

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended December 27, 2025.

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____.

Commission File Number: 1-09929

Insteel Industries Inc.

(Exact name of registrant as specified in its charter)

North Carolina

56-0674867

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1373 Boggs Drive, Mount Airy, North Carolina

27030

(Address of principal executive offices)

(Zip code)

(336) 786-2141

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (No Par Value)	IIN	New York Stock Exchange

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-Accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ **No** ☒

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Common Stock (No Par Value)

19,396,380

Title of Class

Number of Shares Outstanding as of January 14, 2026

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

INSTEEL INDUSTRIES INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (In thousands, except per share amounts) (Unaudited)

	Three Months Ended	
	December 27, 2025	December 28, 2024
Net sales	\$ 159,924	\$ 129,720
Cost of sales	141,864	120,191
Gross profit	18,060	9,529
Selling, general and administrative expense	8,760	7,887
Restructuring charges, net	51	696
Acquisition costs	-	271
Other income, net	(11)	(14)
Interest expense	13	13
Interest income	(370)	(786)
Earnings before income taxes	9,617	1,462
Income taxes	2,024	381
Net earnings	<u>\$ 7,593</u>	<u>\$ 1,081</u>
Net earnings per share:		
Basic	\$ 0.39	\$ 0.06
Diluted	0.39	0.06
Weighted average shares outstanding:		
Basic	19,472	19,497
Diluted	19,551	19,550
Cash dividends declared per share	\$ 1.03	\$ 1.03
Comprehensive income	<u>\$ 7,593</u>	<u>\$ 1,081</u>

See accompanying notes to consolidated financial statements.

INSTEEL INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands)

	(Unaudited) December 27, 2025	September 27, 2025
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,589	\$ 38,630
Accounts receivable, net	64,601	78,719
Inventories	172,287	137,776
Other current assets	5,742	6,822
Total current assets	258,219	261,947
Property, plant and equipment, net	126,327	128,691
Intangible assets, net	16,138	16,553
Goodwill	37,755	37,755
Other assets	17,694	17,704
Total assets	\$ 456,133	\$ 462,650
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 57,299	\$ 48,173
Accrued expenses	14,897	17,836
Total current liabilities	72,196	66,009
Other liabilities	25,094	25,109
Commitments and contingencies		
Shareholders' equity:		
Common stock	19,396	19,420
Additional paid-in capital	89,733	89,402
Retained earnings	249,750	262,746
Accumulated other comprehensive loss	(36)	(36)
Total shareholders' equity	358,843	371,532
Total liabilities and shareholders' equity	\$ 456,133	\$ 462,650

See accompanying notes to consolidated financial statements.

INSTEEL INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Three Months Ended	
	December 27, 2025	December 28, 2024
Cash Flows From Operating Activities:		
Net earnings	\$ 7,593	\$ 1,081
Adjustments to reconcile net earnings to net cash (used for) provided by operating activities:		
Depreciation and amortization	4,553	4,429
Amortization of capitalized financing costs	13	13
Stock-based compensation expense	441	345
Deferred income taxes	148	777
Asset impairment charges	-	273
Loss on sale and disposition of property, plant and equipment	20	3
Increase in cash surrender value of life insurance policies over premiums paid	(249)	-
Net changes in assets and liabilities (net of assets and liabilities acquired):		
Accounts receivable, net	14,118	8,866
Inventories	(34,511)	2,640
Accounts payable and accrued expenses	3,771	754
Other changes	3,402	(198)
Total adjustments	(8,294)	17,902
Net cash (used for) provided by operating activities	(701)	18,983
Cash Flows From Investing Activities:		
Acquisition of businesses	-	(71,456)
Capital expenditures	(1,494)	(2,667)
(Increase) decrease in cash surrender value of life insurance policies	(126)	184
Proceeds from surrender of life insurance policies	3	-
Net cash used for investing activities	(1,617)	(73,939)
Cash Flows From Financing Activities:		
Proceeds from long-term debt	67	69
Principal payments on long-term debt	(67)	(69)
Cash dividends paid	(19,978)	(20,014)
Repurchases of common stock	(745)	(617)
Net cash used for financing activities	(20,723)	(20,631)
Net decrease in cash and cash equivalents	(23,041)	(75,587)
Cash and cash equivalents at beginning of period	38,630	111,538
Cash and cash equivalents at end of period	\$ 15,589	\$ 35,951
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Income taxes, net	\$ 67	\$ 40
Non-cash investing and financing activities:		
Purchases of property, plant and equipment in accounts payable	1,849	1,352
Accrued liability related to holdback for business acquired	-	657

See accompanying notes to consolidated financial statements.

INSTEEL INDUSTRIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)
(Unaudited)

	Common Stock		Additional	Retained	Accumulated	Total
	Shares	Amount	Paid-In	Earnings	Other	Shareholders'
			Capital		Comprehensive	Equity
					Loss	
<i>For the three months ended December 27, 2025</i>						
Balance at September 27, 2025	19,420	\$ 19,420	\$ 89,402	\$ 262,746	\$ (36)	\$ 371,532
Net earnings				7,593		7,593
Compensation expense associated with stock-based plans			441			441
Repurchases of common stock	(24)	(24)	(110)	(611)		(745)
Cash dividends declared				(19,978)		(19,978)
Balance at December 27, 2025	19,396	\$ 19,396	\$ 89,733	\$ 249,750	\$ (36)	\$ 358,843
<i>For the three months ended December 28, 2024</i>						
Balance at September 28, 2024	19,452	\$ 19,452	\$ 86,671	\$ 245,340	\$ (608)	\$ 350,855
Net earnings				1,081		1,081
Compensation expense associated with stock-based plans			345			345
Repurchases of common stock	(21)	(21)	(97)	(499)		(617)
Cash dividends declared				(20,014)		(20,014)
Balance at December 28, 2024	19,431	\$ 19,431	\$ 86,919	\$ 225,908	\$ (608)	\$ 331,650

See accompanying notes to consolidated financial statements

INSTEEL INDUSTRIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the U.S. ("GAAP") on a basis consistent with that used in the Annual Report on Form 10-K for the year ended September 27, 2025 ("2025 Form 10-K") filed by us with the Securities and Exchange Commission. These statements include all normal recurring adjustments necessary to present fairly the consolidated balance sheets and the statements of operations and comprehensive income, cash flows and shareholders' equity for the periods indicated. The September 27, 2025 consolidated balance sheet was derived from audited consolidated financial statements but does not include all the disclosures required by GAAP. These statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our 2025 Form 10-K. The results of operations for the periods indicated are not necessarily indicative of the results that may be expected for the full fiscal year or any future periods.

On October 21, 2024, we, through our wholly-owned subsidiary, Insteel Wire Products Company ("IWP"), purchased substantially all of the assets, other than cash and accounts receivable, of Engineered Wire Products, Inc. ("EWP") and certain related assets of Liberty Steel Georgetown, Inc. ("LSG"). See Note 3 to the consolidated financial statements for additional information.

On November 26, 2024, we, through our wholly-owned subsidiary, IWP, purchased certain assets of O'Brien Wire Products of Texas, Inc. ("OWP"). See Note 3 to the consolidated financial statements for additional information.

(2) Recent Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." ASU No. 2023-09 requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income tax paid. ASU No. 2023-09 is effective for us in the current year for annual reporting. The adoption of this update will not have a material impact on our consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses." ASU No. 2024-03 does not change or remove existing expense disclosure requirements but requires disaggregated disclosures about certain expense categories and captions, including but not limited to, purchases of inventory, employee compensation, depreciation, amortization and selling expenses. ASU No. 2024-03 will become effective for us in fiscal 2028 and in the first quarter of fiscal 2029 for interim reporting. Retrospective application is permitted. We are currently evaluating the impact of the ASU on our disclosures within the consolidated financial statements.

