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NCH Corporation and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended April 30, 2023 and 2022

NCH CORPORATION AND SUBSIDIARIES

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Report of Independent Auditors

To the Board of Directors of NCH Corporation

Opinion

We have audited the accompanying consolidated financial statements of NCH Corporation and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of April 30, 2023 and 2022, and the related consolidated statements of income, of comprehensive income, of stockholder's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

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

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

PricewaterhouseCoopers LLP

Dallas, Texas
July 28, 2023

NCH CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 2023 AND 2022
(Dollars in thousands)

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 21,571	$ 36,672
Accounts receivable, net of allowance for doubtful accounts of $4,671 in 2023 and $5,262 in 2022	197,520	185,026
Inventories	133,058	120,035
Other current assets	32,388	29,067
Income taxes receivable	5,911	5,054
Total current assets	390,448	375,854
Property, plant and equipment, net	195,000	169,440
Deferred income taxes	20,800	14,601
Goodwill	18,863	18,957
Intangible assets, net	22,344	23,533
Cash surrender value of life insurance	51,809	51,591
Other	4,047	4,825
Total assets	$ 703,311	$ 658,801

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

NCH CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 2023 AND 2022
(Dollars in thousands, except per share data)

LIABILITIES AND STOCKHOLDER'S EQUITY	2023	2022
Current liabilities:		
Accounts payable	$ 86,831	$ 80,656
Lease short-term liabilities	7,463	-
Accrued expenses	69,179	66,031
Notes payable and current maturities of long-term debt	2,242	6,548
Current portion of retirement and deferred compensation plans	3,159	3,222
Related party liabilities	261	295
Income tax payable	6,106	6,225
Total current liabilities	175,241	162,977
Lease long-term liabilities	17,148	-
Long-term debt, less current maturities	90,957	143,170
Long-term income tax payable	240	701
Deferred income taxes	530	8,233
Retirement and deferred compensation plans, less current portion	40,342	47,137
Other long-term liabilities	8,741	11,564
Total liabilities	333,199	373,782
Commitments and contingencies (Note 9)		
Stockholder's equity:		
Preferred stock, par value $1 per share, authorized 500,000 shares, no shares issued or outstanding	-	-
Common stock, par value $0.01 per share, 1,000 shares authorized, issued and outstanding	-	-
Retained earnings	417,125	331,518
Accumulated other comprehensive loss	(57,312)	(59,748)
Total NCH stockholder's equity	359,813	271,770
Noncontrolling interest	10,299	13,249
Total stockholder's equity	370,112	285,019
Total liabilities and stockholder's equity	$ 703,311	$ 658,801

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

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NCH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED APRIL 30, 2023 AND 2022
(Dollars in thousands)

	2023	2022
Net sales	$ 1,061,258	$ 994,339
Operating expenses:		
Cost of sales, warehousing and commissions	(675,240)	(630,728)
General and administrative expenses	(272,346)	(271,298)
Total operating expenses	(947,586)	(902,026)
Operating income	113,672	92,313
Other income (expenses)		
Foreign exchange transaction gains and losses	(2,774)	(3,232)
Interest income	320	507
Interest expense	(6,276)	(5,776)
Total other expenses, net	(8,730)	(8,501)
Income before income taxes	104,942	83,812
Provision for income taxes	(16,768)	(15,249)
Net income	88,174	68,563
Less net income attributable to noncontrolling interest	(2,567)	(3,136)
Net income attributable to NCH	$ 85,607	$ 65,427

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

NCH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED APRIL 30, 2023 AND 2022
(Dollars in thousands)

	2023	2022
Net income	$ 88,174	$ 68,563
Other comprehensive income (loss):		
Foreign currency translation adjustments	1,787	(9,579)
Other	(15)	(1)
Total other comprehensive income (loss)	1,772	(9,580)
Comprehensive income	89,946	58,983
Less comprehensive income attributable to noncontrolling interest	(1,903)	(2,944)
Comprehensive income attributable to NCH	$ 88,043	$ 56,039

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NCH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED APRIL 30, 2023 AND 2022
(Dollars in thousands)

	Common Stock Shares	Common Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
BALANCE, April 30, 2021	1,000	$ -	$ 266,091	$ (50,360)	$ 12,174	$ 227,905
Comprehensive income:						
Net income	-	-	65,427	-	3,136	68,563
Other comprehensive loss, net	-	-	-	(9,388)	(192)	(9,580)
Cash dividends declared	-	-	-	-	(1,869)	(1,869)
BALANCE, April 30, 2022	1,000	-	331,518	(59,748)	13,249	285,019
Comprehensive income:						
Net income	-	-	85,607	-	2,567	88,174
Other comprehensive income, net	-	-	-	2,436	(664)	1,772
Cash dividends declared	-	-	-	-	(4,853)	(4,853)
BALANCE, April 30, 2023	1,000	$ -	$ 417,125	$ (57,312)	$ 10,299	$ 370,112

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

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NCH CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2023 AND 2022
(Dollars in thousands)

