



CPM Holdings, Inc. and Subsidiaries

**Consolidated Financial Statements
September 30, 2025 and 2024**

CPM Holdings, Inc. and Subsidiaries

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September 30, 2025 and 2024

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Report of Independent Auditors

To the Board of Directors and Management of
CPM Holdings, Inc.

Opinion

We have audited the accompanying consolidated financial statements of CPM Holdings, Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of September 30, 2025 and 2024, and the related consolidated statements of operations, comprehensive loss, changes in stockholder's deficit and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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





Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

PricewaterhouseCoopers LLP

January 9, 2026

CPM Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
Years Ended September 30, 2025 and 2024

<i>(dollars in thousands, except per share information)</i>	2025	2024
Assets		
Current assets		
Cash and cash equivalents	\$ 19,977	\$ 21,018
Restricted customer deposits	2,696	1,282
Accounts receivable, net	76,681	93,220
Inventories	130,449	127,528
Contract assets	19,898	23,490
Prepaid expenses and other current assets	44,161	37,591
Total current assets	293,862	304,129
Property, plant and equipment, net	104,808	85,008
Lease right-of-use asset	27,122	31,277
Goodwill	700,274	663,455
Other intangibles, net	363,091	367,587
Other assets	2,083	2,768
Deferred taxes	233	572
Total assets	\$ 1,491,473	\$ 1,454,796
Liabilities and Stockholder's Deficit		
Current liabilities		
Current portion of long-term debt	\$ 12,150	\$ 13,973
Current portion of lease liability	3,057	3,792
Accounts payable	83,705	72,030
Accrued expenses	49,766	41,512
Customer progress payments	45,378	45,102
Contract liabilities	56,409	95,311
Total current liabilities	250,465	271,720
Long-term debt, less current portion	1,158,731	1,167,514
Lease liability, less current portion	24,977	28,378
Deferred taxes	71,452	74,644
Other liabilities	5,915	7,510
Total liabilities	1,511,540	1,549,766
Commitments and contingencies (Note 8)	-	-
Stockholder's deficit		
Common stock, \$.01 par value, authorized shares 1,000; shares issued and outstanding 100 as of September 30, 2025, and 2024, respectively		
Additional paid-in capital	724,872	614,375
Accumulated deficit	(710,904)	(671,005)
Accumulated other comprehensive loss	(34,035)	(38,340)
Total stockholder's deficit	(20,067)	(94,970)
Total liabilities and stockholder's deficit	\$ 1,491,473	\$ 1,454,796

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

CPM Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
Years Ended September 30, 2025 and 2024

<i>(dollars in thousands)</i>	2025	2024
Net sales	\$ 697,058	\$ 647,030
Cost of goods sold	<u>433,509</u>	<u>397,667</u>
Gross profit	<u>263,549</u>	<u>249,363</u>
Operating expenses		
Selling, general and administrative expenses	131,585	104,780
Amortization expense	43,425	42,515
Management fees	<u>2,066</u>	<u>2,154</u>
Total operating expenses	<u>177,076</u>	<u>149,449</u>
Income from operations	<u>86,473</u>	<u>99,914</u>
Other expense (income)		
Interest expense	116,543	132,459
Interest income	<u>(301)</u>	<u>(551)</u>
Total other expense	<u>116,242</u>	<u>131,908</u>
Loss before income taxes	(29,769)	(31,994)
Income tax expense	<u>10,130</u>	<u>3,061</u>
Net loss	<u>\$ (39,899)</u>	<u>\$ (35,055)</u>

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

CPM Holdings, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Loss
Years Ended September 30, 2025 and 2024

<i>(dollars in thousands)</i>	2025	2024
Net loss	\$ (39,899)	\$ (35,055)
Other comprehensive loss		
Foreign currency translation adjustments (net of income tax of \$742 and \$221)	<u>4,305</u>	<u>16,936</u>
Comprehensive loss	<u>\$ (35,594)</u>	<u>\$ (18,119)</u>

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

CPM Holdings, Inc. and Subsidiaries
Consolidated Statements of Changes in Stockholder's Deficit
Years Ended September 30, 2025 and 2024

<i>(dollars in thousands)</i>	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Stockholder's Deficit
	Shares	Amount				
Balances at September 30, 2023	100	\$ -	\$ 608,838	\$ (635,950)	\$ (55,276)	\$ (82,388)
Stock-based compensation	-	-	5,478	-	-	5,478
Capital contributions	-	-	250	-	-	250
Repurchase of member units	-	-	(191)	-	-	(191)
Net loss	-	-	-	(35,055)	-	(35,055)
Foreign currency translation adjustments	-	-	-	-	16,936	16,936
Balances at September 30, 2024	100	-	614,375	(671,005)	(38,340)	(94,970)
Stock-based compensation	-	-	1,497	-	-	1,497
Capital contributions	-	-	109,000	-	-	109,000
Net loss	-	-	-	(39,899)	-	(39,899)
Foreign currency translation adjustments	-	-	-	-	4,305	4,305
Balances at September 30, 2025	100	\$ -	\$ 724,872	\$ (710,904)	\$ (34,035)	\$ (20,067)

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

CPM Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended September 30, 2025 and 2024

(dollars in thousands)

	2025	2024
Cash flows from operating activities		
Net loss	\$ (39,899)	\$ (35,055)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization of property, plant and equipment	18,437	14,199
Amortization of intangible assets	43,425	42,515
Amortization of original issue discount and debt issuance costs	6,383	5,873
Noncash lease expense	21	122
Stock-based compensation expense	1,497	5,478
Provision for bad debts	1,196	918
(Gain)/loss on disposals of property, plant and equipment	1,291	(1,918)
Loss on disposal of investment in subsidiaries	438	-
Change in interest rate swap	1,925	15,012
Deferred income tax benefit	(16,240)	(16,256)
Foreign currency exchange loss (gain)	584	(13,797)
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	20,074	16,058
Inventories	8,067	2,790
Contract assets	3,945	12,720
Prepaid expenses and other current assets	(9,339)	5,275
Accounts payable	9,845	(4,527)
Accrued expenses and other liabilities	8,097	(22,279)
Customer progress payments	(1,579)	(8,673)
Contract liabilities	(38,310)	(9,601)
Net cash provided by operating activities	<u>19,858</u>	<u>8,854</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(11,587)	(16,037)
Proceeds on sales of property, plant and equipment	1,805	2,953
Proceeds on disposal of investment in subsidiaries	1,000	-
Acquisition of Jacobs, net of cash acquired	(102,521)	-
Acquisition of Graf, net of cash acquired	-	(4,080)
Net cash used in investing activities	<u>(111,303)</u>	<u>(17,164)</u>

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

CPM Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended September 30, 2025 and 2024

<i>(dollars in thousands)</i>	2025	2024
Cash flows from financing activities		
Payments of long-term debt	(12,257)	(9,354)
Proceeds from revolving debt	165,547	116,512
Payments of revolving debt	(170,267)	(113,488)
Repayment of equity investment	-	(191)
Proceeds from capital contributions	109,000	250
Payments of accrued deferred purchase price	-	1,220
Net cash provided by financing activities	<u>92,023</u>	<u>(5,051)</u>
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	<u>(205)</u>	<u>(3,106)</u>
Net decrease in cash, cash equivalents and restricted cash	373	(16,467)
Cash, cash equivalents and restricted cash		
Beginning of year	<u>22,300</u>	<u>38,767</u>
End of year	<u>\$ 22,673</u>	<u>\$ 22,300</u>
Reconciliation of cash and restricted cash reported in the statement of cash flows		
Cash	\$ 19,977	\$ 21,018
Restricted customer deposits	<u>2,696</u>	<u>1,282</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 22,673</u>	<u>\$ 22,300</u>
Supplemental information		
Cash paid for interest	\$ 107,971	\$ 102,229
Cash paid for taxes (net of refunds)	14,465	23,004
Noncash investing transaction		
Acquisition of Graf, accrued contingent deferred purchase price	\$ -	\$ 2,128

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

CPM Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

1. Description of Business

CPM Holdings, Inc. (the “Company” or “CPM”) is engaged in the design, production and marketing of high-quality, efficient, durable process systems, equipment and after-market parts and services. CPM manufactures and sells process equipment and parts to the agricultural, food producing/processing, plastics compounding, two-piece beverage container, industrial griddle and other industries. CPM sells engineered process systems consisting of engineering services, design and layout services along with outsourced process equipment for the oilseed processing, biodiesel and edible oil refining and other industries.

Operations are worldwide and include production and sales facilities in the United States, Canada, the Netherlands, United Kingdom, Germany, Italy, Singapore, Taiwan, China, Brazil and Argentina.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash equivalents consist of short-term investments with an original maturity of three months or less at the time of purchase. The Company maintains cash deposits with major banks which from time to time may exceed federally insured limits. The Company periodically assesses the financial institutions and believes that the risk of any loss is minimal.

Restricted Customer Deposits

Approximately \$2,696 and \$1,282 of cash of the Company’s subsidiaries in Europe, Asia and North America is restricted at September 30, 2025 and 2024, respectively. This primarily represents deposits made by customers on orders being manufactured. Generally, the cash restriction is removed when the order is shipped.

Accounts Receivable and Concentration of Credit Risk

Concentrations of credit risk with respect to trade receivables are limited due to the number of customers and their geographical dispersion. The Company performs initial and ongoing credit evaluations of its customers, generally does not require collateral, and maintains allowances for potential credit losses. The allowance is an estimate and is regularly evaluated by the Company for adequacy. The establishment of allowance for credit losses and related bad debt expense is based on historical loss experience, credit quality of the customer base, age of the receivable balances, both individually and in the aggregate, current economic conditions that may affect a customer’s ability to pay, estimated exposure on specific trade receivables and supportable forecasts not already reflected in the historical loss information. If the financial condition of the Company’s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventories

Inventories consist of finished goods, work in process and raw materials, and are stated at the lower of cost or net realizable value with cost determined on the first-in, first-out (“FIFO”) method. The establishment of write downs for excess and obsolete inventories is based on historical usage and estimated exposure on specific inventory items.

CPM Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

Property, Plant and Equipment

Property, plant and equipment is stated at cost or at its fair value when acquired as part of a business combination. Depreciation is computed by using the straight-line method over the estimated remaining useful lives of the assets ranging from 3 to 20 years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

Property, plant and equipment are subject to depreciation having been assigned an estimated useful life as follows:

Buildings and improvements	20 years
Machinery and equipment	3 to 7 years
Furniture and fixtures	5 to 7 years

Expenditures for maintenance and repairs and minor renewals and betterments which do not improve or extend the life of the respective assets are expensed as incurred. All other expenditures for renewals and betterments are capitalized. The assets and related depreciation and amortization accounts are adjusted for property retirements and disposals with the resulting gain or loss included in operations.

Leases

Leases are accounted for using a right-of-use model that requires a lessee to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. The Company determines if an arrangement is a lease at inception. Lease right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease right-of-use assets and lease liabilities for leases are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Company uses the Treasury Risk-Free Rate of Return. Lease right-of-use assets also include any lease payments made at or before the lease commencement date and are reduced by any lease incentives received. The Company's lease terms may include options to extend or not terminate the lease when it is reasonably certain that it will exercise any such options. For the majority of its leases, the Company concluded that it is not reasonably certain that any renewal options would be exercised, and therefore, the amounts are not recognized as part of lease right-of-use assets and lease liabilities. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets. Lease expense is recognized on a straight-line basis over the expected lease term.

The Company's most significant leases are real estate leases and office space. Only the lease components are included in the measurement of the lease right-of-use assets and related lease liabilities.

Fixed lease expense payments are recognized on a straight-line basis over the lease term. Variable lease payments vary because of changes in facts or circumstances occurring after the commencement date, other than the passage of time. Certain of the Company's operating lease agreements include variable payments that are passed through by the landlord, such as insurance, taxes, common area maintenance, and payments based on the usage of the asset. Variable payments are expensed as incurred.

CPM Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

The Company's lease agreements do not contain material residual value guarantees, restrictions, or covenants.

