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

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**FORM 10-Q**

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☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended October 31, 2023

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 1-8777

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**VIRCO MFG. CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

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Delaware

(State or Other Jurisdiction of  
Incorporation or Organization)

95-1613718

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

2027 Harpers Way, Torrance, CA

(Address of Principal Executive Offices)

90501

(Zip Code)

Registrant's Telephone Number, Including Area Code: (310) 533-0474

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
<u>Common Stock, \$0.01 par value per share</u>	<u>VIRC</u>	<u>The Nasdaq Stock Market LLC</u>

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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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐

Non-accelerated filer ☒

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 ☒

The number of shares outstanding for each of the registrant's classes of common stock, as of the latest practicable date:  
Common Stock, \$.01 par value — 16,347,314 shares as of December 4, 2023.

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# PART I. Financial Information

## Item 1. Financial Statements

### Virco Mfg. Corporation

#### Unaudited Condensed Consolidated Balance Sheets

	10/31/2023	1/31/2023	10/31/2022
	(In thousands)		
<b>Assets</b>			
Current assets			
Cash	\$ 4,887	\$ 1,057	\$ 2,175
Trade accounts receivables, net	33,029	18,435	28,028
Other receivables	27	68	102
Income tax receivable	—	19	106
Inventories	58,931	67,406	57,465
Prepaid expenses and other current assets	1,961	2,083	1,671
<b>Total current assets</b>	<b>98,835</b>	<b>89,068</b>	<b>89,547</b>
Non-current assets			
Property, plant and equipment			
Land	3,731	3,731	3,731
Land improvements	694	686	686
Buildings and building improvements	51,498	51,310	51,459
Machinery and equipment	116,695	113,662	114,762
Leasehold improvements	976	983	1,012
<b>Total property, plant and equipment</b>	<b>173,594</b>	<b>170,372</b>	<b>171,650</b>
Less accumulated depreciation and amortization	138,650	135,810	136,998
<b>Net property, plant and equipment</b>	<b>34,944</b>	<b>34,562</b>	<b>34,652</b>
Operating lease right-of-use assets	7,156	10,120	11,116
Deferred tax assets, net	7,031	7,800	160
Other assets, net	9,073	8,576	8,245
<b>Total assets</b>	<b>\$ 157,039</b>	<b>\$ 150,126</b>	<b>\$ 143,720</b>

See accompanying notes to unaudited condensed consolidated financial statements.

**Virco Mfg. Corporation**

**Unaudited Condensed Consolidated Balance Sheets**

	10/31/2023	1/31/2023	10/31/2022
	(In thousands, except share and par value data)		
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 14,351	\$ 19,448	\$ 18,926
Accrued compensation and employee benefits	11,102	9,554	9,084
Income tax payable	3,130	—	—
Current portion of long-term debt	245	7,360	2,457
Current portion operating lease liability	5,465	5,082	4,985
Other accrued liabilities	7,339	7,081	7,767
<b>Total current liabilities</b>	<b>41,632</b>	<b>48,525</b>	<b>43,219</b>
<b>Non-current liabilities</b>			
Accrued self-insurance retention	748	1,050	1,454
Accrued pension expenses	9,334	10,676	11,776
Long-term debt, less current portion	7,946	14,384	14,444
Operating lease liability, less current portion	2,933	6,796	8,028
Other long-term liabilities	657	634	771
<b>Total non-current liabilities</b>	<b>21,618</b>	<b>33,540</b>	<b>36,473</b>
<b>Commitments and contingencies (Notes 6, 7 and 13)</b>			
<b>Stockholders' equity</b>			
<b>Preferred stock:</b>			
Authorized 3,000,000 shares, \$0.01 par value; none issued or outstanding	—	—	—
<b>Common stock:</b>			
Authorized 25,000,000 shares, \$0.01 par value; issued and outstanding 16,347,314 shares at 10/31/2023 and 16,210,985 at 1/31/2023 and 10/31/2022	164	162	162
Additional paid-in capital	121,201	120,890	120,787
Accumulated deficit	(26,379)	(50,631)	(54,707)
Accumulated other comprehensive loss	(1,197)	(2,360)	(2,214)
<b>Total stockholders' equity</b>	<b>93,789</b>	<b>68,061</b>	<b>64,028</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 157,039</b>	<b>\$ 150,126</b>	<b>\$ 143,720</b>

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Virco Mfg. Corporation**  
**Unaudited Condensed Consolidated Statements of Income**

	<b>Three months ended</b>	
	<b>10/31/2023</b>	<b>10/31/2022</b>
	<b>(In thousands, except per share data)</b>	
Net sales	\$ 84,252	\$ 77,395
Costs of goods sold	46,041	46,618
Gross profit	38,211	30,777
Selling, general and administrative expenses	23,505	21,977
Operating income	14,706	8,800
Unrealized loss (gain) on investment in trust account	176	(220)
Pension expense	301	259
Interest expense	765	567
Income before income taxes	13,464	8,194
Income tax expense	3,304	319
Net income	<u>\$ 10,160</u>	<u>\$ 7,875</u>
Net income per common share:		
Basic	\$ 0.62	\$ 0.49
Diluted	\$ 0.62	\$ 0.48
Weighted average shares of common stock outstanding:		
Basic	16,347	16,211
Diluted	16,428	16,249

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Virco Mfg. Corporation**  
**Unaudited Condensed Consolidated Statements of Income**

	Nine months ended	
	10/31/2023	10/31/2022
	(In thousands, except per share data)	
Net sales	\$ 226,516	\$ 192,276
Costs of goods sold	126,525	119,947
Gross profit	99,991	72,329
Selling, general and administrative expenses	65,343	57,099
Operating income	34,648	15,230
Unrealized (gain) loss on investment in trust account	(448)	85
Pension expense	623	650
Interest expense	2,560	1,692
Income before income taxes	31,913	12,803
Income tax expense	7,661	332
Net income	<u>\$ 24,252</u>	<u>\$ 12,471</u>
Net income per common share:		
Basic	\$ 1.49	\$ 0.77
Diluted	\$ 1.48	\$ 0.77
Weighted average shares of common stock outstanding:		
Basic	16,277	16,118
Diluted	16,334	16,136

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Virco Mfg. Corporation**  
**Unaudited Condensed Consolidated Statements of Comprehensive Income**

