

**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 **March 31, 2022**

**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: **1-06620**

**GRIFFON CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**11-1893410**  
(I.R.S. Employer  
Identification No.)

**712 Fifth Ave, 18th Floor**                      **New York**      **New York**  
(Address of principal executive offices)

**10019**  
(Zip Code)

**(212) 957-5000**

(Registrant's telephone number, including area code)

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, \$0.25 par value	GFF	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 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 of common stock outstanding at **March 31, 2022** was 57,032,073.

# Griffon Corporation and Subsidiaries

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**Part I – Financial Information**  
**Item 1 – Financial Statements**

**GRIFFON CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	(Unaudited) March 31, 2022	September 30, 2021
<b>CURRENT ASSETS</b>		
Cash and equivalents	\$ 122,293	\$ 248,653
Accounts receivable, net of allowances of \$13,500 and \$8,787	512,449	294,804
Inventories	687,011	472,794
Prepaid and other current assets	62,975	76,009
Assets of discontinued operations held for sale	264,861	273,414
Assets of discontinued operations	497	605
Total Current Assets	1,650,086	1,366,279
<b>PROPERTY, PLANT AND EQUIPMENT, net</b>	304,169	292,622
<b>OPERATING LEASE RIGHT-OF-USE ASSETS</b>	149,587	144,598
<b>GOODWILL</b>	707,523	426,148
<b>INTANGIBLE ASSETS, net</b>	949,730	350,025
<b>OTHER ASSETS</b>	22,734	21,589
<b>ASSETS OF DISCONTINUED OPERATIONS</b>	3,194	3,424
Total Assets	\$ 3,787,023	\$ 2,604,685
<b>CURRENT LIABILITIES</b>		
Notes payable and current portion of long-term debt	\$ 25,110	\$ 12,486
Accounts payable	227,085	260,140
Accrued liabilities	222,334	145,101
Current portion of operating lease liabilities	32,210	29,881
Liabilities of discontinued operations held for sale	73,218	80,748
Liabilities of discontinued operations	3,312	3,280
Total Current Liabilities	583,269	531,636
<b>LONG-TERM DEBT, net</b>	1,941,725	1,033,197
<b>LONG-TERM OPERATING LEASE LIABILITIES</b>	122,488	119,315
<b>OTHER LIABILITIES</b>	251,921	109,585
<b>LIABILITIES OF DISCONTINUED OPERATIONS</b>	4,406	3,794
Total Liabilities	2,903,809	1,797,527
<b>COMMITMENTS AND CONTINGENCIES - See Note 22</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Total Shareholders' Equity	883,214	807,158
Total Liabilities and Shareholders' Equity	\$ 3,787,023	\$ 2,604,685

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

**GRIFFON CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**For the Three and Six Months Ended March 31, 2022 and 2021**  
**(Unaudited)**

(in thousands)	COMMON STOCK		CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TREASURY SHARES		ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	DEFERRED COMPENSATION	TOTAL
	SHARES	PAR VALUE			SHARES	COST			
<b>Balance at September 30, 2021</b>	84,375	\$ 21,094	\$ 602,181	\$ 669,998	27,762	\$ (416,850)	\$ (45,977)	\$ (23,288)	\$ 807,158
Net income	—	—	—	19,298	—	—	—	—	19,298
Dividend	—	—	—	(4,739)	—	—	—	—	(4,739)
Shares withheld on employee taxes on vested equity awards	—	—	—	—	422	(10,886)	—	—	(10,886)
Amortization of deferred compensation	—	—	—	—	—	—	—	591	591
Equity awards granted, net	113	28	(28)	—	—	—	—	—	—
ESOP allocation of common stock	—	—	848	—	—	—	—	—	848
Stock-based compensation	—	—	2,866	—	—	—	—	—	2,866
Other comprehensive income, net of tax	—	—	—	—	—	—	(2,751)	—	(2,751)
<b>Balance at December 31, 2021</b>	84,488	\$ 21,122	\$ 605,867	\$ 684,557	28,184	\$ (427,736)	\$ (48,728)	\$ (22,697)	\$ 812,385
Net income	—	—	—	65,689	—	—	—	—	65,689
Dividend	—	—	—	(5,352)	—	—	—	—	(5,352)
Amortization of deferred compensation	—	—	—	—	—	—	—	591	591
Equity awards granted, net	258	65	(7,195)	—	(470)	7,130	—	—	—
ESOP allocation of common stock	—	—	638	—	—	—	—	—	638
Stock-based compensation	—	—	4,314	—	—	—	—	—	4,314
Other comprehensive income, net of tax	—	—	—	—	—	—	4,949	—	4,949
<b>Balance at March 31, 2022</b>	84,746	\$ 21,187	\$ 603,624	\$ 744,894	27,714	\$ (420,606)	\$ (43,779)	\$ (22,106)	\$ 883,214

