UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended January 31, 2024

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 0-23248

SIGMATRON INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	36-3918470 (I.R.S. Employer Identification No.)
2201 Landmeier Road Elk Grove Village, Illinois (Address of principal executive offices)	60007 (Zip Code)

Registrant's telephone number, including area code: (847) 956-8000

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock $0.01 par value per share	SGMA	The NASDAQ Capital Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of a "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 is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of the registrant's common stock, $0.01 par value, as of March 6, 2024: 6,094,288

SigmaTron International, Inc.

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SigmaTron International, Inc.

Condensed Consolidated Balance Sheets

	January 31, 2024 (Unaudited)	April 30, 2023
Current assets:		
Cash and cash equivalents	$ 3,716,998	$ 819,129
Accounts receivable, less allowance for credit losses of $43,113 and $100,000 at January 31, 2024 and April 30, 2023, respectively	42,428,744	46,284,818
Inventories, net	135,482,826	165,555,199
Prepaid expenses and other assets	2,274,563	1,678,263
Refundable and prepaid income taxes	1,168,193	779,705
Other receivables	9,410,467	5,349,328
Total current assets	194,481,791	220,466,442
Property, machinery and equipment, net	35,498,047	35,788,357
Intangible assets, net	1,061,997	1,311,030
Deferred income taxes	3,049,434	2,640,902
Right-of-use assets	8,144,794	7,225,423
Other assets	1,305,067	1,195,045
Total other long-term assets	13,561,292	12,372,400
Total assets	$ 243,541,130	$ 268,627,199
Liabilities and stockholders' equity:		
Current liabilities:		
Trade accounts payable	$ 51,596,657	$ 68,659,716
Customer deposits	12,659,254	6,500,000
Accrued wages	6,552,115	7,917,266
Accrued expenses	3,086,206	2,933,430
Income taxes payable	-	1,041,998
Deferred revenue	3,140,342	8,063,197
Current portion of long-term debt	3,133,988	52,761,520
Current portion of finance lease obligations	2,138,223	1,523,259
Current portion of operating lease obligations	2,879,775	2,908,213
Total current liabilities	85,186,560	152,308,599
Long-term debt, less current portion	79,821,814	40,539,180
Income taxes payable	382,863	267,998
Finance lease obligations, less current portion	3,084,756	2,596,178
Operating lease obligations, less current portion	5,591,307	4,723,867
Other long-term liabilities	106,087	100,350
Total long-term liabilities	88,986,827	48,227,573
Total liabilities	174,173,387	200,536,172

SigmaTron International, Inc.

Condensed Consolidated Balance Sheets - Continued

	January 31, 2024 (Unaudited)	April 30, 2023
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; 500,000 shares authorized, none issued or outstanding	-	-
Common stock, $0.01 par value; 12,000,000 shares authorized, 6,094,288 and 6,091,288 shares issued and outstanding at January 31, 2024 and April 30, 2023, respectively	60,943	60,634
Capital in excess of par value	42,373,610	41,986,570
Retained earnings	26,933,190	26,043,823
Total stockholders' equity	69,367,743	68,091,027
Total liabilities and stockholders' equity	$ 243,541,130	$ 268,627,199

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

SigmaTron International, Inc.
Condensed Consolidated Statements of Operations

	Three Months Ended January 31, 2024 (Unaudited)	Three Months Ended January 31, 2023 (Unaudited)	Nine Months Ended January 31, 2024 (Unaudited)	Nine Months Ended January 31, 2023 (Unaudited)
Net sales	$ 95,919,888	$ 92,736,725	$ 292,741,928	$ 306,147,772
Cost of products sold	85,992,928	81,575,820	263,475,993	270,103,569
Gross profit	9,926,960	11,160,905	29,265,935	36,044,203
Selling and administrative expenses	6,683,488	6,358,591	20,139,927	19,394,529
Operating income	3,243,472	4,802,314	9,126,008	16,649,674
Other income	2,094	496,507	27,224	568,137
Interest expense, net	(2,568,824)	(2,406,137)	(7,996,598)	(5,336,526)
Income from continuing operations before income tax expense	676,742	2,892,684	1,156,634	11,881,285
Income tax expense	(77,736)	(196,473)	(267,267)	(2,948,323)
Net income from continuing operations	$ 599,006	$ 2,696,211	$ 889,367	$ 8,932,962
Discontinued operations:				
Loss before tax from discontinued operations	-	(26,027,124)	-	(30,981,811)
Tax benefit from discontinued operations	-	253,249	-	1,219,732
Net loss from discontinued operations	$ -	$ (25,773,875)	$ -	$ (29,762,079)
Net income (loss)	$ 599,006	$ (23,077,664)	$ 889,367	$ (20,829,117)
Basic earnings (loss) per common share:				
Income (loss) from continuing operations	0.10	0.44	0.15	1.47
Income (loss) from discontinued operations	-	(4.25)	-	(4.91)
Basic earnings (loss) per common share:	$ 0.10	$ (3.81)	$ 0.15	$ (3.44)
Diluted earnings (loss) per common share:				
Income (loss) from continuing operations	0.10	0.44	0.14	1.47
Income (loss) from discontinued operations	-	(4.25)	-	(4.91)
Diluted earnings (loss) per common share:	$ 0.10	$ (3.81)	$ 0.14	$ (3.44)
Weighted average shares of common stock outstanding				
Basic	6,094,288	6,071,288	6,093,270	6,067,161
Weighted average shares of common stock outstanding				
Diluted	6,120,317	6,071,288	6,152,073	6,067,161

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

SigmaTron International, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity

For the nine months ended January 31, 2024 (Unaudited)

	Preferred stock	Common stock	Capital in excess of par value	Retained earnings	Total stockholders' equity
Balance at May 1, 2023	$ -	$ 60,634	$ 41,986,570	$ 26,043,823	$ 68,091,027
Recognition of stock-based compensation	-	-	184,817	-	184,817
Net income	-	-	-	262,099	262,099
Balance at July 31, 2023	$ -	$ 60,634	$ 42,171,387	$ 26,305,922	$ 68,537,943
Recognition of stock-based compensation	-	-	64,938	-	64,938
Exercise of stock options	-	30	9,570	-	9,600
Restricted stock awards	-	43	13,175	-	13,218
Net income	-	-	-	28,262	28,262
Balance at October 31, 2023	$ -	$ 60,707	$ 42,259,070	$ 26,334,184	$ 68,653,961
Recognition of stock-based compensation	-	-	75,549	-	75,549
Restricted stock awards	-	236	38,991	-	39,227
Net income	-	-	-	599,006	599,006
Balance at January 31, 2024	$ -	$ 60,943	$ 42,373,610	$ 26,933,190	$ 69,367,743

SigmaTron International, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity - Continued

For the nine months ended January 31, 2023 (Unaudited)

	Preferred stock	Common stock	Capital in excess of par value	Retained earnings	Total stockholders' equity
Balance at May 1, 2022	$ -	$ 60,379	$ 41,654,410	$ 46,619,208	$ 88,333,997
Recognition of stock-based compensation	-	-	94,893	-	94,893
Restricted stock awards	-	55	49,818	-	49,873
Net loss from discontinued operations	-	-	-	(1,744,665)	(1,744,665)
Net income from continuing operations	-	-	-	3,121,340	3,121,340
Balance at July 31, 2022	$ -	$ 60,434	$ 41,799,121	$ 47,995,883	$ 89,855,438
Recognition of stock-based compensation	-	-	76,568	-	76,568
Restricted stock awards	-	36	17,769	-	17,805
Net loss from discontinued operations	-	-	-	(2,243,539)	(2,243,539)
Net income from continuing operations	-	-	-	3,115,411	3,115,411
Balance at October 31, 2022	$ -	$ 60,470	$ 41,893,458	$ 48,867,755	$ 90,821,683
Recognition of stock-based compensation	-	-	85,731	-	85,731
Restricted stock awards	-	101	49,538	-	49,639
Net loss from discontinued	-	-	-	(25,773,875)	(25,773,875)
Net income from continuing	-	-	-	2,696,211	2,696,211
Balance at January 31, 2023	$ -	$ 60,571	$ 42,028,727	$ 25,790,091	$ 67,879,389

SigmaTron International, Inc.
Condensed Consolidated Statements of Cash Flows

	Nine Months Ended January 31, 2024 (Unaudited)	Nine Months Ended January 31, 2023 (Unaudited)
Cash flows from operating activities		
Net income from continuing operations	$ 889,367	$ 8,932,962
Net loss from discontinued operations	-	(29,762,079)
Adjustments to reconcile net income to net cash provided by (used in) operating activities from continuing operations:		
Depreciation and amortization of property, machinery and equipment	4,485,512	4,328,163
Stock-based compensation	325,304	257,192
Restricted stock expense	52,445	117,317
Provision for credit losses	56,887	-
Deferred income tax expense	(408,532)	(68,920)
Amortization of intangible assets	249,033	255,327
Amortization of financing fees	468,759	262,452
Gain from involuntary conversion on non-monetary assets due to fire	-	469,849
Loss from disposal or sale of machinery and equipment	44,269	15,403
Changes in operating assets and liabilities		
Accounts receivable	3,799,187	(250,942)
Inventories	30,072,373	(11,879,569)
Prepaid expenses and other assets	(5,066,931)	2,540,263
Refundable and prepaid income taxes	(388,488)	(306,478)
Income taxes payable	(927,133)	(185,357)
Trade accounts payable	(17,063,059)	(27,574,938)
Customer deposits	6,159,254	500,000
Operating lease liabilities	839,002	(2,155,105)
Accrued expenses and wages	(1,826,539)	(3,517,060)
Deferred revenue	(4,922,855)	609,341
Net cash provided by (used in) operating activities from continuing operations	16,837,855	(27,650,100)
Cash flows from investing activities from continuing operations		
Purchases of machinery and equipment	(1,672,441)	(1,521,993)
Proceeds from insurance settlement	-	54,921
Net cash used in investing activities from continuing operations	(1,672,441)	(1,467,072)

SigmaTron International, Inc.
Condensed Consolidated Statements of Cash Flows - Continued

	Nine Months Ended January 31, 2024 (Unaudited)	Nine Months Ended January 31, 2023 (Unaudited)
Cash flows from financing activities from continuing operations		
Proceeds from the exercise of common stock options	9,600	-
Proceeds under equipment notes	2,356,575	416,728
Payments under finance lease agreements	(1,463,488)	(1,212,664)
Payments under equipment notes	(862,734)	(822,136)
Payments under building notes payable	(37,656)	(6,030,001)
Borrowings under term loan agreement	-	40,000,000
Payments under term loan agreement	(750,000)	(500,000)
Borrowings under revolving line of credit	297,652,589	356,790,439
Payments under revolving line of credit	(308,663,430)	(353,142,988)
Payments of debt financing costs	(509,001)	(1,532,308)
Net cash (used in) provided by financing activities from continuing operations	(12,267,545)	33,967,070
Cash flows from discontinued operations:		
Net cash used in operating activities	-	(6,332,848)
Net cash used in investing activities	-	(98,964)
Net cash used in discontinued operations	-	(6,431,812)
Change in cash and cash equivalents	2,897,869	(1,581,914)
Cash and cash equivalents at beginning of period	819,129	3,054,643
Cash and cash equivalents at end of period	$ 3,716,998	$ 1,472,729
Supplementary disclosures of cash flow information		
Cash paid for interest	$ 7,583,009	$ 4,794,152
Cash paid for income taxes	1,934,697	2,233,996
Purchase of machinery and equipment financed under finance leases	2,747,984	1,599,456
Right-of-use assets obtained in exchange for operating lease liabilities	3,123,409	337,913
Financing of insurance policy	619,901	550,698

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

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note A - Description of the Business

SigmaTron International, Inc., its subsidiaries, foreign enterprises and international procurement office (collectively, the "Company") operates as an independent provider of electronic manufacturing services ("EMS"). The EMS Segment includes printed circuit board assemblies, electro-mechanical subassemblies and completely assembled (box-build) electronic products. In connection with the production of assembled products, the EMS Segment also provides services to its customers, including (1) automatic and manual assembly and testing of products; (2) material sourcing and procurement; (3) manufacturing and test engineering support; (4) design services; (5) warehousing and distribution services; (6) assistance in obtaining product approval from governmental and other regulatory bodies and (7) compliance reporting. Until the sale described below, effective April 1, 2023, the Company, through its subsidiary, Wagz, Inc. ("Wagz"), operated in a second reportable segment, as a provider of products to the pet technology ("Pet Tech") market. The Pet Tech reportable segment offered electronic products such as the Freedom Smart Dog Collar™, a wireless geo-mapped fence and wellness system, along with apparel and accessories.

During the fourth quarter of fiscal 2023, the Company exited its active involvement in the Pet Tech business conducted by Wagz through the sale by the Company of the majority ownership interest in Wagz, effective as of April 1, 2023. The Company entered into a Stock Purchase Agreement ("SPA") by and among the Company, Wagz, Vynetic LLC, a Delaware limited liability company ("Buyer"), and Terry B. Anderton, co-founder of Wagz and principal of Buyer ("Anderton"), pursuant to which the Company sold to Buyer 81% of the issued and outstanding shares of common stock of Wagz for the purchase price of one dollar. Under the SPA, the Company also agreed to provide a $900,000 working capital term loan (the "Wagz Loan") to Wagz during the month of April 2023. The Company agreed to work with Wagz as an EMS provider pursuant to a manufacturing agreement, but the Company did not commit to extending any further financial support beyond the Wagz Loan. On April 28, 2023, the sale of the majority ownership interest in Wagz pursuant to the SPA was consummated effective as of April 1, 2023, and as a result, as of the closing, the Company holds a minority 19% ownership of Wagz common stock and Buyer holds a majority 81% of Wagz common stock. However, the Company determined that due to financial uncertainty of Wagz after the Company's sale, the Wagz Loan was uncollectable and the 19% ownership interest was fully reserved, in each case as of April 30, 2023.

Note B - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of SigmaTron International, Inc. ("SigmaTron"), its wholly-owned subsidiaries, Standard Components de Mexico, S.A., AbleMex S.A. de C.V., Digital Appliance Controls de Mexico, S.A. de C.V., Spitfire Controls (Vietnam) Co. Ltd., and Spitfire Controls (Cayman) Co. Ltd., wholly-owned foreign enterprises Wujiang SigmaTron Electronics Co. Ltd., and Wujiang SigmaTron Electronic Technology Co., Ltd., its international procurement office, SigmaTron International Inc. Taiwan Branch, and Wagz, Inc. (19% ownership, effective as of April 1, 2023), have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X.