	2023	2022
OPERATING ACTIVITIES:		
Net income from continuing operations	$ 88,174	$ 68,563
Adjustments to reconcile net income to net cash resulting from operating activities:		
Depreciation and amortization	40,021	39,342
(Gain)/Loss on sale of business and assets	497	(1,085)
Deferred income taxes	(13,337)	(15,802)
Equity in earnings of affiliate	11	-
Other noncash items in income	1,831	(3,871)
Change in assets and liabilities, excluding those from the acquisition and disposition of businesses:		
Accounts receivable	(12,883)	(18,524)
Inventories	(12,720)	(33,566)
Other current assets	(2,603)	1,570
Net operating lease liability	786	-
Other noncurrent assets	(832)	(3,739)
Accounts payable	6,233	5,876
Accrued expenses	120	2,387
Income taxes payable and other current liabilities	(1,804)	6,396
Retirement, deferred compensation, and other long-term liabilities	(9,683)	2,338
Net cash resulting from operating activities of continuing operations	83,811	49,885
INVESTING ACTIVITIES:		
Purchases of property, plant, and equipment	(37,858)	(43,126)
Proceeds from sale of business and assets	205	42,438
Net (payments) / proceeds on life insurance policies	1,779	2,180
Acquisition of businesses and other	(1,425)	(6,904)
Net cash resulting from investing activities of continuing operations	(37,299)	(5,412)
FINANCING ACTIVITIES:		
Net (payments) / proceeds on lines of credit	(26,271)	(13,167)
(Payments) / proceeds from notes payable	-	(15,000)
Proceeds from long-term debt	52	46
Payments of long-term debt	(30,032)	(20,043)
Finance lease liabilities	(50)	-
Dividends paid to noncontrolling interest	(4,461)	(1,869)
Net cash resulting from financing activities of continuing operations	(60,762)	(50,033)
Total cash resulting from continuing operations	(14,250)	(5,560)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(851)	(2,163)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,101)	(7,723)
CASH AND CASH EQUIVALENTS — Beginning of year	36,672	44,395
CASH AND CASH EQUIVALENTS — End of year	$ 21,571	$ 36,672

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations — The Company markets an extensive line of chemical products to customers throughout the world, with its sales predominately in industrial cleaning and maintenance, water treatment and remediation, as well as a wide variety of plumbing products. These products are marketed principally through the Company's sales force.

Principles of Consolidation — The consolidated financial statements include the accounts of NCH Corporation and its majority owned subsidiaries (the "Company"). All intercompany transactions and balances have been eliminated in consolidation. Entities in which the Company exhibits control are consolidated and the reported consolidated balances in these consolidated financial statements include the amounts related to any such entities as if it was wholly owned, with amounts of net income and stockholder's equity attributable to the noncontrolling ownership noted separately.

Use of Estimates in the Consolidated Financial Statements — Preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Recently Issued and Adopted Accounting Standards – On May 1, 2022, the Company adopted FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires lessees to recognize a lease liability and a right-of-use asset for each lease with a term exceeding 12 months and adds new presentation and disclosure requirements for both lessees and lessors. The recognized liability is measured at the present value of lease payments not yet paid, and the corresponding asset represents the lessee's right to use the underlying asset over the lease term. Leases are classified as either operating or finance leases. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern.

The Company has elected the optional transition method to apply the standard as of the effective date of May 1, 2022. Under this method, the Company has not adjusted its comparative period financial statements for the effects of the new standard or made the new, expanded required disclosures for years prior to the effective date. The Company has also elected not to apply recognition requirements for leases with a term of 12 months or less. As of May 1, 2022, the Company added $21M of right-of-use assets and $21M of right-of-use liabilities upon adoption of ASU 2016-02.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The new guidance requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2022. The Company is currently evaluating the potential impacts of this standard.

Foreign Currency Translation — All assets and liabilities of operations with functional currencies other than the United States Dollar are translated into U.S. dollars at period-end exchange rates, and income and expenses are translated at average rates in each month of the year. Exchange adjustments resulting from translation are included in stockholder's equity in the foreign currency translation adjustment component of accumulated other comprehensive loss. Gains and losses resulting from foreign currency transactions are recognized as expense or income in the current period.

Cash and Cash Equivalents — Cash and cash equivalents include cash on hand, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase. Cash equivalents are stated at amortized cost, plus accrued interest. The Company maintains cash and cash equivalents at several financial institutions, which at times may not be governmentally insured or may exceed governmentally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks on such accounts. As of April 30, 2023 and 2022, the Company had approximately $21.1 million and $36.0 million, respectively, in foreign bank accounts.

Accounts Receivable — The Company's accounts receivable are due from various customers worldwide. Credit is extended based on evaluation of a customer's financial condition and collateral is not usually required. Accounts receivable terms vary depending on the country and customer channel, generally range from 30 to 90 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts not paid within the stated terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. Accounts receivable deemed uncollectible are written off.

Inventories — Inventories are stated at the lower of cost or market and include the costs of material and production related labor and overhead. Cost is determined by using the first-in first-out (FIFO) and average cost methods (which approximates FIFO). Sales supplies include product samples and other items used in the sales process.

Property, Plant and Equipment — These assets are recorded at cost less accumulated depreciation. Depreciation on property, plant and equipment is provided generally using the straight-line method over the estimated useful lives of the related assets. Upon disposition, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in income during that year. The cost of maintenance and repairs is charged to expense as incurred, whereas expenditures that substantially increase the useful lives of plant or equipment are capitalized. If events or changes in circumstances warrant, the carrying value of property, plant and equipment is evaluated for impairment using undiscounted future cash flows as the basis of determining if impairment exists. To the extent impairment is indicated to exist, an impairment loss will be recognized for the excess of the carrying value over the fair value of the related asset. There were no impairments recorded during the years ended April 30, 2023 or 2022.