	<b>Three months ended</b>	
	<b>10/31/2023</b>	<b>10/31/2022</b>
	<b>(In thousands)</b>	
Net income	\$ 10,160	\$ 7,875
Other comprehensive income:		
Pension adjustments (net of tax expense of \$406 and \$0 at October 31, 2023 and 2022, respectively)	1,163	3,545
Net comprehensive income	<u>\$ 11,323</u>	<u>\$ 11,420</u>

*See accompanying notes to unaudited condensed consolidated financial statements.*



**Virco Mfg. Corporation**  
**Unaudited Condensed Consolidated Statements of Comprehensive Income**

	<b>Nine months ended</b>	
	<b>10/31/2023</b>	<b>10/31/2022</b>
	<b>(In thousands)</b>	
Net income	\$ 24,252	\$ 12,471
Other comprehensive income:		
Pension adjustments (net of tax expense of \$406 and \$0 at October 31, 2023 and 2022, respectively)	1,163	3,815
Net comprehensive income	<u>\$ 25,415</u>	<u>\$ 16,286</u>

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Virco Mfg. Corporation**  
**Unaudited Condensed Consolidated Statements of Cash Flows**

	Nine months ended	
	10/31/2023	10/31/2022
	(In thousands)	
<b>Operating activities</b>		
Net income	\$ 24,252	\$ 12,471
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation and amortization	3,763	3,390
Non-cash lease benefits	(517)	(404)
Provision for doubtful accounts	45	60
Amortization of debt issuance costs	85	96
Deferred income taxes	363	239
Stock-based compensation	423	509
Defined pension plan settlement	372	64
Amortization of net actuarial loss for pension plans	3	405
Non-cash unrealized (gain) loss on investment	(448)	85
Surrender of life insurance policies	(95)	—
<b>Changes in operating assets and liabilities:</b>		
Trade accounts receivable	(14,639)	(10,319)
Other receivables	41	16
Inventories	8,475	(10,092)
Income taxes	3,167	51
Prepaid expenses and other current assets	133	306
Accounts payable and accrued liabilities	(3,150)	4,578
Net cash provided by operating activities	<u>22,273</u>	<u>1,455</u>
<b>Investing activities:</b>		
Capital expenditures	(4,605)	(2,614)
Purchases of marketable securities in trust accounts	—	(7,280)
Proceeds from sale of marketable securities in trust accounts	—	4,536
Proceeds from surrendering life insurance policies	—	2,744
Net cash used in investing activities	<u>(4,605)</u>	<u>(2,614)</u>
<b>Financing activities:</b>		
Borrowing from long-term debt	36,906	32,947
Repayment of long-term debt	(50,459)	(30,559)
Payment of deferred financing costs	(175)	(200)
Tax withholding payments on share-based compensation	(110)	(213)
Net cash (used in) provided by financing activities	<u>(13,838)</u>	<u>1,975</u>
Net increase in cash	3,830	816
Cash at beginning of period	1,057	1,359
Cash at end of period	<u>\$ 4,887</u>	<u>\$ 2,175</u>
<b>Supplemental disclosures of cash flow information:</b>		
Property, plant and equipment acquired and not yet paid at end of period	\$ 178	\$ 291
Cash paid during the year for interest	\$ 2,223	\$ 1,310
Cash paid during the year for income tax, net of refunds	\$ 4,156	\$ 65

*See accompanying notes to unaudited condensed consolidated financial statements.*

**Virco Mfg. Corporation**

**Unaudited Consolidated Statements of Changes in Stockholders' Equity**

**Three-Month Period Ended October 31, 2023**

In thousands, except share data	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholder's Equity
Balance at August 1, 2023	16,347,314	\$ 164	\$ 121,030	\$ (36,539)	\$ (2,360)	\$ 82,295
Net income	—	—	—	10,160	—	10,160
Cash dividends	—	—	—	—	—	—
Pension adjustments	—	—	—	—	1,163	1,163
Shares vested and others	—	—	—	—	—	—
Stock compensation expense	—	—	171	—	—	171
Balance at October 31, 2023	16,347,314	\$ 164	\$ 121,201	\$ (26,379)	\$ (1,197)	\$ 93,789

**Three-Month Period Ended October 31, 2022**

In thousands, except share data	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholder's Equity
Balance at August 1, 2022	16,210,985	\$ 162	\$ 120,684	\$ (62,582)	\$ (5,759)	\$ 52,505
Net income	—	—	—	7,875	—	7,875
Cash dividends	—	—	—	—	—	—
Pension adjustments	—	—	—	—	3,545	3,545
Shares vested and others	—	—	—	—	—	—
Stock compensation expense	—	—	103	—	—	103
Balance at October 31, 2022	16,210,985	\$ 162	\$ 120,787	\$ (54,707)	\$ (2,214)	\$ 64,028

**Nine-Month Period Ended October 31, 2023**

In thousands, except share data	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholder's Equity
Balance at February 1, 2023	16,210,985	\$ 162	\$ 120,890	\$ (50,631)	\$ (2,360)	\$ 68,061
Net income	—	—	—	24,252	—	24,252
Cash dividends	—	—	—	—	—	—
Pension adjustments	—	—	—	—	1,163	1,163
Shares vested and others	136,329	2	(112)	—	—	(110)
Stock compensation expense	—	—	423	—	—	423
Balance at October 31, 2023	16,347,314	\$ 164	\$ 121,201	\$ (26,379)	\$ (1,197)	\$ 93,789

**Nine-Month Period Ended October 31, 2022**

<b>Common Stock</b>						
<b>In thousands, except share data</b>	<b>Shares</b>	<b>Amount</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Total Stockholder's Equity</b>
<b>Balance at February 1, 2022</b>	<b>16,102,023</b>	<b>\$ 161</b>	<b>\$ 120,492</b>	<b>\$ (67,178)</b>	<b>\$ (6,029)</b>	<b>\$ 47,446</b>
Net income	—	—	—	12,471	—	12,471
Cash dividends	—	—	—	—	—	—
Pension adjustments	—	—	—	—	3,815	3,815
Shares vested and others	108,962	1	(214)	—	—	(213)
Stock compensation expense	—	—	509	—	—	509
<b>Balance at October 31, 2022</b>	<b>16,210,985</b>	<b>\$ 162</b>	<b>\$ 120,787</b>	<b>\$ (54,707)</b>	<b>\$ (2,214)</b>	<b>\$ 64,028</b>

*See accompanying notes to unaudited condensed consolidated financial statements.*

## **VIRCO MFG. CORPORATION**

### **Notes to unaudited Condensed Consolidated Financial Statements**

**October 31, 2023**

#### **Note 1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements and are presented in accordance with the requirements of Form 10-Q and Rule 10-01 of Regulation S-X. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2023 ("Form 10-K"). In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three months and nine months ended October 31, 2023 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2024. The balance sheet at January 31, 2023 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. All references to the "Company" refer to Virco Mfg. Corporation and its subsidiaries.