The accompanying unaudited condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note B - Basis of Presentation - Continued

of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and nine month periods ended January 31, 2024 are not necessarily indicative of the results that may be expected for the year ending April 30, 2024. The condensed consolidated balance sheet at April 30, 2023, was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements. For further information, refer to the condensed consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended April 30, 2023.

On April 1, 2023, SigmaTron completed the sale of the majority ownership interest in the Wagz, Inc. business. In accordance with the authoritative guidance for discontinued operations (Accounting Standards Codification (ASC) 205-20), the Company determined that the Wagz business met discontinued operations accounting criteria at the end of the fourth quarter of fiscal year 2023. The results of the Wagz business and the related cash flows have been reported as discontinued operations in the Consolidated Statements of Operations and Consolidated Statements of Cash Flows, respectively, through the date of sale. These changes have been applied to all periods presented. See Note M - Discontinued Operations, for additional information.

Reclassifications

Certain amounts recorded in the prior-period consolidated financial statements have been reclassified to conform to the current-period financial statement presentation. These reclassifications had no effect on previously reported results of operations.

Note C - Inventories, net

The components of inventory consist of the following:

	January 31, 2024	April 30, 2023
Finished products	$ 19,091,380	$ 22,093,018
Work-in-process	4,684,349	5,415,917
Raw materials	111,707,097	138,046,264
	$ 135,482,826	$ 165,555,199

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note D - Earnings Per Share and Stockholders' Equity

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

	Three Months Ended		**Nine Months Ended**	
	January 31, 2024	**January 31, 2023**	**January 31, 2024**	**January 31, 2023**
Net income from continuing operations	$ 599,006	$ 2,696,211	$ 889,367	$ 8,932,962
Net loss from discontinued operations	-	(25,773,875)	-	(29,762,079)
Total net income (loss)	$ 599,006	$ (23,077,664)	$ 889,367	$ (20,829,117)
Weighted-average shares				
Basic	6,094,288	6,071,288	6,093,270	6,067,161
Effect of dilutive stock options	26,029	-	58,803	-
Diluted	6,120,317	6,071,288	6,152,073	6,067,161
Basic (loss) earnings per common share				
Basic earnings per share from continuing	0.10	0.44	0.15	1.47
Basic loss per share from discontinued	-	(4.25)	-	(4.91)
Basic total earnings (loss) per share	$ 0.10	$ (3.81)	$ 0.15	$ (3.44)
Diluted (loss) earnings per common share				
Diluted earnings per share from continuing	0.10	0.44	0.14	1.47
Diluted loss per share from discontinued	-	(4.25)	-	(4.91)
Diluted total earnings (loss) per share	$ 0.10	$ (3.81)	$ 0.14	$ (3.44)

Options to purchase 596,081 and 508,519 shares of common stock were outstanding and exercisable at January 31, 2024 and 2023, respectively. There were no options granted during the three month period ended January 31, 2024 and January 31, 2023, respectively and there were 177,000 options granted during the nine month period ended January 31, 2024 and no options granted during the nine month period ended January 31, 2023. There was $75,549 and $85,731 stock option expense recognized for the three month periods ended January 31, 2024 and 2023, respectively. There was $325,304 and $257,192 stock option expense recognized for the nine month periods ended January 31, 2024 and 2023, respectively. The balance of unrecognized compensation expense related to the Company's stock option plans at January 31, 2024 and 2023 was $411,572 and $763,186, respectively. There were 484,128 anti-dilutive common stock equivalents and 238,348 anti-dilutive common stock equivalents for the three month periods ended January 31, 2024 and 2023, respectively, which have been excluded from the calculation of diluted earnings per share. There were 320,044 anti-dilutive common stock equivalents and 61,809 anti-dilutive common stock equivalents for the nine month periods ended January 31, 2024 and 2023, respectively, which have been excluded from the calculation of diluted earnings per share.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note E - Long-term Debt

Debt and finance lease obligations consisted of the following at January 31, 2024 and April 30, 2023:

	January 31, 2024	April 30, 2023
Debt:		
Notes Payable - Secured lenders	$ 79,207,159	$ 90,968,000
Notes Payable - Buildings	379,487	417,143
Notes Payable - Equipment	5,017,956	3,524,115
Unamortized deferred financing costs	(1,648,800)	(1,608,558)
Total debt	82,955,802	93,300,700
Less current maturities*	3,133,988	52,761,520
Long-term debt	$ 79,821,814	$ 40,539,180
Finance lease obligations	$ 5,222,979	$ 4,119,437
Less current maturities	2,138,223	1,523,259
Total finance lease obligations, less current portion	$ 3,084,756	$ 2,596,178

* Due to availability being less than 10% of the Revolving Commitment, the Facility (as defined below) was classified as a current liability on the Consolidated Balance Sheet at April 30, 2023.

Notes Payable – Secured lenders

On January 29, 2021, the Company entered into a Credit Agreement (the "JPM Agreement") with JPMorgan Chase Bank, N.A. ("Lender" or "JPM"), pursuant to which Lender provided the Company with a secured credit facility consisting of a revolving loan facility and a term loan facility (collectively, the "Facility").

On July 18, 2022, SigmaTron, Wagz and Lender amended and restated the JPM Agreement by entering into an Amended and Restated Credit Agreement (as so amended and restated, the "JPM Credit Agreement"). Wagz and its property were released from the JPM Credit Agreement, effective April 1, 2023, pursuant to the JPM Waiver (as defined below) effective as of April 1, 2023. The Facility, as amended, allows the Company to borrow on a revolving basis up to the lesser of (i) $70,000,000 or (ii) an amount equal to a percentage of the eligible receivable borrowing base plus a percentage of the inventory borrowing base minus any reserves established by Lender (the "Revolving Commitment"). The maturity date of the Facility is July 18, 2027. Deferred financing costs of $202,616 and $332,139 were capitalized during the nine month period ended January 31, 2024 and during the fiscal year ended April 30, 2023, respectively, which are amortized over the term of the JPM Credit Agreement. As of January 31, 2024, there was $40,123,858 outstanding and $13,025,430 of unused availability under the revolving loan facility compared to an outstanding balance of $51,134,699 and $11,539,183 of unused availability at April 30, 2023. As of January 31, 2024 and April 30, 2023, the unamortized amount offset against outstanding debt was $639,453 and $572,191, respectively.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note E - Long-term Debt - Continued

Under the JPM Credit Agreement, a minimum Fixed Charge Coverage Ratio ("FCCR") financial covenant of 1.10x is applicable only during an FCCR trigger period which occurs when (a) commencing on the Effective Date (as defined in the JPM Credit Agreement) and ending when the Term Loan Obligations (as defined in the JPM Credit Agreement) have been paid in full and (b) following the payment in full of the Term Loan Obligations, (i) an event of default (as defined in the JPM Credit Agreement) has occurred and is continuing, and Lender has elected to impose a FCCR trigger period upon notice to the Company or (ii) availability falls below the greater of (y) 10% of the Revolving Commitment and (z) the outstanding principal amount of the term loans. In addition, prior to the amendment to the JPM Credit Agreement pursuant to the JPM Waiver (as discussed below under "*Waiver, Consent and Amendment to Credit Agreements*"), the JPM Credit Agreement imposed a financial covenant that required the Company to maintain a leverage ratio of Total Debt to EBITDA (each as defined in the JPM Credit Agreement) for any twelve month period ending on the last day of a fiscal quarter through the maturity of the revolving Facility not to exceed a certain amount, which ratio (a) ranged from 5.00-to-1 for fiscal quarters beginning with the fiscal quarter ending on January 31, 2023 to 3.00-to-1 for the fiscal quarter ending on July 31, 2026 (if the Term Loan Borrowing Base Coverage Ratio (as defined in the JPM Credit Agreement) as of the end of the applicable fiscal quarter is less than or equal to 1.50-to-1) and (b) ranged from 5.50-to-1 for the fiscal quarter ending on January 31, 2023 to 4.00-to-1 for the fiscal quarters beginning with the fiscal quarter ending on July 31, 2026 (if the Term Loan Borrowing Base Coverage Ratio as of the end of the applicable fiscal quarter is greater than 1.50-to-1).

In addition, the JPM Credit Agreement imposes a cash dominion period if there is an event of default or if availability is less than 10% of the Revolving Commitment, and such requirement continues until there is no event of default and availability is greater than 10% of the Revolving Commitment, in each case for 30 consecutive days. Based on this criteria, the total debt balances for the Facility were required to be classified as a current liability on the Consolidated Balance Sheet at April 30, 2023.

In connection with the entry into the JPM Credit Agreement, Lender and TCW Asset Management Company LLC, as administrative agent under the Term Loan Agreement (as defined below), entered into the Intercreditor Agreement, dated July 18, 2022, and acknowledged by SigmaTron and Wagz (the "ICA"), to set forth and govern the lenders' respective lien priorities, rights and remedies under the JPM Credit Agreement and the Term Loan Agreement.

The Facility under the JPM Credit Agreement is secured by: (a) a first priority security interest in SigmaTron's (i) accounts receivable and inventory (excluding Term Priority Mexican Inventory (as defined in the ICA) and certain inventory in transit, (ii) deposit accounts, (iii) proceeds of business interruption insurance that constitute ABL BI Insurance Share (as defined in the ICA), (iv) certain other property, including payment intangibles, instruments, equipment, software and hardware and similar systems, books and records, to the extent related to the foregoing, and (v) all proceeds of the foregoing, in each case, now owned or hereafter acquired (collectively, the "ABL Priority Collateral"); and (b) a second priority security interest in Term Priority Collateral (as defined below) other than (i) real estate and (ii) the equity interests of SigmaTron's foreign subsidiaries (unless such a pledge is requested by Lender).

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note E - Long-term Debt - Continued

On July 18, 2022, SigmaTron, Wagz and TCW Asset Management Company LLC, as administrative agent (the "Agent"), and other Lenders party thereto (collectively, the "TCW Lenders" and together with the Agent, "TCW") entered into a Credit Agreement (the "Term Loan Agreement") pursuant to which TCW made a term loan to the Company in the principal amount of $40,000,000 (the "TCW Term Loan"). Wagz and its property were released from the Term Loan Agreement, effective April 1, 2023, pursuant to the TCW Waiver (as defined below) effective as of April 1, 2023. The TCW Term Loan bears interest at a rate per annum based on SOFR, plus the Applicable Margin of 7.50% (each as defined in the Term Loan Agreement). The TCW Term Loan has a SOFR floor of 1.00%. The maturity date of the TCW Term Loan is July 18, 2027. The amount outstanding as of January 31, 2024, was $39,083,301 compared to an outstanding balance of $39,833,301 at April 30, 2023. Deferred financing costs of $183,469 and $1,233,894 were capitalized during the nine month period ended January 31, 2024 and fiscal year ended April 30, 2023, respectively. As of January 31, 2024 and April 30, 2023, the unamortized amount offset against outstanding debt was $1,009,347 and $1,036,367, respectively.

The Term Loan Agreement imposes financial covenants, including covenants requiring the Company to maintain a minimum Fixed Charge Coverage Ratio (as defined in the Term Loan Agreement) of 1.10-to-1 and maintain the same leverage ratio of Total Debt to EBITDA as described above under the JPM Credit Agreement. The Company is required to make quarterly repayments of the principal amount of the TCW Term Loan in amounts equal to $250,000 per fiscal quarter for the quarters beginning October 31, 2022 and $500,000 per fiscal quarter for quarters beginning October 31, 2024. The Term Loan Agreement also requires mandatory annual repayments equal to 50% of Excess Cash Flow (as defined in the Term Loan Agreement).

The TCW Term Loan is secured by: (a) a first priority security interest in all property of SigmaTron that does not constitute ABL Priority Collateral, which includes: (i) SigmaTron's real estate other than SigmaTron's Del Rio, Texas, warehouses, (ii) SigmaTron's machinery, equipment and fixtures (but excluding ABL Priority Equipment (as defined in the ICA)), (iii) the Term Priority Mexican Inventory (as defined in the ICA), (iv) SigmaTron's stock in its direct and indirect subsidiaries, (v) SigmaTron's general intangibles (excluding any that constitute ABL Priority Collateral), goodwill and intellectual property, (vi) the proceeds of business interruption insurance that constitute Term BI Insurance Share (as defined in the ICA), (vii) tax refunds, and (viii) all proceeds thereof, in each case, now owned or hereafter acquired (collectively, the "Term Priority Collateral"); and (b) a second priority security interest in all collateral that constitutes ABL Priority Collateral. Also, SigmaTron's three Mexican subsidiaries pledged all of their assets as security for the TCW Term Loan.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note E - Long-term Debt - Continued

Waiver, Consent and Amendment to Credit Agreements

On March 2, 2023, the Company received notices of default from both JPM and TCW. The Notices indicated the occurrence of certain events of default under the JPM Credit Agreement and the Term Loan Agreement (together with the JPM Credit Agreement the “Credit Agreements”). In addition, the Company received a delinquency notification letter from Nasdaq indicating that the Company was not in compliance with the continued listing requirements of Nasdaq for failing to timely file the Company’s Form 10-Q for the fiscal quarter ended January 31, 2023. This notification also constituted a default under the Credit Agreements. The Nasdaq delinquency was remedied on May 19, 2023.

The JPM Notice indicated that the Lender was informed of the occurrence of events of defaults and the continuation thereof under the JPM Credit Agreement as a result of the Company’s failure to maintain a FCCR for the twelve month period ended January 31, 2023 of at least 1.10x as required under the JPM Credit Agreement (the “JPM Covenant Defaults”).

The TCW Notice indicated that Agent and TCW Lenders were informed of the occurrence of events of default and the continuation thereof under the Term Loan Agreement (described below) as a result of the Company permitting the Total Debt to EBITDA Ratio for the twelve month period ended on January 31, 2023 to be greater than 5.00:1.00 in violation of the Term Loan Agreement and the Company’s failure to maintain FCCR as required under the JPM Credit Agreement (the “TCW Covenant Defaults” and together with the JPM Covenant Defaults, the “Defaults”).

As a result of the Defaults, the Company was not in compliance with its financial covenants under the Credit Agreements as of January 31, 2023. Due to the Notices received on March 2, 2023, from each of JPM and TCW, the total debt balances for both the Facility and the TCW Term Loan had been classified as a current liability on the Condensed Consolidated Balance Sheet as of January 31, 2023.

On April 28, 2023, the Company entered into (i) a Waiver, Consent and Amendment No. 1 to the JPM Credit Agreement (“JPM Waiver”) with Wagz and JPM, as lender, which waived certain events of default under and amended certain terms of the JPM Credit Agreement and (ii) a Waiver, Consent and Amendment No. 1 to the Credit Agreement (“TCW Waiver” and together with the JPM Waiver, the “Waivers”) with Wagz and TCW (collectively with JPM, the “Lender Parties”), which waived certain events of default under and amended certain terms of the Term Loan Agreement. The Company was in compliance with its revised financial covenants under the Credit Agreements as of January 31, 2024.