(3) Business Combinations

Acquisitions have been accounted for as business purchases pursuant to FASB Accounting Standards Codification ("ASC") Topic 805, *Business Combinations* ("ASC 805").

Engineered Wire Products, Inc.

On October 21, 2024, we purchased substantially all of the assets, other than cash and accounts receivable, of EWP and certain related assets of LSG (the "EWP Acquisition") for an adjusted purchase price of \$67.0 million, which included a \$1.5 million holdback. Subsequent to the acquisition date, purchase price adjustments totaling \$0.8 million were applied to the holdback amount, reducing it to \$0.7 million. The final holdback amount was settled during 2025.

EWP was a leading manufacturer of welded wire reinforcement ("WWR") products for use in nonresidential and residential construction. Under the terms of the EWP Acquisition, Insteel acquired EWP's inventories, production equipment and production facilities located in Upper Sandusky, Ohio and Warren, Ohio. Insteel also acquired certain equipment from LSG located in Georgetown, South Carolina, but the Georgetown facility was excluded from the acquisition. EWP retained its accounts receivable and accounts payable. The EWP Acquisition was funded with cash on hand. The EWP Acquisition expanded our geographic footprint and strengthened our competitive position within the Midwest market.

Following is a summary of our final allocation of the purchase price to the fair values of the assets acquired and liabilities assumed as of the acquisition date:

(In thousands)

Assets acquired:	
Inventories	\$ 12,066
Other current assets	171
Property, plant and equipment	16,708
Intangible assets:	
Customer relationships	10,800
Non-competition agreement	900
Trade name	350
Patent	200
Right-of-use assets	459
Total assets acquired	<u>\$ 41,654</u>
Liabilities assumed:	
Accrued expenses	\$ 89
Current operating lease liabilities	128
Non-current operating lease liabilities	331
Total liabilities assumed	<u>548</u>
Net assets acquired	41,106
Adjusted purchase price	<u>67,030</u>
Goodwill	<u>\$ 25,924</u>

In connection with the EWP Acquisition, we acquired certain intangible assets that will be amortized based on their estimated useful lives of 20.0 years for customer relationships, 4.0 years for a non-competition agreement, 1.0 year for a trade name and 7.0 years for a patent. Goodwill associated with the EWP Acquisition, which is deductible for tax purposes, consists largely of the synergies we expect to realize through the integration of the acquired assets with our operations.

Following the EWP Acquisition, net sales of the former EWP facilities for the three-month period ended December 28, 2024, were approximately \$7.6 million. The actual net sales specifically attributable to the EWP Acquisition, however, cannot be quantified due to our integration efforts which involved the reassignment of business between the former EWP facilities and our existing WWR facilities. As a result, we have determined that the presentation of EWP's earnings for the three-month period ended December 28, 2024, is impracticable due to the integration of EWP's operations following the EWP Acquisition.

The following unaudited supplemental pro forma financial information reflects our combined results of operations had the EWP Acquisition occurred at the beginning of fiscal 2024. The pro forma information reflects certain adjustments related to the EWP Acquisition, including adjusted amortization and depreciation expense based on the fair values of the assets acquired and adjustments to interest income. The pro forma information does not reflect any potential operating efficiencies or cost savings that may result from the EWP Acquisition. Accordingly, this pro forma information is for illustrative purposes and is not intended to represent the actual results of operations of the combined company that would have been achieved had the EWP Acquisition occurred at the beginning of fiscal 2024, nor is it intended to indicate future results of operations. The pro forma combined results of operations for the three-month period ended December 28, 2024 are as follows:

<i>(In thousands)</i>	December 28, 2024
Net sales	<u>\$ 134,926</u>
Earnings before income taxes	1,542
Net earnings	<u>1,140</u>

Restructuring charges. In connection with the EWP Acquisition, we elected to consolidate our WWR operations through the closure of the Warren facility and through the redeployment of equipment to our other WWR production facilities. Production at the Warren facility ceased in November 2024, and its orders were distributed to our remaining WWR facilities. Following is a summary of the restructuring activity during the three-month periods ended December 27, 2025 and December 28, 2024:

(In thousands)

	Employee Separation Costs	Equipment Relocation Costs	Facility Closure Costs	Asset Impairments	Total
2026					
Liability as of September 27, 2025	\$ -	\$ -	\$ 24	\$ -	\$ 24
Restructuring charges, net	-	48	3	-	51
Cash payments	-	(48)	-	-	(48)
Non-cash charges	-	-	-	-	-
Liability as of December 27, 2025	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ 27</u>
2025					
Liability as of September 28, 2024	\$ -	\$ -	\$ -	\$ -	\$ -
Restructuring charges, net	192	-	212	270	674
Cash payments	(138)	-	(137)	-	(275)
Non-cash charges	-	-	-	(270)	(270)
Liability as of December 28, 2024	<u>\$ 54</u>	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ -</u>	<u>\$ 129</u>

As of December 27, 2025 and September 27, 2025, we recorded a liability of \$27,000 and \$24,000, respectively, for restructuring liabilities in accrued expenses on our consolidated balance sheet. We have incurred cumulative restructuring charges of \$2.0 million since the start of this initiative and expect to incur less than \$0.1 million of additional costs through the second quarter of fiscal 2026.

Acquisition costs. Under the provisions of ASC 805, acquisition and integration costs are recorded as expenses in the period in which such costs are incurred rather than included as components of consideration transferred. There were no acquisition-related costs recorded during the three-month period ended December 27, 2025. During the three-month period ended December 28, 2024, we recorded \$226,000 of acquisition-related costs associated with the EWP Acquisition for accounting, legal and other professional fees.

O'Brien Wire Products of Texas, Inc.

On November 26, 2024, we purchased certain assets of OWP for a purchase price of \$5.1 million (the "OWP Acquisition"). OWP was a manufacturer of WWR products for use in nonresidential and residential construction. Under the terms of the OWP Acquisition, Insteel acquired certain of OWP's inventories and all of the production equipment. The OWP Acquisition was funded with cash on hand. The OWP Acquisition serves to strengthen our competitive position within the Texas market.

Following is a summary of our final allocation of the purchase price to the fair values of the assets acquired and liabilities assumed as of the acquisition date:

(In thousands)

Assets acquired:	
Inventories	\$ 404
Property, plant and equipment	1,812
Intangible assets:	
Customer relationships	785
Non-competition agreement	30
Total assets acquired	\$ 3,031
Liabilities assumed:	
Total liabilities assumed	\$ -
Net assets acquired	3,031
Purchase price	5,116
Goodwill	\$ 2,085

In connection with the OWP Acquisition, we acquired certain intangible assets that will be amortized based on their estimated useful lives of 20.0 years for customer relationships and 5.0 years for a non-competition agreement. Goodwill, which is deductible for tax purposes, consists largely of the synergies we expect to realize through the integration of the acquired assets with our operations.

Following the OWP acquisition, the net sales resulting from this acquisition were managed through our existing WWR facilities and cannot be quantified separately because of our integration efforts. Additionally, we are unable to prepare pro forma financial information due to the unavailability of certain historical financial data. Disclosing this information is considered impractical, and it would not significantly differ from the results presented in our consolidated financial statements for the three-month period ending December 28, 2024.