The Company accounts for costs incurred to develop computer software for internal use by capitalizing costs incurred during the application development stage, which include costs to design the software configuration and interfaces, coding, installation, and testing. Costs incurred during the preliminary project along with post-implementation stages of internal use computer software are expensed as incurred. Capitalized development costs are amortized over various periods up to 13 years. Costs incurred to maintain existing software are expensed as incurred.

Goodwill and Intangible Assets — Goodwill represents the excess of purchase price over the fair value of identifiable assets acquired in a business combination. Goodwill is tested for impairment annually or more frequently in the event of an impairment indicator, using a fair value approach at the "reporting unit" level. A reporting unit is the operating segment, or a business one level below that operating segment (the "component level") if discrete financial information is prepared and regularly reviewed by management at the component level. The Company will recognize an impairment charge when the carrying amount of a reporting unit exceeds its fair value. There were no impairments recorded during the years ended April 30, 2023 and 2022.

The Company amortizes the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. Amortizable intangible assets are tested for impairment, if events or changes in circumstances indicate that the assets might be impaired, based on undiscounted cash flows and, if impaired, written down to fair value based on their discounted cash flows or appraised values. There were no impairments recorded during the years ended April 30, 2023 and 2022.

Research and Development — Research and development costs are charged to expense as incurred. Total research and development costs were approximately $8.0 million and $6.8 million for the years ended April 30, 2023 and 2022, respectively.

Income Taxes — Deferred income taxes generally result from temporary differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded, if necessary, to reduce deferred tax assets by the amount of tax benefits that are not expected to be realized based on available evidence.

The Company has adopted the guidance for accounting for uncertainty in income taxes, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. The guidance prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition of tax benefits, classification in the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

Retirement Plans — Nonqualified retirement plans are generally not funded, but provisions for the net present value of estimated liabilities arising from these plans have been recorded in the consolidated financial statements.

Postretirement Benefits Other than Pensions — The Company charges to expense the estimated future costs of retiree health care benefits during the years that employees render service. Gains and losses resulting from actual experience that is different from assumptions or from changes in assumptions are recognized in the period they arise. The postretirement health care benefit plan is not funded.

Revenue Recognition — The Company recognizes revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Sales of products and equipment are recognized at the time of shipment and when collectability is reasonably assured. The Company views these sales as having a single performance obligation which is fulfilled at a point in time. NCH enters into product rebate agreements with certain customers which offer volume based discounts retroactively for the calendar year. These rebates are accounted for as explicit variable consideration and are estimated using the most likely amount method based on past experience with the customer and current purchasing trends.

Service revenue is recognized overtime which is more representative to a point in time given the short-term nature of the related service agreements.

Contract revenue consists of long-term service contracts entered into with customers to provide services such as water treatment, drains maintenance and fuel treatment among others. These services provided typically require certain products and/or equipment to be used. As these contracts constitute a significant integration of goods and services these goods and services are bundled as a single performance obligation. All contracts are cancellable with a 30-day written notice without penalty and can be modified at any time. As such, the contract is accounted for as a month-to-month contract with a customer option to renew each month. Contract modifications do not meet the requirements to be accounted for as separate contracts as the scope of the contract modifications do not include distinct goods or services. Therefore, any contract modifications are accounted for prospectively. The Company recognizes contract revenue over time, which is more representative to a point in time given the short-term nature of the related contracts, utilizing the right to invoice practical expedient.

Sales are recognized when collectability is reasonably assured and are net of any expected discounts, rebates or returns. All shipping and handling fees billed to customers are reported as sales. Shipping and handling costs incurred are reported as cost of sales. All sales taxes and value added taxes (VAT) billed to customers are excluded from sales.

Advertising Expenses — The Company expenses advertising expenditures as incurred. Total advertising costs were $1.3 million and $1.2 million for the fiscal years ended April 30, 2023 and 2022, respectively.

Comprehensive Income (Loss) — Foreign currency translation adjustments and changes in the market value of qualifying financial derivatives are included in the measure of comprehensive income (loss) and segregated in stockholder’s equity as accumulated other comprehensive income (loss).

Environmental Obligations — The Company provides for environmental-related obligations when they are probable and amounts can be reasonably estimated. Where the available information is sufficient to estimate the amount of liability, that estimate has been used. Where the information is only sufficient to establish a range of probable liability and no point within the range is more likely than any other, the lower end of the range has been recorded.

Estimated obligations are reviewed by the Company’s environmental remediation management, as well as by financial and legal management and, if necessary, adjusted as additional information becomes available. The estimates can change substantially as additional information becomes available regarding the nature or extent of site contamination, required remediation methods, and other actions by or against governmental agencies or private parties.

In calculating and evaluating the adequacy of its environmental reserves, the Company has taken into account the joint and several liability imposed by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), analogous state laws, or the laws of the applicable foreign country on all potentially responsible parties (PRPs) and has considered the identity and financial condition of each of the other PRPs at each site to the extent possible. To ensure the Company is held responsible only for its equitable share of site remediation costs, the Company may initiate legal proceedings for contributions from other PRPs. However, the identity and financial condition of other third parties from whom recovery is being pursued, as well as the status of the claims against such parties, are not taken into consideration in estimating reserves.