(in thousands)	COMMON STOCK		CAPITAL IN	RETAINED EARNINGS	TREASURY SHARES		ACCUMULATED OTHER	DEFERRED COMPENSATION	TOTAL
	SHARES	PAR VALUE	EXCESS OF PAR VALUE		INCOME (LOSS)	SHARES	COST		
<b>Balance at September 30, 2020</b>	83,739	\$ 20,935	\$ 583,008	\$ 607,518	27,610	\$ (413,493)	\$ (72,092)	\$ (25,725)	\$ 700,151
Net income	—	—	—	29,500	—	—	—	—	29,500
Dividend	—	—	—	(4,469)	—	—	—	—	(4,469)
Shares withheld on employee taxes on vested equity awards	—	—	—	—	133	(2,909)	—	—	(2,909)
Amortization of deferred compensation	—	—	—	—	—	—	—	609	609
Equity awards granted, net	494	123	(123)	—	—	—	—	—	—
ESOP allocation of common stock	—	—	596	—	—	—	—	—	596
Stock-based compensation	—	—	3,428	—	—	—	—	—	3,428
Other comprehensive income, net of tax	—	—	—	—	—	—	13,141	—	13,141
<b>Balance at December 31, 2020</b>	84,233	\$ 21,058	\$ 586,909	\$ 632,549	27,743	\$ (416,402)	\$ (58,951)	\$ (25,116)	740,047
Net income	—	—	—	17,112	—	—	—	—	17,112
Dividend	—	—	—	(3,217)	—	—	—	—	(3,217)
Amortization of deferred compensation	—	—	—	—	—	—	—	609	609
Equity awards granted, net	194	48	(48)	—	—	—	—	—	—
ESOP allocation of common stock	—	—	756	—	—	—	—	—	756
Stock-based compensation	—	—	4,349	—	—	—	—	—	4,349
Other comprehensive income, net of tax	—	—	—	—	—	—	4,775	—	4,775
<b>Balance at March 31, 2021</b>	84,427	\$ 21,106	\$ 591,966	\$ 646,444	27,743	\$ (416,402)	\$ (54,176)	\$ (24,507)	\$ 764,431

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

**GRIFFON CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**  
(in thousands, except per share data)  
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Revenue	\$ 779,617	\$ 574,682	\$ 1,371,366	\$ 1,116,205
Cost of goods and services	518,974	413,476	944,881	790,863
Gross profit	260,643	161,206	426,485	325,342
Selling, general and administrative expenses	157,838	117,559	285,190	229,268
Income from operations	102,805	43,647	141,295	96,074
Other income (expense)				
Interest expense	(21,408)	(15,831)	(37,089)	(31,521)
Interest income	32	304	65	348
Other, net	1,675	1,081	3,056	1,438
Total other expense, net	(19,701)	(14,446)	(33,968)	(29,735)
Income before taxes from continuing operations	83,104	29,201	107,327	66,339
Provision for income taxes	24,533	11,082	31,851	22,790
Income from continuing operations	\$ 58,571	\$ 18,119	\$ 75,476	\$ 43,549
Discontinued operations:				
Income (loss) from operations of discontinued operations	694	(1,341)	3,708	690
Provision (benefit) for income taxes	(6,424)	(334)	(5,803)	(2,373)
Income (loss) from discontinued operations	7,118	(1,007)	9,511	3,063
Net income	\$ 65,689	\$ 17,112	\$ 84,987	\$ 46,612
Basic earnings per common share:				
Income from continuing operations	\$ 1.13	\$ 0.36	\$ 1.47	\$ 0.86
Income (loss) from discontinued operations	0.14	(0.02)	0.18	0.06
Basic earnings per common share	\$ 1.27	\$ 0.34	\$ 1.65	\$ 0.92
Basic weighted-average shares outstanding	51,668	50,838	51,423	50,717
Diluted earnings per common share:				
Income from continuing operations	\$ 1.10	\$ 0.34	\$ 1.41	\$ 0.82
Income (loss) from discontinued operations	0.13	(0.02)	0.18	0.06
Diluted earnings per common share	\$ 1.23	\$ 0.32	\$ 1.59	\$ 0.88
Diluted weighted-average shares outstanding	53,430	53,264	53,602	53,211
Dividends paid per common share	\$ 0.09	\$ 0.08	\$ 0.18	\$ 0.16
Net income	\$ 65,689	\$ 17,112	\$ 84,987	\$ 46,612
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustments	6,049	1,739	3,730	13,862
Pension and other post retirement plans	140	1,245	808	2,951
Change in cash flow hedges	(1,240)	1,791	(2,340)	1,103
Total other comprehensive income, net of taxes	4,949	4,775	2,198	17,916
Comprehensive income, net	\$ 70,638	\$ 21,887	\$ 87,185	\$ 64,528