Restructuring charges. In connection with the OWP Acquisition, we elected to consolidate our WWR operations through the redeployment of OWP's equipment and inventory to our other facilities. Following is a summary of the restructuring activity during the three-month periods ended December 27, 2025 and December 28, 2024:

(In thousands)

	Facility Closure Costs	Asset Impairments	Total
2026			
Liability as of September 27, 2025	\$ 49	\$ -	\$ 49
Restructuring charges, net	-	-	-
Cash payments	-	-	-
Non-cash charges	-	-	-
Liability as of December 27, 2025	\$ 49	\$ -	\$ 49
2025			
Liability as of September 28, 2024	\$ -	\$ -	\$ -
Restructuring charges, net	19	3	22
Cash payments	(8)	-	(8)
Non-cash charges	-	(3)	(3)
Liability as of December 28, 2024	\$ 11	\$ -	\$ 11

As of December 27, 2025 and September 27, 2025, we recorded a liability of \$49,000 for restructuring liabilities in accrued expenses on our consolidated balance sheet. We have incurred cumulative restructuring charges of \$0.3 million since the start of this initiative and expect to incur approximately \$0.1 million of additional costs through the second quarter of fiscal 2026.

Acquisition costs. There were no acquisition-related costs recorded during the three-month period ended December 27, 2025. During the three-month period ended December 28, 2024, we recorded \$45,000 of acquisition-related costs associated with the OWP Acquisition for accounting, legal and other professional fees.

(4) Revenue Recognition

We recognize revenues when performance obligations under the terms of a contract with our customers are satisfied, which generally occurs when products are shipped and control is transferred. We enter into contracts that pertain to products, which are accounted for as separate performance obligations and typically one year or less in duration. We do not exercise significant judgment in determining the timing for the satisfaction of performance obligations or the transaction price. Revenue is measured as the amount of consideration expected to be received in exchange for our products. We present revenue net of amounts collected from customers for sales tax.

Variable consideration that may affect the total transaction price, including contractual discounts, rebates, returns and credits, are included in net sales. Estimates for variable consideration are based on historical experience, anticipated performance and management's judgment and are updated as of each reporting date. Shipping and related expenses associated with outbound freight are accounted for as fulfillment costs and included in cost of sales. We do not have significant financing components. Contract costs are not significant and are recognized as incurred.

Contract assets primarily relate to our rights to consideration for products that are delivered but not billed as of the reporting date and are reclassified to receivables when the customer is invoiced. Contract liabilities primarily relate to performance obligations that are to be satisfied in the future and arise when we collect from the customer in advance of shipments. Contract assets and liabilities were not material as of December 27, 2025, and September 27, 2025.

Accounts receivable includes amounts billed and currently due from customers stated at their net estimated realizable value. Customer payment terms are generally 30 days. We maintain an allowance for credit losses to provide for the estimated receivables that will not be collected, which is based upon our assessment of customer creditworthiness, historical payment experience and the age of outstanding receivables. Past-due trade receivable balances are written off when our collection efforts have been unsuccessful. As of December 27, 2025, September 27, 2025, and September 28, 2024, net accounts receivable totaled \$64.6 million, \$78.7 million and \$58.3 million, respectively.

See Note 14 for the disaggregation of our net sales by product line and geography.

(5) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative guidance for fair value measurements establishes a three-level fair value hierarchy that encourages an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, including certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

As of December 27, 2025, and September 27, 2025, we held financial assets that are required to be measured at fair value on a recurring basis, which are summarized below:

<i>(In thousands)</i>	Total	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)
As of December 27, 2025:			
Current assets:			
Cash equivalents	\$ 15,662	\$ 15,662	\$ -
Other assets:			
Cash surrender value of life insurance policies	13,923	-	13,923
Total	<u>\$ 29,585</u>	<u>\$ 15,662</u>	<u>\$ 13,923</u>
As of September 27, 2025:			
Current assets:			
Cash equivalents	\$ 38,396	\$ 38,396	\$ -
Other assets:			
Cash surrender value of life insurance policies	13,552	-	13,552
Total	<u>\$ 51,948</u>	<u>\$ 38,396</u>	<u>\$ 13,552</u>

Cash equivalents, which include all highly liquid investments with original maturities of three months or less, are classified as Level 1 of the fair value hierarchy. The carrying amount of our cash equivalents, which consist of investments in money market funds, approximates fair value due to their short maturities. Cash surrender value of life insurance policies are classified as Level 2. The fair value of the life insurance policies was determined by the underwriting insurance company's valuation models and represents the guaranteed value we would receive upon surrender of these policies as of the reporting date.

As of December 27, 2025, and September 27, 2025, we had no nonfinancial assets that were required to be measured at fair value on a nonrecurring basis other than the assets and liabilities that were acquired from EWP and OWP at fair value in 2025 (see Note 3 to the consolidated financial statements). The carrying amounts of accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term maturities of these financial instruments.

(6) Intangible Assets

The primary components of our intangible assets and the related accumulated amortization are as follows:

<i>(In thousands)</i>	Weighted- Average Useful Life (Years)	Gross	Accumulated Amortization	Net Book Value
As of December 27, 2025:				
Customer relationships	18.7	\$ 21,455	\$ (6,920)	\$ 14,535
Developed technology and know-how	20.0	1,800	(1,020)	780
Non-competition agreements	4.0	930	(273)	657
Patents	7.0	200	(34)	166
		<u>\$ 24,385</u>	<u>\$ (8,247)</u>	<u>\$ 16,138</u>
As of September 27, 2025:				
Customer relationships	18.7	\$ 21,455	\$ (6,614)	\$ 14,841
Developed technology and know-how	20.0	1,800	(997)	803
Non-competition agreements	4.1	990	(276)	714
Trade name	1.0	350	(329)	21
Patents	7.0	200	(26)	174
		<u>\$ 24,795</u>	<u>\$ (8,242)</u>	<u>\$ 16,553</u>

Amortization expense for intangibles was \$415,000 and \$408,000 for the three-month periods ended December 27, 2025, and December 28, 2024, respectively. Amortization expense for the next five years is \$1.2 million in 2026, \$1.3 million in 2027, \$1.3 million in 2028, \$1.1 million in 2029, \$1.1 million in 2030 and \$10.1 million thereafter.

(7) Stock-Based Compensation

Under our equity incentive plan, employees and directors may be granted stock options, restricted stock, restricted stock units and performance awards. Effective February 11, 2025, the shareholders of the Company approved the 2025 Equity Incentive Plan of Insteel Industries Inc. (the “2025 Plan”), which authorizes the issuance of up to 800,000 shares of our common stock, plus any shares remaining available for grant under the 2015 Equity Incentive Plan of Insteel Industries Inc. (as amended, the “2015 Plan”) as of the effective date of the 2025 Plan and any shares subject to an award granted under the 2015 Plan which are forfeited, cancelled, terminated, lapsed or expired without the issuance of shares. The 2025 plan expires on February 10, 2035. As of December 27, 2025, there were 905,000 shares of our common stock available for future grants under the 2025 Plan, which is our only active equity incentive plan.

Stock option awards. Under the 2025 Plan, employees and directors may be granted options to purchase shares of common stock at the fair market value on the date of the grant. Options granted under the 2025 Plan generally vest over three years and expire ten years from the date of the grant. Compensation expense associated with stock options was \$136,000 and \$127,000 for the three-month periods ended December 27, 2025, and December 28, 2024, respectively. As of December 27, 2025, there was \$590,000 of unrecognized compensation cost related to unvested options which is expected to be recognized over a weighted average period of 1.97 years.