#### **Note 2. Seasonality and Management Use of Estimates**

The market for educational furniture is marked by extreme seasonality, with approximately 50% of the Company's total sales typically occurring from June to August each year, the Company's peak season. Hence, the Company typically builds and carries significant amounts of inventory during and in anticipation of this peak summer season to facilitate the rapid delivery requirements of customers in the educational market. This requires a large up-front investment in inventory, labor, storage and related costs as inventory is built in anticipation of peak sales during the summer months. As the capital required for this build-up generally exceeds cash available from operations, the Company has generally relied on third-party bank financing to meet cash flow requirements during the build-up period immediately preceding the peak season. In addition, the Company typically is faced with an overall higher accounts receivable balance during the peak season. This occurs for two primary reasons. First, accounts receivable balances typically increase during the peak season as shipments of products increase. Second, many customers during this period are educational institutions and government entities, which tend to pay accounts receivable slower than commercial customers.

The Company's working capital requirements during and in anticipation of the peak summer season require management to make estimates and judgments that affect assets, liabilities, revenues and expenses, and related contingent assets and liabilities. On an ongoing basis, management evaluates its estimates, including those related to market demand, labor costs and stocking inventory. Significant estimates made by management include, but are not limited to, valuation of inventory; deferred tax assets and liabilities; useful lives of property, plant and equipment; liabilities under pension, warranty and self-insurance; and the accounts receivable allowance for doubtful accounts.

#### **Note 3. Recently Issued Accounting Standards**

The Company evaluates all Accounting Standards Updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB") for consideration of their applicability to our condensed consolidated financial statements. We have assessed all ASUs issued but not yet adopted and concluded that those not disclosed are not relevant to the Company or are not expected to have a material impact.

#### **Note 4. Revenue Recognition**

The Company manufactures, markets and distributes a wide variety of school and office furniture to wholesalers, distributors, educational institutions and governmental entities. Revenue is recorded for promised goods or services when control is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services.

The Company's sales generally involve a single performance obligation to deliver goods pursuant to customer purchase orders. Prices for our products are based on published price lists and customer agreements. The Company has determined that the performance obligations are satisfied at a point in time when the Company completes delivery per the customer contract. The majority of sales are free on board ("FOB") destination where the destination is specified per the customer contract and may

include delivering the furniture into the classroom, school site or warehouse. Sales of furniture that are sold FOB factory are typically made to resellers of our product who in turn provide logistics to the ultimate customer. Once a product has been delivered per the shipping terms, the customer is able to direct the use of, and obtain substantially all of the remaining benefits from the asset. The Company considers control to have transferred upon shipment or delivery in accordance with shipping terms because the Company has a present right to payment at that time, the customer has legal title to the asset, the Company has transferred physical possession of the asset, and the customer has significant risks and rewards of ownership of the asset.

Sales are recorded net of discounts, sales incentives and rebates, sales taxes and estimated returns and allowances. The Company offers sales incentives and discounts through various regional and national programs to our customers. These programs include product rebates, product returns allowances and trade promotions. Variable consideration for these programs is estimated in the transaction price at contract inception based on current sales levels and historical experience using the expected value method, subject to constraint.

The Company generates revenue primarily by manufacturing and distributing products through resellers and direct-to-customers. Control transfers to both resellers and direct customers at a point in time when the delivery process is complete as determined by the corresponding shipping terms. Therefore, we do not consider them to be meaningfully different revenue streams given similarities in the nature of the products, performance obligation and distribution processes. Sales are predominately in the United States and to a similar class of customer. We do not manage or evaluate the business based on product line or any other discernable category.

## Note 5. Inventories

Inventory is valued at the lower of cost or net realizable value (determined on a first-in, first-out basis) and includes material, labor, and factory overhead. The Company records valuation adjustments for the excess cost of the inventory over its estimated net realizable value. Valuation adjustments for slow-moving and obsolete inventory are calculated using an estimated percentage applied to inventories based on a physical inspection of the product in connection with a physical inventory, a review of slow-moving products and component stage, inventory category, historical and forecasted consumption of sales, and consideration of active marketing programs. The market for education furniture is traditionally driven by value, not style, and the Company has not typically incurred material obsolescence expenses. If market conditions are less favorable than those anticipated by management, additional valuation adjustments may be required. The Company records the cost of excess capacity as a period expense, not as a component of capitalized inventory valuation.

The following table presents a breakdown of the Company's inventories as of October 31, 2023, January 31, 2023 and October 31, 2022:

	<u>10/31/2023</u>	<u>1/31/2023</u>	<u>10/31/2022</u>
	(In thousands)		
Finished goods	\$ 20,587	\$ 25,740	\$ 24,173
Work in process	23,270	25,303	18,829
Raw materials	15,074	16,363	14,463
Total inventories	<u>\$ 58,931</u>	<u>\$ 67,406</u>	<u>\$ 57,465</u>

## Note 6. Leases

The Company has operating leases on real property, equipment, and automobiles, expiring at various dates through 2026. The Company determines if an arrangement is a lease at inception and assesses classification of the lease at commencement. All of the Company's leases are classified as operating leases. The Company uses the implicit rate when readily determinable, or the incremental borrowing rate. Our incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments using Company specific credit spreads. The Company's lease terms include options to extend or terminate the lease only when it is reasonably certain that we will exercise that option. Lease expense for our operating leases is recognized on a straight-line basis over the lease term.