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

**GRIFFON CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(Unaudited)

	Six Months Ended March 31,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 84,987	\$ 46,612
Net income from discontinued operations	(9,511)	(3,063)
Adjustments to reconcile net income to net cash used in operating activities of continuing operations:		
Depreciation and amortization	29,333	25,739
Stock-based compensation	9,959	9,501
Asset impairment charges - restructuring	806	2,690
Provision for losses on accounts receivable	578	194
Amortization of debt discounts and issuance costs	1,566	1,349
Fair value step-up of acquired inventory sold	2,701	—
Deferred income taxes	2,883	2,215
(Gain) loss on sale of assets and investments	(118)	151
Change in assets and liabilities, net of assets and liabilities acquired:		
Increase in accounts receivable	(177,347)	(65,398)
Increase in inventories	(106,534)	(74,661)
(Increase) decrease in prepaid and other assets	6,063	(842)
Increase (decrease) in accounts payable, accrued liabilities, income taxes payable and operating lease liabilities	(18,524)	8,702
Other changes, net	525	2,400
Net cash used in operating activities - continuing operations	(172,633)	(44,411)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of property, plant and equipment	(22,030)	(17,835)
Acquired businesses, net of cash acquired	(851,464)	(2,242)
Proceeds (payments) from investments	14,923	(2,138)
Proceeds from the sale of property, plant and equipment	32	82
Other, net	—	27
Net cash used in investing activities - continuing operations	(858,539)	(22,106)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Dividends paid	(10,091)	(8,678)
Purchase of shares for treasury	(10,886)	(2,909)
Proceeds from long-term debt	975,291	14,029
Payments of long-term debt	(37,906)	(7,573)
Financing costs	(16,457)	(571)
Other, net	(27)	(214)
Net cash provided by ( used) in financing activities - continuing operations	899,924	(5,916)

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

**GRIFFON CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(in thousands)**  
**(Unaudited)**

	<b>Six Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM DISCONTINUED OPERATIONS:</b>		
Net cash provided by operating activities	9,846	17,058
Net cash provided by (used in) investing activities	(1,445)	11,323
Net cash provided by discontinued operations	8,401	28,381
Effect of exchange rate changes on cash and equivalents	(3,513)	1,527
<b>NET DECREASE IN CASH AND EQUIVALENTS</b>	<b>(126,360)</b>	<b>(42,525)</b>
<b>CASH AND EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>248,653</b>	<b>218,089</b>
<b>CASH AND EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 122,293</b>	<b>\$ 175,564</b>

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



**GRIFFON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(US dollars and non US currencies in thousands, except per share data)

(Unaudited)

*(Unless otherwise indicated, references to years or year-end refer to Griffon's fiscal period ending September 30)*

## **NOTE 1 – DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

### **About Griffon Corporation**

Griffon Corporation (the "Company", "Griffon", "we" or "us") is a diversified management and holding company that conducts business through wholly-owned subsidiaries. Griffon oversees the operations of its subsidiaries, allocates resources among them and manages their capital structures. Griffon provides direction and assistance to its subsidiaries in connection with acquisition and growth opportunities as well as in connection with divestitures. In order to further diversify, Griffon also seeks out, evaluates and, when appropriate, will acquire additional businesses that offer potentially attractive returns on capital.