The following table summarizes stock option activity:

	Options Outstanding (in thousands)	Weighted Average Exercise Price	Term - Weighted Average (in years)	Intrinsic Value (in thousands)
Outstanding at September 27, 2025	524	\$ 32.01		
Exercised	-	-		
Outstanding at December 27, 2025	524	32.01	6.64	\$ 1,217
Vested and anticipated to vest in the future at December 27, 2025	514	31.98	6.60	1,212
Exercisable at December 27, 2025	314	31.30	5.21	1,084

Stock option exercises include “net exercises” for which the optionee received shares of common stock equal to the intrinsic value of the options (fair market value of common stock on the date of exercise less exercise price) reduced by any applicable withholding taxes.

Restricted stock units. Restricted stock units (“RSUs”) granted under the 2025 Plan are valued based upon the fair market value on the date of the grant and provide for a dividend equivalent payment which is included in compensation expense. The vesting period for RSUs is generally one year from the date of the grant for RSUs granted to directors and three years from the date of the grant for RSUs granted to employees. RSUs do not have voting rights. Compensation expense associated with RSUs was \$305,000 and \$218,000 for the three-month periods ended December 27, 2025, and December 28, 2024, respectively.

As of December 27, 2025, there was \$1.0 million of unrecognized compensation cost related to unvested RSUs which is expected to be recognized over a weighted average period of 1.56 years.

The following table summarizes RSU activity:

<i>(Unit amounts in thousands)</i>	Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value
Balance, September 27, 2025	147	\$ 32.31
Vested	-	-
Balance, December 27, 2025	147	32.31

(8) Income Taxes

Effective income tax rate. Our effective income tax rate was 21.0% for the three-month period ended December 27, 2025, compared with 26.1% for the three-month period ended December 28, 2024. The effective income tax rates for both periods were based upon the estimated rate applicable for the entire fiscal year adjusted to reflect any significant or discrete items related specifically to interim periods. The decrease in the effective rate for the three-month period ended December 27, 2025, is primarily attributed to a decrease in the valuation allowance for deferred tax assets that are expected to be utilized and the calculation of state deferred tax balances, which were treated as discrete in the current period.

Deferred income taxes. As of December 27, 2025, and September 27, 2025, we recorded a deferred tax liability (net of valuation allowance) of \$11.2 million and \$11.1 million, respectively, in other liabilities on our consolidated balance sheets. We have \$5.0 million of state net operating loss carryforwards that effectively expire in 2031 due to state tax rate reductions.

The realization of our deferred tax assets is entirely dependent upon our ability to generate future taxable income in applicable jurisdictions. GAAP requires that we periodically assess the need to establish a reserve against our deferred tax assets to the extent we no longer believe it is more likely than not that they will be fully realized. As of December 27, 2025, and September 27, 2025, we recorded a valuation allowance of \$3,000 and \$112,000, respectively, pertaining to deferred tax assets that were not expected to be utilized. The valuation allowance is subject to periodic review and adjustment based on changes in facts and circumstances.

Uncertainty in income taxes. We establish contingency reserves for material, known tax exposures based on our assessment of the estimated liability that would be incurred in connection with the settlement of such matters. As of December 27, 2025, we had no material, known tax exposures that required the establishment of contingency reserves for uncertain tax positions.

We file U.S. federal, state and local income tax returns in various jurisdictions. Federal and various state tax returns filed subsequent to 2020 remain subject to examination.

(9) Employee Benefit Plans

Supplemental retirement benefit plan. We have Supplemental Retirement Benefit Agreements (each, a “SRBA”) with certain of our employees (each, a “Participant”). Under the SRBAs, if the Participant remains in continuous service with us for a period of at least 30 years, we will pay the Participant a supplemental retirement benefit for the 15-year period following the Participant’s retirement equal to 50% of the Participant’s highest average annual base salary for five consecutive years in the 10-year period preceding the Participant’s retirement. If the Participant retires prior to the completion of 30 years of continuous service with us but has attained age 55 and completed at least 10 years of continuous service, the amount of the Participant’s supplemental retirement benefit will be reduced by 1/360th for each month short of 30 years that the Participant was employed by us.

Net periodic pension cost for the SRBAs consists of the following components included in selling, general and administrative expense (“SG&A expense”):

	Three Months Ended	
	December 27, 2025	December 28, 2024
(In thousands)		
Interest cost	\$ 162	\$ 151
Service cost	65	69
Net periodic pension cost	<u>\$ 227</u>	<u>\$ 220</u>

(10) Long-Term Debt

Revolving Credit Facility. We have a \$100.0 million revolving credit facility (the “Credit Facility”) that is used to supplement our operating cash flow and fund our working capital, capital expenditure, general corporate and growth requirements. In March 2023, we amended our credit agreement to extend the maturity date of the Credit Facility from May 15, 2024, to March 15, 2028, and replaced the London Inter-Bank Offered Rate with the Secured Overnight Financing Rate (“SOFR”). The Credit Facility provides for an accordion feature whereby its size may be increased by up to \$50.0 million, subject to our lender’s approval. Advances under the Credit Facility are limited to the lesser of the revolving loan commitment amount (currently \$100.0 million) or a borrowing base amount that is calculated based upon a percentage of eligible receivables and inventories. As of December 27, 2025, no borrowings were outstanding on the Credit Facility, \$98.7 million of borrowing capacity was available and outstanding letters of credit totaled \$1.3 million.

Interest rates on the Credit Facility are based upon (1) an index rate that is established at the highest of the prime rate, 0.50% plus the federal funds rate or the SOFR rate plus 1.00% or (2) at our election, a SOFR rate including a credit adjustment of 0.10% plus, in either case, an applicable interest rate margin. The applicable interest rate margins are adjusted on a quarterly basis based upon the amount of excess availability on the Credit Facility within the range of 0.25% to 0.50% for index rate loans and 1.25% to 1.50% for SOFR-based loans. In addition, the applicable interest rate margins would be increased by 2.00% upon the occurrence of certain events of default provided for under the terms of the Credit Facility. Based on our excess availability as of December 27, 2025, the applicable interest rate margins on the Credit Facility were 0.25% for index rate loans and 1.25% for SOFR-based loans.

Our ability to borrow available amounts under the Credit Facility will be restricted or eliminated in the event of certain covenant breaches, events of default or if we are unable to make certain representations and warranties provided for under the terms of the Credit Facility. We are required to maintain a fixed charge coverage ratio of not less than 1.0 at the end of each fiscal quarter for the twelve-month period then ended when the amount of liquidity on the Credit Facility is less than \$10.0 million. In addition, the terms of the Credit Facility restrict our ability to, among other things: engage in certain business combinations or divestitures; make investments in or loans to third parties, unless certain conditions are met with respect to such investments or loans; pay cash dividends or repurchase shares of our stock subject to certain minimum borrowing availability requirements; incur or assume indebtedness; issue securities; enter into certain transactions with our affiliates; or permit liens to encumber our property and assets. The terms of the Credit Facility also provide that an event of default will occur upon the occurrence of, among other things: defaults or breaches under the loan documents, subject in certain cases to cure periods; defaults or breaches by us or any of our subsidiaries under any agreement resulting in the acceleration of amounts above certain thresholds or payment defaults above certain thresholds; certain events of bankruptcy or insolvency; certain entries of judgment against us or any of our subsidiaries, which are not covered by insurance; or a change of control. As of December 27, 2025, we were in compliance with all of the financial and negative covenants under the Credit Facility, and there have not been any events of default.

Amortization of capitalized financing costs associated with the Credit Facility was \$13,000 for each of the three-month periods ended December 27, 2025, and December 28, 2024.