Intangible Assets

Identifiable finite-lived intangible assets consist of trademarks, developed technology, customer relationships and other intangible assets which were purchased independently or recorded as part of acquisitions. These intangible assets are being amortized over their estimated useful lives using straight-line or accelerated amortization methods to reflect an appropriate allocation of the costs of the intangible assets to earnings in proportion to the amount of economic benefits obtained by the Company in each reporting period. Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable or realized.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the related asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset (or asset group). If the asset (or asset group) is determined to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset (or asset group) exceeds its fair value.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. Goodwill is not amortized, but is tested for impairment at the reporting unit level annually or at the time of a triggering event. The Company has the option to first assess qualitative factors to determine whether the quantitative impairment test is necessary. If the qualitative assessment indicates that it is not more likely than not that the goodwill is impaired, further testing is unnecessary. If the qualitative assessment indicates that it is more likely than not that goodwill is impaired, the Company then performs a quantitative test to compare the reporting unit's fair value with its carrying amount, including goodwill. The Company performed the goodwill asset impairment testing during 2025 and 2024 and no impairment was noted.

If a quantitative impairment analysis is necessary, carrying value is compared to fair value as determined from a combination of income and market based approaches. The income approach utilizes estimates of discounted cash flows, which requires assumptions of, among other things, the Company's expected long-term revenue trends, as well as estimates of profitability, changes in working capital and long-term discount rates, all of which require significant judgment. The income approach also requires the use of appropriate discount rates that take into account the current risks of the capital markets. The market approach applies comparative market multiples derived from the historical earnings data of selected guideline publicly-traded companies to the Company's business to yield a second assuming value. The guideline companies are first screened by industry group and then further narrowed based on the Company's business descriptions, markets served, competitors, profitability, and revenue size.

Original Issue Discount and Debt Issuance Costs

Debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with original issue discounts. Amortization is recognized under the effective interest or straight-line methods depending on the type of financing which the debt issuance costs relate.

CPM Holdings, Inc. and Subsidiaries
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Warranties

The Company warrants its process machines and other specialty equipment for a period of one year after delivery of the product. An accrual of estimated warranty costs for open agreements is included in accrued expenses in the accompanying consolidated balance sheets. The estimate of warranty costs is based upon prior experience with similar products.

	2025	2024
Accrued warranties		
Beginning of period	\$ 2,965	\$ 4,511
Settlements made	(866)	(3,315)
Change in liability related to product warranties issued	<u>845</u>	<u>1,769</u>
End of period	<u>\$ 2,944</u>	<u>\$ 2,965</u>

Revenue Recognition

The Company recognizes revenue in accordance with specific contract terms with its customers. The Company considers signed contracts as evidence of an arrangement. Customer arrangements typically include the right to terminate their contract. However, the majority of contracts contain provisions that require payment for all services rendered to date, even those services that have not yet been billed. Additionally, certain of the products or services related to these contracts are customer-specific, and therefore have no alternative use. As such, revenue related to these contracts is recognized over time. There are certain arrangements for which the product may be re-purposed and sold to another customer in the event of a contract termination. As such, these contracts are considered to have an alternative use. Revenue from these arrangements is recognized at a point in time when the transfer of control occurs, generally based on shipping terms.

The amount of revenue recognized by the Company reflects the expected consideration to be received for providing the goods or services to the customer, which includes estimates for variable consideration. Variable consideration includes allowances for credits related to nonconforming goods and certain discounts that may be provided to customers. Estimates of variable consideration are determined at contract inception and reassessed at each reporting date, at a minimum, to reflect any changes in facts and circumstances. The Company utilizes the expected value method in determining its estimates of variable consideration, based on evaluations of specific product and customer circumstances, historical and anticipated trends, and current economic conditions.

The Company has adopted the practical expedient to treat shipping and handling costs as fulfillment costs.

The Company has also applied the practical expedient to recognize incremental costs of obtaining a contract as an expense when incurred as the amortization period of the asset that otherwise would have been recognized is typically one year or less.

CPM Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2025 and 2024

The Company's disaggregated revenue streams are as follows:

	2025	2024
Timing of revenue recognition		
Transferred at a point in time	\$ 443,887	\$ 378,567
Transferred over time	<u>253,171</u>	<u>268,463</u>
Net sales	<u>\$ 697,058</u>	<u>\$ 647,030</u>

The Company recognizes revenue from no alternative use contracts over time. The Company enters into arrangements with its customers for specialized equipment that is designed, engineered and fabricated to customer specification on the Company's premises. Additionally, the customer may order parts that are fabricated specifically for the piece of equipment manufactured for that customer. Due to the precise nature of the manufacturing process that is specific to each customer request, these parts have no alternative use. These arrangements entitle the Company to consideration for progress to date, including a normal profit margin, as the Company completes the performance obligation of manufacturing the product. As such, revenues from the manufacturing of equipment are recognized over time utilizing an input method that best describes progress to date, such as milestones achieved, or costs incurred to date as a percentage of total estimated costs, depending on the nature of the arrangement. Losses on these arrangements are recognized in full at the time the amount of the loss becomes evident. Commissioning or start-up services may be included in these arrangements, on a time and material basis, to get the completed machinery operating as intended. Revenue from the services provided in these arrangements are recognized over time, using an input method such as costs incurred. These arrangements include two performance obligations; 1) the equipment (including the specialized parts) and 2) commissioning or start-up services.

The Company recognizes revenue from standardized equipment and parts that have an alternative use at a point in time. The Company enters into certain arrangements to manufacture a standardized base model of equipment that is configured or enhanced with standard add-on parts to customer specifications. The equipment in these arrangements may be re-purposed and sold to another customer by changing the configuration or removing the standardized add-on parts without a significant impact to the profit margin. Additionally, the customer may request standardized spare parts in addition to equipment on their order. Revenue from this type of arrangement is recognized at a point in time, when control is transferred to the customer, generally based on shipping terms. Commissioning or start-up services may be included in these arrangements, on a time and material basis, to get the completed machinery operating as intended. Revenue from the services provided in these arrangements are recognized over time, using an input method such as hours completed. These arrangements include three performance obligations; 1) the equipment, 2) standardized parts that may be sold in addition to the equipment and 3) start-up or commissioning services.

Contract Balances

Contract assets are rights to consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. Once the Company has an unconditional right to consideration under a contract, amounts are invoiced and contract assets are reclassified to accounts receivable. The Company's primary contract assets relate to costs and estimated earnings in excess of billings on uncompleted contracts. These amounts are expected to be invoiced and collected in the next 12 months.

CPM Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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Contract liabilities are recorded when a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional, before the transfer of a good or service to the customer and thus represent the Company's obligation to transfer the good or service to the customer at a future date. The Company's primary contract liabilities relate to billings in excess of costs and estimated earnings on uncompleted contracts. In addition, the Company has contract liabilities for customer progress payments that are separately disclosed on the consolidated balance sheet. In certain contractual arrangements, the Company invoices the customer prior to satisfying a performance obligation, resulting in billings in excess of costs and estimated earnings on uncompleted contracts and customer progress payments. These balances are expected to be recognized within the next 12 months as the performance obligations are satisfied.

Stock-Based Compensation: Service Based Vesting

Stock-based compensation associated with the issuance of stock options to employees is recognized as an expense on a straight-line basis in the consolidated statements of operations based on the fair value of the awards computed at the date of grant and the estimated number of shares expected to vest over the related vesting period.

The Black-Scholes model requires the use of exercise behavior data and the use of a number of assumptions including volatility of the stock price, the weighted average risk-free interest rate, the dividend rate and the weighted average expected life of the options. The Company estimates grant date fair value using the Black-Scholes option pricing model, which incorporates the following assumptions:

Expected Term

The expected life of options granted to employees is based on the vesting term and the anticipated holding period.

Risk-Free Interest Rate

The risk-free interest rate assumption is based upon observed interest rates on the grant date of zero coupon U.S. Treasury bonds whose maturity period is appropriate for the term of the Company's stock options.

Expected Volatility

The volatility assumption was calculated using management's best estimate and is based on volatility rates of comparable companies in the Company's industry sector.

Expected Dividend

The Black-Scholes option pricing model calls for a single expected dividend yield as an input.

The Company normally does not pay dividends. Any dividends paid are discretionary in nature and the Company does not expect to pay dividends in the foreseeable future.

Forfeitures

The Company has elected to recognize the impact of forfeitures in the period incurred.

Stock-Based Compensation: Performance Based Vesting

Employee share-based compensation relating to performance-based awards vest according to a performance condition, which is a change in control, sale or liquidation of the Company. The Company estimates grant date fair value using a Monte Carlo simulation but does not recognize expense in the consolidated financial statements until the performance condition is probable of occurrence.

CPM Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

Advertising

The Company expenses advertising costs as incurred. Advertising expense was \$1,286 and \$1,069 during the years ended September 30, 2025 and 2024, respectively.

Income Taxes

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. All deferred tax assets and liabilities, along with any related valuation allowance, are classified as noncurrent on the balance sheet. Deferred tax assets and liabilities are not netted against each other except within a single jurisdiction, therefore each jurisdiction contains one net noncurrent deferred tax asset or liability. Interest and penalties on uncertain tax positions, to the extent they exist, are included in the Company's provision for income taxes. The provision for income taxes represents the current tax expense for the period and the change during the period in deferred tax assets and liabilities.

Comprehensive Loss

Comprehensive income for the Company includes net income and foreign currency translation adjustments that are charged or credited to comprehensive income. The related amounts are presented in the consolidated statements of comprehensive income.

Accumulated other comprehensive loss includes cumulative foreign currency translation adjustments, net of tax and are included in the consolidated statements of changes in stockholder's deficit.

Foreign Currency

The accounts of foreign operations are measured using local currency as the functional currency. Accordingly, assets and liabilities are translated into U.S. dollars at the end of period exchange rates and income and expenses are translated at average exchange rates. Net adjustments resulting from such translation are included in other comprehensive income on the consolidated statements of comprehensive income and accumulated as a separate component of accumulated other comprehensive loss included in the consolidated statements of changes in stockholder's deficit.

Certain foreign currency denominated transactions of the Company are subject to exchange rate fluctuations. The aggregate foreign currency exchange (loss) gain included in net loss was \$(584) and \$13,797 for the years ended September 30, 2025 and 2024, respectively, and is included in Selling, general and administrative expenses in the Consolidated statement of operations

Derivative Instruments

The Company has entered into an interest rate collar to limit exposure to fluctuations in interest rates. This contract is not designated as a hedge. The contract is marked-to-market each period and gains and losses are recognized in interest expense.

CPM Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

Fair Value Measurements

Authoritative accounting guidance provides a framework for measuring fair value and establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company measured its interest rate collar instrument at September 30, 2025 and 2024 at fair value on a recurring basis using Level 2 inputs. The Company records assets and liabilities acquired in connection with an acquisition at fair value.

The Company considers that the carrying amount of financial instruments, including accounts receivable, accounts payable and accrued liabilities, approximates fair value due to their short maturities.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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. Actual results could differ from those estimates.

Subsequent Events

We evaluated subsequent events through January 9, 2026, the date our consolidated financial statements were available to be issued.

We have determined there were no subsequent events which require recognition or disclosure in these consolidated financial statements.

