Chief Executive Officer (principal executive officer)	March 31, 2023 Date
By: /s/ Aaron M. Tam Aaron M. Tam Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2023 Date

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Benjamin Rosenzweig Benjamin Rosenzweig Executive Chairman of the Board	March 31, 2023 Date
/s/ Christopher G. Hutter Christopher G. Hutter Chief Executive Officer and Director	March 31, 2023 Date
/s/ Henry L. Guy Henry L. Guy Director	March 31, 2023 Date
/s/ John P. Schauerman John P. Schauerman Director	March 31, 2023 Date
/s/ Aldo J Mazzaferro, Jr. Aldo J. Mazzaferro, Jr. Director	March 31, 2023 Date

Ascent Industries Co.

Exhibit 21 Subsidiaries of the Registrant

All of the Company's subsidiaries are wholly owned. All subsidiaries are included in the Company's consolidated financial statements. The subsidiaries are as follows:

Synalloy Metals, Inc., a Tennessee corporation
Bristol Metals, LLC, a Tennessee limited liability corporation

Manufacturers Soap and Chemicals Company, a Tennessee corporation
Manufacturers Chemicals, LLC, a Tennessee limited liability corporation

Synalloy Fabrication, LLC, a South Carolina limited liability corporation

Palmer of Texas Tanks, LLC., a Texas limited liability corporation (formerly Lee-Var, Inc.)

CRI Tolling, LLC, a South Carolina limited liability corporation

Specialty Pipe & Tube, Inc., a Delaware corporation

American Stainless Tubing, LLC, a North Carolina limited liability corporation

DanChem Technologies, Inc., a Delaware corporation

Exhibit 23.1

<u>Consent of Independent Registered Public Accounting Firm</u>

Ascent Industries Co.
Oak Brook, Illinois

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No.333-268780) and Form S-8 (No. 333-268781) of Ascent Industries Co. of our reports dated March 31, 2023, relating to the consolidated financial statements and schedule, and the effectiveness of Ascent Industries. Co..'s internal control over financial reporting which appear in this Annual Report on Form 10-K. Our report on the effectiveness of internal control over financial reporting expresses an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2022.

/s/ BDO USA, LLP

BDO USA, LLP
Chicago, Illinois

March 31, 2023

Exhibit 31.1

CERTIFICATIONS

I, Christopher G. Hutter, certify that:

1. I have reviewed this annual report on Form 10-K of Ascent Industries Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	March 31, 2023	/s/ Christopher G. Hutter
		Christopher G. Hutter
		Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Aaron M. Tam, certify that:

1. I have reviewed this annual report on Form 10-K of Ascent Industries Co.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2023

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

Exhibit 32.1

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

The undersigned, who are the chief executive officer, the chief financial officer and the principal accounting officer of Ascent Industries Co., each hereby certifies that, to the best of his knowledge, the accompanying Form 10-K 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:	March 31, 2023	/s/ Christopher G. Hutter Christopher G. Hutter Chief Executive Officer
	March 31, 2023	/s/ Aaron M. Tam Aaron M. Tam Chief Financial Officer