The Company's environmental liabilities are principally for costs associated with the remediation and/or study of sites at which hazardous substances have been released. Such costs principally include, among other items, site investigations, site remediation, costs of operation and maintenance of the remediation plan, fees to outside law firms and consultants for work related to the environmental effort, and future monitoring costs. Estimated site liabilities are determined based upon agreements with regulatory agencies, existing remediation laws and technologies, specific site consultants' engineering studies or by extrapolating experience with environmental issues at comparable sites.

Charges or recoveries for environmental costs are reflected in general and administrative expenses in the consolidated statements of income. Recorded liabilities are current cost estimates and are discounted.

Fair Value of Financial Instruments — The carrying value of cash and cash equivalents, accounts receivable, inventory, other current assets, accounts payable, accrued expenses and other current liabilities approximates fair value due to the short-term maturity of these instruments. In January 2016, the Financial Accounting Standards Board ("FASB") issued *ASU 2016-01, Financial Instruments – Overall Recognition and Measurement of Financial Assets and Financial Liabilities*, which provides revised guidance for recognition and measurement of certain financial instruments. Changes to the current GAAP model primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. Entities that are not public entities can elect to early adopt the provision for permitting the omission of fair value disclosures for financial instruments at amortized cost. The Company elected to early adopt this provision and not the entire standard in 2016.

U.S. GAAP establishes a hierarchy for fair value measurements, such that Level 1 measurements include unadjusted quoted market prices for identical assets or liabilities in an active market; Level 2 measurements include quoted market prices for similar assets or liabilities, or inputs other than quoted market price; and Level 3 measurements include those that are unobservable and of a highly subjective nature.

The Company's interest rate contracts are measured at fair value on a recurring basis using Level 2 inputs. The fair value is based on forward market interest rates through the terms of the agreements as compared to the fixed rates the Company pays.

2. INCOME TAXES

The provision (benefit) for income taxes for the years ended April 30 is as follows (in thousands):

	2023	2022
U.S. Federal:		
Current	$ 17,921	$ 18,747
Deferred	(10,337)	(11,835)
Foreign:		
Current	9,197	9,922
Deferred	(2,959)	(3,477)
State:		
Current	2,987	2,382
Deferred	(41)	(490)
	$ 16,768	$ 15,249

The components of deferred tax assets and liabilities as of April 30 are as follows (in thousands):

	2023	2022
Deferred tax liabilities		
Insurance	$ (1,588)	$ (514)
Depreciation and amortization	(18,799)	(25,683)
Right of use asset	(6,007)	-
Other	(2,095)	(1,246)
Deferred tax liabilities	(28,489)	(27,443)
Deferred tax assets		
Allowance for doubtful accounts	1,087	1,054
Inventory	1,111	1,735
Right of use liability	6,153	-
Accrued expenses	7,950	7,217
Retirement and deferred compensation plans	15,398	15,957
Foreign tax credit carryforwards	17,603	16,141
Foreign net operating loss carryforwards	24,299	26,187
State net operating loss carryforwards	2,462	2,639
Deferred tax assets	76,063	70,930
Less valuation allowances	(27,304)	(37,119)
Net deferred tax assets / (liability)	$ 20,270	$ 6,368

A reconciliation of the difference between the U.S. statutory income tax rate and the effective tax rate for the years ended April 30 is as follows:

	2023	2022
U.S. statutory rate	21.0 %	21.0 %
Change in valuation allowance	(11.1)	(6.8)
Permanent differences and other	2.2	2.5
Foreign tax rate differential from U.S. statutory rate	1.4	2.3
Foreign tax credit and other credits	(3.0)	(5.3)
Net U.S. tax on foreign earnings	2.7	2.0
State income taxes — net	2.8	2.5
Effective tax rate	16.0 %	18.2 %

The Company files a consolidated U.S. federal income tax return with its domestic subsidiaries. International subsidiaries file tax returns in countries of their incorporation. In addition, branches of certain U.S. and international companies file tax returns in countries in which they conduct business. Certain of these foreign subsidiaries have net operating loss carryforwards totaling approximately $5.6 million, which will expire between 2023 and 2031, and net operating loss carryforwards totaling approximately $92.8 million inclusive of U.S. foreign branches and partnerships that have no expiration date. As of April 30, 2023, the Company does not believe it is more likely than not, that sufficient levels of taxable income will be generated to utilize foreign net operating loss carryforwards in certain foreign jurisdictions. Therefore, as of April 30, 2023, the Company has a valuation allowance of approximately $18.4 million for foreign net operating loss carryforwards. The Company has approximately $17.6 million of foreign tax credits, of which $8.9 million that it does not currently expect to utilize and therefore has provided a valuation allowance. The Company has approximately $2.5 million in deferred state income taxes representing state net operating losses for which management believes more likely than not that the net operating losses will be utilized before expiration.

For 2023 and 2022, worldwide income tax payments amounted to approximately $32.4 million and $23.7 million, respectively. The accumulated undistributed retained earnings of international subsidiaries not included in the U.S. federal income tax return approximated $108 million as of April 30, 2023. The Company anticipates distributing approximately $0.7 million of those earnings from certain international subsidiaries during the fiscal year ending April 30, 2024. A provision for withholding taxes of approximately $0.1 million has been established for these repatriations. No provision is made in the accompanying consolidated financial statements for the estimated taxes that would result on distribution of the remaining accumulated undistributed earnings that the Company intends to invest indefinitely in the operations of these subsidiaries, and it would be impractical to calculate the additional tax that would be due.