3. Selected Consolidated Financial Statement Information

Accounts Receivable, Net

	2025	2024
Accounts receivable	\$ 79,958	\$ 95,356
Less: Allowance for credit losses	<u>(3,277)</u>	<u>(2,136)</u>
	<u>\$ 76,681</u>	<u>\$ 93,220</u>

CPM Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2025 and 2024

Inventories

	2025	2024
Raw materials	\$ 15,576	\$ 14,309
Work-in-process	19,519	17,715
Finished goods	<u>95,354</u>	<u>95,504</u>
	<u>\$ 130,449</u>	<u>\$ 127,528</u>

Contracts in Progress

	2025	2024
Costs incurred on uncompleted contracts	\$ 277,171	\$ 319,235
Estimated earnings on uncompleted contracts	223,419	254,850
Less: Billings on contracts in progress	<u>(537,101)</u>	<u>(645,906)</u>
	<u>\$ (36,511)</u>	<u>\$ (71,821)</u>

These amounts are included in the consolidated financial statements as follows:

	2025	2024
Contract assets	\$ 19,898	\$ 23,490
Contract liabilities	<u>(56,409)</u>	<u>(95,311)</u>
	<u>\$ (36,511)</u>	<u>\$ (71,821)</u>

Property, Plant and Equipment, Net

	2025	2024
Land	\$ 6,361	\$ 5,899
Buildings and improvements	29,254	22,442
Machinery and equipment	108,117	101,678
Furniture and fixtures	4,187	3,685
Less: Accumulated depreciation and amortization	<u>(43,111)</u>	<u>(48,696)</u>
	<u>\$ 104,808</u>	<u>\$ 85,008</u>

Goodwill

	2025	2024
Beginning of period	\$ 663,455	\$ 641,243
Acquisitions	33,422	6,388
Foreign currency translation adjustments	<u>3,397</u>	<u>15,824</u>
End of period	<u>\$ 700,274</u>	<u>\$ 663,455</u>

CPM Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2025 and 2024

Other Intangibles, Net

	2025		
	Cost	Accumulated Amortization	Net
Trademarks	\$ 147,854	\$ 49,034	\$ 98,820
Customer relationships	432,873	209,066	223,807
Developed technology	69,094	31,110	37,984
Other	8,422	5,942	2,480
Other intangibles, net	<u>\$ 658,243</u>	<u>\$ 295,152</u>	<u>\$ 363,091</u>
	2024		
	Cost	Accumulated Amortization	Net
Trademarks	\$ 146,051	\$ 40,768	\$ 105,283
Customer relationships	395,328	177,205	218,123
Developed technology	68,550	26,052	42,498
Other	6,384	4,701	1,683
Other intangibles, net	<u>\$ 616,313</u>	<u>\$ 248,726</u>	<u>\$ 367,587</u>

Intangible assets subject to amortization have been assigned an estimated finite useful life as follows:

Trademarks	20 years
Customer relationships	5 to 20 years
Developed technology	10 to 20 years

Total amortization expense related to intangible assets was \$43,425 and \$42,515 for the years ended September 30, 2025 and 2024, respectively. The weighted average remaining useful life of other intangibles was 13.17 years and 14.21 years at September 30, 2025 and 2024, respectively.

At September 30, 2025, future estimated amortization will be:

Fiscal Year	
2026	\$ 39,498
2027	34,220
2028	32,551
2029	30,402
2030	28,388
Thereafter	<u>198,032</u>
	<u>\$ 363,091</u>

CPM Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2025 and 2024

Actual amortization amounts may change from such estimated amounts due to additional intangible asset acquisitions, potential impairments, accelerated amortization or other events.

Accrued Expenses

	2025	2024
Employee payroll, benefits and payroll taxes	\$ 15,548	\$ 14,073
Interest	8,443	8,180
Commissions	3,292	2,462
Warranties	2,944	2,965
VAT and sales taxes payable	1,788	4,466
Income tax payable	8,185	-
Other	9,566	9,366
	<u>\$ 49,766</u>	<u>\$ 41,512</u>

4. Acquisitions

On December 13, 2024, the Company purchased Jacobs Corporation (Jacobs) for \$104,682 including an initial cash payment of \$104,682. Jacobs is a manufacturer of pellet mill dies, roller shells, and roller replacement parts for the feed and biomass industries. The acquisition was funded through a capital contribution of \$109,000. Jacobs compliments the Company's existing pelleting and grinding equipment portfolio. The Jacobs results have been included in the Company's results of operations since the date of acquisition.

Cash and cash equivalents	\$ 2,161
Accounts receivable	5,244
Inventories	9,940
Prepaid expenses and other current assets	1,237
Property, plant and equipment	31,979
Trademarks	700
Customer relationships	34,600
Goodwill	33,422
Other assets	1,050
Accounts payable	(1,586)
Accrued expenses	(1,483)
Customer progress payments	(270)
Deferred taxes	(12,312)
	<u>\$ 104,682</u>

CPM Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2025 and 2024

On May 31, 2024, the Company purchased Graf Equipment GmbH for \$6,208 including an initial cash payment of \$4,080 and accrued contingent deferred purchase price of \$2,128. Graf is a manufacturer of technologies and services for alternative energy and biomass. The acquisition was funded by existing cash and compliments the Company's existing biomass technology portfolio. The Graf results have been included in the Company's results of operations since the date of acquisition.

Cash and cash equivalents	\$	16
Inventories		482
Prepaid expenses and other current assets		27
Property, plant and equipment		88
Goodwill		6,388
Accounts payable		(151)
Accrued expenses		(103)
Other liabilities		(539)
	<u>\$</u>	<u>6,208</u>

5. Debt

The Company's debt at September 30, 2025 and 2024 consists of the following:

	2025	2024
First lien term loan	\$ 1,193,737	\$ 1,205,888
Other long term debt	-	4,838
Unamortized original issue discount and debt issuance costs	<u>(22,856)</u>	<u>(29,239)</u>
	1,170,881	1,181,487
Less: Amounts due within one year	<u>(12,150)</u>	<u>(13,973)</u>
	<u>\$ 1,158,731</u>	<u>\$ 1,167,514</u>

2023 First Lien Credit Agreement

In September 2023, the Company entered into a first lien credit agreement ("First Lien Credit Agreement") with certain financial institutions. The First Lien Credit Agreement includes an initial term loan with an original principal amount of \$1,215,000. Principal payments of \$3,038 are due on the last day of each calendar quarter throughout the remaining life of the loans. The outstanding principle balance is due upon maturity on September 28, 2028. The first lien credit agreement also provides for a revolving credit facility ("Revolver") of up to \$100,000 in aggregate, consisting of a revolving credit loan, letters of credit in a face amount not to exceed \$15,000 in aggregate, and swing line loans in the principal amount not to exceed \$10,000. The swing line loans are sub-facilities of the revolving credit facility used for daily fluctuations on borrowings. As of September 30, 2025, there were \$0 borrowings and \$289 of letters of credit outstanding under the first lien revolving credit facility, therefore credit available for borrowing was \$99,711 on September 30, 2025. The Revolver credit agreement expires on June 29, 2028.

CPM Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2025 and 2024

At the Company's option, the interest rate on borrowings under the First Lien Credit Agreement is elected periodically as Alternate Base Rate borrowings, bearing interest at a rate equal to the greater of (a) the federal funds effective rate (5.33% at September 30, 2023) plus 0.50%, (b) the prime rate (8.5% at September 30, 2023), (c) the one-month term SOFR rate (5.31% at September 30, 2023) plus 1.00%; or (d) 3.50%; or Term SOFR borrowings, bearing interest at the greater of (a) the applicable SOFR rate for the elected interest period, or (b) 0.50%. Interest is payable in arrears on the last day of each elected interest period relating to such loan, but not to exceed three months. With respect to the initial term loans, under the First Lien Credit Agreement, an applicable margin of 3.50% is added to Alternate Base Rate borrowings if the total first lien leverage ratio is greater than or equal to 4.25 to 1 and an applicable margin of 3.25% is added to Alternate Base Rate borrowings if the total first lien leverage ratio is less than or equal to 4.25 to 1 and an applicable margin of 4.50% is added to Term SOFR borrowings if the total first lien leverage ratio is greater than or equal to 4.25 to 1 and an applicable margin of 4.25% is added to Term SOFR borrowings if the total first lien leverage ratio is less than or equal to 4.25 to 1.

In conjunction with the First Lien Credit Agreement, the Company capitalized debt issuance costs and original issue discounts of \$35,113. Debt issuance costs and original issue discounts, net of accumulated amortization, was \$22,856 at September 30, 2025 and are being amortized using the effective interest method over the term of the debt. Debt issuance costs consisted of legal, accounting and deal fees directly related to the agreements. Net proceeds from the borrowings were used to refinance the existing 2018 first and second lien credit agreements and fund dividends paid to unit holders.

The First Lien Credit Agreement is collateralized by a security interest in substantially all of the Company's tangible and intangible assets in the United States. The First Lien Credit Agreements are also guaranteed by substantially all direct and indirect domestic subsidiaries of the Company.

The First Lien Credit Agreement provides for mandatory prepayments without penalty if certain conditions are met such as incurrence of certain additional indebtedness, disposition of certain assets, and based on excess cash flow as defined by the credit agreements. No such payments were required at September 20, 2024.

The First Lien Credit Agreement is subject to certain customary covenants and restrictions such as on the issuance of certain additional indebtedness, the payment of dividends or entering into certain merger or acquisitions as defined in detail in the credit agreements. In addition, the borrowings specifically related to the Revolver are subject to a total leverage ratio test when borrowing exceeds \$35,000 on the last day of a test period.

The aggregate annual maturities of long-term debt and the revolving line of credit subsequent to September 30, 2025 are as follows:

Years Ending September 30,	
2026	\$ 12,150
2027	12,150
2028	12,150
2029	12,150
2030	12,150
Thereafter	<u>1,110,131</u>
Total maturities	<u>\$ 1,170,881</u>

CPM Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

Interest Rate Collar

The Company has interest rate collar agreements associated with its credit agreements. As a result of the agreements, the Company will receive variable-rate amounts if the designated interest rates rise above the cap strike rate on the contracts and pay variable-rate amounts if the designated interest rates fall below the floor strike rate on the contracts. The principal objective of such arrangements is to minimize the risks and/or costs associated with the Company's operating and financial structure. The Company does not intend to utilize derivatives for speculative or other purposes other than interest rate risk management. The interest rate collar agreements are recorded at fair market value and the related loss of \$2,572 and loss of \$15,012 was recorded in interest expense during the years ended September 30, 2025 and 2024, respectively. The fair value of the agreements was \$(67) and \$1,857 on September 30, 2025 and 2024, respectively, and is included on the balance sheet in other assets.

European Credit Facility

The Company's subsidiaries located in Europe have a bank credit facility (the "Facility"). At September 30, 2025, the aggregate amount of the facility was \$27,004 (€23,000) which includes a revolving credit facility of up to \$5,871 (€5,000) that may also be used for conditional obligations, and a bank guarantee facility in an aggregate amount of up to \$21,134 (€18,000). The facility expires on January 31, 2026. At September 30, 2025, there were \$0 borrowings and \$12,570 of bank guarantees outstanding under the facility, therefore credit available for borrowing was \$8,564.

Borrowings bear interest at a rate equal to the 1-month EURIBOR (1.93% at September 30, 2025) plus 3.25%. Interest payments are due monthly. Commitment fees on the revolving credit facility are equal to 1.6% per year on the nonutilized portion of the revolving credit facility and are due monthly.

The bank guarantee facility provides for contingent obligations such as bank guarantees, letters of credit, or similar obligations to be opened at the request of the borrower. A bank guarantee fee will be charged upon normal market rates and terms.

Borrowings under the Facility are collateralized by a mortgage on real estate of CPM Europe B.V. and a pledge of all present and future receivables, inventory and machinery and equipment of CPM Europe B.V. Borrowings under the Facility are subject to certain financial and nonfinancial covenants including an absolute EBITDA test calculated on the financial results of the subsidiaries covered under the Facility.