Pursuant to the Waivers, the Company has agreed, among other things, to (i) if requested by the Agent, effect a corporate restructuring that would create a new holding company structure to own all of the Company’s stock through a merger pursuant to Section 251(g) of the General Corporation Law of the State of Delaware, after which the holding company would continue as the public company,

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note E - Long-term Debt - Continued

become a guarantor under the Credit Agreements and pledge to the Lender Parties all of the equity of the Company (the "Corporate Restructuring"), (ii) engage a financial advisor to review certain of the Company's financial reporting to JPM and the Agent and participate in weekly conference calls with the advisor, JPM and the Agent to discuss and provide updates on the Company's liquidity and operations, (iii) extend the Wagz Loan, (iv) pay to JPM an amendment fee in the amount of $70,000, paid in cash, and (v) pay to the TCW Lenders an amendment fee of $395,000 and a default rate fee of $188,301, both of which were paid in kind by being added to the principal of the TCW Term Loan. The Company engaged a financial advisor in April 2023 and developed cashflow modeling tools. The financial advisor engagement was completed in September 2023.

The Waivers also amended the Credit Agreements to, among other things, (x) require that the Company maintain a minimum of $2.5 million in revolver availability under the JPM Credit Agreement, (y) modify the definition of EBITDA to allow adjustments to account for Wagz operating losses, impairment charges relating to the write-down of the Wagz business, the Wagz Loan and net assets of the Company and Wagz, and expenses relating to the Waivers, the Company's sale of the majority ownership interest in Wagz under the SPA, and (z) modify the existing Total Debt to EBITDA Ratios (as defined in the Credit Agreements) as follows:

Fiscal Quarter	Total Debt to EBITDA Ratio* (as amended)	Total Debt to EBITDA Ratio* (prior to amendment)
October 31,2023	4.50:1.0	4.25:1.0
January 31, 2024	4.50:1.0	4.00:1.0
April 30, 2024	4.50:1.0	4.00:1.0
July 31, 2024	4.25:1.0	3.75:1.0
October 31, 2024	4.00:1.0	3.75:1.0

* Assumes the Term Loan Borrowing Base Coverage Ratio (as defined in the Term Loan Agreement) is less than or equal to 1.50:1.0.

The Company was in compliance with its revised financial covenants under the Credit Agreements as of January 31, 2024.

In addition, during the PIK Period (defined in the Term Loan Agreement), pursuant to the TCW Waiver, if the Total Debt to EBITDA Ratio for the trailing twelve month period as of the end of a third fiscal quarter exceeds the ratios that were in effect prior to the amendment (as set forth in the far right column of the table above) for that fiscal quarter, then the Applicable Margin under the Term Loan Agreement in respect of the outstanding TCW Term Loan would increase by an amount equal to 1.0% per annum for the fiscal quarter, with such interest being paid in kind. Furthermore, the JPM Waiver modified the definition of Applicable Margin from a fixed amount equal to 2.00% to an amount that varies from 2.00% (for revolver availability greater than or equal to $20.0 million), to 2.50% (for revolver availability greater than or equal to $10.0 million), to 3.00% (for revolver availability less than $10.0 million), and fixed the Applicable Margin at 3.00% for six months starting April 1, 2023.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note E - Long-term Debt - Continued

In exchange for such agreements, the Lender Parties waived all of the existing events of default under the Credit Agreements through March 31, 2023, consented to the sale of the majority ownership interest in Wagz and released Wagz and its property and the Company's 81% ownership interest in Wagz that was sold to Buyer from the lien of the Lender Parties.

In connection with the Waivers, the Company exited its active involvement in the Pet Tech business that is conducted by Wagz through the sale by the Company of the majority ownership interest in Wagz, effective as of April 1, 2023.

On June 15, 2023, the Company entered into (i) Amendment No. 2 to the Credit Agreement (the "JPM Amendment No. 2") by and among the Company and Lender, with respect to the JPM Credit Agreement and (ii) Amendment No. 2 to the Credit Agreement ("TCW Amendment No. 2") by and among the Company and TCW with respect to the Term Loan Agreement. The JPM Amendment No. 2 and TCW Amendment No. 2 (together, the "Amendments") amended the Credit Agreements to extend the date, from May 31, 2023 to July 31, 2023, after which the Agent may request that the Company effect the Corporate Restructuring.

On March 15, 2019, the Company's wholly-owned foreign enterprise, Wujiang SigmaTron Electronic Technology Co., Ltd., entered into a credit facility with China Construction Bank. On January 26, 2021, the agreement was amended and expired in accordance with its terms on January 6, 2022. On January 17, 2022, the agreement was renewed, and expired in accordance with its terms on December 23, 2022. On February 17, 2023, the agreement was renewed, and is scheduled to expire on February 7, 2024. Under the agreement Wujiang SigmaTron Electronic Technology Co., Ltd. can borrow up to 10,000,000 Renminbi, approximately $1,410,000 as of January 31, 2024, and the facility is collateralized by Wujiang SigmaTron Electronics Co., Ltd.'s manufacturing building. Interest is payable monthly and the facility bears a fixed interest rate of 3.35% per annum. There was no outstanding balance under the facility at January 31, 2024 and April 30, 2023.

Notes Payable – Buildings

The Company entered into a mortgage agreement on March 3, 2020, in the amount of $556,000, with The Bank and Trust SSB to finance the purchase of the property that serves as the Company's warehousing and distribution center in Del Rio, Texas. The note requires the Company to pay monthly installment payments in the amount of $6,103. Interest accrues at a fixed rate of 5.75% per year until March 3, 2025, and adjusts thereafter, on an annual basis, equal to 1.0% over the Prime Rate as published by The Wall Street Journal. The note is payable over a 120 month period. The outstanding balance was $379,487 and $417,143 at January 31, 2024 and April 30, 2023, respectively.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note E - Long-term Debt - Continued

Notes Payable – Equipment

The Company routinely entered into secured note agreements with Engencap Fin S.A. DE C.V. to finance the purchase of equipment. The terms of the outstanding secured note agreement, which had a fixed interest rate of 8.00% per annum, matured on May 1, 2023, and the final quarterly installment payment of $9,310 was paid.

The Company routinely enters into secured note agreements with FGI Equipment Finance LLC to finance the purchase of equipment. The terms of the outstanding secured note agreements mature from March 2025 through January 2029, with quarterly installment payments ranging from $10,723 to $69,439 and a fixed interest rate ranging from 8.25% to 12.00% per annum.

Annual maturities of the Company’s debt, net of deferred financing fees for the remaining periods, as of January 31, 2024, are as follows:

		Secured	Building	Equipment	Total
For the remaining 3 months of the fiscal year ending April 30:	2024	$ 176,145	$ 12,915	$ 375,004	$ 564,064
For the fiscal years ending April 30:	2025	1,438,169	53,557	1,588,011	3,079,737
	2026	1,688,169	56,719	1,271,466	3,016,354
	2027	1,688,169	60,068	774,490	2,522,727
	2028	72,567,707	63,614	609,618	73,240,939
	2029	-	132,614	399,367	531,981
		$ 77,558,359	$ 379,487	$ 5,017,956	$ 82,955,802

Finance Lease Obligations

The Company enters into various finance lease agreements. The terms of the outstanding lease agreements mature through September 1, 2027, with monthly installment payments ranging from $2,874 to $33,706 and a fixed interest rate ranging from 7.09% to 12.73% per annum.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note F - Income Tax

The income tax expense was $77,736 for the three month period ended January 31, 2024 compared to an income tax expense of $196,473 for the same period in the prior fiscal year. The Company's effective tax rate was 11.49% and 6.79% for the quarters ended January 31, 2024 and 2023, respectively. The decrease in income tax expense for the three month period ended January 31, 2024 compared to the same period in the previous year is due to decreased taxable income in the current quarter compared to the same period in the previous year. The increase in effective tax rate is due to variations in income earned by jurisdiction.

The income tax expense was $267,267 for the nine month period ended January 31, 2024 compared to an income tax expense of $2,948,323 for the same period in the prior fiscal year. The Company's effective tax rate was 23.10% and 24.81% for the nine month period ended January 31, 2024 and 2023, respectively. The decrease in income tax expense for the nine month period ended January 31, 2024 compared to the same period in the previous year is due to decreased taxable income in the current year compared to the same period in the previous year. The decrease in effective tax rate for the nine month period ended January 31, 2024 is due primarily to variations in income earned by jurisdiction.

SigmaTron and Wagz filed or are expected to file U.S. tax returns on a consolidated basis for periods during which Wagz was wholly owned. Therefore, a valuation allowance was established on the group's U.S. deferred tax assets during fiscal year 2022. After the sale of the majority ownership interest in Wagz, SigmaTron expects to file on a standalone basis and utilize its U.S. deferred tax assets with the exception of the capital loss on sale, its investment in subsidiary, and certain foreign tax credits. The Company has established a valuation allowance of $7,577,935 on its U.S. capital loss, its investment in subsidiary, and foreign tax credit carryforwards. The Company has also established a valuation allowance of $434,559 on NOLs attributable to its Vietnam subsidiary as of January 31, 2024. Based on historical losses and forecasted future earnings, the Company has determined that the tax benefit from such assets are more likely than not to be realized. The Company's valuation allowance was $8,012,494 and $7,703,517 as of January 31, 2024 and April 30, 2023, respectively.

The Company has not changed its plans to indefinitely reinvest the earnings of the Company's foreign subsidiaries. The cumulative amount of unremitted earnings for which U.S. income taxes have not been recorded is $17,531,000 as of January 31, 2024.

Note G - Commitments and Contingencies

From time to time the Company is involved in legal proceedings, claims or investigations that are incidental to the conduct of the Company's business. In future periods, the Company could be subjected to cash cost or non-cash charges to earnings if any of these matters is resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management's assessment of the merits of any particular claim, the Company does not expect that these legal proceedings or claims will have any material adverse impact on its future consolidated financial position, results of operations or cash flows.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note H - Significant Accounting Policies

Management Estimates and Uncertainties - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in preparing the consolidated financial statements include depreciation and amortization periods, the allowance for credit losses, excess and obsolete reserves for inventory, deferred income, deferred taxes, uncertain tax positions, valuation allowance for deferred taxes and valuation of goodwill and long-lived assets. Actual results could materially differ from these estimates.

The potential impact of future disruptions and continued economic uncertainty over public health crises, including COVID-19 and variants, and the global supply chain may have a significant adverse impact on the timing of delivery of customer orders and the levels of future customer orders. It is possible that these potential adverse impacts may result in the recognition of material impairments of the Company's long-lived assets or other related charges in future periods.

Accounts Receivable - Accounts receivable is presented net of allowance for credit losses of $43,113 and $100,000 as of January 31, 2024 and April 30, 2023, respectively. The Company believes that its allowance for credit losses is adequate and represents its best estimate as of January 31, 2024. The Company continues to closely monitor customer liquidity along with industry and economic conditions, which may result in changes to its estimate.

The following table presents the Company's accounts receivable balance at the end of each period indicated:

	January 31, 2024	**April 30, 2023**	**April 30, 2022**
Accounts receivable	$ 42,471,857	$ 46,384,818	$ 40,911,280
Less allowance for credit losses	(43,113)	(100,000)	(100,000)
	$ 42,428,744	$ 46,284,818	$ 40,811,280

Revenue Recognition - The following table presents the Company's revenue disaggregated by the principal end-user markets it serves:

	Three Months Ended		**Nine Months Ended**	
Net trade sales by end-market	**January 31, 2024**	**January 31, 2023**	**January 31, 2024**	**January 31, 2023**
Industrial Electronics	$ 71,890,794	$ 63,852,383	$ 209,133,106	$ 204,861,287
Consumer Electronics	19,165,519	23,286,007	63,914,268	83,374,249
Medical / Life Sciences	4,863,575	5,598,335	19,694,554	17,912,236
Total Net Trade Sales	$ 95,919,888	$ 92,736,725	$ 292,741,928	$ 306,147,772

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note H - Significant Accounting Policies - Continued

During the three and nine month periods ended January 31, 2024, no material revenues were recognized from performance obligations satisfied or partially satisfied in previous periods and no amounts were allocated to performance obligations that remain unsatisfied or partially unsatisfied at January 31, 2024. The Company is electing not to disclose the amount of the remaining unsatisfied performance obligations with a duration of one year or less. The Company had no material remaining unsatisfied performance obligations as of January 31, 2024, with an expected duration of greater than one year.

Contract liabilities consist of payments received in advance of the transfer of control to the customer. As products are delivered and control transfers, the Company recognizes the deferred revenue in net sales in the Consolidated Statements of Operations. The following table summarizes the deferred revenue associated with payments received in advance of the transfer of control to the customer reported as deferred revenue in the Consolidated Balance Sheets and amounts recognized through net sales for each period presented.

	Nine Months Ended	
	January 31, 2024	January 31, 2023
Contract liability (deferred revenue) beginning of period	$ 8,063,197	$ 11,394,820
Deferred revenue recognized in period	(14,785,967)	(36,384,683)
Revenue deferred in period	9,863,112	36,994,024
Deferred revenue end of period	$ 3,140,342	$ 12,004,161

Income Tax - The Company's income tax expense, deferred tax assets and liabilities and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. The Company is subject to income taxes in both the U.S. and several foreign jurisdictions. Significant judgments and estimates by management are required in determining the consolidated income tax expense assessment.

Deferred income tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. In evaluating the Company's ability to recover its deferred tax assets within the jurisdiction from which they arise, the Company considers all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, the Company begins with historical results and changes in accounting policies, and incorporates assumptions including the amount of future state, federal and foreign pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment and estimates by management about the forecasts of future taxable income and are consistent with the plans and estimates the Company uses to manage the underlying businesses. In evaluating the objective evidence that historical results provide, the Company considers three years of cumulative operating income and/or loss. Valuation allowances are established when necessary to reduce deferred

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note H - Significant Accounting Policies - Continued

income tax assets to an amount more likely than not to be realized. SigmaTron and Wagz filed or are expected to file U.S. tax returns on a consolidated basis for periods during which Wagz was wholly owned. Therefore, a valuation allowance was established on the group's U.S. deferred tax assets during fiscal year 2022. After the sale of Wagz, SigmaTron expects to file on a standalone basis and utilize its U.S. deferred tax assets with the exception of the capital loss on sale and certain foreign tax credits. The Company has established a valuation allowance of $7,577,935 on its U.S. capital loss, its investment in subsidiary, and foreign tax credit carryforwards and a valuation allowance of $434,559 on certain foreign loss carryforwards as of January 31, 2024.