The Company was founded in 1959, is a Delaware corporation headquartered in New York, N.Y. and is listed on the New York Stock Exchange (NYSE:GFF).

On September 27, 2021, Griffon announced it is exploring strategic alternatives for its Defense Electronics ("DE") segment, which consists of its Telephonics subsidiary, and on April 18, 2022, Griffon entered into a definitive agreement to sell Telephonics to TTM Technologies, Inc. ("TTM") for \$330,000 in cash. The transaction is expected to close within the second calendar quarter of 2022. As a result, Griffon classified the results of operations of the Telephonics business as a discontinued operation in the Consolidated Statements of Operations for all periods presented and classified the related assets and liabilities associated with the discontinued operation as held for sale in the consolidated balance sheets. Accordingly, all references made to results and information in this Quarterly Report on Form 10-Q are to Griffon's continuing operations, unless noted otherwise. Telephonics is recognized globally as a leading provider of highly sophisticated intelligence, surveillance and communications solutions that are deployed across a wide range of land, sea and air applications. Telephonics designs, develops, manufactures and provides logistical support and lifecycle sustainment services to defense, aerospace and commercial customers worldwide.

On January 24, 2022, Griffon acquired Hunter Fan Company ("Hunter"), a market leader in residential ceiling, commercial, and industrial fans, from MidOcean Partners ("MidOcean") for a contractual purchase price of approximately \$845,000, subject to customary post-closing adjustments. Hunter, which is part of Griffon's Consumer and Professional Products segment, complements and diversifies our portfolio of leading consumer brands and products. The acquisition of Hunter was primarily financed with a new \$800,000 seven year Term Loan B facility; a combination of cash on hand and revolving credit facility borrowings was used to fund the balance of the purchase price and related acquisition and debt expenditures.

Griffon now conducts its operations through two reportable segments:

- Consumer and Professional Products ("CPP") is a leading North American manufacturer and a global provider of branded consumer and professional tools; residential, industrial and commercial fans; home storage and organization products; and products that enhance indoor and outdoor lifestyles. CPP sells products globally through a portfolio of leading brands including AMES, since 1774, Hunter, since 1886, True Temper, and ClosetMaid.
- Home and Building Products ("HBP") conducts its operations through Clopay Corporation ("Clopay"). Founded in 1964, Clopay is the largest manufacturer and marketer of garage doors and rolling steel doors in North America. Residential and commercial sectional garage doors are sold through professional dealers and leading home center retail chains throughout North America under the brands Clopay, Ideal, and Holmes. Rolling steel door and grille products designed for commercial, industrial, institutional, and retail use are sold under the CornellCookson brand.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic, which continues to spread throughout the U.S. and the world. The impact from the rapidly changing U.S. and global market and economic conditions due to the COVID-19 outbreak is uncertain, with disruptions to the business of our customers and suppliers, which has impacted, and could continue to impact, our business and consolidated results of operations and financial condition. As of the date of this filing, all of Griffon's facilities are fully operational. We have implemented a variety of new policies and procedures, including additional cleaning, social distancing, staggered shifts and prohibiting or significantly restricting on-site visitors, to minimize

**GRIFFON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(US dollars and non US currencies in thousands, except per share data)

(Unaudited)

the risk to our employees of contracting COVID-19. In the United States, we manufacture a substantial majority of the products that we sell. While this helps mitigate the effects of global supplier and transportation disruptions, we are still impacted and are unable to accurately predict the impact COVID-19 will have due to numerous uncertainties, including the severity of the disease, the duration of the outbreak, actions that may be taken by governmental authorities, the impact to our customers' and suppliers' businesses and other factors identified in Part II, Item 1A "Risk Factors" in this Form 10-Q. We will continue to evaluate the nature and extent of the impact to our business, consolidated results of operations, and financial condition.