The Company has an operating lease for its corporate office and manufacturing and distribution facility located in Torrance, California, currently with a remaining lease term through April 2025. The Company's lease terms include options to extend or terminate the lease only when it is reasonably certain that we exercise that option. The Company leases equipment under a 5-

year operating lease arrangement. The Company has the option of buying the assets at the end of the lease period at a price that does not result in the Company being reasonably certain of exercising the option. In addition, the Company leases trucks and automobiles under operating leases that include certain fleet management and maintenance services. Certain of the leases contain renewal or purchase options and require payment for property taxes and insurance. The Company records lease expense on a straight-line basis based on the contractual lease payments. The Company recognizes the present value of the future lease commitments as an operating lease liability, and a corresponding right-of-use asset ("ROU asset"), net of tenant allowances. Tenant improvements and related tenant allowances are recorded as a reduction to the ROU asset. The Company elected to account for leases with an original term of 12 months or less that do not contain a purchase option as short-term leases. Additionally, certain of the leases provide for variable payment for property taxes, insurance, and common area maintenance payments, among others. The Company recognizes variable lease expenses for these leases in the period incurred. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The quantitative information regarding our leases is as follows:

	Three Months Ended		Nine Months Ended	
	10/31/2023	10/31/2022	10/31/2023	10/31/2022
(In thousands, except lease term and discount rate)				
Operating lease cost	\$ 1,278	\$ 1,288	\$ 3,828	\$ 3,903
Short-term lease cost	119	113	307	289
Sublease income	(10)	(10)	(30)	(30)
Variable lease cost	252	16	673	547
Total lease cost	<u>\$ 1,639</u>	<u>\$ 1,407</u>	<u>\$ 4,778</u>	<u>\$ 4,709</u>
<b>Other operating leases information:</b>				
Cash paid for amounts included in the measurement of lease liabilities			\$ 4,345	\$ 4,306
Right-of-use assets obtained in exchange for new lease liabilities			\$ 364	\$ 469
Weighted-average remaining lease term (years)			1.5	2.4
Weighted-average discount rate			6.36 %	6.34 %

Minimum future lease payments for operating leases in effect as of October 31, 2023, are as follows:

	Operating Lease (In thousands)
For the year ending January 31,	
Remaining of 2024	\$ 1,447
2025	5,825
2026	1,564
2027	8
2028	—
Thereafter	—
<b>Remaining balance of lease payments</b>	<u><b>8,844</b></u>
Short-term lease liabilities	5,465
Long-term lease liabilities	2,933
<b>Total lease liabilities</b>	<u><b>8,398</b></u>
<b>Difference between undiscounted cash flows and discounted cash flows</b>	<u><b>\$ 446</b></u>

## Note 7. Debt

Outstanding balances for the Company's long-term debt were as follows:

	10/31/2023	1/31/2023	10/31/2022
	(In thousands)		
Revolving credit line	\$ 3,747	\$ 17,122	\$ 12,221
Other	4,444	4,622	4,680
Total debt	8,191	21,744	16,901
Less current portion	245	7,360	2,457
Non-current portion	<u>\$ 7,946</u>	<u>\$ 14,384</u>	<u>\$ 14,444</u>

The Company and Virco Inc., its wholly-owned subsidiary (the "Borrowers") has a Revolving Credit and Security Agreement (the "Credit Agreement") with PNC Bank, National Association, as administrative agent and lender ("PNC"). The Credit Agreement was amended numerous times since its origination in December 2011. On September 28, 2021, the Borrowers entered into an Amended and Restated Revolving Credit and Security Agreement (the "Restated Credit Agreement") with PNC Bank, which amended and restated the prior Credit Agreement and effectively incorporated all of the prior amendments into an amended and restated form of agreement.

The Restated Credit Agreement permits the Company to issue dividends or make payments with respect to the Company's capital stock in an aggregate amount up to \$3.0 million during any fiscal year, provided that no default shall have occurred or is continuing or would result from any such payment, and the Company must demonstrate pro forma compliance with a 12-month trailing fixed charge coverage ratio of not less than 1.20:1.00 as of the fiscal quarter immediately preceding the date of any such dividend or payment. The Restated Credit Agreement also requires the Company to maintain a minimum fixed charge coverage ratio, and contains numerous other covenants that limit under certain circumstances the ability of the Borrowers and their subsidiaries to, among other things, merge with or acquire other entities, incur new liens, incur additional indebtedness, sell assets outside of the ordinary course of business, enter into transactions with affiliates, or substantially change the general nature of the business of the Borrowers. In connection with the Restated Credit Agreement, the Company also agreed to pay to PNC Bank a non-refundable fee of \$50,000.

In addition to the financial covenants, the Restated Credit Agreement provides for customary events of default, subject to certain cure periods and other limitations. Substantially all of the Borrowers' accounts receivable are automatically and promptly swept to repay amounts outstanding under the Restated Credit Agreement upon receipt by the Borrowers. Due to this automatic liquidating nature of the Restated Credit Agreement, if the Borrowers breach any covenant, violate any representation or warranty or suffer a deterioration in their ability to borrow pursuant to the borrowing base calculation, the Borrowers may not have access to cash liquidity unless provided by PNC at its discretion.

The other material terms of the Restated Credit Agreement are substantially the same as those of the original Credit Agreement, consisting of (i) a revolving line of credit with a Maximum Revolving Advance Amount of \$65.0 million that is subject to a borrowing base limitation and generally provides for advances of up to 85% of eligible accounts receivable, plus a percentage equal to the lesser of 60% of the value of eligible inventory or 85% of the liquidation value of eligible inventory, plus \$15.0 million from January through July of each year, minus undrawn amounts of letters of credit and reserves and (ii) an equipment loan of \$2.0 million. The Restated Credit Agreement is secured by substantially all of the Borrowers' personal property and certain of the Borrowers' real property. The Restated Credit Agreement is subject to certain prepayment penalties upon early termination of the Restated Credit Agreement. Prior to the maturity date, principal amounts outstanding under the Restated Credit Agreement may be repaid and reborrowed at the option of the Borrowers without premium or penalty, subject to borrowing base limitations, seasonal adjustments and certain other conditions, including reduced borrowings under the revolving line to less than or equal \$10.0 million for a period of 30 consecutive days during the fourth quarter of each fiscal year. The Restated Credit Agreement also contains certain financial covenants, including covenants requiring a minimum fixed charge coverage ratio and limits on capital expenditures. The Company was in compliance with its debt covenants as of October 31, 2023.