Impairment of Long-Lived Assets - The Company reviews long-lived assets, including amortizable intangible assets, for impairment in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 360: *Property, Plant and Equipment*. Property, machinery and equipment and finite life intangible assets are reviewed whenever events or changes in circumstances occur that indicate possible impairment. If events or changes in circumstances occur that indicate possible impairment, the Company first performs an impairment review based on an undiscounted cash flow analysis at the lowest level at which cash flows of the long-lived assets are largely independent of other groups of its assets and liabilities. This analysis requires management judgment with respect to changes in technology, the continued success of product lines, and future volume, revenue and expense growth rates. If the carrying value exceeds the undiscounted cash flows, the Company records an impairment, if any, for the difference between the estimated fair value of the asset group and its carrying value. The Company further conducts annual reviews of its long-lived asset groups for possible impairment.

During the third quarter of fiscal 2023, the Company revised the financial outlook for the Pet Tech Segment, resulting in lower projected sales and net income for future periods. The Company assessed the overall market acceptance of the then current Wagz product offerings after the holiday season and determined that this constituted a triggering event for the Company's long-lived asset groups, primarily consisting of patents, trade names and certain fixed assets. The Company reviewed the undiscounted future cash flows for the identified long-lived asset group, and the results of the analysis indicated the carrying amount for the long-lived group was not expected to be recovered.

The fair value of the identified intangible assets was estimated using the relief from royalty method, which is a risk-adjusted discounted cash flow approach. The relief from royalty method values an intangible asset by estimating the royalties saved through ownership of the asset. The relief from royalty method requires identifying the future revenue that would be generated by the intangible asset, multiplying it by a royalty rate deemed to be avoided through ownership of the asset and discounting the projected royalty savings amounts back to the acquisition date using the internal rate of return.

The Company determined the fair value of the long-lived asset group was lower than its carrying value and recorded an intangible asset impairment charge of $9,527,773 during the third quarter of fiscal 2023. This non-cash charge was recorded to impairment of goodwill and intangible assets on the unaudited condensed consolidated statements of operations as of January 31, 2023. As of April 30, 2023 this non-cash charge had been reported under discontinued operations. See Note K – Intangible Assets and Note M – Discontinued Operations, for more information.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note H - Significant Accounting Policies - Continued

Goodwill - Goodwill represents the excess cost over fair value of the net assets of acquired businesses. The Company does not amortize goodwill and intangible assets that have indefinite lives. The Company performs an impairment assessment of goodwill and intangible assets with indefinite lives annually, or more frequently if triggering events occur, based on the estimated fair value of the related reporting unit or intangible asset. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. When performing its annual impairment assessment as of April 30, the Company evaluates the goodwill assigned to each of its reporting units for potential impairment by comparing the estimated fair value of the relevant reporting unit to the carrying value. The Company uses various Level 2 and Level 3 valuation techniques to determine the fair value of its reporting units, including discounting estimated future cash flows based on a cash flow forecast prepared by the relevant reporting unit and market multiples of relevant public companies. If the fair value of a reporting unit is less than its carrying value, a goodwill impairment loss is recorded for the difference.

The Company observed during the third quarter of fiscal 2023, the overall lack of market acceptance of the then current Wagz product offerings during the holiday season and determined this constituted a triggering event. Accordingly, the Company performed a quantitative goodwill impairment test and estimated the fair value of the Pet Tech Segment based on a combination of an income approach (estimates of future discounted cash flows), a market approach (market multiples for similar companies) and a cost approach. Significant unobservable inputs and assumptions inherent in the valuation methodologies, which represented Level 3 inputs, under the fair value hierarchy, were employed and included, but were not limited to, prospective financial information, terminal value assumptions, discount rates, and multiples from comparable publicly traded companies in the Pet Tech industry.

The cost approach is based on upon the concept of replacement cost as an indicator of value. Stated another way, this approach is premised on the assumption that a prudent investor would pay no more for an asset than the amount for which the asset could be replaced. The cost approach establishes value based on the cost reproducing or replacing the property, less depreciation from physical deterioration and functional obsolescence, if present and measurable.

During the third quarter of fiscal 2023, the Company determined its goodwill was fully impaired as the fair value was lower than the carrying value and recorded an impairment charge of $13,320,534. This non-cash charge was recorded to impairment of goodwill and intangible assets on the unaudited condensed consolidated statements of operations during the quarter ended January 31, 2023.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note H – Significant Accounting Policies – Continued

New Accounting Standards:

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*." ASU 2016-13, as amended by ASU 2019-04 and ASU 2019-05, that introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU also expands the disclosure requirements to enable users of financial statements to understand the entity's assumptions, models and methods for estimating expected credit losses. For smaller reporting companies, ASU 2016- 13 is effective for annual and interim reporting periods beginning after December 15, 2022, and the guidance is to be applied using the modified-retrospective approach. Earlier adoption is permitted. The Company adopted this ASU in the first quarter ended July 31, 2023 and it had no material impact on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, "*Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*", which provides optional expedients and exceptions for a period of time to ease the potential burden in accounting for the transition from reference rates that are expected to be discontinued. Regulators and market participants in various jurisdictions have undertaken efforts to eliminate certain reference rates and introduce new reference rates that are based on a larger and more liquid population of observable transactions. The amendments in this update apply only to contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The expedients and exceptions provided by the amendments do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. In January 2021, the FASB issued clarification on the scope of relief related to the reference rate reform. In December 2022, the FASB extended the period of time entities can use the reference rate reform relief guidance by two years which defers the sunset date from December 31, 2022 to December 31, 2024. The Company adopted this ASU in fiscal 2023 and it had no impact on its consolidated financial statements.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note H – Significant Accounting Policies – Continued

New Accounting Standards - Continued:

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*", which focuses on income tax disclosures around effective tax rates and cash income taxes paid. This ASU requires public business entities to disclose, on an annual basis, a rate reconciliation presented in both dollars and percentages. ASU 2023-09 also identifies specific categories that would require disclosure, including the following:

- State and local income tax, net of federal income tax effect
- Foreign tax effects
- Effect of cross-border tax laws
- Enactment of new tax laws
- Nontaxable or nondeductible items
- Tax credits
- Changes in valuation allowances
- Changes in unrecognized tax benefits

This ASU also requires entities to disclose the amount of income taxes paid, net of refunds received, disaggregated by federal, state and foreign jurisdiction. ASU 2023-09 is effective for annual periods beginning after December 2024. The Company is currently evaluating the impact of this guidance on its consolidated financial statements.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note I – Leases

The Company leases office and storage space, vehicles and other equipment under non-cancellable operating leases with initial terms typically ranging from 1 to 5 years. At contract inception, the Company reviews the facts and circumstances of the arrangement to determine if the contract is or contains a lease. The Company follows the guidance in Topic 842 to evaluate whether the contract has an identified asset; if the Company has the right to obtain substantially all economic benefits from the asset; and if the Company has the right to direct the use of the underlying asset. When determining if a contract has an identified asset, the Company considers both explicit and implicit assets, and whether the supplier has the right to substitute the asset. When determining if the Company has the right to direct the use of an underlying asset, the Company considers if it has the right to direct how and for what purpose the asset is used throughout the period of use and if it controls the decision-making rights over the asset.

The Company's lease terms may include options to extend or terminate the lease. The Company exercises judgment to determine the term of those leases when extension or termination options are present and includes such options in the calculation of the lease term when it is reasonably certain that it will exercise those options.

The Company has elected to include both lease and non-lease components in the determination of lease payments. Payments made to a lessor for items such as taxes, insurance, common area maintenance, or other costs commonly referred to as executory costs, are also included in lease payments if they are fixed. The fixed portion of these payments are included in the calculation of the lease liability, while any variable portion would be recognized as variable lease expenses, when incurred. Variable payments made to third parties for these, or similar costs, such as utilities, are not included in the calculation of lease payments.

At commencement, lease-related assets and liabilities are measured at the present value of future lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company exercises judgment in determining the incremental borrowing rate based on the information available when the lease commences to measure the present value of future payments.

Operating lease expense is recognized on a straight-line basis over the lease term. Finance lease cost includes amortization, which is recognized on a straight-line basis over the expected life of the leased asset, and interest expense, which is recognized following an effective interest rate method.

Operating leases are included in other assets, current operating lease obligations, and operating lease obligations (less current portion) on the Company's Consolidated Balance Sheet. Finance leases are included in property, plant and equipment and current and long-term portion of finance lease obligations on the Company's Consolidated Balance Sheet. Short term leases with an initial term of 12 months or less are not presented on the balance sheet with expense recognized as incurred.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note I – Leases – Continued

The following table presents lease assets and liabilities and their balance sheet classification:

	Classification	January 31, 2024	April 30, 2023
Operating Leases:			
Right-of-use Assets	Right-of-use assets	$ 8,144,794	$ 7,225,423
Operating lease current liabilities	Current portion of operating lease obligations	2,879,775	2,908,213
Operating lease noncurrent liabilities	Operating lease obligations, less current portion	5,591,307	4,723,867
Finance Leases:			
Right-of-use Assets	Property, machinery and equipment	6,485,031	5,294,097
Finance lease current liabilities	Current portion of finance lease obligations	2,138,223	1,523,259
Finance lease noncurrent liabilities	Finance lease obligations, less current portion	3,084,756	2,596,178

The components of lease expense for the three and nine month periods ended January 31, 2024 and 2023, are as follows:

	Expense Classification	Three Months Ended January 31, 2024	Three Months Ended January 31, 2023	Nine Months Ended January 31, 2024	Nine Months Ended January 31, 2023
Operating Leases:					
Operating lease cost	Operating	900,315	644,063	2,698,737	1,896,968
Variable lease cost	Operating	50,224	56,900	162,643	166,531
Short term lease cost	Operating	2,250	2,250	6,750	6,750
Finance Leases:					
Amortization of right-of-use assets	Operating	738,325	570,195	2,072,513	1,799,447
Interest expense	Interest	141,787	120,418	396,226	306,251
Total		1,832,901	1,393,826	5,336,869	4,175,947

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note I – Leases – Continued

The weighted average lease term and discount rates for the quarters ended January 31, 2024 and 2023, are as follows:

	January 31, 2024	**January 31, 2023**
Operating Leases:		
Weighted average remaining lease term (months)	44.52	38.79
Weighted average discount rate	4.7%	3.3%
Finance Leases:		
Weighted average remaining lease term (months)	32.15	33.77
Weighted average discount rate	9.8%	9.8%

Future payments due under leases reconciled to lease liabilities are as follows:

	Operating	Finance
For the remaining 3 months of the fiscal year ending April 30:		
2024	$ 932,020	$ 626,205
For the fiscal years ending April 30:		
2025	3,071,713	2,451,692
2026	2,557,046	1,784,423
2027	971,045	954,478
2028	714,981	174,281
2029	461,436	-
Thereafter	443,414	-
Total undiscounted lease payments	9,151,655	5,991,079
Present value discount, less interest	680,573	768,100
Lease liability	$ 8,471,082	$ 5,222,979

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note I – Leases – Continued

Supplemental disclosures of cash flow information related to leases for the nine months ended January 31, 2024 and 2023 are as follows:

	Nine Months Ended	
Other Information	January 31, 2024	January 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	141,787	306,251
Operating cash flows from operating leases	181,263	245,246
Financing cash flows from finance leases	1,644,443	1,212,664
Supplemental non-cash information on lease liabilities arising from obtaining right-of-use assets:		
Right-of-use assets obtained in exchange for new finance lease liabilities	2,747,984	1,599,456
Right-of-use assets obtained in exchange for operating lease liabilities	3,123,409	337,913

Note J – Disposition

During the fourth quarter of fiscal 2023, the Company exited its active involvement in the Pet Tech business that is conducted by Wagz through the sale of the majority ownership interest in Wagz, effective as of April 1, 2023. The Company entered into the SPA with Wagz, Buyer and Anderton, pursuant to which the Company sold to Buyer 81% of Wagz common stock for the purchase price of one dollar. Under the SPA, the Company also agreed to provide a Wagz Loan to Wagz during the month of April 2023. The Company agreed to work with Wagz as an EMS provider pursuant to a manufacturing agreement, but the Company did not commit to extending any further financial support beyond the Wagz Loan. On April 28, 2023, the sale of the majority interest in Wagz pursuant to the SPA was consummated with effect as of April 1, 2023, and as a result, as of the closing, the Company holds a minority 19% ownership of Wagz common stock and Buyer holds a majority 81% of Wagz common stock. However, the Company determined that due to financial uncertainty of Wagz after the Company's sale, the Wagz Loan was uncollectable and the 19% ownership interest was fully reserved, in each case as of April 30, 2023. See Note M – Discontinued Operations, for more information.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note K – Intangible Assets

Intangible assets subject to amortization are summarized as of January 31, 2024 as follows:

	January 31,2024		
	Gross Carrying Amount	Accumulated Amortization	Net Intangible Asset Balance
Spitfire:			
Non-contractual customer relationship	4,690,000	3,628,003	1,061,997
Total	$ 4,690,000	$ 3,628,003	$ 1,061,997

Intangible assets subject to amortization are summarized as of April 30, 2023 as follows:

	April 30, 2023				
	Gross Carrying Amount	Accumulated Amortization	Impairment Amount	Write Off Amount	Net Intangible Asset Balance
Spitfire:					
Non-contractual customer relationship	4,690,000	3,378,970	-	-	1,311,030
Wagz:					
Trade name	1,230,000	68,380	813,960	347,660	-
Patents	9,730,000	586,313	8,713,813	429,874	-
Total	$ 15,650,000	$ 4,033,663	$ 9,527,773	$ 777,534	$ 1,311,030

Estimated aggregate amortization expense for the Company's intangible assets, which become fully amortized in 2028, for the remaining periods as of January 31, 2024, are as follows:

For the remaining 3 months of the fiscal year ending April 30:	2024	$ 82,809
For the fiscal years ending April 30:	2025	324,702
	2026	317,728
	2027	310,900
	2028	25,858
		$ 1,061,997

Amortization expense was $82,809 and $84,628 for the three month periods ended January 31, 2024 and January 31, 2023, respectively. Amortization expense was $249,033 and $255,327 for the nine month periods ended January 31, 2024 and January 31, 2023, respectively.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note L – Segment and Geographic Area Information

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Separate financial information is regularly evaluated by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources. For the Company, the CODM is the Company's Chief Executive Officer.

The EMS reportable segment includes printed circuit board assemblies, electro-mechanical subassemblies and completely assembled (box-build) electronic products. In connection with the production of assembled products, the EMS Segment provides services to its customers, including (1) automatic and manual assembly and testing of products; (2) material sourcing and procurement; (3) manufacturing and test engineering support; (4) design services; (5) warehousing and distribution services; (6) assistance in obtaining product approval from governmental and other regulatory bodies and (7) compliance reporting. The EMS Segment produces the Freedom Smart Dog Collar™ sold by the Pet Tech Segment.