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") for interim financial information, and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, these financial statements do not include all the information and footnotes required by US GAAP for complete financial statements. As such, they should be read together with Griffon's Annual Report on Form 10-K for the year ended September 30, 2021, which provides a more complete explanation of Griffon's accounting policies, financial position, operating results, business, properties and other matters. In the opinion of management, these financial statements reflect all adjustments considered necessary for a fair statement of interim results. Griffon's CPP operations are seasonal; for this and other reasons, the financial results of the Company for any interim period are not necessarily indicative of the results for the full year.

The condensed consolidated balance sheet information at September 30, 2021 was derived from the audited financial statements included in Griffon's Annual Report on Form 10-K for the year ended September 30, 2021.

The condensed consolidated financial statements include the accounts of Griffon and all subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. These estimates may be adjusted due to changes in economic, industry or customer financial conditions, as well as changes in technology or demand. Significant estimates include expected loss allowances for doubtful accounts receivable and returns, net realizable value of inventories, restructuring reserves, valuation of goodwill and intangible assets, sales, assumptions associated with pension benefit obligations and income or expenses, useful lives associated with depreciation and amortization of intangible and fixed assets, warranty reserves, sales incentive accruals, assumption associated with stock based compensation valuation, income taxes and tax valuation reserves, environmental reserves, legal reserves, insurance reserves, the valuation of assets and liabilities of discontinued operations, assumptions associated with valuation of acquired assets and assumed liabilities of acquired companies and the accompanying disclosures. These estimates are based on management's best knowledge of current events and actions Griffon may undertake in the future. Actual results may ultimately differ from these estimates.

Certain amounts in the prior year have been reclassified to conform to current year presentation.

**NOTE 2 – FAIR VALUE MEASUREMENTS**

The carrying values of cash and equivalents, accounts receivable, accounts and notes payable, and revolving credit and variable interest rate debt approximate fair value due to either the short-term nature of such instruments or the fact that the interest rate of the revolving credit and variable rate debt is based upon current market rates.

Applicable accounting guidance establishes a fair value hierarchy requiring the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. The accounting guidance establishes three levels of inputs that may be used to measure fair value, as follows:

**GRIFFON CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(US dollars and non US currencies in thousands, except per share data)

(Unaudited)

- Level 1 inputs are measured and recorded at fair value based upon quoted prices in active markets for identical assets.
- Level 2 inputs include inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets or liabilities.
- Level 3 inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

On March 31, 2022, the fair values of Griffon's 2028 senior notes and Term Loan B facility approximated \$945,000 and \$792,000, respectively. Fair values were based upon quoted market prices (level 1 inputs).

Insurance contracts with values of \$4,053 at March 31, 2022 are measured and recorded at fair value based upon quoted prices in active markets for similar assets (level 2 inputs) and are included in Prepaid and other current assets on the Consolidated Balance Sheets.

*Items Measured at Fair Value on a Recurring Basis*

At March 31, 2022, marketable debt and equity securities, measured at fair value based on quoted prices in active markets for similar assets (level 2 inputs), with a fair value of \$995 (\$1,000 cost basis) were included in Prepaid and other current assets on the Consolidated Balance Sheets. Realized and unrealized gains and losses on marketable debt and equity securities are included in Other income in the Consolidated Statements of Operations and Comprehensive Income (Loss).

In the normal course of business, Griffon's operations are exposed to the effects of changes in foreign currency exchange rates. To manage these risks, Griffon may enter into various derivative contracts such as foreign currency exchange contracts, including forwards and options. As of March 31, 2022, Griffon entered into several such contracts in order to lock into a foreign currency rate for planned settlements of trade and inter-company liabilities payable in U.S. dollars.

At March 31, 2022, Griffon had \$46,500 of Australian dollar contracts at a weighted average rate of \$1.35 which qualified for hedge accounting (level 2 inputs). These hedges were all deemed effective as cash flow hedges with gains and losses related to changes in fair value deferred and recorded in Accumulated other comprehensive income (loss) ("AOCI") and Prepaid and other current assets, or Accrued liabilities, until settlement. Upon settlement, gains and losses are recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss) in Cost of goods and services ("COGS"). AOCI included deferred losses of \$773 (\$541, net of tax) at March 31, 2022. Upon settlement, gains of \$730 and \$2,263 were recorded in COGS during the three and six months ended March 31, 2022, respectively. All contracts expire in 29 to 180 days.