The Company's revolving line of credit with PNC is structured to provide seasonal credit availability during the Company's peak summer season. Approximately \$23.1 million was available for borrowing as of October 31, 2023. The interest rate for outstanding loan balances during the quarter ended October 31, 2023 was 10.00%. The Company also incurs a fee on the unused portion of the revolving line of credit at a rate of 0.375%.



In addition to the outstanding debt balance of \$3.7 million on the Company's revolving credit line, the Company also carries a mortgage on a manufacturing building in Conway Arkansas. The original note was dated August 2017 for \$5.8 million, at a fixed rate of 4% per year and 20 year term. The outstanding amount under this note was \$4.4 million as of October 31, 2023.

On May 19, 2023, the Company entered into Amendment No. 3 to Amended and Restated Revolving Credit and Security Agreement ("Amendment No. 3") with PNC, with an effective date of May 5, 2023. Amendment No. 3 amended the Restated Credit Agreement and the secured revolving line of credit provided to the Company under the revolving credit facility to reflect the following material changes:

- i. Maximum size of the PNC line of credit has been increased to \$72.5 million during the months of June through August of 2023, to provide additional availability for the Company's forecast through the 2023 peak borrowing period;
- ii. Increase in the total inventory sublimit under the Credit Agreement to \$35.0 million and increase in the Assemble-to-ship (ATS) inventory sublimit to \$15.0 million during the months of May through August of 2023;
- iii. The Company agreed to pay an amendment fee of \$50,000, which is 0.67% on the incremental line increase of \$7.5 million; and
- iv. Increase in the Applicable Margin (as defined in the Credit Agreement) of 25 basis points.

Management believes that the carrying value of debt approximated fair value at October 31, 2023, as all of the long-term debt bears interest at variable rates based on prevailing market conditions, except mortgage on a manufacturing building in Conway Arkansas at a fixed rate of 4% per year.

#### **Note 8. Income Taxes**

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income or reversal of deferred tax liabilities during the periods in which those temporary differences become deductible. As a part of this evaluation, the Company assesses all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, the availability of tax carry backs, tax-planning strategies, and results of recent operations, to determine whether sufficient future taxable income will be generated to realize existing deferred tax assets. Valuation allowances of \$255,000, \$864,000 and \$8,893,000 as of October 31, 2023, January 31, 2023 and October 31, 2022, respectively, are needed for federal deferred tax assets and certain state net operating loss carryforwards to reduce the carrying amount of deferred tax assets to an amount that is more likely than not to be realized.

For the three months ended October 31, 2023 and 2022, the effective income tax rates were 24.5% and 3.9%, respectively. For the nine months ended October 31, 2023 and 2022, the effective income tax rates were 24.0% and 2.6%, respectively. The change in effective tax rates for the three and nine months ended October 31, 2023 was primarily due to the change in forecasted mix of income before federal and state income taxes and estimated permanent differences. The lower effective tax rate for the three and nine months ended October 31, 2022 was primarily due to the recording of a valuation allowance needed for federal deferred tax assets and certain state net operating loss carryforwards.

The January 31, 2018 and subsequent fiscal years remain open for examination by the IRS and state tax authorities. The Company is not currently under any state examination.

## Note 9. Net Income per Share

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

	Three Months Ended		Nine Months Ended	
	10/31/2023	10/31/2022	10/31/2023	10/31/2022
	(In thousands, except per share data)			
Net income	\$ 10,160	\$ 7,875	\$ 24,252	\$ 12,471
Weighted average shares of common stock outstanding - basic	16,347	16,211	16,277	16,118
Dilutive effect of common stock equivalents from equity incentive plans	81	38	57	18
Weighted average shares of common stock outstanding - diluted	16,428	16,249	16,334	16,136
Net income per share - basic	\$ 0.62	\$ 0.49	\$ 1.49	\$ 0.77
Net income per share - diluted	\$ 0.62	\$ 0.48	\$ 1.48	\$ 0.77

## Note 10. Stock-Based Compensation

### Stock Incentive Plan

Under the Company's 2019 Omnibus Equity Incentive Plan (the "2019 Plan"), the Company may grant an aggregate of up to 1.0 million shares to its employees and non-employee directors in the form of restricted stock units, restricted stock awards and stock options. Restricted stock units and awards granted under the 2019 Plan are expensed ratably over the vesting period of the awards. The Company determines the fair value of its restricted stock units or awards and related compensation expense as the difference between the market value of the units or awards on the date of grant less the exercise price of the units or awards granted. There were no awards grant and vested during the three-month period ended October 31, 2023. During the nine-month period ended October 31, 2023, the Company granted 70,510 awards, vested 93,600 shares according to their terms and forfeited 0 shares under the 2019 Plan. As of October 31, 2023, there were approximately 537,925 shares available for future issuance under the 2019 Plan.

The following table summarizes the stock-based compensation expense related to restricted stock awards recognized in the Company's statements of operations for the three and nine months ended October 31, 2023 and 2022:

	Three Months Ended		Nine Months Ended	
	10/31/2023	10/31/2022	10/31/2023	10/31/2022
	(In thousands)			
Cost of goods sold	\$ 28	\$ 28	\$ 84	\$ 120
Selling, general and administrative expenses	143	75	339	389
Total stock-based compensation expense	\$ 171	\$ 103	\$ 423	\$ 509

As of October 31, 2023, there was \$400,000 of unrecognized compensation expense related to unvested restricted stock units and/or awards, which is expected to be recognized over a weighted average period of approximately 1 year.

## Note 11. Retirement Plans

The Company and its subsidiaries cover certain employees under a noncontributory defined benefit retirement plan, entitled the Virco Employees' Retirement Plan (the "Pension Plan"). As more fully described in the Annual Report on Form 10-K, benefit accruals under the Employees Retirement Plan were frozen effective December 31, 2003. There is no service cost incurred under this plan.

The Company also provides a supplementary retirement plan for certain key employees, the VIP Retirement Plan (the “VIP Plan”). As more fully described in the Annual Report on Form 10-K for the year ended January 31, 2023, benefit accruals under the VIP Plan were frozen since December 31, 2003. There is no service cost incurred under the VIP Plan.