The Pet Tech reportable segment offered electronic products such as the Freedom Smart Dog Collar™, a wireless geo-mapped fence and wellness system, along with apparel and accessories. The majority ownership interest of the Pet Tech Segment was sold, effective as of April 1, 2023. The results for the Pet Tech Segment are reported as discontinued operations for the three and nine month periods ended January 31, 2023.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in Note-A Description of the Business. The CODM allocates resources to and evaluates the performance of each operating segment based on operating income.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note L – Segment and Geographic Area Information – Continued

The tables below present information about the Company's reportable segments for the three month periods ended January 31, 2024 and January 31, 2023.

	Three Months Ended January 31, 2024		
	EMS Segment	Pet Tech Segment	Consolidated
Net sales	$ 95,919,888	$ -	$ 95,919,888
Operating income	3,243,472	-	3,243,472
Other income			2,094
Interest expense, net			(2,568,824)
Income before income taxes			$ 676,742
Depreciation and amortization of property, machinery and equipment	1,484,761	-	1,484,761
Amortization of intangible assets	82,809	-	82,809
Identifiable assets	$ 243,541,130	$ -	$ 243,541,130

	Three Months Ended January 31, 2023		
	EMS Segment	Pet Tech Segment	Consolidated
Net sales (1)(2)	$ 92,736,725	$ 483,028	$ 93,219,753
Operating income (loss)	4,802,314	(26,027,124)	(21,224,810)
Other income			496,507
Interest expense, net			(2,406,137)
Income before income taxes			$ (23,134,440)
Depreciation and amortization of property, machinery and equipment	1,402,984	33,070	1,436,054
Amortization of intangible assets	84,629	151,335	235,964
Identifiable assets	$ 275,834,600	$ 1,368,577	$ 277,203,177

(1) The EMS Segment manufactures products sold to the Pet Tech Segment. Related intersegment sales of $210,054 have been eliminated.

(2) The results for the Pet Tech Segment are reported as discontinued operations for the three and nine month periods ended January 31, 2023.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note L – Segment and Geographic Area Information – Continued

	Nine Months Ended January 31, 2024		
	EMS Segment	Pet Tech Segment	Consolidated
Net sales	$ 292,741,928	$ -	$ 292,741,928
Operating income	9,126,008	-	9,126,008
Other income			27,224
Interest expense, net			(7,996,598)
Income before income taxes			$ 1,156,634
Depreciation and amortization of property, machinery and equipment	4,485,512	-	4,485,512
Amortization of intangible assets	249,033	-	249,033
Identifiable assets	$ 243,541,130	$ -	$ 243,541,130

	Nine Months Ended January 31, 2023		
	EMS Segment	Pet Tech Segment	Consolidated
Net sales (3)(4)	$ 306,147,772	$ 1,321,580	$ 307,469,352
Operating income (loss)	16,649,674	(30,981,811)	(14,332,137)
Other income			568,137
Interest expense, net			(5,336,526)
Income before income taxes			$ (19,100,526)
Depreciation and amortization of property, machinery and equipment	4,328,163	45,610	4,373,773
Amortization of intangible assets	255,327	451,542	706,869
Identifiable assets	$ 275,834,600	$ 1,368,577	$ 277,203,177

(3) The EMS Segment manufactures products sold to the Pet Tech Segment. Related intersegment sales of $937,667 have been eliminated.

(4) The results for the Pet Tech Segment are reported as discontinued operations for the three and nine month periods ended January 31, 2023.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note L – Segment and Geographic Area Information – Continued

The following tables set forth net sales from continuing operations and tangible long-lived assets by geographic area where the Company operates. Tangible long-lived assets include property, machinery and equipment and operating lease assets.

	Three Months Ended		Nine Months Ended	
	January 31, 2024	**January 31, 2023**	**January 31, 2024**	**January 31, 2023**
Net sales:				
U.S.	$ 27,715,223	$ 27,897,479	$ 91,570,173	$ 82,186,234
China	10,405,496	11,847,280	28,440,957	38,819,772
Vietnam	1,302,112	1,873,195	4,759,953	8,228,645
Mexico	56,497,057	51,118,771	167,970,845	176,913,121
Total net sales	$ 95,919,888	$ 92,736,725	$ 292,741,928	$ 306,147,772

	January 31, 2024	**April 30, 2023**
Tangible long-lived assets, net:		
U.S.	$ 18,578,340	$ 20,371,298
China	3,851,208	4,212,780
Mexico	20,647,384	17,574,899
Other	565,909	854,803
Total tangible long-lived assets, net	$ 43,642,841	$ 43,013,780

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note M – Discontinued Operations

During the fourth quarter of fiscal 2023, the Company exited its active involvement in the Pet Tech business that is conducted by Wagz through the sale by the Company of the majority ownership interest in Wagz, effective as of April 1, 2023. The Company entered into the SPA with Wagz, Buyer and Anderton, pursuant to which the Company sold to Buyer 81% of Wagz common stock for the purchase price of one dollar. Under the SPA, the Company also agreed to provide a Wagz Loan to Wagz during the month of April 2023. The Company agreed to work with Wagz as an EMS provider pursuant to a manufacturing agreement, but the Company did not commit to extending any further financial support beyond the Wagz Loan. On April 28, 2023, the sale of the majority ownership interest in Wagz pursuant to the SPA was consummated with effect as of April 1, 2023, and as a result, as of the closing, the Company holds a minority 19% ownership of Wagz common stock and Buyer holds a majority 81% of Wagz common stock. However, the Company determined that due to financial uncertainty of Wagz after the Company's sale, the Wagz Loan was uncollectable and the 19% ownership interest was fully reserved, in each case as of April 30, 2023.

In accordance with ASC 205-20 Presentation of Financial Statements: Discontinued Operations, a disposal of a component of an entity or a group of components of an entity is required to be reported as discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the component of an entity meets the criteria in paragraph 205-20-45-10. In the period in which the component meets discontinued operations criteria the major current assets, other assets, current liabilities, and noncurrent liabilities shall be reported as components of total assets and liabilities separate from those balances of the continuing operations. At the same time, the results of all discontinued operations, less applicable income taxes (benefit), shall be reported as components of net income (loss) separate from the net income (loss) of continuing operations.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note M – Discontinued Operations – Continued

Pet Tech Segment (Wagz Business)

The following amounts related to the Pet Tech Segment (Wagz Business) have been segregated from the Company's continuing operations and are reported as discontinued operations:

	Three Months Ended January 31, 2024	Three Months Ended January 31, 2023
Net Sales	$ -	$ 483,028
Cost of products sold	-	617,596
Gross profit	-	(134,568)
Selling and administrative expenses	-	2,795,785
Impairment of goodwill and other long-lived assets	-	23,096,771
Operating loss	-	(26,027,124)
Loss before income taxes from discontinued operations	-	(26,027,124)
Income tax benefit	-	253,249
Loss from discontinued operations	$ -	$ (25,773,875)

	Nine Months Ended January 31, 2024	Nine Months Ended January 31, 2023
Net Sales	$ -	$ 1,321,580
Cost of products sold	-	1,340,398
Gross profit	-	(18,818)
Selling and administrative expenses	-	7,866,222
Impairment of goodwill and other long-lived assets	-	23,096,771
Operating loss	-	(30,981,811)
Loss before income taxes from discontinued operations	-	(30,981,811)
Income tax benefit	-	1,219,732
Loss from discontinued operations	$ -	$ (29,762,079)

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

In addition to historical financial information, this discussion of the business of SigmaTron International, Inc. ("SigmaTron" or collectively with its subsidiaries, foreign enterprises and international procurement office, the "Company"), its wholly-owned subsidiaries Standard Components de Mexico S.A., AbleMex, S.A. de C.V., Digital Appliance Controls de Mexico, S.A. de C.V., Spitfire Controls (Vietnam) Co. Ltd., and Spitfire Controls (Cayman) Co. Ltd., wholly-owned foreign enterprises Wujiang SigmaTron Electronics Co., Ltd. and Wujiang SigmaTron Electronic Technology Co., Ltd., its international procurement office, SigmaTron International Inc. Taiwan Branch, and Wagz, Inc. (19 percent ownership as of January 31, 2024) ("Wagz") and other Items in this Quarterly Report on Form 10-Q contain forward-looking statements concerning the Company's business or results of operations. Words such as "continue," "anticipate," "will," "expect," "believe," "plan," and similar expressions identify forward-looking statements. These forward-looking statements are based on the current expectations of the Company. Because these forward-looking statements involve risks and uncertainties, the Company's plans, actions and actual results could differ materially. Such statements should be evaluated in the context of the direct and indirect risks and uncertainties inherent in the Company's business including, but not necessarily limited to, the Company's continued dependence on certain significant customers; the continued market acceptance of products and services offered by the Company and its customers; pricing pressures from the Company's customers, suppliers and the market; the activities of competitors, some of which may have greater financial or other resources than the Company; the variability of the Company's operating results; the results of long-lived assets and goodwill impairment testing; the risks inherent in any merger, acquisition or business combination, including the ability to achieve the expected benefits of acquisitions as well as the expenses of acquisitions; the collectability of aged account receivables; the variability of the Company's customers' requirements; the impact of inflation on the Company's operating results; the availability and cost of necessary components and materials; the impact acts of war may have to the supply chain; and its expectation demand challenges resulting from inflation and supply chain uncertainty will improve in the first half of fiscal 2025; the ability of the Company and its customers to keep current with technological changes within its industries; regulatory compliance, including conflict minerals; the continued availability and sufficiency of the Company's credit arrangements; the costs of borrowing under the Company's senior and subordinated credit facilities, including under the rate indices that replaced LIBOR; increasing interest rates; the ability to meet the Company's financial and restrictive covenants under its loan agreements; changes in U.S., Mexican, Chinese, Vietnamese or Taiwanese regulations affecting the Company's business; the turmoil in the global economy and financial markets; public health crises, including COVID-19 and variants; the continued availability of scarce raw materials, exacerbated by global supply chain disruptions, necessary for the manufacture of products by the Company; the stability of the U.S., Mexican, Chinese, Vietnamese and Taiwanese economic, labor and political systems and conditions; global business disruption caused by the Russian invasion of Ukraine and related sanctions and the Israel-Hamas conflict; currency exchange fluctuations; and the ability of the Company to manage its growth. These and other factors which may affect the Company's future business and results of operations are identified throughout the Company's Annual Report on Form 10-K, and as risk factors, may be detailed from time to time in the Company's filings with the Securities and Exchange Commission. These statements speak as of the date of such filings, and the Company undertakes no obligation to update such statements in light of future events or otherwise unless otherwise required by law.

Overview:

The Company currently operates in one reportable segment as an independent provider of electronic manufacturing services (“EMS”). The EMS Segment includes printed circuit board assemblies, electro-mechanical subassemblies and completely assembled (box-build) electronic products. Prior to the sale described below, which was effective April 1, 2023, the Company also operated in a second reportable segment as a provider of products to the pet technology (“Pet Tech”) market. The majority ownership interest in the Pet Tech Segment was sold effective as of April 1, 2023. The Pet Tech Segment offered electronic products such as the Freedom Smart Dog Collar™, a wireless, geo-mapped fence, and wellness system, and apparel and accessories.

Except as otherwise noted, the description of the Company’s business below reflects its continuing operations. Refer to Note M - Discontinued Operations, to the consolidated financial statements for activity associated with discontinued operations.

The Company provides manufacturing and assembly services ranging from the assembly of individual components to the assembly and testing of box-build electronic products. The Company has the ability to produce assemblies requiring mechanical as well as electronic capabilities. The products assembled by the Company are then incorporated into finished products sold in various industries, particularly industrial electronics, consumer electronics and medical/life sciences. In some instances, the Company manufactures and assembles the completed finished product for its customers.

In connection with the production of assembled products, the Company provides services to its customers, including (1) automatic and manual assembly and testing of products; (2) material sourcing and procurement; (3) manufacturing and test engineering support; (4) design services; (5) warehousing and distribution services; (6) assistance in obtaining product approval from governmental and other regulatory bodies and (7) compliance reporting. The Company provides these manufacturing services through an international network of facilities located in the United States, Mexico, China, Vietnam and Taiwan.

The Company relies on numerous third-party suppliers for components used in the Company’s production process. Certain of these components are available only from single-sources or a limited number of suppliers. In addition, a customer’s specifications may require the Company to obtain components from a single-source or a small number of suppliers. The loss of any such suppliers could have a material impact on the Company’s results of operations. Further, the Company could operate at a cost disadvantage compared to competitors who have greater direct buying power from suppliers. The Company does not enter into long-term purchase agreements with major or single-source suppliers. The Company believes that short-term purchase orders with its suppliers provides flexibility, given that the Company’s orders are based on the changing needs of its customers.

Sales can be an unreliable indicator of the Company’s financial performance. Sales levels can vary considerably among customers and products depending on the type of services (turnkey versus consignment) rendered by the Company and the demand by customers. Consignment orders require the Company to perform manufacturing services on components and other materials supplied by a customer, and the Company charges only for its labor, overhead and manufacturing costs, plus a profit. In the case of turnkey orders, the Company provides, in addition to manufacturing services, the components and other materials used in assembly. Turnkey contracts, in general, have a higher dollar volume of sales for each given assembly, owing to inclusion of the cost of components and other materials in net sales and cost of goods sold. Variations in the number of turnkey orders compared to consignment orders can lead to significant fluctuations in the Company's revenue and gross margin levels. Consignment orders accounted for less than 1% of the Company's revenues for the three and nine month periods ended January 31, 2024 and January 31, 2023.

The Company's international footprint provides our customers with flexibility within the Company to manufacture in China, Mexico, Vietnam or the U.S. We believe this strategy will continue to serve the Company well as its customers continuously evaluate their supply chain strategies.

The Company reported a pre-tax profit from continuing operations for the three months ended January 31, 2024 of $676,742. Pre-tax profit from continuing operations for the three months ended January 31, 2023 was $2,892,684. The Company recorded revenue of $95,919,888 and $92,736,725 in the three month periods ended January 31, 2024 and January 31, 2023, respectively.

The Company reported a pre-tax profit from continuing operations for the nine months ended January 31, 2024 of $1,156,634. Pre-tax profit from continuing operations for the nine months ended January 31, 2023 was $11,881,285. The Company recorded revenue of $292,741,928 and $306,147,772 in the nine month periods ended January 31, 2024 and January 31, 2023, respectively.