CPM Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2025 and 2024

6. Income Taxes

The reconciliation between the Company's effective income tax rate and the U.S. statutory rate are as follows:

	Years Ended September 30,	
	2025	2024
Statutory U.S. federal income tax rate	\$ (6,230)	\$ (6,719)
State income taxes, net of U.S. federal income tax	1,257	(270)
Partnership loss with no tax benefits	-	-
Meals and entertainment and other nondeductible expenses	142	225
Current year federal and state R&D credits	(989)	(679)
Change in valuation allowance	15,064	8,705
Uncertain tax positions	(85)	(352)
Nontaxable foreign currency gain	699	556
Impact of foreign earnings	478	1,565
Other	(206)	30
	<u>\$ 10,130</u>	<u>\$ 3,061</u>

Components of the income tax expense (benefit) are as follows:

	Years Ended September 30,	
	2025	2024
Current		
Federal	\$ 15,446	\$ 12,691
State	975	748
Foreign	9,949	5,878
Total current expense	<u>26,370</u>	<u>19,317</u>
Deferred		
Federal	(11,883)	(18,035)
State	(504)	(976)
Foreign	(3,853)	2,755
Total deferred benefit	<u>(16,240)</u>	<u>(16,256)</u>
	<u>\$ 10,130</u>	<u>\$ 3,061</u>

CPM Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2025 and 2024

Components of the deferred tax assets and liabilities at September 30, 2025 and 2024, consist of the following:

	2025	2024
Deferred tax assets		
Allowance for doubtful accounts	\$ 140	\$ 100
Inventories	2,246	2,523
Accrued expenses	1,719	1,213
Lease liability	6,815	6,819
Stock compensation	3,509	3,109
Interest expense	41,384	27,379
Less: Valuation allowance on interest expense	(19,973)	(6,356)
Interest rate collar	-	334
Section 174 expenses	6,005	3,847
Tax deductible transaction costs	1,446	1,600
Net operating losses	6,090	5,832
Less: Valuation allowance on net operating losses	(4,989)	(4,794)
Tax credits	7,998	7,313
Less: Valuation allowance on tax credits	(7,947)	(7,313)
Total deferred tax assets	<u>44,443</u>	<u>41,606</u>
Deferred tax liabilities		
Goodwill and intangible assets	(88,829)	(88,479)
Property, plant and equipment	(17,339)	(15,643)
Lease right-of-use asset	(6,619)	(6,627)
Withholding tax on future foreign earnings repatriation	(1,592)	(1,659)
Other	(1,283)	(3,270)
Total deferred tax liabilities	<u>(115,662)</u>	<u>(115,678)</u>
Net deferred tax liabilities	<u>\$ (71,219)</u>	<u>\$ (74,072)</u>

Income before income taxes are as follows:

	Years Ended September 30,	
	2025	2024
United States	\$ (60,811)	\$ (74,318)
Foreign	<u>31,042</u>	<u>42,324</u>
	<u>\$ (29,769)</u>	<u>\$ (31,994)</u>

CPM Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2025 and 2024

The Company has net operating loss carryforwards and deferred tax assets which can be used to offset future U.S. federal and state and foreign income tax liabilities. At September 30, 2025, the tax effected net operating losses total \$0, \$868 and \$5,841 for federal, state and foreign purposes, respectively. The Company has a tax effected deferred tax asset of \$41,384 for the currently nondeductible interest expense of which a valuation allowance of \$13,617 was recorded in the current year. The Company has carryforwards of \$7,947 of tax effected federal credits which can be used to offset future U.S. tax liabilities. These credits generally begin expiring in 2030.

The Company considers both positive and negative evidence in determining whether a valuation allowance is required. The Company has provided valuation allowances against net operating loss carryforwards in the Argentina, Germany, China, Italy, Taiwan and Thailand and foreign tax credit carryforwards as their utilization is uncertain. The Company continues to record a valuation allowance on a portion of the currently nondeductible interest expense. The Company recorded the valuation allowance for interest expense based on the future reversals of the existing deferred tax liabilities in generating future taxable income.

The Company concluded an audit with the California Franchise Tax Board during fiscal year 2025. The Company has not been notified of any additional income tax audits through the date our consolidated financial statements were available to be issued. The Company is potentially subject to income tax examinations for the fiscal years 2022, 2023, 2024 and 2025.

The Company recognizes the financial statement effect of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The total unrecognized tax benefit recorded at September 30, 2025 and 2024 is \$989 and \$1,074, respectively.

7. Right of Use Asset and Lease Liability

The Company has operating leases for various real and personal property. Some leases include renewal options at the Company's discretion, which we have not considered in the determination of the right-of-use assets and lease liabilities unless it is reasonably certain that we will exercise. The Company has elected to apply the short-term lease exemption to leases with an initial term of 12 months or less and these leases are not capitalized.

As of September 30, 2025, operating lease liability of \$28,034 (current portion \$3,057) was recorded in the balance sheet. The weighted-average operating lease term at September 30, 2025 was 7.48 years. The weighted-average operating lease discount rate was 4.14% at September 30, 2025. The operating leases identified do not specify implicit rates, accordingly, the Company uses the risk-free rate at the time of lease inception to determine the present value of lease payments.

Future minimum rental payments under operating lease commitments are as follows:

2026	\$	4,791
2027		4,132
2028		3,419
2029		2,880
2030		2,774
Thereafter		<u>19,801</u>
Total minimum lease payments	\$	<u>37,797</u>

CPM Holdings, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

September 30, 2025 and 2024

Rent expense for leases totaled \$7,860 and \$6,707 for the fiscal year ending September 30, 2025 and 2024, respectively.

8. Commitments and Contingencies

Litigation

The Company is involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

9. Stock Option Plan

The Company has a 2018 Stock Option Plan (the "Plan") under which service-based and performance-based options to purchase stock of the Company may be awarded to employees. The Plan has a change of control provision, whereby both the service-based and performance-based options vest immediately upon a change of control transaction, as defined in the Plan. A total of 535,700 shares of the Company's common stock have been reserved for issuance under the Plan. Shares supporting option exercises are sourced from new share issuances. The exercise price is based upon the fair value of the common stock on the date of grant as determined by the Board of Directors, and all options have a 10-year contractual life. Service-based options become exercisable at a rate of 20.00% annually for five years starting on the first anniversary of the date of grant. The vesting of performance-based options is contingent upon continuous employment and achieving certain returns on investment upon a change of control, sale or liquidation of the Company. An employee's unvested options are forfeited when employment is terminated. At September 30, 2025 there were 479,445 options outstanding under this plan, 222,325 of which were service-based and 257,120 of which were performance based.

Unit option activity for the periods was as follows:

CPM Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2025 and 2024

	Options		Weighted Average Exercise Price Per Share
	Available	Outstanding	
Balances at September 30, 2023	52,372	483,335	\$ 92.80
Granted	(48,650)	48,650	137.43
Exercised	-	-	-
Expired	-	-	-
Forfeited	<u>37,325</u>	<u>(37,325)</u>	54.89
Balances at September 30, 2024	41,047	494,660	57.44
Granted	(109,000)	109,000	90.32
Exercised	-	-	-
Expired	-	-	-
Forfeited	<u>124,215</u>	<u>(124,215)</u>	71.76
Balances at September 30, 2025	<u>56,262</u>	<u>479,445</u>	\$ 61.20
Options exercisable at September 30, 2025	<u>-</u>	<u>187,592</u>	\$ 59.99

At September 30, 2025 the outstanding options had exercise prices of \$35.00 - \$312.79 per unit and a weighted average remaining contractual life of 5.08 years. The weighted average remaining contractual life on currently exercisable options was 4.52 years at September 30, 2025. The aggregate intrinsic value of a unit award is the amount by which the market value of the underlying unit exceeds the exercise price of the award. The aggregate intrinsic value for outstanding options at September 30, 2025 and 2024 was \$12,627 and \$19,323, respectively. The aggregate intrinsic value for exercisable options was \$5,909 and \$7,260 at September 30, 2025 and 2024, respectively.

The estimated fair value of options is recognized on a straight-line basis over the service period for service-based option grants. During the years ended September 30, 2025 and 2024, the Company recognized \$1,497 and \$5,478, respectively, of unit-based compensation expense. Unit compensation expense was included in selling, general and administrative expenses in the consolidated statements of operations related to the service-based options. At September 30, 2025 and 2024, the unrecognized compensation costs related to the service-based options was \$1,427 and \$2,505, respectively, and unrecognized compensation costs related to the performance-based options was \$10,041 and \$9,500, respectively.

10. Employee Benefit Plans

The Company has a 401(k) and other benefit plans covering substantially all full-time U.S. employees and certain foreign employees. Under certain plans, the Company makes a matching contribution equal to 50% of the participant's contribution, up to specified maximum amounts. In addition, the Company may elect to contribute an additional amount to the plans at the discretion of the Company's Board of Directors. Expense related to the plans for the years ended September 30, 2025 and 2024 was \$2,111 and \$1,898, respectively.

CPM Holdings, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
September 30, 2025 and 2024

11. Other Related Party Transactions

The Company has a management advisory agreement with American Securities LLC (“American Securities”), which is a related party. The agreement requires an annual management fee of \$2,000 per year for management services provided, plus certain fees and expenses. Expense under the management agreement was \$2,066 and \$2,153 for the years ended September 30, 2025 and 2024, respectively. The Company had \$0 unpaid management fees and expenses accrued as of September 30, 2025 and 2024, respectively.

The Company has an outstanding intercompany liability balance with a parent entity. This balance totaled \$1,590 as of September 30, 2025 and 2024 respectively, and is included in other liabilities in the Balance Sheet. The amounts arose in the ordinary course of business and are subject to the Company’s standard intercompany settlement and reconciliation processes.



Report of Independent Auditors

To the Board of Directors and Management of
ASP CPM Holdings LLC

Opinion

We have audited the accompanying consolidated financial statements of ASP CPM Holdings LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of operations, comprehensive income, changes in members' equity and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

PricewaterhouseCoopers LLP

January 28, 2025

ASP CPM Holdings LLC and Subsidiaries
Consolidated Balance Sheets
September 30, 2024 and 2023

<i>(dollars in thousands)</i>	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 21,018	\$ 37,862
Restricted customer deposits	1,282	905
Accounts receivable, net	93,220	107,753
Inventories	127,528	127,292
Contract assets	23,490	35,787
Prepaid expenses and other current assets	32,733	37,121
Total current assets	299,271	346,720
Property, plant and equipment, net	85,008	84,435
Lease right-of-use asset	31,277	22,733
Goodwill	663,455	641,243
Other intangibles, net	367,586	400,724
Other assets	1,857	13,839
Deferred taxes	591	92
Total assets	\$ 1,449,045	\$ 1,509,786
Liabilities, Mezzanine Equity and Members' Equity		
Current liabilities		
Current portion of long-term debt	\$ 13,973	\$ 9,191
Current portion of lease liability	3,792	3,321
Accounts payable	72,030	74,646
Accrued expenses	35,556	59,074
Customer progress payments	45,102	52,619
Contract liabilities	95,311	103,052
Total current liabilities	265,764	301,903
Long-term debt, less current portion	1,167,514	1,172,528
Lease liability, less current portion	28,378	20,191
Deferred taxes	74,554	85,046
Other liabilities	22,603	4,927
Total liabilities	1,558,813	1,584,595
Commitments and contingencies		
Mezzanine equity		
Preferred investment	322,945	-
Members' equity (deficit)		
Members' investment	540,999	495,562
Accumulated deficit	(921,000)	(511,027)
Accumulated other comprehensive loss	(52,712)	(59,344)
Total members' equity (deficit)	(432,713)	(74,809)
Total liabilities and members' equity (deficit)	\$ 1,449,045	\$ 1,509,786

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

ASP CPM Holdings LLC and Subsidiaries
Consolidated Statements of Operations
Years Ended September 30, 2024 and 2023

<i>(dollars in thousands)</i>	2024	2023
Net sales	\$ 647,030	\$ 799,185
Cost of goods sold	<u>397,667</u>	<u>479,643</u>
Gross profit	<u>249,363</u>	<u>319,542</u>
Operating expenses		
Selling, general and administrative expenses	103,339	116,730
Amortization expense	42,515	44,068
Management fees	<u>2,154</u>	<u>2,026</u>
Total operating expenses	<u>148,008</u>	<u>162,824</u>
Income from operations	<u>101,355</u>	<u>156,718</u>
Other expense (income)		
Interest expense	132,459	69,225
Interest income	<u>(551)</u>	<u>(793)</u>
Total other expense	<u>131,908</u>	<u>68,432</u>
(Loss) Income before income taxes	<u>(30,553)</u>	<u>88,286</u>
Income tax expense	<u>4,955</u>	<u>17,083</u>
Net (loss) income	<u>\$ (35,508)</u>	<u>\$ 71,203</u>

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

ASP CPM Holdings LLC and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended September 30, 2024 and 2023

<i>(dollars in thousands)</i>	2024	2023
Net (loss) income	\$ (35,508)	\$ 71,203
Other comprehensive loss		
Foreign currency translation adjustments (net of income tax of \$221 and \$15)	<u>6,632</u>	<u>12,251</u>
Comprehensive (loss) income	<u>\$ (28,876)</u>	<u>\$ 83,454</u>