The following table summarizes the net periodic pension cost for the Pension Plan and the VIP Plan for the three and nine months ended October 31, 2023 and 2022:

	Three Months Ended		Nine Months Ended	
	10/31/2023	10/31/2022	10/31/2023	10/31/2022
	(In thousands)			
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	106	298	826	895
Expected return on plan assets	(203)	(237)	(601)	(711)
Plan settlement	372	64	372	64
Amortization of prior service cost	—	—	—	—
Recognized net actuarial loss	26	134	26	402
Benefit cost	<u>\$ 301</u>	<u>\$ 259</u>	<u>\$ 623</u>	<u>\$ 650</u>

#### 401(k) Retirement Plan

The Company’s retirement plan, which covers all U.S. employees, allows participants to defer from 1% to 75% of their eligible compensation through a 401(k)-retirement program. The plan includes Virco stock as one of the investment options. At October 31, 2023 and 2022, the plan held 1,404,774 shares and 1,250,468 shares of Virco stock, respectively. For the three-month period ended October 31, 2023 and 2022, the compensation costs incurred for employer match, which is paid in the form of Company stock, was \$356,000 and \$333,000 respectively. For the nine-month period ended October 31, 2023 and 2022, the compensation costs incurred for employer match, which is paid in the form of Company stock, was \$1,078,000 and \$985,000 respectively.

#### Note 12. Warranty Accrual

The Company provides a warranty against all substantial defects in material and workmanship. The standard warranty offered on products sold through January 31, 2013 is ten years. Effective February 1, 2014 the Company modified its warranty to a limited lifetime warranty. The warranty was effective February 1, 2014, is not anticipated to have a significant effect on warranty expense. Effective January 1, 2017, the Company modified the standard warranty offered on products sold after January 1, 2017 to provide specific warranty periods by product component, with no warranty period longer than ten years. The Company’s warranty is not a guarantee of service life, which depends upon events outside the Company’s control and may be different from the warranty period. The Company accrues an estimate of its exposure to warranty claims based upon both product sales data and an analysis of actual warranty claims incurred.

The following is a summary of the Company’s warranty-claim activity for the three and nine months ended October 31, 2023 and 2022:

	Three Months Ended		Nine Months Ended	
	10/31/2023	10/31/2022	10/31/2023	10/31/2022
	(In thousands)			
Beginning balance	\$ 600	\$ 650	\$ 600	\$ 600
Provision	54	106	145	256
Costs incurred	(54)	(56)	(145)	(156)
Ending balance	<u>\$ 600</u>	<u>\$ 700</u>	<u>\$ 600</u>	<u>\$ 700</u>

#### Note 13. Contingencies

The Company has a self-insured retention for product losses up to \$250,000 per occurrence, workers’ compensation liability losses up to \$250,000 per occurrence, general liability losses up to \$50,000 per occurrence and automobile liability losses up to

\$50,000 per occurrence. The Company has purchased insurance to cover losses in excess of the self-insurance retention or deductible up to a limit of \$30,000,000. The Company has obtained an actuarial estimate of its total expected future losses for liability claims and recorded a liability equal to the net present value.

The Company and its subsidiaries are defendants in various legal proceedings resulting from operations in the normal course of business. It is the opinion of management, in consultation with legal counsel, that the ultimate outcome of all such matters will not materially affect the Company's financial position, results of operations or cash flows.

#### **Note 14. Delivery Costs**

For the three months ended October 31, 2023 and 2022, shipping and classroom delivery costs of approximately \$8,634,000 and \$8,393,000, respectively, were included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

For the nine months ended October 31, 2023 and 2022, shipping and classroom delivery costs of approximately \$21,968,000 and \$18,776,000, respectively, were included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

#### **Note 15. Subsequent Events**

On December 5, 2023, the Company's Board of Directors declared a cash dividend for the Company's fourth fiscal quarter of \$0.02 on each outstanding share of common stock. The dividend is payable on January 10, 2024 to stockholders of record of the common stock as of the close of business on December 22, 2023. While the Company intends to pay future dividends on a quarterly basis, following review and approval by the Board of Directors, the declaration and payment of future dividends, as well as the amounts thereof, are subject to the discretion of the Board as well as restrictive covenants in the Company's lending agreements. There can be no assurance that the Company will declare and pay dividends in future periods.

In addition, the Board of Directors has authorized the repurchase of up to \$5,000,000 of the Company's common stock. Repurchases may be made at management's discretion from time to time through open market purchases, in privately negotiated transactions, or by other means, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, in accordance with applicable securities laws and other restrictions. The timing and total amount of stock repurchases will depend upon business, economic and market conditions, corporate, legal and regulatory requirements, prevailing stock prices, trading volume, and other considerations. The repurchase program has no time limit and may be suspended for periods or discontinued at any time. The Company expects to utilize its existing cash and cash equivalents to fund repurchases under the share repurchase program.

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

### **Results of Operations**

#### **Overview**

The results of operations for the three-month and nine-month periods ended October 31, 2023 and the comparable periods ended October 31, 2022 have been impacted by economic conditions driven by the COVID-19 pandemic and global supply chain disruptions. The impact of COVID-19 has been quite different during the current year compared to the prior years. Typically, the Company has an exceptionally seasonal annual cycle where approximately 50% of sales occur in the months of June, July and August. Orders received from customers follow a similar but less pronounced cycle. The Company typically receives orders for projects several months in advance of delivery, while smaller orders for fill in or replacements are typically received 4-6 weeks prior to delivery.

During the months of June, July, and August of 2021, the Company was severely impacted by shortages of labor and materials. The Company delivered less than 40% of annual shipments during the traditional summer season. During the months of June, July, and August of 2022 the Company substantially returned to the traditional seasonal cycle and delivered approximately 47% of sales. For the three months of June, July, and August 2023 the Company believes that there has been a full return to the traditional seasonal summer peak. The Company began the three-month period of June, July, and August of 2023 with a larger backlog of orders for summer delivery, nearly \$20 million of increased inventory (as of April 30, 2023) and adequate availability of both full time and temporary labor to service the summer delivery season.