The Company has adopted the guidance for uncertainty in income taxes, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. As a result of its implementation, the Company had no change in its liability for uncertain tax positions. No interest or penalties were recognized in the consolidated statements of income or consolidated balance sheets relative to uncertain tax positions. The Company has elected to record future penalties and interest within income tax expense. The Company does not anticipate that any unrecognized tax benefits will significantly increase or decrease within the next 12 months.

The Company is subject to routine income tax audits from U.S. federal, state, and foreign tax authorities. IRS examinations have been completed for periods through April 30, 2021. The periods subject to income tax audit generally includes years beginning after April 30, 2020 for U.S. state jurisdictions and April 30, 2016 for foreign jurisdictions. Beginning with tax year ended April 30, 2012, the Company participates in the Internal Revenue Service's (IRS) Compliance Assurance Process "CAP". This program submits the Company to a concurrent audit by the IRS whereby the tax return is reviewed prior to filing.

3. INVENTORIES

Inventories as of April 30 consist of the following (in thousands):

	2023	2022
Raw materials	$ 40,109	$ 35,715
Finished goods	92,527	83,878
Sales supplies	422	442
	$ 133,058	$ 120,035

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of April 30 consist of the following (in thousands):

	2023	2022
Cost:		
Land and improvements	$ 10,666	$ 9,900
Buildings and leasehold improvements	126,534	94,107
Software	155,538	147,804
Equipment	260,565	242,523
	553,303	494,334
Accumulated depreciation and amortization:		
Land and improvements	(4,229)	(3,937)
Buildings and leasehold improvements	(69,380)	(60,354)
Software	(109,278)	(99,551)
Equipment	(175,416)	(161,052)
	(358,303)	(324,894)
Property, plant and equipment, net	$ 195,000	$ 169,440

Depreciation and amortization expense was approximately $44.9 million and $36.8 million for the years ended April 30, 2023 and 2022, respectively. Depreciation expense associated with operating leases was $7.8 million for the year ended April 30, 2023. The estimated useful life of buildings is 25–40 years;

software is 5–15 years; equipment is 1–10 years; and leasehold improvements are amortized over the lesser of the useful life or lease term, generally five years. The Company capitalizes internally developed software and the unamortized costs were $46.3 million and $48.3 million as of April 30, 2023 and 2022, respectively. Depreciation expense associated with capitalized software costs was $9.8 million and $9.8 million for the years ended April 30, 2023 and 2022, respectively.

5. INTANGIBLE ASSETS

Intangible assets as of April 30 consist of the following (dollars in thousands):

		2023			2022		
	Gross Life (Years)	Gross Carrying Value	Accumulated Amortization	Net	Gross Carrying Value	Accumulated Amortization	Net
Intangible assets subject to amortization:							
Customer relationships	5–15	$ 29,231	$ 16,104	$ 13,127	$ 29,177	$ 14,741	$ 14,436
Noncompete agreements	5–15	4,067	3,473	594	4,471	3,601	870
Trademarks	15	6,325	5,123	1,202	6,087	4,989	1,098
Patents	15–17	13,217	5,796	7,421	12,329	5,200	7,129
		52,840	30,496	22,344	52,064	28,531	23,533
Intangible assets not subject to amortization — goodwill		18,863	-	18,863	18,957	-	18,957
Total intangibles		$ 71,703	$ 30,496	$ 41,207	$ 71,021	$ 28,531	$ 42,490

Amortization expense totaled approximately $2.9 million and $2.6 million for the years ended April 30, 2023 and 2022, respectively.

Changes in the carrying amount of goodwill for the years ended April 30 are as follows (in thousands):

	2023	2022
Beginning balance	$ 18,957	$ 19,026
Translation adjustment	(94)	(69)
Ending balance	$ 18,863	$ 18,957

Estimated future amortization expense of existing intangible balances, for each of the years ending April 30 is as follows (in thousands):

2024	$ 2,912
2025	2,821
2026	2,736
2027	2,573
2028	2,439
Thereafter	8,863
Total	$ 22,344

6. LONG-TERM DEBT AND LINES OF CREDIT

Long-term debt as of April 30 consists of the following (dollars in thousands):

	2023	2022
Borrowed by domestic companies:		
Revolving credit agreement (6.33% - 8.25%)	$ 14,800	$ 39,700
Senior subordinated debt (6.125%)	42,500	42,500
Junior subordinated debt (6.875%)	30,000	60,000
Capitalized lease obligations, principal and interest payable monthly through 2027	44	85
Borrowed by international companies:		
Lines of credit (2.75% to 6.25%)	1,962	6,512
NCH Canada, Inc. debt facility (6.80% - 7.45%)	3,623	919
Other international obligations	270	2
	93,199	149,718
Less current maturities	(2,242)	(6,548)
Long-term debt — less current maturities	$ 90,957	$ 143,170

Scheduled future maturities of long-term debt as of April 30, 2023, are as follows (in thousands):