(11) Earnings Per Share

The computation of basic and diluted earnings per share attributable to common shareholders is as follows:

	Three Months Ended	
	December 27, 2025	December 28, 2024
<i>(In thousands, except per share amounts)</i>		
Net earnings	\$ 7,593	\$ 1,081
Basic weighted average shares outstanding	19,472	19,497
Dilutive effect of stock-based compensation	79	53
Diluted weighted average shares outstanding	19,551	19,550
Net earnings per share:		
Basic	\$ 0.39	\$ 0.06
Diluted	\$ 0.39	\$ 0.06

Options and RSUs that were antidilutive and not included in the dilutive earnings per share calculation amounted to 45,000 and 82,000 shares for the three-month periods ended December 27, 2025, and December 28, 2024, respectively.

(12) Share Repurchases

On November 18, 2008, our Board of Directors approved a share repurchase authorization to buy back up to \$25.0 million of our outstanding common stock (the “Authorization”). Under the Authorization, repurchases may be made from time to time in the open market or in privately negotiated transactions subject to market conditions, applicable legal requirements and other factors. We are not obligated to acquire any common stock, and the program may be commenced or suspended at any time at our discretion without prior notice. The Authorization continues in effect until terminated by the Board of Directors. The Company repurchased \$745,000 or 23,905 shares and \$617,000 or 21,541 shares of its common stock during the three-month periods ended December 27, 2025, and December 28, 2024, respectively. As of December 27, 2025, there was \$16.4 million remaining available for future share repurchases under this Authorization.

(13) Other Financial Data

Balance sheet information:

<i>(In thousands)</i>	December 27, 2025	September 27, 2025
Accounts receivable, net:		
Accounts receivable	\$ 65,272	\$ 79,281
Less allowance for credit losses	(671)	(562)
Total	<u>\$ 64,601</u>	<u>\$ 78,719</u>
Inventories:		
Raw materials	\$ 86,916	\$ 62,896
Work in process	9,139	9,893
Finished goods	76,232	64,987
Total	<u>\$ 172,287</u>	<u>\$ 137,776</u>
Other current assets:		
Prepaid insurance	\$ 2,790	\$ 3,911
Other	2,952	2,911
Total	<u>\$ 5,742</u>	<u>\$ 6,822</u>
Other assets:		
Cash surrender value of life insurance policies	\$ 13,923	\$ 13,552
Right-of-use asset	3,591	3,939
Capitalized financing costs, net	61	73
Other	119	140
Total	<u>\$ 17,694</u>	<u>\$ 17,704</u>
Property, plant and equipment, net:		
Land and land improvements	\$ 17,543	\$ 17,543
Buildings	64,532	64,263
Machinery and equipment	241,259	241,190
Construction in progress	2,483	2,297
	325,817	325,293
Less accumulated depreciation	(199,490)	(196,602)
Total	<u>\$ 126,327</u>	<u>\$ 128,691</u>
Accrued expenses:		
Salaries, wages and related expenses	\$ 4,145	\$ 9,464
Income taxes	3,209	1,400
Customer rebates	2,975	2,119
Operating lease liability	1,807	1,852
Property taxes	1,794	1,960
Deferred compensation	360	360
State sales and use taxes	255	180
Other	352	501
Total	<u>\$ 14,897</u>	<u>\$ 17,836</u>
Other liabilities:		
Deferred compensation	\$ 12,134	\$ 11,990
Deferred income taxes	11,216	11,068
Operating lease liability	1,744	2,051
Total	<u>\$ 25,094</u>	<u>\$ 25,109</u>

(14) Business Segment Information

Our operations are entirely focused on the manufacture and marketing of steel wire reinforcing products for concrete construction applications. Our concrete reinforcing products consist of two product lines: prestressed concrete strand and welded wire reinforcement. Based on the criteria specified in ASC Topic 280, *Segment Reporting*, we have one reportable segment.

The Company's chief operating decision maker (“CODM”) is the Chief Executive Officer. The CODM assesses performance and allocates resources based on consolidated net earnings. This measure of profitability is utilized to assess growth opportunities, including those through organic growth initiatives, capital expenditures and acquisitions; manage and control expenses and efficiency within our operations; and evaluate shareholder return strategies, including dividend payments and repurchases of common stock.

Significant expenses include cost of sales and SG&A expense which are each presented on the Company’s consolidated statement of operations. The measure of segment assets is reported on the consolidated balance sheet as total assets, which are located in the U.S.

Our net sales by product line are as follows:

	Three Months Ended	
	December 27, 2025	December 28, 2024
(In thousands)		
Net sales:		
Welded wire reinforcement	\$ 108,371	\$ 82,454
Prestressed concrete strand	51,553	47,266
Total	<u>\$ 159,924</u>	<u>\$ 129,720</u>

Our net sales by geographic region are as follows:

	Three Months Ended	
	December 27, 2025	December 28, 2024
(In thousands)		
Net sales:		
United States	\$ 159,220	\$ 128,774
Foreign	704	946
Total	<u>\$ 159,924</u>	<u>\$ 129,720</u>

(15) Contingencies

We are involved in lawsuits, claims, investigations and proceedings, including commercial, environmental and employment matters, which arise in the ordinary course of business. We do not expect the ultimate outcome or cost to resolve these matters will have a material adverse effect on our financial position, results of operations or cash flows.

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

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, particularly under the caption “Outlook” below. When used in this report, the words “believes,” “anticipates,” “expects,” “estimates,” “appears,” “plans,” “intends,” “may,” “should,” “could,” “outlook,” “continues,” “remains” and similar expressions are intended to identify forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, they are subject to numerous risks and uncertainties and involve certain assumptions. Actual results may differ materially from those expressed in forward-looking statements, and we can provide no assurances that such plans, intentions or expectations will be implemented or achieved. Many of these risks and uncertainties are discussed in detail and, where appropriate, updated in our filings with the U.S. Securities and Exchange Commission (“SEC”), in particular in our Annual Report on Form 10-K for the fiscal year ended September 27, 2025 (our “2025 Annual Report”). You should carefully review these risks and uncertainties.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. All forward-looking statements speak only to the respective dates on which such statements are made, and we do not undertake any obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events, except as may be required by law.

It is not possible to anticipate and list all risks and uncertainties that may affect our business, future operations or financial performance; however, they include, but are not limited to, the following:

- general economic and competitive conditions in the markets in which we operate, including uncertainty over global trade policies and the financial impact of related tariffs and retaliatory tariffs;
- changes in the spending levels for nonresidential and residential construction and the impact on demand for our products;
- changes in the amount and duration of transportation funding provided by federal, state and local governments and the impact on spending for infrastructure construction and demand for our products;
- the cyclical nature of the steel and building material industries;
- credit market conditions and the relative availability of financing for us, our customers and the construction industry as a whole;
- the impact of rising interest rates on the cost of financing for our customers;
- fluctuations in the cost and availability of our primary raw material, hot-rolled carbon steel wire rod, from domestic and foreign suppliers;
- competitive pricing pressures and our ability to raise selling prices in order to recover increases in raw material or operating costs;
- changes in U.S. or foreign trade policy affecting imports or exports of steel wire rod or our products;
- unanticipated changes in customer demand, order patterns and inventory levels;
- the impact of fluctuations in demand and capacity utilization levels on our unit manufacturing costs;
- our ability to further develop the market for engineered structural mesh (“ESM”) and expand our shipments of ESM;
- legal, environmental, economic or regulatory developments that significantly impact our business or operating costs;
- unanticipated plant outages, equipment failures or labor difficulties;
- the impact of cybersecurity breaches and data leaks; and
- the risks and uncertainties discussed under “Item 1A. Risk Factors” in our 2025 Annual Report and in other filings made by us with the SEC.