The impact of inflation and the continuing global supply chain disruptions in the electronic component marketplace have continued to be challenging. The Company has certain customers that have lowered their demand, while others remain strong. The Company expects this uncertainty to remain short term as it expects customer requirements to pick up in the first half of fiscal 2025. The Company has seen modest improvements to the supply chain challenges that it has experienced over the last 3 years. The Company expects these challenges to continue to improve for the three months remaining of fiscal 2024, based on what is known at this time.

The Company began its Pet Technology operations after the December 2021 acquisition of Wagz. During the fourth quarter of fiscal 2023, the Company exited its active involvement in the Pet Tech business that is conducted by Wagz through the sale by the Company of the majority ownership interest in Wagz, effective as of April 1, 2023.

Results of Operations:

Consolidated Results

The following table sets forth the Company's consolidated results of operations, including the percentage relationships of gross profit and expense items to net sales for the periods indicated:

	Three Months Ended January 31, 2024	Three Months Ended January 31, 2023
Net sales	$ 95,919,888	$ 92,736,725
Cost of products sold	85,992,928	81,575,820
As a percent of net sales	89.7%	88.0%
Gross profit	9,926,960	11,160,905
As a percent of net sales	10.3%	12.0%
Selling and administrative expenses	6,683,488	6,358,591
As a percent of net sales	7.0%	6.9%
Impairment of notes receivable and investment	-	-
Impairment of goodwill and other long-lived assets	-	-
Operating income from continuing operations	3,243,472	4,802,314
Other income	2,094	496,507
Interest expense, net	(2,568,824)	(2,406,137)
Income before income taxes from continuing operations	676,742	2,892,684
Income tax benefit (expense)	(77,736)	(196,473)
Income from continuing operations	$ 599,006	$ 2,696,211
Discontinued operations:		
Loss before taxes from discontinued operations	-	(26,027,124)
Tax benefit for discontinued operations	-	253,249
Net loss from discontinued operations	-	(25,773,875)
Net income (loss)	$ 599,006	$ (23,077,664)

Net Sales

Net sales increased $3,183,163, or 3.4%, to $95,919,888 for the three month period ended January 31, 2024, compared to $92,736,725 for the same period in the prior fiscal year. The Company's sales increased for the three month period ended January 31, 2024, in the industrial electronics market. The increase in sales was partially offset with a decrease in the consumer electronics and medical/life science markets, compared to the same period in the prior fiscal year.

Costs of products sold

Cost of products sold increased $4,417,108, or 5.4%, to $85,992,928 (89.7% of net sales) for the three month period ended January 31, 2024, compared to $81,575,820 (88.0% of net sales) for the same period in the prior fiscal year. The increase in cost of products sold as a percentage of sales is primarily due to higher labor costs and other fixed manufacturing costs for the three month period ended January 31, 2024, than in the same period in the prior fiscal year. These cost increases reflect continuing inflationary pressures.

Gross profit margin

Gross profit margin was 10.3% of net sales, for the three month period ended January 31, 2024, compared to 12.0% for the same period in the prior fiscal year. The decrease in gross margins as a percentage of sales is primarily due to higher labor and other fixed manufacturing costs during the three month period ended January 31, 2024, compared to the same period in the prior fiscal year.

Selling and administrative expenses

Selling and administrative expenses increased $324,897, or 5.1% to $6,683,488 (7.0% of net sales) for the three month period ended January 31, 2024, compared to $6,358,591 (6.9% of net sales) for the same period in the prior fiscal year. The increase in selling and administrative expenses is primarily due to an increase in general insurance expense, partially offset with a decrease in other professional fees and bonus expense.

Interest expense, net

Interest expense, net, increased to $2,568,824 for the three month period ended January 31, 2024, compared to $2,406,137 for the same period in the prior fiscal year. The increase relates to increased interest rates, partially offset with a decrease debt levels during the three month period ended January 31, 2024.

Income tax benefit/expense

Income tax expense decreased $118,737 to an income tax expense of $77,736 for the three month period ended January 31, 2024, compared to an income tax expense of $196,473 for the same period in the prior fiscal year. The effective tax rate increased to 11.49% for the three month period ended January 31, 2024, compared to 6.79% for the same period in the prior fiscal year. The decrease in income tax expense for the three month period ended January 31, 2024 compared to the same period in the previous year is due to decreased taxable income in the current quarter compared to the same period in the previous year. The increase in effective tax rate is due to variations in income earned by jurisdiction.

Net income from continuing operations

Net income decreased $2,097,205, to $599,006 for the three month period ended January 31, 2024, compared to $2,696,211 for the same period in the prior fiscal year. The decreased net income primarily relates to higher labor and other fixed manufacturing costs and higher interest expense due to increased interest rates, partially offset by a decrease in bonus expense.

Net loss from discontinued operations

Net loss from discontinued operations was $25,773,875 for the three month period ended January 31, 2023. The net loss from discontinued operations consisted of operational losses from the Pet Tech Segment.

EMS Segment

The following table sets forth the Company's results of operations for the EMS Segment, including the percentage relationships of gross profit and expense items to net sales for the periods indicated:

	Three Months Ended	
	January 31, 2024	**January 31, 2023**
Net sales	$ 95,919,888	$ 92,736,725
Cost of products sold	85,992,928	81,575,820
As a percent of net sales	89.7%	88.0%
Gross profit	9,926,960	11,160,905
As a percent of net sales	10.3%	12.0%
Selling and administrative expenses	6,683,488	6,358,591
As a percent of net sales	7.0%	6.9%
Operating income	$ 3,243,472	$ 4,802,314

Net Sales

Net sales increased $3,183,163, or 3.4%, to $95,919,888 for the three month period ended January 31, 2024, compared to $92,736,725 for the same period in the prior fiscal year. The Company's sales increased for the three month period ended January 31, 2024, in the industrial electronics market. The increase in sales was partially offset with a decrease in the consumer electronics and medical/life science markets, compared to the same period in the prior fiscal year.

Costs of products sold

Cost of products sold increased $4,417,108, or 5.4%, to $85,992,928 (89.7% of net sales) for the three month period ended January 31, 2024, compared to $81,575,820 (88.0% of net sales) for the same period in the prior fiscal year. The increase in cost of products sold as a percentage of sales is primarily due to higher labor costs and other fixed manufacturing costs, primarily due to continued inflationary pressures, for the three month period ended January 31, 2024, than in the same period in the prior fiscal year.

Gross profit

Gross profit margin was 10.3% of net sales, for the three month period ended January 31, 2024, compared to 12.0% for the same period in the prior fiscal year. The decrease in gross margins as a percentage of sales is primarily due to higher labor and other fixed manufacturing costs during the three month period ended January 31, 2024, compared to the same period in the prior fiscal year.

Selling and administrative expenses

Selling and administrative expenses increased $324,897, or 5.1% to $6,683,488 (7.0% of net sales) for the three month period ended January 31, 2024, compared to $6,358,591 (6.9% of net sales) for the same period in the prior fiscal year. The increase in selling and administrative expenses is primarily due to an increase in general insurance expense, partially offset with a decrease in other professional fees and bonus expense.

Operating income

Operating income decreased $1,558,842, or 32.5%, to $3,243,472 (3.4% of net sales) for the three month period ended January 31, 2024, compared to operating income of $4,802,314 (5.2% of net sales) for the same period in the prior fiscal year. The decrease was primarily due to higher labor and other fixed manufacturing costs.

Pet Tech Segment

The Company sold the majority ownership interest in Wagz on April 28, 2023, effective as of April 1, 2023. The Company still owns 19 % of Wagz common stock as a passive investment as of January 31, 2024. However, the Company determined that due to financial uncertainty of Wagz after the Company's sale, the Wagz Loan was uncollectable and the 19% ownership interest was fully reserved, in each case as of April 30, 2023. The activity for fiscal 2023 has been classified as discontinued operations in the Consolidated Statements of Operations.

The following table sets forth the results of operations for the Pet Tech Segment, including the percentage relationships of gross profit and expense items to net sales for the periods indicated:

	Three Months Ended	
	January 31, 2024	**January 31, 2023**
Net sales	$ -	$ 483,028
Cost of products sold	-	617,596
As a percent of net sales	-	127.9%
Gross profit	-	(134,568)
As a percent of net sales	-	-27.9%
Selling and administrative expenses	-	2,795,785
As a percent of net sales	-	578.8%
Impairment of goodwill and other long-lived assets	-	23,096,771
Operating loss	$ -	$ (26,027,124)

Net sales

There were no sales for the three month period ended January 31, 2024 compared to $483,028 for the same period in the prior fiscal year. Sales for the prior period were primarily comprised of hardware and accessories, as well as recurring subscription revenue.

Cost of products sold

There were no cost of products sold for the three month period ended January 31, 2024, compared to $617,596 (127.9% of net sales) for the same period in the prior fiscal year.

Gross profit margin

There was no gross profit margin of net sales for the three month period ended January 31, 2024 compared to gross profit margin of -27.9% for the same period in the prior fiscal year.

Selling and administrative expenses

There were no selling and administrative expenses for the three month period ended January 31, 2024, compared to $2,795,785 for the same period in the prior fiscal year. Selling and administrative costs were primarily comprised of research and development costs for new products expected to have launched in fiscal 2024, selling and marketing expenses, as well as general and administrative expenses.

Impairment of goodwill and other long-lived assets

There was no impairment of goodwill and other long-lived assets for the three month period ended January 31, 2024 compared to a non-cash pre-tax goodwill and other long-lived assets impairment charge of $23,096,771 for the same period in the prior fiscal year.

Operating loss

There was no operating loss for the three month period ended January 31, 2024, compared to $26,027,124 for the same period in the prior fiscal year.

Consolidated Results

The following table sets forth the Company's consolidated results of operations, including the percentage relationships of gross profit and expense items to net sales for the periods indicated:

	Nine Months Ended January 31, 2024	Nine Months Ended January 31, 2023
Net sales	$ 292,741,928	$ 306,147,772
Cost of products sold	263,475,993	270,103,569
As a percent of net sales	90.0%	88.2%
Gross profit	29,265,935	36,044,203
As a percent of net sales	10.0%	11.8%
Selling and administrative expenses	20,139,927	19,394,529
As a percent of net sales	6.9%	6.3%
Operating income from continuing operations	9,126,008	16,649,674
Other income	27,224	568,137
Interest expense, net	(7,996,598)	(5,336,526)
Income before income taxes from continuing operations	1,156,634	11,881,285
Income tax benefit (expense)	(267,267)	(2,948,323)
Income from continuing operations	$ 889,367	$ 8,932,962
Discontinued operations:		
Loss before taxes from discontinued operations	-	(30,981,811)
Tax benefit for discontinued operations	-	1,219,732
Net loss from discontinued operations	-	(29,762,079)
Net income	$ 889,367	$ (20,829,117)

Net Sales

Net sales decreased $13,405,844, or 4.4%, to $292,741,928 for the nine month period ended January 31, 2024, compared to $306,147,772 for the same period in the prior fiscal year. The Federal Reserve has raised interest rates several times during the current and prior fiscal year, which has negatively affected customer demand in the consumer electronics markets, but has not had the same effect in the industrial electronics and medical/life science markets. As a result, the Company's sales decreased for the nine month period ended January 31, 2024, in the consumer electronics market and was partially offset with an increase in net sales in the industrial electronics markets and medical/life science market, compared to the same period in the prior fiscal year.

Costs of products sold

Cost of products sold decreased $6,627,576, or 2.5%, to $263,475,993 (90.0% of net sales) for the nine month period ended January 31, 2024, compared to $270,103,569 (88.2% of net sales) for the same period in the prior fiscal year. The increase in cost of products sold as a percentage of sales is primarily due to higher labor costs and other fixed manufacturing costs for the nine month period ended January 31, 2024, than in the same period in the prior fiscal year. These cost increases reflect continuing inflationary pressures.

Gross profit margin

Gross profit margin was 10.0% of net sales, for the nine month period ended January 31, 2024, compared to 11.8% for the same period in the prior fiscal year. The decrease in gross margins as a percentage of sales is primarily due to higher labor and other fixed manufacturing costs during the nine month period ended January 31, 2024, compared to the same period in the prior fiscal year.

Selling and administrative expenses

Selling and administrative expenses increased $745,398, or 3.8% to $20,139,927 (6.9% of net sales) for the nine month period ended January 31, 2024, compared to $19,394,529 (6.3% of net sales) for the same period in the prior fiscal year. The increase in selling and administrative expenses is primarily due to an increase in accounting fees, partially offset with a decrease in bonus expense.

Interest expense, net

Interest expense, net, increased to $7,996,598 for the nine month period ended January 31, 2024, compared to $5,336,526 for the same period in the prior fiscal year. The increase relates to increased interest rates for the nine month period ended January 31, 2024.

Income tax benefit/expense

Income tax expense decreased $2,681,056 to an income tax expense of $267,267 for the nine month period ended January 31, 2024, compared to an income tax expense of $2,948,323 for the same period in the prior fiscal year. The effective tax rate decreased to 23.10% for the nine month period ended January 31, 2024, compared to 24.81% for the same period in the prior fiscal year. The decrease in income tax expense for the nine month period ended January 31, 2024 compared to the same period in the previous year is due to decreased taxable income in the current year compared to the same period in the previous year. The decrease in effective tax rate is due to variations in income earned by jurisdiction.

Net income from continuing operations

Net income decreased $8,043,595, to $889,367 for the nine month period ended January 31, 2024, compared to $8,932,962 for the same period in the prior fiscal year. The decreased net income primarily relates to lower sales, higher interest expense due to increased interest rates, partially offset by a decrease in bonus expense.

Net loss from discontinued operations

Net loss from discontinued operations was $29,762,079 for the nine month period ended January 31, 2023. The net loss from discontinued operations consisted of operational losses from the Pet Tech Segment.

EMS Segment

The following table sets forth the Company's results of operations for the EMS Segment, including the percentage relationships of gross profit and expense items to net sales for the periods indicated:

	Nine Months Ended	
	January 31, 2024	**January 31, 2023**
Net sales	$ 292,741,928	$ 306,147,772
Cost of products sold	263,475,993	270,103,569
As a percent of net sales	90.0%	88.2%
Gross profit	29,265,935	36,044,203
As a percent of net sales	10.0%	11.8%
Selling and administrative expenses	20,139,927	19,394,529
As a percent of net sales	6.9%	6.3%
Operating income	$ 9,126,008	$ 16,649,674

Net Sales

Net sales decreased $13,405,844, or 4.4%, to $292,741,928 for the nine month period ended January 31, 2024, compared to $306,147,772 for the same period in the prior fiscal year. The Federal Reserve has raised interest rates several times during the current and prior fiscal year, which has negatively affected customer demand in the consumer electronics markets, but has not had the same effect in the industrial electronics and medical/life science markets. As a result, the Company's sales decreased for the nine month period ended January 31, 2024, in the consumer electronics market and was partially offset with an increase in net sales in the industrial electronics markets and medical/life science market, compared to the same period in the prior fiscal year.