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

ASP CPM Holdings LLC and Subsidiaries
Consolidated Statements of Changes in Members' Equity
Years Ended September 30, 2024 and 2023

	Members' Equity (Deficit)				Mezzanine Equity	
	Members' Units	Members' Investment	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Members' Equity (Deficit)	Preferred Investment
<i>(dollars in thousands, except per unit information)</i>						
Balances at September 30, 2022	4,855,513	\$ 493,084	\$ (82,186)	\$ (71,595)	\$ 339,303	\$ -
Unit-based compensation	-	2,160	-	-	2,160	-
Capital contributions	4,000	318	-	-	318	-
Repurchase of member units	-	-	-	-	-	-
Dividends paid to unit holders	-	-	(500,044)	-	(500,044)	-
Net income	-	-	71,203	-	71,203	-
Foreign currency translation adjustments	-	-	-	12,251	12,251	-
Balances at September 30, 2023	4,859,513	495,562	(511,027)	(59,344)	(74,809)	-
Unit-based compensation	-	5,478	-	-	5,478	-
Capital contributions	1,819	250	-	-	250	-
Repurchase of member units	(750)	(191)	-	-	(191)	-
Issuance of series A preferred units - net of issuance costs	-	-	-	-	-	291,318
Issuance of warrant to purchase common units - net of issuance costs	-	73,010	-	-	73,010	-
Dividends of series A preferred units issued to series A preferred unit holders	-	(33,110)	-	-	(33,110)	31,627
Dividends paid to unit holders	-	-	(374,465)	-	(374,465)	-
Net loss	-	-	(35,508)	-	(35,508)	-
Foreign currency translation adjustments	-	-	-	6,632	6,632	-
Balances at September 30, 2024	4,860,582	\$ 540,999	\$ (921,000)	\$ (52,712)	\$ (432,713)	\$ 322,945

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

ASP CPM Holdings LLC and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended September 30, 2024 and 2023

(dollars in thousands)

	2024	2023
Cash flows from operating activities		
Net (loss) income	\$ (35,508)	\$ 71,203
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Depreciation and amortization of property, plant and equipment	14,199	12,221
Amortization of intangible assets	42,515	44,068
Amortization of original issue discount and debt issuance costs	5,873	3,133
Write-off of original issue discount and debt issuance costs	-	8,088
Gain on fair market value of embedded derivatives liability	(921)	-
Noncash lease expense	122	338
Unit-based compensation expense	5,478	2,160
Provision for bad debts	918	(47)
(Gain)/loss on disposals of property, plant and equipment	(1,918)	9
Change in interest rate swap	15,012	(861)
Deferred income tax benefit	(14,175)	(13,938)
Foreign currency exchange gain	(15,238)	(16,065)
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	16,058	(10,355)
Inventories	2,790	(10,314)
Contract assets	12,720	(8,334)
Prepaid expenses and other current assets	5,275	(4,086)
Accounts payable	(4,527)	(6,626)
Accrued expenses and other liabilities	(27,528)	8,473
Customer progress payments	(8,673)	(13,318)
Contract liabilities	(9,601)	(62,381)
Net cash provided by operating activities	<u>2,871</u>	<u>3,368</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(16,037)	(15,961)
Proceeds on sales of property, plant and equipment	2,953	22
Acquisition of Carlson, net of cash acquired	-	(1,817)
Acquisition of Dorssers, net of cash acquired	-	(119,977)
Acquisition of Idah, net of cash acquired	-	(13,719)
Acquisition of Graf, net of cash acquired	(4,080)	-
Net cash used in investing activities	<u>(17,164)</u>	<u>(151,452)</u>
Cash flows from financing activities		
Proceeds from long-term debt	-	1,215,000
Payments of long-term debt	(9,354)	(670,284)
Proceeds from revolving debt	116,512	200,968
Payments of revolving debt	(113,488)	(200,968)
Payments of capitalized debt issue cost	-	(34,173)
Payments of dividends to unit holders	(374,465)	(500,044)
Repayment of equity investment	(191)	-
Proceeds from issuance of series A preferred units and warrant	400,000	-
Payment from capitalized equity issue cost	(19,552)	-
Proceeds from capital contributions	250	318
Payments of accrued deferred purchase price	1,220	-
Net cash provided by financing activities	<u>932</u>	<u>10,817</u>
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	<u>(3,106)</u>	<u>(3,397)</u>
Net decrease in cash, cash equivalents and restricted cash	<u>(16,467)</u>	<u>(140,664)</u>
Cash, cash equivalents and restricted cash		
Beginning of year	<u>38,767</u>	<u>179,431</u>
End of year	<u>\$ 22,300</u>	<u>\$ 38,767</u>

ASP CPM Holdings LLC and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended September 30, 2024 and 2023

	2024	2023
Reconciliation of cash and restricted cash reported in the statement of cash flows		
Cash	\$ 21,018	\$ 37,862
Restricted customer deposits	1,282	905
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 22,300</u>	<u>\$ 38,767</u>
Supplemental information		
Cash paid for interest	\$ 102,229	\$ 61,584
Cash paid for taxes (net of refunds)	23,004	32,965
Noncash investing transaction		
Acquisition of Graf, accrued contingent deferred purchase price	\$ 2,128	\$ -
Acquisition of Dorsers, accrued deferred purchase price	-	1,220
Acquisition of Idah, accrued contingent deferred purchase price	-	2,951
Noncash financing transaction		
Dividends of series A preferred units	\$ 31,667	\$ -

ASP CPM Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended September 30, 2024 and 2023

1. Description of Business

ASP CPM Holdings LLC (the “Company” or “CPM”) is engaged in the design, production and marketing of high-quality, efficient, durable process systems, equipment and after-market parts and services. CPM manufactures and sells process equipment and parts to the agricultural, food producing/processing, plastics compounding, two-piece beverage container, industrial griddle and other industries. CPM sells engineered process systems consisting of engineering services, design and layout services along with outsourced process equipment for the oilseed processing, biodiesel and edible oil refining and other industries.

Operations are worldwide and include production and sales facilities in the United States, Canada, the Netherlands, United Kingdom, Germany, Italy, Singapore, Taiwan, China, Brazil and Argentina.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash equivalents consist of short-term investments with an original maturity of three months or less at the time of purchase. The Company maintains cash deposits with major banks which from time to time may exceed federally insured limits. The Company periodically assesses the financial institutions and believes that the risk of any loss is minimal.

Restricted Customer Deposits

Approximately \$1,282 and \$905 of cash of the Company’s subsidiaries in Europe, Asia and North America is restricted at September 30, 2024 and 2023, respectively. This primarily represents deposits made by customers on orders being manufactured. Generally, the cash restriction is removed when the order is shipped.

Accounts Receivable and Concentration of Credit Risk

Concentrations of credit risk with respect to trade receivables are limited due to the number of customers and their geographical dispersion. The Company performs initial and ongoing credit evaluations of its customers, generally does not require collateral, and maintains allowances for potential credit losses. The allowance is an estimate and is regularly evaluated by the Company for adequacy. The establishment of allowance for credit losses and related bad debt expense is based on historical loss experience, credit quality of the customer base, age of the receivable balances, both individually and in the aggregate, current economic conditions that may affect a customer’s ability to pay, estimated exposure on specific trade receivables and supportable forecasts not already reflected in the historical loss information. If the financial condition of the Company’s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Inventories

Inventories consist of finished goods, work in process and raw materials, and are stated at the lower of cost or net realizable value with cost determined on the first-in, first-out (“FIFO”) method. The establishment of write downs for excess and obsolete inventories is based on historical usage and estimated exposure on specific inventory items.

ASP CPM Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended September 30, 2024 and 2023

Property, Plant and Equipment

Property, plant and equipment is stated at cost or at its fair value when acquired as part of a business combination. Depreciation is computed by using the straight-line method over the estimated remaining useful lives of the assets ranging from 3 to 20 years. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

Property, plant and equipment are subject to depreciation having been assigned an estimated useful life as follows:

Buildings and improvements	20 years
Machinery and equipment	3 to 7 years
Furniture and fixtures	5 to 7 years

Expenditures for maintenance and repairs and minor renewals and betterments which do not improve or extend the life of the respective assets are expensed as incurred. All other expenditures for renewals and betterments are capitalized. The assets and related depreciation and amortization accounts are adjusted for property retirements and disposals with the resulting gain or loss included in operations.

Leases

Leases are accounted for using a right-of-use model that requires a lessee to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. The Company determines if an arrangement is a lease at inception. Lease right-of-use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease right-of-use assets and lease liabilities for leases are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Company uses the Treasury Risk-Free Rate of Return. Lease right-of-use assets also include any lease payments made at or before the lease commencement date and are reduced by any lease incentives received. The Company's lease terms may include options to extend or not terminate the lease when it is reasonably certain that it will exercise any such options. For the majority of its leases, the Company concluded that it is not reasonably certain that any renewal options would be exercised, and therefore, the amounts are not recognized as part of lease right-of-use assets and lease liabilities. Leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheets. Lease expense is recognized on a straight-line basis over the expected lease term.

The Company's most significant leases are real estate leases and office space. Only the lease components are included in the measurement of the lease right-of-use assets and related lease liabilities.

Fixed lease expense payments are recognized on a straight-line basis over the lease term. Variable lease payments vary because of changes in facts or circumstances occurring after the commencement date, other than the passage of time. Certain of the Company's operating lease agreements include variable payments that are passed through by the landlord, such as insurance, taxes, common area maintenance, and payments based on the usage of the asset. Variable payments are expensed as incurred.

The Company's lease agreements do not contain material residual value guarantees, restrictions, or covenants.

ASP CPM Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended September 30, 2024 and 2023

Intangible Assets

Identifiable finite-lived intangible assets consist of trademarks, developed technology, customer relationships and other intangible assets which were purchased independently or recorded as part of acquisitions. These intangible assets are being amortized over their estimated useful lives using straight-line or accelerated amortization methods to reflect an appropriate allocation of the costs of the intangible assets to earnings in proportion to the amount of economic benefits obtained by the Company in each reporting period. Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable or realized.

Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the related asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset (or asset group). If the asset (or asset group) is determined to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset (or asset group) exceeds its fair value.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed. Goodwill is not amortized, but is tested for impairment at the reporting unit level annually or at the time of a triggering event. The Company has the option to first assess qualitative factors to determine whether the quantitative impairment test is necessary. If the qualitative assessment indicates that it is not more likely than not that the goodwill is impaired, further testing is unnecessary. If the qualitative assessment indicates that it is more likely than not that goodwill is impaired, the Company then performs a quantitative test to compare the reporting unit's fair value with its carrying amount, including goodwill. The Company performed the goodwill asset impairment testing during 2024 and 2023 and no impairment was noted.

If a quantitative impairment analysis is necessary, carrying value is compared to fair value as determined from a combination of income and market based approaches. The income approach utilizes estimates of discounted cash flows, which requires assumptions of, among other things, the Company's expected long-term revenue trends, as well as estimates of profitability, changes in working capital and long-term discount rates, all of which require significant judgment. The income approach also requires the use of appropriate discount rates that take into account the current risks of the capital markets. The market approach applies comparative market multiples derived from the historical earnings data of selected guideline publicly-traded companies to the Company's business to yield a second assuming value. The guideline companies are first screened by industry group and then further narrowed based on the Company's business descriptions, markets served, competitors, profitability, and revenue size.

Original Issue Discount and Debt Issuance Costs

Debt issuance costs related to a recognized debt liability are presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with original issue discounts. Amortization is recognized under the effective interest or straight-line methods depending on the type of financing which the debt issuance costs relate.

Warranties

The Company warrants its process machines and other specialty equipment for a period of one year after delivery of the product. An accrual of estimated warranty costs for open agreements is included in accrued expenses in the accompanying consolidated balance sheets. The estimate of warranty costs is based upon prior experience with similar products.