Overview

Insteel Industries Inc. (“we,” “us,” “our,” “the Company” or “Insteel”) is the nation’s largest manufacturer of steel wire reinforcing products for concrete construction applications. We manufacture and market prestressed concrete strand (“PC strand”) and welded wire reinforcement (“WWR”), including ESM, concrete pipe reinforcement and standard welded wire reinforcement. Our products are sold primarily to manufacturers of concrete products that are used in nonresidential construction. We market our products through sales representatives who are our employees. We sell our products nationwide across the U.S. and, to a much lesser extent, into Canada, Mexico and Central and South America, shipping them primarily by truck, using common or contract carriers. Our business strategy is focused on: (1) achieving leadership positions in our markets; (2) operating as the lowest cost producer in our industry; and (3) pursuing growth opportunities within our core businesses that further our penetration of the markets we currently serve or expand our footprint.

On October 21, 2024, we, through our wholly-owned subsidiary, Insteel Wire Products Company (“IWP”), purchased substantially all of the assets, other than cash and accounts receivable, of Engineered Wire Products, Inc. (“EWP”) and certain related assets of Liberty Steel Georgetown, Inc. (“LSG”) for an adjusted purchase price of \$67.0 million (the “EWP Acquisition”). EWP was a leading manufacturer of WWR products for use in nonresidential and residential construction. We acquired EWP’s inventories, production equipment, production facilities located in Upper Sandusky, Ohio and Warren, Ohio and certain equipment from LSG located in Georgetown, South Carolina. Subsequent to the acquisition, we elected to consolidate our WWR operations with the closure of the Warren facility and relocation of certain equipment to our existing WWR facilities.

On November 26, 2024, we, through our wholly-owned subsidiary, IWP, purchased certain assets of O’Brien Wire Products of Texas, Inc. (“OWP”) for a purchase price of \$5.1 million (the “OWP Acquisition”). OWP was a manufacturer of WWR products for use in nonresidential and residential construction. We acquired certain of OWP’s inventories and all of the production equipment. Subsequent to the acquisition, we elected to consolidate our WWR operations with the relocation of certain acquired equipment from OWP to our existing WWR facilities.

Results of Operations

Statements of Operations – Selected Data (Dollars in thousands)

	Three Months Ended		
	December 27, 2025	Change	December 28, 2024
Net sales	\$ 159,924	23.3%	\$ 129,720
Gross profit	18,060	89.5%	9,529
<i>Percentage of net sales</i>	<i>11.3%</i>		<i>7.3%</i>
Selling, general and administrative expense	\$ 8,760	11.1%	\$ 7,887
<i>Percentage of net sales</i>	<i>5.5%</i>		<i>6.1%</i>
Restructuring charges, net	\$ 51	N/M	\$ 696
Acquisition costs	-	N/M	271
Interest income	(370)	(52.9%)	(786)
Effective income tax rate	21.0%		26.1%
Net earnings	\$ 7,593	602.4%	\$ 1,081

"N/M" = not meaningful

First Quarter of Fiscal 2026 Compared to First Quarter of Fiscal 2025

Net Sales

Net sales for the first quarter of 2026 increased 23.3% to \$159.9 million from \$129.7 million in the prior year quarter, reflecting an 18.8% increase in average selling prices and a 3.8% increase in shipments. The increase in average selling prices was driven by price increases implemented over the course of the prior year to recover the escalation in raw material cost. The increase in shipments was primarily due to favorable demand trends in the infrastructure and commercial construction markets and incremental contributions from our prior year acquisitions.

Gross Profit

Gross profit for the first quarter of 2026 increased 89.5% to \$18.1 million, or 11.3% of net sales, from \$9.5 million, or 7.3% of net sales, in the prior year quarter due to higher spreads between average selling prices and raw material costs (\$6.9 million), lower manufacturing costs (\$1.3 million) and an increase in shipments (\$390,000). The increase in spreads was driven by higher average selling prices (\$24.3 million) partially offset by higher raw material costs (\$16.7 million) and an increase in freight expense (\$741,000).

Selling, General and Administrative Expense

Selling, general and administrative expense (“SG&A expense”) for the first quarter of 2026 increased 11.1% to \$8.8 million, or 5.5% of net sales, from \$7.9 million, or 6.1% of net sales, in the prior year quarter primarily due to higher compensation (\$725,000), employee benefit (\$353,000) and bad debt (\$150,000) expense partially offset by the relative year-over-year change in the cash surrender value of life insurance policies (\$524,000). The increase in compensation expense was primarily driven by higher incentive plan expense due to our improved financial results in the current year quarter. The increase in employee benefit expense was largely related to higher employee health insurance expense in the current year period. The higher bad debt expense resulted from adjustments to customer credit reserves. The cash surrender value of life insurance policies increased \$249,000 in the current year quarter compared with a decrease of \$275,000 in the prior year quarter due to the corresponding changes in the value of the underlying investments.

Restructuring Charges, Net

Net restructuring charges of \$51,000 were incurred in the first quarter of 2026 related to the closure of the Warren, Ohio facility, which had been acquired through the EWP Acquisition, and expenses related to the consolidation of our WWR operations. Net restructuring charges for the current year quarter included equipment relocation costs (\$48,000) and facility closure costs (\$3,000). Net restructuring charges of \$696,000 were incurred in the prior year quarter for asset impairment charges (\$273,000), facility closure costs (\$231,000) and employee separation costs (\$192,000).

Acquisition Costs

Acquisition costs of \$271,000 were incurred in the first quarter of 2025 for legal, accounting and other professional fees related to the EWP Acquisition and the OWP Acquisition.

Interest Income

Interest income decreased \$416,000 from the prior year quarter due to lower average cash balances and interest rates.

Income Taxes

Our effective tax rate for the first quarter of 2026 decreased to 21.0% from 26.1% for the prior year quarter. The decrease was primarily driven by a reduction in the valuation allowance on deferred tax assets expected to be utilized, as well as the calculation of state deferred tax balances, which were treated as discrete items in the current period.

Net Earnings

Net earnings for the first quarter of 2026 increased to \$7.6 million (\$0.39 per share) from \$1.1 million (\$0.06 per share) in the prior year quarter primarily due to the increase in gross profit and lower restructuring charges and acquisition related costs partially offset by higher SG&A expense and lower interest income.

Liquidity and Capital Resources

Selected Financial Data (Dollars in thousands)

	Three Months Ended	
	December 27, 2025	December 28, 2024
Net cash (used for) provided by operating activities	\$ (701)	\$ 18,983
Net cash used for investing activities	(1,617)	(73,939)
Net cash used for financing activities	(20,723)	(20,631)
Net working capital	186,023	145,401
Total debt	-	-
<i>Percentage of total capital</i>	-	-
Shareholders' equity	\$ 358,843	\$ 331,650
<i>Percentage of total capital</i>	100.0%	100.0%
Total capital (total debt + shareholders' equity)	\$ 358,843	\$ 331,650

Operating Activities

Operating activities used \$701,000 of cash during the first quarter of 2026 primarily from a net increase in working capital partially offset by net earnings adjusted for non-cash items. Working capital used \$16.6 million of cash due to a \$34.5 million increase in inventories partially offset by a \$14.1 million decrease in accounts receivable and a \$3.8 million increase in accounts payable and accrued expenses. The increase in inventories was primarily driven by higher raw material purchases during the quarter and an increase in the average unit costs. The decrease in accounts receivable was largely driven by the seasonal decline in shipments during the quarter. The increase in accounts payable and accrued expenses was related to higher raw material purchases partially offset by a decrease in accrued salaries, wages and related expenses.