2024	$ 2,242
2025	-
2026	18,423
2027	34
2028	-
Thereafter	72,500
Total	$ 93,199

The Company’s domestic revolving credit agreement with a syndication of financial institutions provides for a revolving line of credit as of April 30, 2023 of $70 million, including both direct loans and letters of credit (limited to $25.0 million). On April 20, 2023, the maturity date was extended to August 1, 2025 and all LIBOR borrowings were converted to SOFR (Secured Overnight Financing Rate) prior to the June 30, 2023 deadline for conversion. As of April 30, 2023, the outstanding obligations pursuant to the credit agreement were $14.8 million in loans and $3.1 million of letters of credit. Amounts are borrowed as either base rate loans, with interest charged at prime plus an applicable margin or SOFR borrowings at an interest rate of SOFR, plus an applicable margin, as defined in the agreement. SOFR borrowings are all set in 30 day tranches. Obligations require interest to be paid quarterly for base rate loans and upon maturity of individual SOFR borrowings. The Company is currently required to pay a fee of 0.25% per annum on the unused portion of the total facility. The unused fee rate may vary depending on the actual senior leverage ratio as defined in the credit agreement. These fees are expensed as incurred. The weighted-average interest rate on outstanding loans was 6.54% and 5.21% as of April 30, 2023 and 2022. The current agreement is unsecured and contains specific financial covenants, including but not limited to, the maintenance of certain senior leverage, fixed charge coverage and asset coverage ratios and a limitation on dividends. As of April 30, 2023, the Company was in compliance with all debt covenants.

In September 2018 the existing Senior Subordinated Note agreement was amended to revise the amount of the notes to a total of $122.5 million ($42.5 million of 6.125% Senior Subordinated Notes and $80.0 million of 6.875% Junior Subordinated Notes), extend the maturity date to September 17, 2028, allow for partial repayment at any time without penalty and adjust the interest rate to current market conditions upon the maturity of the existing notes. All other terms of the existing agreement remained unchanged. Interest is payable quarterly, in arrears on December 31, March 31, June 30 and September 30 of each year. The Notes are unsecured, fully subordinated to the revolving credit agreement, guaranteed by the Company’s current and future material subsidiaries that guarantee the Company’s senior obligations and contain certain restrictive covenants, with which the Company is in compliance. During FY23 the Company repaid $30 million of the Junior Subordinated Notes.

The Company has a multicurrency cash pooling structure and overdraft arrangement in Europe with Bank of America. The $11.5 million overdraft arrangement is used to fund the day-to-day working capital requirements of the Company’s European subsidiaries. An additional $1.5 million is available to cover the subsidiaries’ guarantee obligations. The arrangement has no term and interest is payable monthly. As of April 30, 2023 and 2022, borrowings equivalent to approximately $2.0 million and $6.5 million were outstanding, respectively. The weighted-average interest rate on overdraft borrowings was 6.10% and 3.43% as of April 30, 2023 and 2022, respectively.

In 2010, NCH Canada, Inc., a subsidiary of the Company, entered into a revolving credit agreement with JP Morgan Chase Bank on August 29, 2022 the credit limit was increased to C$6.0 million which now provides C$3.0 million to be used as an overdraft facility and C$3.0 million as a committed revolving facility. The agreement, as amended, provides for the option to borrow either at the Canadian floating prime rate, plus an applicable margin or the Canadian Deposit Offered Rate (CDOR) fixed rate, plus an applicable margin and matures on August 1, 2025. Interest is payable monthly on floating rate borrowings and upon maturity of the individual CDOR borrowings. As of April 30, 2023 and 2022, outstanding borrowings were $3.6 million USD (C$4.9 million) and $0.9 million USD (C$1.2 million), respectively.

The Company has regional international overdraft arrangements of $5.0 million with Bank of America, in order to establish more efficient liquidity structures for the regions. These facilities have no term and interest is payable monthly at rates agreed to on a country-by-country basis. As of April 30, 2023 and 2022, there were USD equivalent outstanding borrowings of $0.3 million and $0, respectively.

Total interest paid on long-term debt and lines of credit for the years ended April 30, 2023 and 2022, was approximately $6.8 million and $9.3 million, respectively.

7. EMPLOYEE BENEFITS

The Company's retirement plan liabilities as of April 30 consist of the following (in thousands):

	2023	2022
Retirement and deferred compensation plans	$ 38,495	$ 44,259
Domestic postretirement plans other than pensions	5,006	6,100
	43,501	50,359
Less current portion	(3,159)	(3,222)
Total long-term	$ 40,342	$ 47,137

Retirement and Deferred Compensation Plans — The Company sponsors various retirement plans covering substantially all domestic and various international employees. Total retirement and deferred compensation payments were approximately $11.8 million and $8.8 million for the years ended April 30, 2023 and 2022, respectively.

Expenses for all retirement plans were $5.2 million and $7.9 million for the years ended April 30, 2023 and 2022, respectively (including $7.2 million in 2023 and $6.7 million in 2022 for domestic 401(k) and other defined contribution plans).

Amounts owed to members of the Board of Directors for retirement plan obligations were $0 million and $5.8 million as of April 30, 2023 and 2022, respectively.