At March 31, 2022, Griffon had 48,600 of Chinese Yuan contracts at a weighted average rate of \$6.52 which qualified for hedge accounting (level 2 inputs). These hedges were all deemed effective as cash flow hedges with gains and losses related to changes in fair value deferred and recorded in Accumulated other comprehensive income (loss) ("AOCI") and Prepaid and other current assets, or Accrued liabilities, until settlement. Upon settlement, gains and losses are recognized in the Consolidated Statements of Operations and Comprehensive Income (Loss) in Cost of goods and services ("COGS"). AOCI included deferred gains of \$1,140 (\$832, net of tax) at March 31, 2022. Upon settlement, gains of \$654 were recorded in COGS during the six months ended March 31, 2022. All contracts expire in 7 to 308 days.

At March 31, 2022, Griffon had \$6,950 of Canadian dollar contracts at a weighted average rate of \$1.25. The contracts, which protect Canadian operations from currency fluctuations for U.S. dollar based purchases, do not qualify for hedge accounting. For the three and six months ended March 31, 2022, fair value (losses) gains of \$(136) and \$2, respectively, were recorded to Other liabilities and to Other income for the outstanding contracts, based on similar contract values (level 2 inputs). Realized losses of \$16 and \$2 were recorded in Other income during the three and six months ended March 31, 2022, respectively for all settled contracts. All contracts expire in 1 to 380 days.

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**NOTE 3 – REVENUE**

The Company recognizes revenue when performance obligations identified under the terms of contracts with its customers are satisfied. A performance obligation is a promise in a contract to transfer a distinct good or service, or a bundle of goods or services, to the customer, and is the unit of accounting. A contract with a customer is an agreement which both parties have approved, that creates enforceable rights and obligations, has commercial substance and with respect to which payment terms are identified and collectability is probable. Once the Company has entered into a contract or purchase order, it is evaluated to identify performance obligations. For each performance obligation, revenue is recognized when control of the promised products is transferred to the customer, or services are satisfied under the contract or purchase order, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services (the transaction price).

The majority of the Company’s performance obligations are recognized at a point in time related to the manufacture and sale of a broad range of products and components primarily within the CPP and HBP Segments, and revenue is recognized when title, and risk and rewards of ownership, have transferred to the customer, which is generally upon shipment.

Within our discontinued operation, Defense Electronics, performance obligations are recognized over time and relate to prime or subcontractors from contract awards with the U.S. Government, as well as foreign governments and other commercial customers. Revenue recognized over time are generally accounted for using an input measure to determine progress completed at the end of the period. We believe that cumulative costs incurred to date as a percentage of estimated total contract costs at completion (cost-to-cost method) is an appropriate measure of progress towards satisfaction of performance obligations recognized over time, as it most accurately depicts the progress of our work and transfer of control to our customers.

For a complete explanation of Griffon’s revenue accounting policies, this note should be read in conjunction with Griffon’s Annual Report on Form 10-K for the year ended September 30, 2021. See Note 13 - Business Segments for revenue from contracts with customers disaggregated by end markets, segments and geographic location.

**NOTE 4 – ACQUISITIONS**

Griffon continually evaluates potential acquisitions that strategically fit within its portfolio or expand its portfolio into new product lines or adjacent markets. Griffon has completed a number of acquisitions that have been accounted for as business combinations, in which assets acquired and liabilities assumed are recorded at fair value as of the date of acquisition and have resulted in the recognition of goodwill . The operating results of the business acquisitions are included in Griffon’s consolidated financial statements from the date of acquisition; in each instance, Griffon is in the process of finalizing the initial purchase price allocation unless otherwise noted.