Operating activities provided \$19.0 million of cash during the first quarter of 2025 primarily from net earnings adjusted for non-cash items together with a net decrease in working capital. Working capital, net of adjustments for assets and liabilities acquired, provided \$12.3 million of cash due to an \$8.9 million reduction in accounts receivable, a \$2.6 million decrease in inventories and a \$754,000 increase in accounts payable and accrued expenses. The decrease in accounts receivable was largely driven by the decrease in shipments due to the seasonal slowdown in sales partially offset by higher average selling prices. The reduction in inventories, net of inventory acquired from our acquisitions, was primarily due to reduced raw material purchases during the quarter and lower average unit costs. The increase in accounts payable and accrued expenses was mostly due to higher raw material purchases near the end of the period which were partially offset by lower accruals for property taxes and salaries, wages, and related expenses.

We may elect to adjust our operating activities as there are changes in our construction end-markets, which could materially impact our cash requirements. While a downturn in the level of construction activity adversely affects sales to our customers, it generally reduces our working capital requirements.

Investing Activities

Investing activities used \$1.6 million of cash during the first quarter of 2026 compared to \$73.9 million during the prior year period primarily due to the EWP Acquisition (\$66.4 million), OWP Acquisition (\$5.1 million) and lower capital expenditures (\$1.2 million). Capital expenditures decreased to \$1.5 million from \$2.7 million in the prior year period and are expected to total up to approximately \$20.0 million for fiscal 2026. Capital expenditures for fiscal 2026 are to support costs and productivity initiatives as well as recurring maintenance requirements.

Our investing activities are largely discretionary, providing us with the ability to significantly curtail outlays when warranted based on business conditions.

Financing Activities

Financing activities used \$20.7 million of cash during the first quarter of 2026 compared to \$20.6 million during the prior year period. During the first quarter of 2026, \$20.0 million of cash was used for dividend payments (including a special dividend of \$19.4 million, or \$1.00 per share, and regular quarterly dividends totaling \$582,000, or \$0.03 per share) and \$745,000 for the repurchase of common stock. During the first quarter of 2025, \$20.0 million of cash was used for dividend payments (including a special dividend of \$19.4 million, or \$1.00 per share, and regular quarterly dividend totaling \$583,000, or \$0.03 per share) and \$617,000 for the repurchase of common stock.

Cash Management

Our cash is principally concentrated at one major financial institution, which at times exceeds federally insured limits. We invest excess cash primarily in money market funds, which are highly liquid securities that bear minimal risk.

Credit Facility

We have a \$100.0 million revolving credit facility (the “Credit Facility”) that is used to supplement our operating cash flow and fund our working capital, capital expenditure, general corporate and growth requirements. In March 2023, we amended our credit agreement to extend the maturity date of the Credit Facility from May 15, 2024, to March 15, 2028 and replaced the London Inter-Bank Offered Rate with the Secured Overnight Financing Rate. The Credit Facility provides for an accordion feature whereby its size may be increased by up to \$50.0 million, subject to our lender’s approval. Advances under the Credit Facility are limited to the lesser of the revolving loan commitment amount (currently \$100.0 million) or a borrowing base amount that is calculated based upon a percentage of eligible receivables and inventories. As of December 27, 2025, no borrowings were outstanding on the Credit Facility, \$98.7 million of borrowing capacity was available and outstanding letters of credit totaled \$1.3 million (see Note 10 to the consolidated financial statements).

We believe that, in the absence of significant unanticipated funding requirements, cash and cash equivalents, cash generated by operating activities and the borrowing availability provided under the Credit Facility will be sufficient to satisfy our expected requirements for working capital, capital expenditures, dividends and share repurchases, if any, in both the short- and long-term. We also expect to have access to the amounts available under the Credit Facility as required. However, should we experience future reductions in our operating cash flows due to weakening conditions in our construction end-markets and reduced demand from our customers, we may need to curtail capital and operating expenditures, cease dividend payments, delay or restrict share repurchases and/or realign our working capital requirements.

Should we determine, at any time, that we require additional short-term liquidity, we would evaluate the alternative sources of financing potentially available to provide such funding. There can be no assurance that any such financing, if pursued, would be obtained, or if obtained, would be adequate or on terms acceptable to us. However, we believe that our strong balance sheet, flexible capital structure and borrowing capacity available to us under our Credit Facility position us to meet our anticipated liquidity requirements for the foreseeable future, including the next 12 months.

Seasonality and Cyclicalities

Demand in our markets is both seasonal and cyclical, driven by the level of construction activity, but can also be impacted by fluctuations in the inventory positions of our customers. Shipments are seasonal, typically reaching their highest level when weather conditions are the most conducive to construction activity. As a result, assuming normal seasonal weather patterns, shipments and profitability are usually higher in the third and fourth quarters of the fiscal year and lower in the first and second quarters. Construction activity and demand for our products are cyclical based on overall economic conditions, although there can be significant differences between the relative strength of nonresidential and residential construction for extended periods.

Impact of Inflation

We are subject to inflationary risks arising from fluctuations in the market prices for our primary raw material, hot-rolled carbon steel wire rod, and, to a much lesser extent, labor rates, freight, energy and other consumables that are used in our manufacturing processes. We have generally been able to adjust our selling prices to pass through increases in these costs or offset them through various cost reduction and productivity improvement initiatives. However, our ability to raise our selling prices depends on market conditions and competitive dynamics, and there may be periods during which we are unable to fully recover increases in our costs. Inflation did not have a material impact on our sales or earnings during the first quarter of fiscal 2026. The timing and magnitude of any future increases in our raw material costs and the selling prices for our products are uncertain at this time.

Contractual Obligations

There have been no material changes in our contractual obligations and commitments as disclosed in our 2025 Annual Report other than those which occur in the ordinary course of business.

Critical Accounting Estimates

Our Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our unaudited financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information. The preparation of our financial statements requires the application of these accounting principles in addition to certain estimates and judgments based on current available information, actuarial estimates, historical results and other assumptions believed to be reasonable. These estimates, assumptions and judgments are affected by our application of accounting policies, which are discussed in our 2025 Annual Report. Estimates are used for, but not limited to, determining the net carrying value of trade accounts receivable, inventories, recording self-insurance liabilities and other accrued liabilities. Actual results could differ from these estimates. Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Estimates" included in our 2025 Annual Report for further information regarding our critical accounting policies and estimates. As of December 27, 2025, none of our accounting estimates were deemed to be critical for the accounting periods presented, which is consistent with our assessment of critical accounting estimates disclosed in our 2025 Annual Report.

Recent Accounting Pronouncements

Refer to Note 2 of the Notes to Consolidated Financial Statements in Item 1 of this Quarterly Report for recently issued accounting pronouncements including the expected dates of adoption and estimated effects, if any, on our consolidated financial statements.

Outlook

As we look ahead to the remainder of fiscal 2026, we believe we are well positioned for another year of strong performance. Customer sentiment continues to be generally positive, and demand across our core markets remains strong, even as broader macroeconomic indicators for construction suggest a more cautious environment. Nonresidential construction remains a key demand driver, supported by infrastructure spending and data center activity. While residential markets are still soft, we are encouraged by early signs of stabilization.

Our outlook is further supported by the recent downward trend in interest rates and the continued contributions from our recent investments. At the same time, we remain concerned about the significant steel price premium in the U.S. relative to the global market, and we expect finished products markets exposed to imports to remain highly competitive. However, as we have stated previously, only approximately 10% of our revenues are directly affected by import competition.