ASP CPM Holdings LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended September 30, 2024 and 2023

	2024	2023
Accrued warranties		
Beginning of period	\$ 4,511	\$ 2,903
Settlements made	(3,316)	(2,360)
Change in liability related to product warranties issued	<u>1,769</u>	<u>3,968</u>
End of period	<u>\$ 2,964</u>	<u>\$ 4,511</u>

Revenue Recognition

The Company recognizes revenue in accordance with specific contract terms with its customers. The Company considers signed contracts as evidence of an arrangement. Customer arrangements typically include the right to terminate their contract. However, the majority of contracts contain provisions that require payment for all services rendered to date, even those services that have not yet been billed. Additionally, certain of the products or services related to these contracts are customer-specific, and therefore have no alternative use. As such, revenue related to these contracts is recognized over time. There are certain arrangements for which the product may be re-purposed and sold to another customer in the event of a contract termination. As such, these contracts are considered to have an alternative use. Revenue from these arrangements is recognized at a point in time when the transfer of control occurs, generally based on shipping terms.

The amount of revenue recognized by the Company reflects the expected consideration to be received for providing the goods or services to the customer, which includes estimates for variable consideration. Variable consideration includes allowances for credits related to nonconforming goods and certain discounts that may be provided to customers. Estimates of variable consideration are determined at contract inception and reassessed at each reporting date, at a minimum, to reflect any changes in facts and circumstances. The Company utilizes the expected value method in determining its estimates of variable consideration, based on evaluations of specific product and customer circumstances, historical and anticipated trends, and current economic conditions.

The Company has adopted the practical expedient to treat shipping and handling costs as fulfillment costs.

The Company has also applied the practical expedient to recognize incremental costs of obtaining a contract as an expense when incurred as the amortization period of the asset that otherwise would have been recognized is typically one year or less.

The Company's disaggregated revenue streams are as follows:

	2024	2023
Timing of revenue recognition		
Transferred at a point in time	\$ 378,567	\$ 406,719
Transferred over time	<u>268,463</u>	<u>392,466</u>
Net sales	<u>\$ 647,030</u>	<u>\$ 799,185</u>

The Company recognizes revenue from no alternative use contracts over time. The Company enters into arrangements with its customers for specialized equipment that is designed, engineered

ASP CPM Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended September 30, 2024 and 2023

and fabricated to customer specification on the Company's premises. Additionally, the customer may order parts that are fabricated specifically for the piece of equipment manufactured for that customer. Due to the precise nature of the manufacturing process that is specific to each customer request, these parts have no alternative use. These arrangements entitle the Company to consideration for progress to date, including a normal profit margin, as the Company completes the performance obligation of manufacturing the product. As such, revenues from the manufacturing of equipment are recognized over time utilizing an input method that best describes progress to date, such as milestones achieved, or costs incurred to date as a percentage of total estimated costs, depending on the nature of the arrangement. Losses on these arrangements are recognized in full at the time the amount of the loss becomes evident. Commissioning or start-up services may be included in these arrangements, on a time and material basis, to get the completed machinery operating as intended. Revenue from the services provided in these arrangements are recognized over time, using an input method such as costs incurred. These arrangements include two performance obligations; 1) the equipment (including the specialized parts) and 2) commissioning or start-up services.

The Company recognizes revenue from standardized equipment and parts that have an alternative use at a point in time. The Company enters into certain arrangements to manufacture a standardized base model of equipment that is configured or enhanced with standard add-on parts to customer specifications. The equipment in these arrangements may be re-purposed and sold to another customer by changing the configuration or removing the standardized add-on parts without a significant impact to the profit margin. Additionally, the customer may request standardized spare parts in addition to equipment on their order. Revenue from this type of arrangement is recognized at a point in time, when control is transferred to the customer, generally based on shipping terms. Commissioning or start-up services may be included in these arrangements, on a time and material basis, to get the completed machinery operating as intended. Revenue from the services provided in these arrangements are recognized over time, using an input method such as hours completed. These arrangements include three performance obligations; 1) the equipment, 2) standardized parts that may be sold in addition to the equipment and 3) start-up or commissioning services.

Contract Balances

Contract assets are rights to consideration in exchange for goods or services that have been transferred to a customer when that right is conditional on something other than the passage of time. Once the Company has an unconditional right to consideration under a contract, amounts are invoiced and contract assets are reclassified to accounts receivable. The Company's primary contract assets relate to costs and estimated earnings in excess of billings on uncompleted contracts. These amounts are expected to be invoiced and collected in the next 12 months.

Contract liabilities are recorded when a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional, before the transfer of a good or service to the customer and thus represent the Company's obligation to transfer the good or service to the customer at a future date. The Company's primary contract liabilities relate to billings in excess of costs and estimated earnings on uncompleted contracts. In addition, the Company has contract liabilities for customer progress payments that are separately disclosed on the consolidated balance sheet. In certain contractual arrangements, the Company invoices the customer prior to satisfying a performance obligation, resulting in billings in excess of costs and estimated earnings on uncompleted contracts and customer progress payments. These balances are expected to be recognized within the next 12 months as the performance obligations are satisfied.

ASP CPM Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended September 30, 2024 and 2023

Unit-Based Compensation: Service Based Vesting

Unit-based compensation associated with the issuance of unit options to employees is recognized as an expense on a straight-line basis in the consolidated statements of operations based on the fair value of the awards computed at the date of grant and the estimated number of units expected to vest over the related vesting period.

The Black-Scholes model requires the use of exercise behavior data and the use of a number of assumptions including volatility of the unit price, the weighted average risk-free interest rate, the dividend rate and the weighted average expected life of the options. The Company estimates grant date fair value using the Black-Scholes option pricing model, which incorporates the following assumptions:

Expected Term

The expected life of options granted to employees is based on the vesting term and the anticipated holding period.

Risk-Free Interest Rate

The risk-free interest rate assumption is based upon observed interest rates on the grant date of zero coupon U.S. Treasury bonds whose maturity period is appropriate for the term of the Company's unit options.

Expected Volatility

The volatility assumption was calculated using management's best estimate and is based on volatility rates of comparable companies in the Company's industry sector.

Expected Dividend

The Black-Scholes option pricing model calls for a single expected dividend yield as an input.

The Company normally does not pay dividends. Any dividends paid are discretionary in nature and the Company does not expect to pay dividends in the foreseeable future.

Forfeitures

The Company has elected to recognize the impact of forfeitures in the period incurred.

Unit-Based Compensation: Performance Based Vesting

Employee unit-based compensation relating to performance-based awards vest according to a performance condition, which is a change in control, sale or liquidation of the Company. The Company estimates grant date fair value using a Monte Carlo simulation but does not recognize expense in the financial statements until the performance condition is probable of occurrence.

Advertising

The Company expenses advertising costs as incurred. Advertising expense was \$1,069 and \$1,665 during the years ended September 30, 2024 and 2023, respectively.

Income Taxes

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. All deferred tax

ASP CPM Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended September 30, 2024 and 2023

assets and liabilities, along with any related valuation allowance, are classified as noncurrent on the balance sheet. Deferred tax assets and liabilities are not netted against each other except within a single jurisdiction, therefore each jurisdiction contains one net noncurrent deferred tax asset or liability. Interest and penalties on uncertain tax positions, to the extent they exist, are included in the Company's provision for income taxes. The provision for income taxes represents the current tax expense for the period and the change during the period in deferred tax assets and liabilities.

Comprehensive Income

Comprehensive income for the Company includes net income and foreign currency translation adjustments that are charged or credited to comprehensive income. The related amounts are presented in the consolidated statements of comprehensive income.

Accumulated other comprehensive loss includes cumulative foreign currency translation adjustments, net of tax and are included in the consolidated statements of changes in members' equity.

Foreign Currency

The accounts of foreign operations are measured using local currency as the functional currency. Accordingly, assets and liabilities are translated into U.S. dollars at the end of period exchange rates and income and expenses are translated at average exchange rates. Net adjustments resulting from such translation are included in other comprehensive income on the consolidated statements of comprehensive income and accumulated as a separate component of accumulated other comprehensive loss included in the consolidated statements of changes in members' equity.

Certain foreign currency denominated transactions of the Company are subject to exchange rate fluctuations. The aggregate realized transaction gain included in net (loss) income was \$15,238 and \$16,065 for the years ended September 30, 2024 and 2023, respectively.

Derivative Instruments

The Company has entered into an interest rate collar to limit exposure to fluctuations in interest rates. This contract is not designated as a hedge. The contract is marked-to-market each period and gains and losses are recognized in interest expense.

Fair Value Measurements

Authoritative accounting guidance provides a framework for measuring fair value and establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable inputs for the asset or liability.

ASP CPM Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended September 30, 2024 and 2023

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company measured its interest rate collar instrument at September 30, 2024 and 2023 at fair value on a recurring basis using Level 2 inputs. The Company records assets and liabilities acquired in connection with an acquisition at fair value.

The Company considers that the carrying amount of financial instruments, including accounts receivable, accounts payable and accrued liabilities, approximates fair value due to their short maturities.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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. Actual results could differ from those estimates.

Accounting Pronouncements

On October 1, 2023, the Company adopted ASC 326 – Financial Instruments – Credit losses, using the modified retrospective transition approach. ASC 326 replaces the incurred loss impairment methodology with the current expected credit loss model, which requires consideration of a broader range of reasonable and supportable information to estimate credit losses. The adoption of ASC 326 did not have a material impact on the Company's financial position, results of operations or cash flows and there was no cumulative adjustment recorded.

Subsequent Events

We evaluated subsequent events through January 28, 2025, the date our consolidated financial statements were available to be issued.

On December 13, 2024, the Company purchased Jacobs Corporation (Jacobs) for \$105,000. Jacobs is a premier supplier of aftermarket parts for hammermills and pellet mills. The acquisition was funded through a loan from Company owners.

We have determined there were no other subsequent events which require recognition or disclosure in these consolidated financial statements.

3. Selected Consolidated Financial Statement Information

Accounts Receivable, Net

	2024	2023
Accounts receivable	\$ 95,356	\$ 111,905
Less: Allowance for credit losses	(2,136)	(4,152)
	<u>\$ 93,220</u>	<u>\$ 107,753</u>

ASP CPM Holdings LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended September 30, 2024 and 2023

Inventories

	2024	2023
Raw materials	\$ 14,309	\$ 13,913
Work-in-process	17,715	21,794
Finished goods	95,504	91,585
	<u>\$ 127,528</u>	<u>\$ 127,292</u>

Contracts in Progress

	2024	2023
Costs incurred on uncompleted contracts	\$ 319,235	\$ 367,913
Estimated earnings on uncompleted contracts	254,850	250,867
Less: Billings on contracts in progress	<u>(645,906)</u>	<u>(686,045)</u>
	<u>\$ (71,821)</u>	<u>\$ (67,265)</u>

These amounts are included in the consolidated financial statements as follows:

	2024	2023
Contract assets	\$ 23,490	\$ 35,787
Contract liabilities	<u>(95,311)</u>	<u>(103,052)</u>
	<u>\$ (71,821)</u>	<u>\$ (67,265)</u>

Property, Plant and Equipment, Net

	2024	2023
Land	\$ 5,899	\$ 5,733
Buildings and improvements	22,442	21,838
Machinery and equipment	101,678	96,480
Furniture and fixtures	3,685	1,929
Less: Accumulated depreciation and amortization	<u>(48,696)</u>	<u>(41,545)</u>
	<u>\$ 85,008</u>	<u>\$ 84,435</u>

Goodwill

	2024	2023
Beginning of period	\$ 641,243	\$ 564,410
Acquisitions	6,388	57,376
Foreign currency translation adjustments	<u>15,824</u>	<u>19,457</u>
End of period	<u>\$ 663,455</u>	<u>\$ 641,243</u>

ASP CPM Holdings LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended September 30, 2024 and 2023

Other Intangibles, Net

	2024		
	Cost	Accumulated Amortization	Net
Trademarks	\$ 146,051	\$ 40,768	\$ 105,282
Customer relationships	395,328	177,205	218,123
Developed technology	68,550	26,052	42,498
Other	6,384	4,702	1,682
Other intangibles, net	<u>\$ 616,313</u>	<u>\$ 248,726</u>	<u>\$ 367,586</u>

	2023		
	Cost	Accumulated Amortization	Net
Trademarks	\$ 142,114	\$ 32,216	\$ 109,898
Customer relationships	386,127	143,296	242,831
Developed technology	63,935	20,102	43,833
Other	7,802	3,640	4,162
Other intangibles, net	<u>\$ 599,978</u>	<u>\$ 199,254</u>	<u>\$ 400,724</u>

Intangible assets subject to amortization have been assigned an estimated finite useful life as follows:

Trademarks	20 years
Customer relationships	5 to 20 years
Developed technology	10 to 20 years

Total amortization expense related to intangible assets was \$42,515 and \$44,068 for the years ended September 30, 2024 and 2023, respectively. The weighted average remaining useful life of other intangibles was 14.21 years and 15.13 years at September 30, 2024 and 2023, respectively.