Domestic Postretirement Benefits Other than Pensions — The Company and several of its domestic subsidiaries have a postretirement health care benefit plan covering substantially all domestic employees. Eligible retirees receive a specific contribution from the Company toward the cost of their health care expenses. The amount of the contribution is based on years of service with the Company at retirement. Retired employees meeting the age and service requirements for early retirement are eligible for continued coverage under the active employee health care plan until they are eligible for Medicare or other health care, on the same terms and conditions as the Company's active employees. The plan is not funded; payments to or for retiree's and any eligible dependent's benefits are made as covered expenses are incurred. Provision has been made in the accompanying consolidated financial statements for the net postretirement benefit expense of this plan.

The benefit obligation was determined by an independent actuary. Net postretirement benefit expenses for the years ended April 30 are as follows (in thousands):

	2023	2022
Service cost	$ -	$ 8
Interest cost	234	165
Actuarial (gains) losses	(994)	(888)
Net postretirement benefit expense	$ (760)	$ (715)

The reconciliation of changes in the benefit obligation for the years ended April 30 is as follows (in thousands):

	2023	2022
Postretirement benefit obligation — beginning of period	$ 6,100	$ 7,200
Service cost	-	8
Interest cost	234	165
Actuarial (gains) losses	(994)	(888)
Benefits paid	(334)	(385)
Postretirement benefit obligation — year-end	$ 5,006	$ 6,100

Expected future benefit payments in each of the next five years and the five years thereafter are as follows (in thousands):

2024	$ 456
2025	462
2026	436
2027	437
2028	437
2029-2033	2,081

Measurement of the accumulated postretirement benefit obligation (APBO) is based on an assumed discount rate of 4.4% in 2023 and 3.8% in 2022. Health care costs changes could have an impact on plan costs. In determining the postretirement benefit obligation as of April 30, 2023, the Company assumed a 5% annual increase in the per capita cost of covered medical benefits for early retirees. A one-percentage-point change in the assumed health care cost trend rate would not have a material impact on plan costs or obligations.

Certain of the Company's non-U.S. subsidiaries have health care and retirement plans for retirees; although many retirees outside of the United States are covered by government sponsored and administered programs.

8. INTEREST COSTS

During the years ended April 30, 2023 and 2022, interest costs were $6.3 million and $5.8 million, respectively, and net interest payments were $6.8 million and $9.3 million, respectively, both of which are net of capitalized interest of approximately $0.7 million and $0.4 million respectively. The unpaid interest on the Subordinated debt was $0.4 million at April 30, 2023. The net income associated with the swaps was $0.6 million and $3.6 million in FY23 and FY22 respectively and is netted against interest expense in both periods.

On July 19, 2016, the Company entered into two five-year interest rate swap agreements, effective in April 2020, with JPMorgan Chase Bank and Bank of America in order to minimize the risks and costs associated with financing activities. The notional amount was $30.0 million each with the Company receiving amounts equivalent to LIBOR and paying 1.63%. Interest is fixed and settled monthly with the banks. The Company had designated these swaps as cash flow hedges. In June 2019, these swaps were no longer effective hedges due to reduction of the underlying debt obligations. The remaining balance in accumulated other comprehensive income of $0.3 million was reclassified into earnings. The swaps are now treated as an investment held to maturity and recorded in earnings monthly at fair value. As of April

30, 2023, the fair value of both swaps is reflected as an asset of $1.9 million in the Company's consolidated balance sheet. In June, 2023 both $30 million swap tranches were converted from paying LIBOR at 1.63% interest to paying SOFR at 1.58% interest until final maturity in April, 2024.

9. COMMITMENTS AND CONTINGENCIES

Litigation — The Company and its subsidiaries are engaged in a variety of legal proceedings arising in the ordinary course of business. Accruals have been recorded for contingent liabilities where the likelihood of an unfavorable outcome is probable and the amount of the liability is estimable. The likelihood of a material change in these estimates is dependent on new claims that may arise, changes in circumstances used to estimate liabilities and favorable or unfavorable settlements. As additional information becomes available, the Company uses this information for new or existing claims and revises its estimates. Revisions to estimates in future periods could be material. In the opinion of the Company's management, the ultimate obligations resulting from the resolution of contingent liabilities will not have a material adverse effect on the Company's financial position or operating results.

Environmental Matters — The Company's operations are subject to various federal, state, local, and foreign environmental laws and regulations that govern emissions of air pollutants; discharges of water pollutants; the generation, storage, handling, and disposal of hazardous wastes and other toxic materials; and remediation of contaminated sites. The Company is also subject to liabilities arising under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA) and similar state laws, along with laws of other countries and jurisdictions that impose responsibility on persons who arranged for the disposal of hazardous substances, or are current or previous owners or operators of a facility subject to the cleanup of hazardous substances released from the facility into the environment. The Company is also subject to liabilities under the Resource Conservation and Recovery Act of 1976 and analogous state laws, along with laws of other countries and jurisdictions, that require owners or operators of facilities that generate hazardous waste to follow certain waste management practices and to clean up releases of hazardous waste into the environment associated with past or present practices. When deemed appropriate, the Company enters into voluntary remediation agreements at certain sites to clean up releases of hazardous substances into the environment associated with past or present practices.

The Company has been named a potential responsible party at one site on the federal government's National Priority List in New Jersey. The Company negotiated a settlement with the Environmental Protection Agency regarding this New Jersey site, whereby the Company is assuming ongoing remediation at the site. In addition, the Company was named as a responsible party under state authority for a site in California. In cooperation with appropriate government agencies, the Company is currently participating in ongoing remediation at the California site. The Company is currently investigating and remediating environmental conditions at its production facility in New Jersey pursuant to New Jersey environmental requirements. The Company has been performing a remediation at its facility in San Martin, Spain. The Company is currently investigating and remediating environmental conditions at its production facility in Brampton, Ontario, Canada. Based on current information, the Company believes that no significant additional costs in excess of recorded liabilities will be incurred by the Company.