During the quarter ended April 30, 2023, the Company had experienced a 10.4% increase in orders compared to the same quarter in 2022, most of which were for summer of 2023 delivery. During the quarter ended July 31, 2023, the Company experienced a 3.3% increase in orders compared to the same quarter in 2022. During a seasonally light third quarter ended October 31, 2023 the Company experienced a 25.0% increase in orders compared to the same quarter in 2022. During the first nine months of fiscal 2023, the Company experienced a 10.3% increase in orders compared to the same period in 2022. In addition, the Company started the current fiscal year with an order backlog that was approximately \$18 million greater than the prior year. This caused the Company's backlog of unshipped orders when entering the traditional seasonal period at April 30, 2023 compared to April 30, 2022 to increase by nearly \$19 million to \$104.6 million compared to \$85.7 million. The largest portion of this increased backlog was delivered during the second quarter ended July 31, 2023 with the balance delivered during the third quarter ended October 31, 2023.

The increase in sales for the third quarter ended October 31, 2023 was attributable to improved on time delivery of orders and increased order rates during the third quarter. The Company's backlog of unshipped sales orders at October 31, 2023 declined by \$2.3 million to \$42.5 million compared to \$44.8 million in the prior year.

#### ***Three Months Ended October 31, 2023***

For the three months ended October 31, 2023, the Company earned pre-tax income of \$13.5 million on sales of \$84.2 million compared to a pre-tax income of \$8.2 million on sales of \$77.4 million in the prior year.

Net sales for the third quarter increased by approximately \$6.9 million or 8.9%, compared to the same period in 2022. The increase was attributable to an improvement in on-time deliveries during the traditional summer season and increased order rates during the third quarter.

Gross margin for the third quarter ended October 31, 2023 was 45.4% compared to 39.8% in the prior year. The increase in margin was attributable to the price increases, relatively stable commodity costs, and an increase in sales which include Virco full service. The increase in full-service orders improves gross margin, but does require increased freight and service costs, which are included in selling, general and administrative expenses.

Selling, general and administrative expenses for the three months ended October 31, 2023 increased by approximately \$1.5 million but was slightly lower as a percentage of sales compared to the same period last year. The increase in selling, general and administrative expenses was attributable in part to increased variable freight and service expense attributable to a larger portion of full-service orders, and increased variable selling expenses.

Interest expense increased by \$0.2 million for the three months ended October 31, 2023 compared to the same period last year. The increase was primarily attributable to an increase in the amount borrowed in 2023 to finance seasonal working capital and an increase in interest rates.

For the three months ended October 31, 2023 and 2022, the effective income tax rates were 24.5% and 3.9%, respectively. The lower effective tax rate in 2022 was due primarily to the recording of a valuation allowance needed for federal deferred tax assets and certain state net operating loss carryforwards, which commenced in the fourth quarter of fiscal year ended January 31, 2022 and continued through the period ended October 31, 2022. The increase in the effective tax rate for the third quarter ended October 31, 2023 was primarily due to the reversal of the valuation allowance at January 31, 2023.

### ***Nine Months Ended October 31, 2023***

For the nine months ended October 31, 2023 the Company earned a pre-tax profit of \$31.9 million on sales of \$226.5 million compared to a pre-tax profit of \$12.8 million on sales of \$192.3 million in the prior year. Net sales increased by approximately \$34.2 million or 17.8%. The increase was attributable to an increase in beginning of year sales backlog, increased order rates, a price increase for orders received after January 1, 2023 and July 1, 2022, and by the Company's ability to service the traditional seasonal cycle.

Gross margin for the first nine months of fiscal 2024 was 44.1% compared to 37.6% in the prior year. The margin was affected by price increases on July 1, 2022 and January 1, 2023, combined with relatively stable costs for raw materials and labor expenses, and an increase in business which included Virco full service.

Selling, general and administrative expenses for the nine months ended October 31, 2023 increased by \$8.2 million compared to the same period last year but decreased as a percentage of sales. The increase in selling, general and administrative expenses was attributable to an increase in orders which include Virco full service, increased variable freight and service expenses, and variable selling expenses.

Interest expense increased by \$0.9 million for the nine months ended October 31, 2023 compared to the same period last year. The increase was primarily attributable to an increase in the amount borrowed in 2023 to finance seasonal working capital and an increase in interest rates.

For the nine months ended October 31, 2023 and 2022, the effective income tax rates were 24.0% and 2.6%, respectively. The lower effective tax rate in 2022 was due primarily to the recording of a valuation allowance needed for federal deferred tax assets and certain state net operating loss carryforwards which commenced in the fourth quarter of fiscal year ended January 31, 2022 and continued through the period ended October 31, 2022. The increase in the effective tax rate for the nine months ended October 31, 2023 was primarily due to the reversal of the valuation allowance at January 31, 2023.

### **Liquidity and Capital Resources**

The market for education furniture is extremely seasonal and approximately 50% of the Company's annual sales volume is shipped in the months of June through August of each year. The Company traditionally manufactures large quantities of inventory during the first and second quarters of each fiscal year in anticipation of seasonally high summer shipments. In addition, the Company finances a large balance of accounts receivable during the peak season. As discussed above, due to COVID-19, during fiscal 2021 and 2022 the Company incurred supply chain disruptions and labor shortages which adversely affected the Company's ability to service the traditional summer delivery window. The Company believes that the Company's ability to service the traditional seasonal sales cycle has returned and will continue through the remainder of this fiscal year.

Accounts receivable increased by \$5.0 million at October 31, 2023 compared to the same period last year. The increase is attributable to increased sales in the quarter ended October 31, 2023.

Inventory increased by \$1.5 million at October 31, 2023 compared to October 31, 2022. The increase is primarily attributable to increased cost, not increased quantity. The increase in inventory was financed by cash flow from operations. Traditional sources of financing, including borrowing under the Company's line of credit with PNC Bank and vendor credit declined.

Accrual basis capital expenditures for the nine months ended October 31, 2023 were \$4.1 million compared to \$2.7 million for the same period last year. Capital expenditures are being financed through the Company's credit facility with PNC Bank and operating cash flow and restricted to not exceed \$8 million per year by covenant.