At September 30, 2024, future estimated amortization will be:

Fiscal Year	
2025	\$ 35,177
2026	31,365
2027	29,231
2028	27,166
2029	25,300
Thereafter	<u>219,347</u>
	<u>\$ 367,586</u>

ASP CPM Holdings LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended September 30, 2024 and 2023

Actual amortization amounts may change from such estimated amounts due to additional intangible asset acquisitions, potential impairments, accelerated amortization or other events.

Accrued Expenses

	2024	2023
Employee payroll, benefits and payroll taxes	\$ 14,072	\$ 35,145
Interest	9,121	663
Commissions	2,462	2,520
Warranties	2,964	4,511
VAT and sales taxes payable	3,750	5,716
Other	3,187	10,519
	<u>\$ 35,556</u>	<u>\$ 59,074</u>

4. Acquisitions

On May 31, 2024, the Company purchased Graf Equipment GmbH for \$6,208 including an initial cash payment of \$4,080 and accrued contingent deferred purchase price of \$2,128. Graf is a manufacturer of technologies and services for alternative energy and biomass. The acquisition was funded by existing cash and compliments the Company's existing biomass technology portfolio. The Graf results have been included in the Company's results of operations since the date of acquisition.

Cash and cash equivalents	\$ 16
Inventories	482
Prepaid expenses and other current assets	27
Property, plant and equipment	88
Goodwill	6,388
Accounts Payable	(151)
Accrued expenses	(103)
Other Liabilities	(539)
	<u>\$ 6,208</u>

ASP CPM Holdings LLC and Subsidiaries
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On October 28, 2022, the Company purchased Dorssers Inc. (Dorssers) for \$122,776 including an initial cash payment of \$121,556 and accrued deferred purchase price of \$1,220. Dorssers is a manufacturer of pellet mill dies, roller shells, and roller replacement parts for the feed and biomass industries. The acquisition was funded by existing cash and compliments the Company's existing pelleting and grinding equipment portfolio. The Dorssers results have been included in the Company's results of operations since the date of acquisition.

Cash and cash equivalents	\$	1,579
Accounts receivable		9,074
Inventories		8,203
Prepaid expenses and other current assets		595
Property, plant and equipment		28,804
Developed technology		2,800
Trademarks		8,200
Customer relationships		33,400
Goodwill		49,339
Accounts payable		(580)
Accrued expenses		(1,306)
Deferred Taxes		(17,332)
		<u>\$ 122,776</u>

On March 21, 2023, the Company purchased Carlson Industries (Carlson) for \$2,000. Carlson is a global manufacturer of aftermarket wear parts, primarily for grinding equipment. The acquisition was funded by existing cash and compliments the Company's existing aftermarket and grinding equipment portfolio. Tax amortizable goodwill of \$958 was generated as a result of the acquisition. The Carlson results have been included in the Company's results of operations since the date of acquisition.

Cash and cash equivalents	\$	183
Accounts receivable		701
Inventories		930
Prepaid expenses and other current assets		5
Property, plant and equipment		8
Goodwill		958
Accounts payable		(605)
Other long term debt		(180)
		<u>\$ 2,000</u>

ASP CPM Holdings LLC and Subsidiaries
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On May 5, 2023, the Company purchased Idah for \$19,206 including an initial cash payment of \$16,255 and accrued deferred purchase price of \$2,951. Idah is a manufacturer of equipment and aftermarket parts used in vegetable protein and snack food, animal feed, and biofuel production industries. The acquisition was funded by existing cash and compliments the Company's technologies and services portfolio. The Idah results have been included in the Company's results of operation since the date of acquisition.

Cash and cash equivalents	\$ 2,536
Accounts receivable	2,391
Inventories	4,689
Prepaid expenses and other current assets	1,700
Property, plant and equipment	853
Developed technology	1,478
Trademarks	2,168
Customer relationships	4,140
Goodwill	7,079
Deferred taxes	228
Other intangible assets	48
Accounts payable	(1,161)
Accrued expenses	(1,608)
Customer progress payments	(1,499)
Other long term debt	(3,836)
	<u>\$ 19,206</u>

5. Debt

The Company's debt at September 30, 2024 and 2023 consists of the following:

	2024	2023
First lien term loan	\$ 1,205,888	\$ 1,215,000
Other long term debt	4,838	1,832
Unamortized original issue discount and debt issuance costs	(29,239)	(35,113)
	<u>1,181,487</u>	<u>1,181,719</u>
Less: Amounts due within one year	(13,973)	(9,191)
	<u>\$ 1,167,514</u>	<u>\$ 1,172,528</u>

2023 First Lien Credit Agreement

In September 2023, the Company entered into a first lien credit agreement ("First Lien Credit Agreement") with certain financial institutions. The First Lien Credit Agreement includes an initial term loan with an original principal amount of \$1,215,000. Principal payments of \$3,038 are due on the last day of each calendar quarter throughout the remaining life of the loans. The outstanding principle balance is due upon maturity on September 28, 2028. The first lien credit agreement also provides for a revolving credit facility ("Revolver") of up to \$100,000 in aggregate, consisting of a revolving credit loan, letters of credit in a face amount not to exceed \$15,000 in aggregate, and

ASP CPM Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended September 30, 2024 and 2023

swing line loans in the principal amount not to exceed \$10,000. The swing line loans are sub-facilities of the revolving credit facility used for daily fluctuations on borrowings. As of September 30, 2024, there were \$3,000 borrowings and \$294 of letters of credit outstanding under the first lien revolving credit facility, therefore credit available for borrowing was \$96,706 on September 30, 2024. The Revolver credit agreement expires on June 29, 2028.

At the Company's option, the interest rate on borrowings under the First Lien Credit Agreement is elected periodically as Alternate Base Rate borrowings, bearing interest at a rate equal to the greater of (a) the federal funds effective rate (5.33% at September 30, 2023) plus 0.50%, (b) the prime rate (8.5% at September 30, 2023), (c) the one-month term SOFR rate (5.31% at September 30, 2023) plus 1.00%; or (d) 3.50%; or Term SOFR borrowings, bearing interest at the greater of (a) the applicable SOFR rate for the elected interest period, or (b) 0.50%. Interest is payable in arrears on the last day of each elected interest period relating to such loan, but not to exceed three months. With respect to the initial term loans, under the First Lien Credit Agreement, an applicable margin of 3.50% is added to Alternate Base Rate borrowings if the total first lien leverage ratio is greater than or equal to 4.25 to 1 and an applicable margin of 3.25% is added to Alternate Base Rate borrowings if the total first lien leverage ratio is less than or equal to 4.25 to 1 and an applicable margin of 4.50% is added to Term SOFR borrowings if the total first lien leverage ratio is greater than or equal to 4.25 to 1 and an applicable margin of 4.25% is added to Term SOFR borrowings if the total first lien leverage ratio is less than or equal to 4.25 to 1.

In conjunction with the First Lien Credit Agreement, the Company capitalized debt issuance costs and original issue discounts of \$35,113. Debt issuance costs and original issue discounts, net of accumulated amortization, was \$29,239 at September 30, 2024 and are being amortized using the effective interest method over the term of the debt. Debt issuance costs consisted of legal, accounting and deal fees directly related to the agreements. Net proceeds from the borrowings were used to refinance the existing 2018 first and second lien credit agreements and fund dividends paid to unit holders.

The First Lien Credit Agreement is collateralized by a security interest in substantially all of the Company's tangible and intangible assets in the United States. The First Lien Credit Agreements are also guaranteed by substantially all direct and indirect domestic subsidiaries of the Company.

The First Lien Credit Agreement provides for mandatory prepayments without penalty if certain conditions are met such as incurrence of certain additional indebtedness, disposition of certain assets, and based on excess cash flow as defined by the credit agreements. No such payments were required at September 20, 2024.

The First Lien Credit Agreement is subject to certain customary covenants and restrictions such as on the issuance of certain additional indebtedness, the payment of dividends or entering into certain merger or acquisitions as defined in detail in the credit agreements. In addition, the borrowings specifically related to the Revolver are subject to a total leverage ratio test when borrowing exceeds \$35,000 on the last day of a test period.

The aggregate annual maturities of long-term debt and the revolving line of credit subsequent to September 30, 2024 are as follows:

ASP CPM Holdings LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years Ended September 30, 2024 and 2023

Years Ending September 30,	
2025	13,973
2026	12,150
2027	12,150
2028	12,150
2029	12,150
Thereafter	1,118,914
Total maturities	<u>\$ 1,181,487</u>

Interest Rate Collar

The Company has an interest rate collar agreement associated with its credit agreements. As a result of this agreement, the Company will receive variable-rate amounts if the designated interest rates rise above the cap strike rate on the contract and pay variable-rate amounts if the designated interest rates fall below the floor strike rate on the contract. The principal objective of such arrangements is to minimize the risks and/or costs associated with the Company's operating and financial structure. The Company does not intend to utilize derivatives for speculative or other purposes other than interest rate risk management. The interest rate collar agreement is recorded at fair market value and the related loss of \$15,012 and gain of \$861 was recorded in interest expense during the years ended September 30, 2024 and 2023, respectively. The fair value of the agreement was \$1,857 and \$13,839 on September 30, 2024 and 2023, respectively, and is included on the balance sheet in other assets.

European Credit Facility

The Company's subsidiaries located in Europe have a bank credit facility (the "Facility"). At September 30, 2024, the aggregate amount of the facility was \$25,694 (€23,000) which includes a revolving credit facility of up to \$5,586 (€5,000) that may also be used for conditional obligations, and a bank guarantee facility in an aggregate amount of up to \$20,109 (€18,000). The facility expires on October 30, 2025. At September 30, 2024, there were \$0 borrowings and \$13,189 of bank guarantees outstanding under the facility, therefore credit available for borrowing was \$6,919.

Borrowings bear interest at a rate equal to the 1-month EURIBOR (3.35% at September 30, 2024) plus 3.25%. Interest payments are due monthly. Commitment fees on the revolving credit facility are equal to 1.1% per year on the nonutilized portion of the revolving credit facility and are due monthly.

The bank guarantee facility provides for contingent obligations such as bank guarantees, letters of credit, or similar obligations to be opened at the request of the borrower. A bank guarantee fee will be charged upon normal market rates and terms.

Borrowings under the Facility are collateralized by a mortgage on real estate of CPM Europe B.V. and a pledge of all present and future receivables, inventory and machinery and equipment of CPM Europe B.V. Borrowings under the Facility are subject to certain financial and nonfinancial covenants including an absolute EBITDA test calculated on the financial results of the subsidiaries covered under the Facility.