The Company has provided accruals for potential environmental obligations that it considers probable and for which a reasonable estimate of the obligation could be made. Accordingly, a total of approximately $7.1 million and $9.3 million were recorded as accrued expenses and other long-term liabilities as of April 30, 2023 and 2022, respectively. Environmental expense for the years ended April 30, 2023 and 2022, was approximately $0.2 million and $2.6 million, respectively in general and administrative expenses. The liability for potential environmental obligations as of April 30, 2023, was measured on a discounted present value basis using a discount rate of 3.8411% applied to undiscounted amounts of approximately $7.4 million expected to be paid in the next 10 years.

10. LEASES

Leases — The Company has operating leases for plants, warehouses, distribution centers, storage facilities, offices and other facilities, as well as vehicles, machinery and equipment. Leases generally have remaining lease terms of up to 10 years. Some lease agreements include options to extend or to terminate the lease. The Company considers these options in determining the lease term used to establish right-of-use assets and lease liabilities when it is reasonably certain the option will be exercised. Lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As most leases do not provide an implicit rate, a risk-free discount rate is used in determining the present value of lease payments. Lease agreements may contain both lease and non-lease components. Non-lease components are accounted for separately from lease components.

Finance leases are not significant and therefore are not included in the following disclosures.

The components of lease costs reflected in operating income as of April 30 are as follows (in thousands):

	2023
Operating lease cost	$ 8,661
Short-term lease cost	808

Supplemental information related to leases as of April 30 are as follows (in thousands):

	2023
Operating leases	
Property, plant and equipment, net	$ 23,817
Lease short-term liabilities	7,463
Other liabilities	17,148
Total lease liabilities	$ 24,611
Sublease Income	355
Weighted average remaining lease term	
Operating leases	4 years
Weighted average discount rates	
Operating leases	3.6 %

Maturities of operating lease liabilities by year as of April 30 are as follows (in thousands):

	2023
Amounts Due In	
2024	$ 8,069
2025	6,712
2026	5,302
2027	3,163
2028	2,428
Thereafter	812
Total lease payments	26,486
Less: Imputed interest	(1,875)
Present value of lease liabilities	$ 24,611

Supplemental cash flow information related to leases as of April 30 are as follows (in thousands):

	2023
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 8,437
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	$ 9,803

11. RELATED PARTY TRANSACTIONS

The Company pays a commission on international sales to an entity owned by parties having stockholder interests in the Company. Commission expense associated with this agreement was approximately $0.9 million and $0.7 million in 2023 and 2022, respectively, with approximately $0.1 million unpaid as of both April 30, 2023 and 2022.

Related Party Leases – As of April 30, 2023, the Company and its subsidiaries had a number of noncancelable leases for various office, production and warehouse facilities and equipment with entities owned by parties having stockholder interests in the Company. These agreements generally expire in 2026 and there are no renewal provisions. Total rent expense associated with these arrangements was approximately $1.4 million and $2.5 million in 2023 and in 2022, respectively

The minimum aggregate rentals under these terms of these noncancelable operating leases for future years are (in thousands):

2024	$ 1,432
2025	1,432
2026	1,432
2027	119

For a description of the Senior and Junior Subordinated debt issued to the Company's sole stockholder, see Note 6 Long-Term Debt and Lines of Credit.

12. SUPPLEMENTAL CASH FLOW DISCLOSURES (IN MILLIONS)

	2023	2022
Cash paid during the year for:		
Interest	$ 6.8	$ 9.7
Income taxes	32.4	23.7
Noncash operating and investing activities — purchases of property, plant and equipment included in accounts payable	1.2	1.2

13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in accumulated other comprehensive income (loss) by component for the years ended April 30 is as follows (all amounts in thousands and after-tax):

	Foreign Currency Translation	Unrealized Gains/ (Losses) on Cash Flow Hedges	Other	Total
Balance — April 30, 2021	$ (50,338)	$ -	$ (22)	$ (50,360)
Other comprehensive income (loss) before reclassification	(9,387)	-	-	(9,387)
Amounts reclassified from accumulated other comprehensive loss	-	-	(1)	(1)
Net comprehensive income (loss)	(9,387)	-	(1)	(9,388)
Balance — April 30, 2022	(59,725)	-	(23)	(59,748)
Other comprehensive income (loss) before reclassification	2,451	-	-	2,451
Amounts reclassified from accumulated other comprehensive loss	-	-	(15)	(15)
Net comprehensive income (loss)	2,451	-	(15)	2,436
Balance — April 30, 2023	$ (57,274)	$ -	$ (38)	$ (57,312)

In June 2019, the cash flow hedges were no longer deemed effective and the remaining balances in accumulated other comprehensive income were reclassified into earnings. See Note 8 Interest Costs.

14. SUBSEQUENT EVENTS

The Company has performed an evaluation of subsequent events through July 28, 2023, which is the date the financial statements were issued. The Company is not aware of any subsequent events, that would require recognition or further disclosure in the financial statements.

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