The Company was in violation of its financial covenants under the Restated Credit Agreement as of January 31, 2022, due to an increase in the Company's net loss primarily attributable to the effects of supply chain disruptions and labor shortages. On April 15, 2022, the Company entered into Amendment No. 2 to the Revolving Credit and Security Agreement with PNC Bank, which implemented certain changes to the Company's credit facility with PNC Bank, including the extension of the final maturity date of the facility to April 15, 2027. On May 19, 2023, the Company entered into Amendment No. 3 which increased the borrowing limit to \$72.5 million during the peak seasonal period from June through August 2023. See **Note 7. Debt of Notes to Unaudited Consolidated Financial Statements** under Item 1 of this Quarterly Report on Form 10-Q.

Based on the Company's current projections, raw material costs and its ability to introduce price increases, management believes it will maintain compliance with its financial covenants under the Credit Agreement, although risks and uncertainties remain, such as changes in economic conditions, changing raw material costs and supply chain challenges. The Company was in compliance with its debt covenants as of October 31, 2023.

The Company believes that cash flows from operations, together with the Company's unused borrowing capacity with PNC Bank will be sufficient to fund the Company's debt service requirements, capital expenditures and working capital needs for the next twelve months.

### **Off Balance Sheet Arrangements**

None.

### **Critical Accounting Policies and Estimates**

The Company's critical accounting policies are outlined in its Annual Report on Form 10-K for the fiscal year ended January 31, 2023.

### **Forward-Looking Statements**

From time to time, including in this Quarterly Report on Form 10-Q for the quarterly period ended October 31, 2023, the Company or its representatives have made and may make forward-looking statements, orally or in writing. Such forward-looking statements may be included in, without limitation, reports to stockholders, press releases, oral statements made with the approval of an authorized executive officer of the Company and filings with the Securities and Exchange Commission ("SEC"). The words or phrases "anticipates," "expects," "will continue," "believes," "estimates," "projects," or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The results contemplated by the Company's forward-looking statements are subject to certain risks and uncertainties that could cause actual results to vary materially from anticipated results, including without limitation, availability of funding for educational institutions, availability and cost of materials, availability and cost of labor, demand for the Company's products, competitive conditions affecting selling prices and margins, capital costs and general economic conditions. Such risks and uncertainties are discussed in more detail in the Company's Form 10-K for the fiscal year ended January 31, 2023, including under the caption "Risk Factors".

The Company's forward-looking statements represent its judgment only on the dates such statements were made. By making any forward-looking statements, the Company assumes no duty to update them to reflect new, changed or unanticipated events or circumstances.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

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

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Principal Executive Officer along with its Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) as of October 31, 2023. Based upon the foregoing, the Company's Principal Executive Officer along with the Company's Principal Financial Officer concluded that the Company's disclosure controls and procedures as of such date were

effective to ensure that the information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to Company management, including its Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, Company management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

### **Changes in Internal Control Over Financial Reporting**

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Principal Executive Officer along with its Principal Financial Officer, of the effectiveness of the design and operation of disclosure controls and procedures. Based upon the foregoing, the Company's Principal Executive Officer along with the Company's Principal Financial Officer concluded that the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

There have been no changes in the Company's internal control over financial reporting during the fiscal quarter covered by this quarterly report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.



## PART II — Other Information

### Virco Mfg. Corporation

#### Item 1. Legal Proceedings

The Company is a party to various legal actions arising in the ordinary course of business which, in the opinion of the Company, are not material in that management either expects that the Company will be successful on the merits of the pending cases or that any liabilities resulting from such cases will be substantially covered by insurance. While it is impossible to estimate with certainty the ultimate legal and financial liability with respect to these actions, management believes that the aggregate amount of such liabilities will not be material to the results of operations, financial position, or cash flows of the Company.

#### Item 1A. Risk Factors

You should carefully consider and evaluate the information in this Quarterly Report and the risk factors set forth under the caption “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended January 31, 2023 (the “Form 10-K”), which was filed with the SEC on April 28, 2023. The risk factors associated with our business have not materially changed compared to the risk factors disclosed in the Form 10-K.

#### Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

None.

#### Item 3. Defaults Upon Senior Securities

None.

#### Item 4. Mine Safety Disclosures

Not applicable.

#### Item 5. Other Information

During the fiscal quarter ended October 31, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K, nor has the Company adopted or terminated a "Rule 10-b5-1 trading arrangement."

#### Item 6. Exhibits

<b>Exhibit Number</b>	<b>Document</b>
<u>31.1</u>	<u>Certification of Robert A. Virtue, Chief Executive Officer, pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2</u>	<u>Certification of Robert E. Dose, Vice President, Finance, pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1</u>	<u>Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>

Exhibit 101.INS — XBRL Instance Document.

Exhibit 101.SCH — XBRL Taxonomy Extension Schema Document.

Exhibit 101.CAL — XBRL Taxonomy Extension Calculation Linkbase Document.

Exhibit 101.LAB — XBRL Taxonomy Extension Label Linkbase Document.



## 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.

Date: December 8, 2023

VIRCO MFG. CORPORATION

By: /s/ Robert E. Dose

*Robert E. Dose*

*Vice President — Finance*

*(Principal Financial Officer)*

## CERTIFICATIONS

I, Robert A. Virtue, certify that:

1. I have reviewed this Form 10-Q of Virco Mfg. Corporation;
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(s) 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(s) 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.

/s/ Robert A. Virtue

Robert A. Virtue

*Chief Executive Officer and Chairman of the Board  
(Principal Executive Officer)*

Date: December 8, 2023

## CERTIFICATIONS

I, Robert E. Dose, certify that:

1. I have reviewed this Form 10-Q of Virco Mfg. Corporation;
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(s) 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(s) 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.

/s/ Robert E. Dose

Robert E. Dose

*Vice President — Finance, Secretary and Treasurer  
(Principal Financial Officer)*

Date: December 8, 2023

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

Each of the undersigned hereby certifies, in his capacity as an officer of Virco Mfg. Corporation (the “Company”), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his own knowledge:

- The Quarterly Report of the Company on Form 10-Q for the period ended October 31, 2023, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- The information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: December 8, 2023

/s/ Robert A. Virtue

Robert A. Virtue

Chief Executive Officer and Chairman of the Board

(Principal Executive Officer)

/s/ Robert E. Dose

Robert E. Dose

Vice President — Finance, Secretary and Treasurer

(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to Virco Mfg. Corporation and will be retained by Virco Mfg. Corporation and furnished to the Securities and Exchange Commission or its staff upon request.