On January 24, 2022, Griffon completed the acquisition of Hunter, a market leader in residential ceiling, commercial, and industrial fans, for a contractual purchase price of \$845,000, subject to customary post-closing adjustments. The acquisition was primarily financed with a new \$800,000 seven year Term Loan B facility; a combination of cash on hand and revolver borrowings was used to fund the balance of the purchase price and related acquisition and debt expenditures. Hunter complements and diversifies Griffon's portfolio of leading consumer brands and products. The goodwill recognized was \$279,658, which was assigned to the CPP segment, and is not expected to be deductible for income tax purposes. The final purchase price allocation, which is expected to be completed in the first quarter of fiscal 2023, will be based on final appraisals and other analysis of fair values of acquired assets and liabilities. The following unaudited proforma summary from continuing operations presents consolidated information as if the Company acquired Hunter on October 1, 2020:

	<b>Proforma For the Three Months Ended March 31, (unaudited)</b>		<b>Proforma For the Six Months Ended March 31, (unaudited)</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenue	\$ 791,038	\$ 673,597	\$ 1,461,877	\$ 1,277,382
Income from continuing operations	55,151	24,419	75,125	50,514

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Griffon did not include any material, nonrecurring proforma adjustments directly attributable to the business combination in the proforma revenue and earnings. These proforma amounts have been compiled by adding the historical results from continuing operations of Griffon, restated for classifying the results of operations of the Telephonics Corporate business as a discontinued operation, to the historical results of Hunter after applying Griffon's accounting policies and the following proforma adjustments:

- Additional depreciation and amortization that would have been charged assuming the preliminary fair value adjustments to property, plant, and equipment, and intangible assets had been applied from October 1, 2021.
- Additional interest and related expenses from the new \$800,000 seven year Term Loan B facility that Griffon used to acquire Hunter Fan.
- The consequential tax effects of the above adjustments using a 21.9% tax rate for the year ended September 30, 2021.

The calculation of the preliminary purchase price allocation is as follows:

Accounts receivable <sup>(1)</sup>	\$	64,602
Inventories <sup>(2)</sup>		110,299
Other current assets		9,513
Property, plant and equipment		15,007
Operating lease right-of-use assets		12,447
Goodwill		279,658
Intangible assets		606,000
<b>Total assets acquired</b>	<b>\$</b>	<b>1,097,526</b>
Accounts payable and accrued liabilities	\$	70,768
Current portion of operating lease liabilities		3,323
Deferred tax liability <sup>(3)</sup>		161,381
Long-term operating lease liabilities		9,123
Other long-term liabilities		1,467
<b>Total liabilities assumed</b>	<b>\$</b>	<b>246,062</b>
<b>Total net assets acquired</b>	<b>\$</b>	<b>851,464</b>

<sup>(1)</sup> Includes \$67,201 of gross accounts receivable of which \$2,599 was not expected to be collected. The fair value of accounts receivable approximated book value acquired.

<sup>(2)</sup> Includes \$113,287 of gross inventory of which \$2,988 was reserved for obsolete items.

<sup>(3)</sup> Deferred tax liability recorded on intangibles assets.

The amounts assigned to goodwill and major intangible asset classifications for the Hunter acquisition are as follows:

		<b>Average Life (Years)</b>
Goodwill	\$ 279,658	N/A
Indefinite-lived intangibles	356,000	N/A
Definite-lived intangibles	250,000	20
<b>Total goodwill and intangible assets</b>	<b>\$ 885,658</b>	

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On December 22, 2020, AMES acquired Quatro Design Pty Ltd (“Quatro”), a leading Australian manufacturer and supplier of glass fiber reinforced concrete landscaping products for residential, commercial, and public sector projects for a net purchase price of AUD \$3,500 (approximately \$2,700) in cash. The final purchase price allocated to goodwill and acquired intangibles was AUD \$1,038 (approximately \$784) and AUD \$2,755 (approximately \$2,082), respectively, which was assigned to the CPP segment, and is not deductible for income tax purposes.

During the three and six months ended March 31, 2022, the Company incurred acquisition costs of \$6,708 and \$9,303, respectively. During the three and six months ended March 31, 2021, acquisition costs were de minimis.

**NOTE 5 – INVENTORIES**

Inventories are stated at the lower of cost (first-in, first-out or average cost) or market.