Regardless of the market dynamics, we continue to focus on those factors we control, including closely managing and controlling our expenses; realizing synergies from our recent acquisitions; aligning our production schedules with demand in a proactive manner as there are changes in market conditions to minimize our operating costs; and pursuing further improvements in the productivity and effectiveness of all our manufacturing, selling and administrative activities. We also expect increasing contributions from the substantial investments we have made in our facilities in recent years and expect to continue to make in the form of reduced operating costs and additional capacity to support future growth. Looking ahead, we will continue to evaluate acquisition opportunities that enhance our presence in markets we currently serve or expand our geographic footprint.

The statements contained in this section are forward-looking statements. See “Cautionary Note Regarding Forward-Looking Statements” and “Risk Factors”.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our cash flows and earnings are subject to fluctuations resulting from changes in commodity prices, interest rates and foreign exchange rates. We manage our exposure to these market risks through internally established policies and procedures and, when appropriate, the use of derivative financial instruments. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. We monitor our underlying market risk exposures on an ongoing basis and believe we can modify or adapt our hedging strategies as necessary.

Commodity Prices

We are subject to significant fluctuations in the cost and availability of our primary raw material, hot-rolled carbon steel wire rod, which we purchase from both domestic and foreign suppliers. We negotiate quantities and pricing for both domestic and foreign wire rod purchases for varying periods (most recently monthly for domestic suppliers), depending upon market conditions, to manage our exposure to price fluctuations and to ensure adequate availability of material consistent with our requirements. We do not use derivative commodity instruments to hedge our exposure to changes in prices as such instruments are not currently available for wire rod. Our ability to acquire wire rod from foreign sources on favorable terms is impacted by fluctuations in foreign currency exchange rates, foreign taxes, duties, tariffs, quotas and other trade actions. Although changes in our wire rod costs and selling prices tend to be correlated, in weaker market environments, we may be unable to fully recover increased wire rod costs through higher selling prices, which would reduce our earnings and cash flows. Additionally, when raw material costs decline, our financial results may be negatively impacted if the selling prices for our products decrease to an even greater extent and if we are consuming higher cost material from inventory. Based on our shipments and average wire rod cost reflected in cost of sales for the first quarter of 2026, a 10% increase in the price of wire rod would have resulted in a \$9.8 million decrease in our pre-tax earnings (assuming there was not a corresponding change in our selling prices).

Interest Rates

Although we did not have any balances outstanding on our Credit Facility as of December 27, 2025, future borrowings under the facility are subject to a variable rate of interest and are sensitive to changes in interest rates.

Foreign Exchange Exposure

We have not typically hedged foreign currency exposures related to transactions denominated in currencies other than U.S. dollars, as such transactions have not been material historically. We will occasionally hedge firm commitments for certain equipment purchases that are denominated in foreign currencies. The decision to hedge any such transactions is made by us on a case-by-case basis. There were no forward contracts outstanding as of December 27, 2025.

Item 4. Controls and Procedures

We have conducted an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of December 27, 2025. This evaluation was conducted under the supervision and with the participation of management, including our principal executive officer and our principal financial officer. Based upon that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Further, they concluded that our disclosure controls and procedures were effective to ensure that information is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 27, 2025, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in lawsuits, claims, investigations and proceedings, including commercial, environmental and employment matters, which arise in the ordinary course of business. We do not anticipate that the ultimate costs to resolve these matters will have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

During the quarter ended December 27, 2025, there have been no material changes from the risk factors set forth under Part I, Item 1A. “Risk Factors” in our 2025 Annual Report. You should carefully consider these factors in addition to the other information set forth in this report which could materially affect our business, financial condition or future results. The risks and uncertainties described in this report and in our 2025 Annual Report, as well as other reports and statements that we file with the SEC, are not the only risks and uncertainties facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on our financial position, results of operations or cash flows.

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

The following table summarizes the repurchases of common stock during the quarter ended December 27, 2025.

<i>(In thousands except share and per share amounts)</i>	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Maximum Number (or Approximate Dollar Value) of Shares That May Yet Be Purchased Under the Plan or Program
<i>For the three months ended December 27, 2025</i>				
September 28, 2025 - October 27, 2025	11,646	\$ 31.11	11,646	\$ 16,753(1)
October 28, 2025 - November 27, 2025	12,259	31.21	12,259	\$ 16,371(1)
November 28, 2025 - December 27, 2025	-	-	-	\$ 16,371(1)
	23,905		23,905	

- (1) Under the \$25.0 million share repurchase authorization announced on November 18, 2008, which continues in effect until terminated by the Board of Directors.

Additional information regarding our share repurchase authorization is discussed in Note 12 to our consolidated financial statements and incorporated herein by reference.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements

During the quarter ended December 27, 2025, none of our directors or Section 16 officers adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” as those terms are defined in Item 408 of Regulation S-K.

Item 6. Exhibits

- 2.1 [Asset Purchase Agreement between Insteel Wire Products Company and Engineered Wire Products, Inc. dated as of October 21, 2024 \(incorporated by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K dated October 21, 2024\).](#)
- 3.1 Restated Articles of Incorporation for the Company (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-1 filed on May 2, 1985).
- 3.2 Articles of Amendment to the Restated Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated May 3, 1988).
- 3.3 [Articles of Amendment to Restated Articles of Incorporation of the Company \(incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 1999 filed on May 14, 1999\).](#)
- 3.4 [Articles of Amendment to the Restated Articles of Incorporation of the Company \(incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 3, 2010 filed on April 26, 2010\).](#)
- 3.5 [Bylaws of the Company as last amended August 15, 2023 \(incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on August 15, 2023\).](#)
- 31.1 [Certification of the Chief Executive Officer pursuant to Rule 13a-14\(a\) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification of the Chief Financial Officer pursuant to Rule 13a-14\(a\) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101 The following financial information from the Quarterly Report on Form 10-Q of Insteel Industries Inc. for the quarter ended December 27, 2025, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations and Comprehensive Income for the three months ended December 27, 2025, and December 28, 2024, (ii) the Consolidated Balance Sheets as of December 27, 2025, and September 27, 2025, (iii) the Consolidated Statements of Cash Flows for the three months ended December 27, 2025, and December 28, 2024, (iv) the Consolidated Statements of Shareholders' Equity for the three months ended December 27, 2025, and December 28, 2024, and (v) the Notes to Consolidated Financial Statements.
- 104 The cover page from our Quarterly Report on Form 10-Q for the quarter ended December 27, 2025, formatted in iXBRL and contained in Exhibit 101.

Our SEC file number reference for documents filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, is 1-09929.

SIGNATURES

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

INSTEEL INDUSTRIES INC.
Registrant

Date: January 15, 2025

By: /s/ Scot R. Jafroodi
Scot R. Jafroodi
Vice President, Chief Financial Officer and Treasurer
(Duly Authorized Officer and Principal Financial Officer)

CERTIFICATION

I, H.O. Woltz III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended December 27, 2025 of Insteel Industries Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 15, 2026

/s/ H. O. Woltz III

H. O. Woltz III

President, Chief Executive Officer and Chairman of the Board

CERTIFICATION

I, Scot R. Jafroodi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended December 27, 2025 of Insteel Industries Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 15, 2026

/s/ Scot R. Jafroodi

Scot R. Jafroodi

Vice President, Chief Financial Officer and Treasurer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Insteel Industries Inc. (the “Company”) for the period ended December 27, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, H. O. Woltz III, President, Chief Executive Officer and Chairman of the Board of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ H.O. Woltz III

H.O. Woltz III

President, Chief Executive Officer and Chairman of the Board

January 15, 2026

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Insteel Industries Inc. (the “Company”) for the period ended December 27, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scot R. Jafroodi, Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Scot R. Jafroodi

Scot R. Jafroodi

Vice President, Chief Financial Officer and Treasurer

January 15, 2026