Costs of products sold

Cost of products sold decreased $6,627,576, or 2.5%, to $263,475,993 (90.0% of net sales) for the nine month period ended January 31, 2024, compared to $270,103,569 (88.2% of net sales) for the same period in the prior fiscal year. The increase in cost of products sold as a percentage of sales is primarily due to higher labor costs and other fixed manufacturing costs, primarily due to continued inflationary pressures, for the nine month period ended January 31, 2024, than in the same period in the prior fiscal year.

Gross profit margin

Gross profit margin was 10.0% of net sales, for the nine month period ended January 31, 2024, compared to 11.8% for the same period in the prior fiscal year. The decrease in gross margins as a percentage of sales is primarily due to higher labor and other fixed manufacturing costs during the nine month period ended January 31, 2024, compared to the same period in the prior fiscal year.

Selling and administrative expenses

Selling and administrative expenses increased $745,398, or 3.8% to $20,139,927 (6.9% of net sales) for the nine month period ended January 31, 2024, compared to $19,394,529 (6.3% of net sales) for the same period in the prior fiscal year. The increase in selling and administrative expenses is primarily due to an increase in accounting fees, partially offset with a decrease in bonus expense.

Operating income

Operating income decreased $7,523,666, or 45.2%, to $9,126,008 (3.1% of net sales) for the nine month period ended January 31, 2024, compared to $16,649,674 (5.4% of net sales) for the same period in the prior fiscal year. The decrease was primarily due to lower sales and higher labor and other fixed manufacturing costs.

Pet Tech Segment

The Company sold the majority ownership interest in Wagz on April 28, 2023, effective as of April 1, 2023. The Company still owns 19% of Wagz common stock as a passive investment as of January 31, 2024. However, the Company determined that due to financial uncertainty of Wagz after the Company's sale, the Wagz Loan was uncollectable and the 19% ownership interest was fully reserved, in each case as of April 30, 2023. The activity for fiscal 2023 has been classified as discontinued operations in the Consolidated Statements of Operations.

The following table sets forth the results of operations for the Pet Tech Segment, including the percentage relationships of gross profit and expense items to net sales for the periods indicated:

	Nine Months Ended	
	January 31, 2024	**January 31, 2023**
Net sales	$ -	$ 1,321,580
Cost of products sold	-	1,340,398
As a percent of net sales	-	101.4%
Gross profit	-	(18,818)
As a percent of net sales	-	-1.4%
Selling and administrative expenses	-	7,866,222
As a percent of net sales	-	595.2%
Impairment of goodwill and other long-lived assets	-	23,096,771
Operating loss	$ -	$ (30,981,811)

Net sales

There were no sales for the nine month period ended January 31, 2024 compared to $1,321,580 for the same period in the prior fiscal year. Sales for the prior period were primarily comprised of hardware and accessories, as well as recurring subscription revenue.

Cost of products sold

There were no cost of products sold for the nine month period ended January 31, 2024, compared to $1,340,398 (101.4% of net sales) for the same period in the prior fiscal year.

Gross profit margin

There was no gross profit margin of net sales for the nine month period ended January 31, 2024 compared to gross profit margin of -1.4% for the same period in the prior fiscal year.

Selling and administrative expenses

There were no selling and administrative expenses for the six month period ended January 31, 2024, compared to $7,866,222 for the same period in the prior fiscal year. Selling and administrative costs were primarily comprised of research and development costs for new products expected to have launched in fiscal 2024, selling and marketing expenses, as well as general and administrative expenses.

Impairment of goodwill and other long-lived assets

There was no impairment of goodwill and other long-lived assets for the nine month period ended January 31, 2024 compared to a non-cash pre-tax goodwill and other long-lived assets impairment charge of $23,096,771 for the same period in the prior fiscal year.

Operating loss

There was no operating loss for the nine month period ended January 31, 2024, compared to $30,981,811 for the same period in the prior fiscal year.

Liquidity and Capital Resources:

Operating Activities.

Cash flow provided by operating activities from continuing operations was $16,837,855 for the nine months ended January 31, 2024, compared to cash flow used in operating activities of $4,553,329 for the same period in the prior fiscal year. Cash flow provided by operating activities from continuing operations was primarily the result of a decrease in inventory in the amount of $30,072,373, an increase in customer deposits in the amount of $6,159,254 and a decrease in accounts receivable in the amount of $3,799,187. Cash flow from operating activities from continuing operations was offset by a decrease in accounts payable in the amount of $17,063,059, an increase in prepaid expenses and other assets in the amount of $5,066,931 and a decrease in deferred revenue in the amount of $4,922,855. The decrease in inventory is the result of improvement in the component marketplace which has allowed the Company to complete assemblies for shipping. The decrease in accounts payable is a result of lower accounts payable balances due to lower volumes and the timing of payments during the nine months ended January 31, 2024, as compared to the same period in the prior year.

Cash flow used in operating activities from continuing operations was $27,650,100 for the nine months ended January 31, 2023. Cash flow used in operating activities was primarily the result of an increase in inventory in the amount of $11,879,569 and a decrease in accounts payable in the amount of $27,574,938. Cash flow from operating activities was offset by net income of $8,932,962 and a decrease in prepaid expenses and other assets in the amount of $2,540,263.

Investing Activities.

Cash used in investing activities from continuing operations was $1,672,441 for the nine months ended January 31, 2024. During the first nine months of fiscal year 2024, the Company purchased $1,672,441 in machinery and equipment to be used in the ordinary course of business. The Company anticipates future purchases of machinery and equipment will be funded by lease transactions. However, there is no assurance that the Company will be able to obtain funding for leases at acceptable terms, if at all, in the future.

Cash used in investing activities from continuing operations was $1,467,072 for the nine months ended January 31, 2023. During the first nine months of fiscal year 2023, the Company purchased $1,521,993 in machinery and equipment used in the ordinary course of business.

Financing Activities.

Cash used in financing activities from continuing operations of $12,267,545 for the nine months ended January 31, 2024, was primarily the result of net payments under the line of credit and term loan agreement.

Cash provided by financing activities from continuing operations of $33,967,070 for the nine months ended January 31, 2023, was primarily the result of net borrowings under the line of credit and term loan agreement.

Liquidity from Discontinued Operations

During the nine months ended January 31, 2023, cash used in discontinued operations from operating activities was $6,332,848, primarily related to Pet Tech Segment operations. During the nine months ended January 31, 2023, cash used in investing activities primarily for capital expenditures was $98,964.

Financing Summary.

Notes Payable – Secured lenders

On January 29, 2021, the Company entered into a Credit Agreement (the “JPM Agreement”) with JPMorgan Chase Bank, N.A. (“Lender” or “JPM”), pursuant to which Lender provided the Company with a secured credit facility consisting of a revolving loan facility and a term loan facility (collectively, the “Facility”).

On July 18, 2022, SigmaTron, Wagz and Lender amended and restated the JPM Agreement by entering into an Amended and Restated Credit Agreement (as so amended and restated, the “JPM Credit Agreement”). Wagz and its property were released from the JPM Credit Agreement, effective April 1, 2023, pursuant to the JPM Waiver (as defined below) effective as of April 1, 2023. The Facility, as amended, allows the Company to borrow on a revolving basis up to the lesser of (i) $70,000,000 or (ii) an amount equal to a percentage of the eligible receivable borrowing base plus a percentage of the inventory borrowing base minus any reserves established by Lender (the “Revolving Commitment”). The maturity date of the Facility is July 18, 2027. Deferred financing costs of $202,616 and $332,139 were capitalized during the nine month period ended January 31, 2024 and during the fiscal year ended April 30, 2023, respectively, which are amortized over the term of the JPM Credit Agreement. As of January 31, 2024, there was $40,123,858 outstanding and $13,025,430 of unused availability under the revolving loan facility compared to an outstanding balance of $51,134,699 and $11,539,183 of unused availability at April 30, 2023. As of January 31, 2024 and April 30, 2023, the unamortized amount offset against outstanding debt was $639,453 and $572,191, respectively.

Under the JPM Credit Agreement, a minimum Fixed Charge Coverage Ratio ("FCCR") financial covenant of 1.10x is applicable only during an FCCR trigger period which occurs when (a) commencing on the Effective Date (as defined in the JPM Credit Agreement) and ending when the Term Loan Obligations (as defined in the JPM Credit Agreement) have been paid in full and (b) following the payment in full of the Term Loan Obligations, (i) an event of default (as defined in the JPM Credit Agreement) has occurred and is continuing, and Lender has elected to impose a FCCR trigger period upon notice to the Company or (ii) availability falls below the greater of (y) 10% of the Revolving Commitment and (z) the outstanding principal amount of the term loans. In addition, prior to the amendment to the JPM Credit Agreement pursuant to the JPM Waiver (as discussed below under "*Waiver, Consent and Amendment to Credit Agreements*"), the JPM Credit Agreement imposed a financial covenant that required the Company maintain a leverage ratio of Total Debt to EBITDA (each as defined in the JPM Credit Agreement) for any twelve month period ending on the last day of a fiscal quarter through the maturity of the revolving Facility not to exceed a certain amount, which ratio (a) ranged from 5.00-to-1 for fiscal quarters beginning with the fiscal quarter ending on January 31, 2023 to 3.00-to-1 for the fiscal quarter ending on July 31, 2026 (if the Term Loan Borrowing Base Coverage Ratio (as defined in the JPM Credit Agreement) as of the end of the applicable fiscal quarter is less than or equal to 1.50-to-1) and (b) ranged from 5.50-to-1 for the fiscal quarter ending on January 31, 2023 to 4.00-to-1 for the fiscal quarters beginning with the fiscal quarter ending on July 31, 2026 (if the Term Loan Borrowing Base Coverage Ratio as of the end of the applicable fiscal quarter is greater than 1.50-to-1).

In addition, the JPM Credit Agreement imposes a cash dominion period if there is an event of default or if availability is less than 10% of the Revolving Commitment, and such requirement continues until there is no event of default and availability is greater than 10% of the Revolving Commitment, in each case for 30 consecutive days. Based on this criteria, the total debt balances for the Facility were required to be classified as a current liability on the Consolidated Balance Sheet at April 30, 2023.

In connection with the entry into the JPM Credit Agreement, Lender and TCW Asset Management Company LLC, as administrative agent under the Term Loan Agreement (as defined below), entered into the Intercreditor Agreement, dated July 18, 2022, and acknowledged by SigmaTron and Wagz (the "ICA"), to set forth and govern the lenders' respective lien priorities, rights and remedies under the JPM Credit Agreement and the Term Loan Agreement.

The Facility under the JPM Credit agreement is secured by: (a) a first priority security interest in SigmaTron's (i) accounts receivable and inventory (excluding Term Priority Mexican Inventory (as defined in the ICA) and certain inventory in transit, (ii) deposit accounts, (iii) proceeds of business interruption insurance that constitute ABL BI Insurance Share (as defined in the ICA), (iv) certain other property, including payment intangibles, instruments, equipment, software and hardware and similar systems, books and records, to the extent related to the foregoing, and (v) all proceeds of the foregoing, in each case, now owned or hereafter acquired (collectively, the "ABL Priority Collateral"); and (b) a second priority security interest in Term Priority Collateral (as defined below) other than (i) real estate and (ii) the equity interests of SigmaTron's foreign subsidiaries (unless such a pledge is requested by Lender).

On July 18, 2022, SigmaTron, Wagz and TCW Asset Management Company LLC, as administrative agent (the "Agent"), and other Lenders party thereto (collectively, the "TCW Lenders" and together with the Agent, "TCW") entered into a Credit Agreement (the "Term Loan Agreement") pursuant to which TCW made a term loan to the Company in the principal amount of $40,000,000 (the "TCW Term Loan"). Wagz and its property were released from the Term Loan Agreement, effective April 1, 2023, pursuant to the TCW Waiver (as defined below) effective as of April 1, 2023. The TCW Term Loan bears interest at a rate per annum based on SOFR, plus the Applicable Margin of 7.50% (each as defined in the Term Loan Agreement). The TCW Term Loan has a SOFR floor of 1.00%. The maturity date of the TCW Term Loan is July 18, 2027. The amount outstanding as of January 31, 2024, was $39,083,301 compared to an outstanding balance of $39,833,301 at April 30, 2023. Deferred financing costs of $183,469 and $1,233,894 were capitalized during the nine month period ended January 31, 2024 and fiscal year ended April 30, 2023, respectively. As of January 31, 2024 and April 30, 2023, the unamortized amount offset against outstanding debt was $1,009,347 and $1,036,367, respectively.

The Term Loan Agreement imposes financial covenants, including covenants requiring the Company to maintain a minimum Fixed Charge Coverage Ratio (as defined in the Term Loan Agreement) of 1.10-to-1 and maintain the same leverage ratio of Total Debt to EBITDA as described above under the JPM Credit Agreement. The Company is required to make quarterly repayments of the principal amount of the TCW Term Loan in amounts equal to $250,000 per fiscal quarter for the quarters beginning October 31, 2022 and $500,000 per fiscal quarter for quarters beginning October 31, 2024. The Term Loan Agreement also requires mandatory annual repayments equal to 50% of Excess Cash Flow (as defined in the Term Loan Agreement).

The TCW Term Loan is secured by: (a) a first priority security interest in all property of SigmaTron that does not constitute ABL Priority Collateral, which includes: (i) SigmaTron's real estate other than SigmaTron's Del Rio, Texas, warehouses, (ii) SigmaTron's machinery, equipment and fixtures (but excluding ABL Priority Equipment (as defined in the ICA)), (iii) the Term Priority Mexican Inventory (as defined in the ICA), (iv) SigmaTron's stock in its direct and indirect subsidiaries, (v) SigmaTron's general intangibles (excluding any that constitute ABL Priority Collateral), goodwill and intellectual property, (vi) the proceeds of business interruption insurance that constitute Term BI Insurance Share (as defined in the ICA), (vii) tax refunds, and (viii) all proceeds thereof, in each case, now owned or hereafter acquired (collectively, the "Term Priority Collateral"); and (b) a second priority security interest in all collateral that constitutes ABL Priority Collateral. Also, SigmaTron's three Mexican subsidiaries pledged all of their assets as security for the TCW Term Loan.

Waiver, Consent and Amendment to Credit Agreements

On March 2, 2023, the Company received notices of default from both JPM and TCW. The Notices indicated the occurrence of certain events of default under the JPM Credit Agreement and the Term Loan Agreement (together with the JPM Credit Agreement the "Credit Agreements"). In addition, the Company received a delinquency notification letter from Nasdaq indicating that the Company was not in compliance with the continued listing requirements of Nasdaq for failing to timely file the Company's Form 10-Q for the fiscal quarter ended January 31, 2023. This notification also constituted a default under the Credit Agreements. The Nasdaq delinquency was remedied on May 19, 2023.