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Notes to Consolidated Financial Statements
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6. Income Taxes

The reconciliation between the Company's effective income tax rate and the U.S. statutory rate are as follows:

	Years Ended September 30,	
	2024	2023
Statutory U.S. federal income tax rate	\$ (6,703)	\$ 18,640
State income taxes, net of U.S. federal income tax	(17)	1,568
Partnership loss with no tax benefits	2,381	2,030
Meals and entertainment and other nondeductible expenses	122	108
Current year federal and state R&D credits	(679)	(563)
Change in valuation allowance	8,091	388
Uncertain tax positions	(352)	369
Nontaxable foreign currency gain	559	(3,959)
Impact of foreign earnings	1,565	(2,333)
Other	(12)	835
	<u>\$ 4,955</u>	<u>\$ 17,083</u>

Components of the income tax expense (benefit) are as follows:

	Years Ended September 30,	
	2024	2023
Current		
Federal	\$ 12,519	\$ 36,350
State	748	1,949
Foreign	5,863	(7,278)
Total current expense	<u>19,130</u>	<u>31,021</u>
Deferred		
Federal	(16,141)	(12,117)
State	(771)	(513)
Foreign	2,737	(1,308)
Total deferred benefit	<u>(14,175)</u>	<u>(13,938)</u>
	<u>\$ 4,955</u>	<u>\$ 17,083</u>

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Components of the deferred tax assets and liabilities at September 30, 2024 and 2023, consist of the following:

	2024	2023
Deferred tax assets		
Allowance for doubtful accounts	\$ 100	\$ 189
Inventories	2,523	982
Accrued expenses	1,213	4,481
Lease liability	6,819	5,056
Stock compensation	3,109	1,894
Interest expense	26,720	12,910
Less: Valuation allowance on interest expense	(5,742)	-
Interest rate collar	333	(3,116)
Section 174 expenses	3,847	1,945
Tax deductible transaction costs	3,563	3,962
Net operating losses	5,819	4,387
Less: Valuation allowance on net operating losses	(4,794)	(4,129)
Tax credits	7,313	4,101
Less: Valuation allowance on tax credits	(7,313)	(4,101)
Total deferred tax assets	<u>43,510</u>	<u>28,561</u>
Deferred tax liabilities		
Goodwill and intangible assets	(88,478)	(94,065)
Property, plant and equipment	(15,642)	(12,144)
Lease right-of-use asset	(6,627)	(4,979)
Withholding tax on future foreign earnings repatriation	(1,659)	(2,161)
Other	(5,067)	(166)
Total deferred tax liabilities	<u>(117,473)</u>	<u>(113,515)</u>
Net deferred tax liabilities	<u>\$ (73,963)</u>	<u>\$ (84,954)</u>

Income before income taxes are as follows:

	Years Ended September 30,	
	2024	2023
United States	\$ (69,380)	\$ 47,502
Foreign	38,827	40,784
	<u>\$ (30,553)</u>	<u>\$ 88,286</u>

The Company has net operating loss carryforwards and deferred tax assets which can be used to offset future U.S. federal and state and foreign income tax liabilities. At September 30, 2024, the tax effected net operating losses total \$0, \$434 and \$5,385 for federal, state and foreign purposes, respectively. The Company has a tax effected deferred tax asset of \$26,720 for the currently nondeductible interest expense of which a valuation allowance of \$5,742 was recorded in the current year. The Company has carryforwards of \$7,313 of tax effected federal credits which can be used to offset future U.S. tax liabilities. These credits generally begin expiring in 2030.

ASP CPM Holdings LLC and Subsidiaries

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The Company considers both positive and negative evidence in determining whether a valuation allowance is required. The Company has provided valuation allowances against net operating loss carryforwards in the United States, Germany, China, Taiwan and Thailand and foreign tax credit carryforwards as their utilization is uncertain. Additionally, during the year ended September 30, 2024, it was determined that a valuation allowance was appropriate on a portion of the currently nondeductible interest expense. The Company recorded the valuation allowance based on the future reversals of the existing deferred tax liabilities in generating future taxable income.

The Company has not been notified of any additional audits through the date our consolidated financial statements were available to be issued. The Company is potentially subject to income tax examinations for the fiscal years 2021, 2022, 2023 and 2024.

The Company recognizes the financial statement effect of a tax position when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. The total unrecognized tax benefit recorded at September 30, 2024 is \$1,074.

7. Mezzanine Equity

Series A Preferred Units

On January 23 2024, the Company issued 400,000 Series A Preferred Units with a stated value of \$1,000 per unit and warrants to purchase up to 338,750 Class A shares of the Company. The Company allocated proceeds from the issuance between the warrants and the units issued based on their respective fair values. The aggregate fair value of the Series A Preferred Units on the issuance date was \$291,318, net of issuance costs of \$19,552. The Series A Preferred Units, with respect to dividend rights and rights upon the Company's liquidation, winding up or dissolution, will rank senior to any other class or series of equity of Company. The aggregate liquidation preference of the Series A Preferred Units was \$438,993 and \$0 as of September 30, 2024 and 2023, respectively.

The Series A Preferred Units are non-voting and perpetual subject to optional redemption by the Company and mandatory redemption upon certain events as defined in the Securities Purchase Agreement. The company may, at its option, redeem all of the Series A Preferred Units for cash at any time at a price equal to the greater of the accrued stated value of the series A preferred units or \$600,000. Mandatory redemption events include a liquidation event or an event of default. The Series A preferred Units entitle the holder to cumulative dividends which are payable quarterly in arrears either in cash, paid-in-kind ("PIK") or in a combination thereof at the Company's election. From the closing date until the fifth anniversary, dividends will accrue at 13.5% per annum and will continue to increase by 1% on each anniversary date starting on the fifth anniversary until it reaches 18.5% and will remain at 18.5% until the Series A preferred units are redeemed in full. During the year ended September 30, 2024, the Company declared PIK dividends on the Series A preferred Units with a stated value of \$38,993 and a fair market value of \$31,627. PIK dividends are recorded as non-cash charges in the statement of operations and added to the carrying value of the Series A preferred units.

Mezzanine Classification

The Series A preferred units are redeemable in the event of a change in control as defined in the Securities Purchase Agreement. The Company has elected to follow S99-3A(2) of the SEC's Accounting Series Release No. 268 ("ASR 268") which requires preferred securities that are redeemable for cash or other assets to be classified outside of permanent equity if they are redeemable (i) at a fixed or determinable price on a fixed or determinable date, (ii) at the option of the holder, or (iii) upon the occurrence of an event that is not solely within the control of the issuer.

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Preferred securities that are mandatorily redeemable are required to be classified by the issuer as liabilities whereas under ASR 268 an issuer should classify a preferred security whose redemption is contingent on an event not entirely in control of the issuer as mezzanine equity. The Series A is not mandatorily redeemable, however, a change in control is not solely in control of the Company, accordingly, the Company determined that mezzanine treatment is appropriate for the Series A and has presented it as such in the consolidated balance sheets and statement of changes in stockholders' equity and mezzanine equity.

8. Right of Use Asset and Lease Liability

The Company has operating leases for various real and personal property. Some leases include renewal options at the Company's discretion, which we have not considered in the determination of the right-of-use assets and lease liabilities unless it is reasonably certain that we will exercise. The Company has elected to apply the short-term lease exemption to leases with an initial term of 12 months or less and these leases are not capitalized.

As of September 30, 2024, operating lease liability of \$32,170 (current portion \$3,792) was recorded in the balance sheet. The weighted-average operating lease term at September 30, 2024 was 7.62 years. The weighted-average operating lease discount rate was 4.18% at September 30, 2024. The operating leases identified do not specify implicit rates, accordingly, the Company uses the risk-free rate at the time of lease inception to determine the present value of lease payments.

Future minimum rental payments under operating lease commitments are as follows:

2025	\$	5,686
2026		4,816
2027		4,577
2028		3,669
2029		2,859
Thereafter		<u>22,579</u>
Total minimum lease payments	\$	<u>44,186</u>

Rent expense for leases totaled \$5,988 and \$4,654 for the fiscal year ending September 30, 2024 and 2023, respectively.

9. Commitments and Contingencies

Litigation

The Company is involved in various legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

10. Warrant to Purchase Class A Units

In connection with the Series A Preferred Unit issuance in January of 2024, the Company entered into a warrant agreement to purchase up to an aggregate of 338,750 class A units at an exercise price of \$1.00. The value of the warrant of \$73,010 was allocated against the principal proceeds of the Series A Preferred Unit issuance. The warrant units become exercisable ratably over 36

ASP CPM Holdings LLC and Subsidiaries

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months or upon a change of control or initial public offering. As of September 30, 2024, 75,278 class A units were exercisable under this warrant agreement.

Upon the execution of the warrant to purchase class A units, we evaluated the terms to determine the appropriate accounting and classification pursuant to FASB Accounting Standards Codification Topic 480, Distinguishing Liabilities from Equity, and FASB Accounting Standards Codification Topic 815, Derivatives and Hedging. Based on our evaluation, we concluded that the warrant to purchase class A units should be classified as equity with no subsequent remeasurement as long as such warrants continue to be classified as equity.

11. Unit Option Plan

The Company has a 2018 Unit Option Plan (the “Plan”) under which service-based and performance-based options to purchase class A units of the Company may be awarded to employees. The Plan has a change of control provision, whereby both the service-based and performance-based options vest immediately upon a change of control transaction, as defined in the Plan. A total of 535,700 units of the Company’s class A units have been reserved for issuance under the Plan. Units supporting option exercises are sourced from new unit issuances. The exercise price is based upon the fair value of the units on the date of grant as determined by the Board of Directors, and all options have a 10-year contractual life. Service-based options become exercisable at a rate of 20.00% annually for five years starting on the first anniversary of the date of grant. The vesting of performance-based options is contingent upon continuous employment and achieving certain returns on investment upon a change of control, sale or liquidation of the Company. An employee’s unvested options are forfeited when employment is terminated. At September 30, 2024 there were 494,660 options outstanding under this plan, 211,065 of which were service-based and 283,595 of which were performance based.

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Unit option activity for the periods was as follows:

	<u>Options</u>		Weighted Average Exercise Price Per Share
	<u>Available</u>	<u>Outstanding</u>	
Balances at September 30, 2022	46,322	489,385	\$ 90.88
Granted	(3,750)	3,750	357.19
Exercised	4,000	(4,000)	79.40
Expired	-	-	-
Forfeited	5,800	(5,800)	110.44
Balances at September 30, 2023	52,372	483,335	92.80
Granted	(48,650)	48,650	137.43
Exercised	-	-	-
Expired	-	-	-
Forfeited	37,325	(37,325)	54.89
Balances at September 30, 2024	41,047	494,660	\$ 57.44
Options exercisable at September 30, 2024	-	158,693	\$ 57.72

At September 30, 2024 the outstanding options had exercise prices of \$35.00 - \$312.79 per unit and a weighted average remaining contractual life of 5.72 years. The weighted average remaining contractual life on currently exercisable options was 5.10 years at September 30, 2024. The aggregate intrinsic value of a unit award is the amount by which the market value of the underlying unit exceeds the exercise price of the award. The aggregate intrinsic value for outstanding options at September 30, 2024 and 2023 was \$19,323 and \$82,150, respectively. The aggregate intrinsic value for exercisable options was \$7,260 and \$25,379 at September 30, 2024 and 2023, respectively.

The estimated fair value of options is recognized on a straight-line basis over the service period for service-based option grants. During the years ended September 30, 2024 and 2023, the Company recognized \$5,478 and \$2,160, respectively, of unit-based compensation expense. Unit compensation expense was included in selling, general and administrative expenses in the consolidated statements of operations related to the service-based options. At September 30, 2024 and 2023, the unrecognized compensation costs related to the service-based options was \$2,505 and \$2,581, respectively, and unrecognized compensation costs related to the performance-based options was \$9,500 and \$9,056, respectively.

12. Employee Benefit Plans

The Company has a 401(k) and other benefit plans covering substantially all full-time U.S. employees and certain foreign employees. Under certain plans, the Company makes a matching contribution equal to 50% of the participant's contribution, up to specified maximum amounts. In addition, the Company may elect to contribute an additional amount to the plans at the discretion of

ASP CPM Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Years Ended September 30, 2024 and 2023

the Company's Board of Directors. Expense related to the plans for the years ended September 30, 2024 and 2023 was \$1,965 and \$1,923, respectively.

13. Other Related Party Transactions

The Company has a management advisory agreement with American Securities LLC ("American Securities"), which is a related party. The agreement requires an annual management fee of \$2,000 per year for management services provided, plus certain fees and expenses. Expense under the management agreement was \$2,153 and \$2,026 for the years ended September 30, 2024 and 2023, respectively. The Company had \$0 unpaid management fees and expenses accrued as of September 30, 2024 and 2023, respectively.