The JPM Notice indicated that the Lender was informed of the occurrence of events of defaults and the continuation thereof under the JPM Credit Agreement as a result of the Company's failure to maintain a FCCR for the twelve month period ended January 31, 2023 of at least 1.10x as required under the JPM Credit Agreement (the "JPM Covenant Defaults").

The TCW Notice indicated that Agent and TCW Lenders were informed of the occurrence of events of default and the continuation thereof under the Term Loan Agreement (described below) as a result of the Company permitting the Total Debt to EBITDA Ratio for the twelve month period ended on January 31, 2023 to be greater than 5.00:1.00 in violation of the Term Loan Agreement and the Company's failure to maintain FCCR as required under the JPM Credit Agreement (the "TCW Covenant Defaults" and together with the JPM Covenant Defaults, the "Defaults").

As a result of the Defaults, the Company was not in compliance with its financial covenants under the Credit Agreements as of January 31, 2023. Due to the Notices received on March 2, 2023, from each of JPM and TCW, the total debt balances for both the Facility and the TCW Term Loan had been classified as a current liability on the Condensed Consolidated Balance Sheet as of January 31, 2023.

On April 28, 2023, the Company entered into (i) a Waiver, Consent and Amendment No. 1 to the JPM Credit Agreement ("JPM Waiver") with Wagz and JPM, as lender, which waived certain events of default under and amended certain terms of the JPM Credit Agreement and (ii) a Waiver, Consent and Amendment No. 1 to the Credit Agreement ("TCW Waiver" and together with the JPM Waiver, the "Waivers") with Wagz and TCW (collectively with JPM, the "Lender Parties"), which waived certain events of default under and amended certain terms of the Term Loan Agreement. The Company was in compliance with its revised financial covenants under the Credit Agreements as of January 31, 2024.

Pursuant to the Waivers, the Company has agreed, among other things, to (i) if requested by the Agent, effect a corporate restructuring that would create a new holding company structure to own all of the Company's stock through a merger pursuant to Section 251(g) of the General Corporation Law of the State of Delaware, after which the holding company would continue as the public company, become a guarantor under the Credit Agreements and pledge to the Lender Parties all of the equity of the Company (the "Corporate Restructuring"), (ii) engage a financial advisor to review certain of the Company's financial reporting to JPM and the Agent and participate in weekly conference calls with the advisor, JPM and the Agent to discuss and provide updates on the Company's liquidity and operations, (iii) extend the Wagz Loan, (iv) pay to JPM an amendment fee in the amount of $70,000, paid in cash, and (v) pay to the TCW Lenders an amendment fee of $395,000 and a default rate fee of $188,301, both of which were paid in kind by being added to the principal of the TCW Term Loan. The Company engaged a financial advisor in April 2023 and developed cashflow modeling tools. The financial advisor engagement was completed in September 2023.

The Waivers also amended the Credit Agreements to, among other things, (x) require that the Company maintain a minimum of $2.5 million in revolver availability under the JPM Credit Agreement, (y) modify the definition of EBITDA to allow adjustments to account for Wagz operating losses, impairment charges relating to the write-down of the Wagz business, the Wagz Loan and net assets of the Company and Wagz, and expenses relating to the Waivers, the Company's sale of the majority ownership interest in Wagz under the SPA, and (z) modify the existing Total Debt to EBITDA Ratios (as defined in the Credit Agreements) as follows:

Fiscal Quarter	Total Debt to EBITDA Ratio* (as amended)	Total Debt to EBITDA Ratio* (prior to amendment)
October 31,2023	4.50:1.0	4.25:1.0
January 31, 2024	4.50:1.0	4.00:1.0
April 30, 2024	4.50:1.0	4.00:1.0
July 31, 2024	4.25:1.0	3.75:1.0
October 31, 2024	4.00:1.0	3.75:1.0

* Assumes the Term Loan Borrowing Base Coverage Ratio (as defined in the Term Loan Agreement) is less than or equal to 1.50:1.0.

The Company was in compliance with its revised financial covenants under the Credit Agreements as of January 31, 2024.

In addition, during the PIK Period (defined in the Term Loan Agreement), pursuant to the TCW Waiver, if the Total Debt to EBITDA Ratio for the trailing twelve month period as of the end of a third fiscal quarter exceeds the ratios that were in effect prior to the amendment (as set forth in the far right column of the table above) for that fiscal quarter, then the Applicable Margin under the Term Loan Agreement in respect of the outstanding TCW Term Loan would increase by an amount equal to 1.0% per annum for the fiscal quarter, with such interest being paid in kind. Furthermore, the JPM Waiver modified the definition of Applicable Margin from a fixed amount equal to 2.00% to an amount that varies from 2.00% (for revolver availability greater than or equal to $20.0 million), to 2.50% (for revolver availability greater than or equal to $10.0 million), to 3.00% (for revolver availability less than $10.0 million), and fixed the Applicable Margin at 3.00% for six months starting April 1, 2023.

In exchange for such agreements, the Lender Parties waived all of the existing events of default under the Credit Agreements through March 31, 2023, consented to the sale of Wagz and released Wagz and its property and the Company's 81% ownership interest in Wagz that was sold to Buyer (as disclosed above) from the lien of the Lender Parties.

In connection with the Waivers, the Company exited its active involvement in the Pet Tech business that is conducted by Wagz through the sale by the Company of the majority ownership interest in Wagz, effective as of April 1, 2023.

On June 15, 2023, the Company entered into (i) Amendment No. 2 to the Credit Agreement (the "JPM Amendment No. 2") by and among the Company and Lender, with respect to the JPM Credit Agreement and (ii) Amendment No. 2 to the Credit Agreement ("TCW Amendment No. 2") by and among the Company and TCW with respect to the Term Loan Agreement. The JPM Amendment No. 2 and TCW Amendment No. 2 (together, the "Amendments") amended the Credit Agreements to extend the date, from May 31, 2023 to July 31, 2023, after which the Agent may request that the Company effect the Corporate Restructuring.

On March 15, 2019, the Company's wholly-owned foreign enterprise, Wujiang SigmaTron Electronic Technology Co., Ltd., entered into a credit facility with China Construction Bank. On January 26, 2021, the agreement was amended and expired in accordance with its terms on January 6, 2022. On January 17, 2022, the agreement was renewed, and expired in accordance with its terms on December 23, 2022. On February 17, 2023, the agreement was renewed, and is scheduled to expire on February

7, 2024. Under the agreement Wujiang SigmaTron Electronic Technology Co., Ltd. can borrow up to 10,000,000 Renminbi, approximately $1,410,000 as of January 31, 2024, and the facility is collateralized by Wujiang SigmaTron Electronics Co., Ltd.'s manufacturing building. Interest is payable monthly and the facility bears a fixed interest rate of 3.35% per annum. There was no outstanding balance under the facility at January 31, 2024 and April 30, 2023.

Notes Payable – Buildings

The Company entered into a mortgage agreement on March 3, 2020, in the amount of $556,000, with The Bank and Trust SSB to finance the purchase of the property that serves as the Company's warehousing and distribution center in Del Rio, Texas. The note requires the Company to pay monthly installment payments in the amount of $6,103. Interest accrues at a fixed rate of 5.75% per year until March 3, 2025, and adjusts thereafter, on an annual basis, equal to 1.0% over the Prime Rate as published by The Wall Street Journal. The note is payable over a 120 month period. The outstanding balance was $379,487 and $417,143 at January 31, 2024 and April 30, 2023, respectively.

Notes Payable – Equipment

The Company routinely entered into secured note agreements with Engencap Fin S.A. DE C.V. to finance the purchase of equipment. The terms of the outstanding secured note agreement, which had a fixed interest rate of 8.00% per annum, matured on May 1, 2023, and the final quarterly installment payment of $9,310 was paid.

The Company routinely enters into secured note agreements with FGI Equipment Finance LLC to finance the purchase of equipment. The terms of the outstanding secured note agreements mature from March 2025 through January 2029, with quarterly installment payments ranging from $10,723 to $69,439 and a fixed interest rate ranging from 8.25% to 12.00% per annum.

Finance Lease Obligations

The Company enters into various finance lease agreements. The terms of the outstanding lease agreements mature through September 1, 2027, with monthly installment payments ranging from $2,874 to $33,706 and a fixed interest rate ranging from 7.09% to 12.73% per annum.

Other

The Company provides funds for salaries, wages, overhead and capital expenditure items as necessary to operate its wholly-owned Mexican, Vietnamese and Chinese subsidiaries and the Taiwan IPO. The Company provides funding in U.S. Dollars, which are exchanged for Pesos, Dong, Renminbi, and New Taiwan dollars. The fluctuation of currencies from time to time, without an equal or greater increase in inflation, could have a material impact on the financial results of the Company. The impact of currency fluctuations for the nine month period ended January 31, 2024, resulted in net foreign currency transaction losses of $512,885 compared to net foreign currency losses of $602,313 for the same period in the prior year. During the nine months of fiscal year 2024, the Company paid approximately $47,560,000 to its foreign subsidiaries for manufacturing services. All intercompany balances have been eliminated upon consolidation.

The Company has not changed its plans to indefinitely reinvest the earnings of the Company's foreign subsidiaries. The cumulative amount of unremitted earnings for which U.S. income taxes have not been recorded is $17,531,000 as of January 31, 2024.

The Company anticipates that its credit facilities, expected future cash flow from operations and leasing resources are adequate to meet its working capital requirements and fund capital expenditures for the next 12 months. However, in the event customers delay orders or future payments are not made timely, the Company desires to expand its operations, its business grows more rapidly than expected, or the current economic climate deteriorates, additional financing resources may be necessary. There is no assurance that the Company will be able to obtain equity or debt financing at acceptable terms, or at all, in the future. There is no assurance that the Company will be able to retain or renew its credit agreements in the future, or that any retention or renewal will be on the same terms as currently exist.

The impact of inflation and the continuing global supply chain disruptions in the electronic component marketplace have continued to be challenging. The Company has certain customers that have lowered their demand, while others remain strong. The Company expects this uncertainty to remain short term as it expects customer requirements to pick up in the first half of fiscal 2025. The Company has seen modest improvements to the supply chain challenges that it has experienced over the last 3 years. The Company expects these challenges to continue to improve for fiscal 2024, based on what is known at this time.

Item 3. Quantitative and Qualitative Disclosures About Market Risks.

As a smaller reporting company, as defined in Item 10(f)(1) of Regulation S-K under the Exchange Act, the Company is not required to provide the information required by this item pursuant to Item 305(e) of Regulation S-K.

Item 4. Controls and Procedures.

Disclosure Controls:

The Company's management, including its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rules 13a-15(e) and 15(d)-15(e) thereunder) as of January 31, 2024. The Company's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and its Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of January 31, 2024.

Internal Controls:

There has been no change in the Company's internal control over financial reporting during the nine months ended January 31, 2024, that has materially affected or is reasonably likely to materially affect its internal control over financial reporting. The Company's internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with U.S. GAAP.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time the Company is involved in legal proceedings, claims, or investigations that are incidental to the Company's business. In future periods, the Company could be subjected to cash cost or non-cash charges to earnings if any of these matters are resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information the Company does not expect these legal proceedings or claims will have any material adverse impact on its future consolidated financial position, results of operations or cash flows.

Item 1A. Risk Factors.

There have been no material changes to the Company's risk factors since the filing of the Company's annual report on Form 10-K for the fiscal year ended April 30, 2023.

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

None.

Item 3. Defaults Upon Senior Securities.

None beyond what was previously disclosed.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. **Exhibits.**

31.1	Certification of Principal Executive Officer of the Company Pursuant to Rule 13a-14(a) under the Exchange Act, as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
31.2	Certification of Principal Financial Officer of the Company Pursuant to Rule 13a-14(a) under the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
32.1	Certification by the Principal Executive Officer of SigmaTron International, Inc. Pursuant to Rule 13a-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
32.2	Certification by the Principal Financial Officer of SigmaTron International, Inc. Pursuant to Rule 13a-14(b) under the Exchange Act and Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).
101.INS	Inline XBRL Instance Document (the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)

SIGNATURES:

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

SIGMATRON INTERNATIONAL, INC.

/s/ Gary R. Fairhead	March 11, 2024
Gary R. Fairhead CEO (Principal Executive Officer)	Date
/s/ James J. Reiman	March 11, 2024
James J. Reiman Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer and Principal Accounting Officer)	Date

EXHIBIT 31.1

**Certification of Principal Executive Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(a) under the Exchange Act,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Gary R. Fairhead, Chief Executive Officer of SigmaTron International, Inc., certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of SigmaTron International, Inc. for the quarter ended January 31, 2024 (this “report”);

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 controls 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 11, 2024

/s/ Gary R. Fairhead
Gary R. Fairhead
Chief Executive Officer of
SigmaTron International, Inc.

SigmaTron International, Inc.
January 31, 2024

EXHIBIT 31.2

Certification of Principal Financial Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(a) under the Exchange Act,
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James J. Reiman, Chief Financial Officer, Secretary and Treasurer of SigmaTron International, Inc., certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of SigmaTron International, Inc. for the quarter ended January 31, 2024 (this “report”);

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 controls 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 11, 2024

/s/ James J. Reiman

James J. Reiman
Chief Financial Officer, Secretary and
Treasurer of SigmaTron International, Inc.

EXHIBIT 32.1

Certification by the Principal Executive Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(b) under the Exchange Act and
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

I, Gary R. Fairhead, am Chief Executive Officer of SigmaTron International, Inc. (the "Company").

This certification is being furnished pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2024 (the "Report").

I hereby certify that to the best of my knowledge:

(a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act (15 U.S.C. 78 m(a) or 78o(d)); and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 11, 2024

/s/ Gary R. Fairhead
Gary R. Fairhead
Chief Executive Officer of
SigmaTron International, Inc.

EXHIBIT 32.2

Certification by the Principal Financial Officer of
SigmaTron International, Inc.
Pursuant to Rule 13a-14(b) under the Exchange Act and
Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350)

I, James J. Reiman, am Chief Financial Officer, Secretary and Treasurer of SigmaTron International, Inc. (the "Company").

This certification is being furnished pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Company's Quarterly Report on Form 10-Q for the quarter ended January 31, 2024 (the "Report").

I hereby certify that to the best of my knowledge:

(a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act (15 U.S.C. 78 m(a) or 78o(d)); and

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 11, 2024

/s/ James J. Reiman
James J. Reiman
Chief Financial Officer, Secretary and
Treasurer of SigmaTron International, Inc.