The following table details the components of inventory:

	At March 31, 2022	At September 30, 2021
Raw materials and supplies	\$ 164,912	\$ 133,684
Work in process	48,267	48,531
Finished goods	473,832	290,579
<b>Total</b>	<b>\$ 687,011</b>	<b>\$ 472,794</b>

**NOTE 6 – PROPERTY, PLANT AND EQUIPMENT**

The following table details the components of property, plant and equipment, net:

	At March 31, 2022	At September 30, 2021
Land, building and building improvements	\$ 163,567	\$ 164,486
Machinery and equipment	546,663	520,110
Leasehold improvements	42,045	39,913
	752,275	724,509
Accumulated depreciation and amortization	(448,106)	(431,887)
<b>Total</b>	<b>\$ 304,169</b>	<b>\$ 292,622</b>

Depreciation and amortization expense for property, plant and equipment was \$11,782 and \$10,742 for the quarters ended March 31, 2022 and 2021, respectively, and \$22,476 and \$20,980 for the six months ended March 31, 2022 and 2021, respectively. Depreciation included in Selling, general and administrative (“SG&A”) expenses was \$4,256 and \$3,613 for the quarters ended March 31, 2022 and 2021, respectively, and \$7,656 and \$6,875 for the six months ended March 31, 2022 and 2021, respectively. Remaining components of depreciation, attributable to manufacturing operations, are included in Cost of goods and services.

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**NOTE 7 – CREDIT LOSSES**

The Company is exposed to credit losses primarily through sales of products and services. Trade receivables are recorded at their stated amount, less allowances for discounts, doubtful accounts and returns. The Company’s expected loss allowance methodology for trade receivables is primarily based on the aging method of the accounts receivables balances and the financial condition of its customers. The allowances represent estimated uncollectible receivables associated with potential customer defaults on contractual obligations (usually due to customers’ potential insolvency), discounts related to early payment of accounts receivables by customers and estimates for returns. The allowance for doubtful accounts includes amounts for certain customers in which a risk of default has been specifically identified, as well as an amount for customer defaults, based on a formula, when it is determined the risk of some default is probable and estimable, but cannot yet be associated with specific customers. Allowance for discounts and returns are recorded as a reduction of revenue and the provision related to the allowance for doubtful accounts is recorded in SG&A expenses.

The Company also considers current and expected future economic and market conditions, such as the COVID-19 pandemic, when determining any estimate of credit losses. Generally, estimates used to determine the allowance are based on assessment of anticipated payment and all other historical, current and future information that is reasonably available. All accounts receivable amounts are expected to be collected in less than one year.

Based on a review of the Company's policies and procedures across all segments, including the aging of its trade receivables, recent write-off history and other factors related to future macroeconomic conditions, Griffon determined that its method to determine credit losses and the amount of its allowances for bad debts is in accordance with the accounting guidance for credit losses on financial instruments, including trade receivables, in all material respects.

The following table provides a roll-forward of the allowance for credit losses that is deducted from the amortized cost basis of accounts receivable to present the net amount expected to be collected:

	<b>Six months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Beginning Balance, October 1	\$ 8,787	\$ 8,178
Accounts receivable, net acquired	2,599	—
Provision for expected credit losses	1,889	1,234
Amounts written off charged against the allowance	(10)	(161)
Other, primarily foreign currency translation	235	23
<b>Ending Balance, March 31</b>	<b>\$ 13,500</b>	<b>\$ 9,274</b>

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**NOTE 8 – GOODWILL AND OTHER INTANGIBLES**

The following table provides changes in the carrying value of goodwill by segment during the six months ended March 31, 2022:

	At September 30, 2021	Hunter Acquisition	Foreign currency translations adjustments	At March 31, 2022
Consumer and Professional Products	\$ 234,895	\$ 279,658	\$ 1,717	\$ 516,270
Home and Building Products	191,253	—	—	191,253
<b>Total</b>	<b>\$ 426,148</b>	<b>\$ 279,658</b>	<b>\$ 1,717</b>	<b>\$ 707,523</b>

The following table provides the gross carrying value and accumulated amortization for each major class of intangible assets:

	At March 31, 2022		Average Life (Years)	At September 30, 2021	
	Gross Carrying Amount	Accumulated Amortization		Gross Carrying Amount	Accumulated Amortization
Customer relationships & other	\$ 438,693	\$ 82,866	23	\$ 187,732	\$ 75,794
Technology and patents	13,613	2,702	13	13,429	2,439
<b>Total amortizable intangible assets</b>	<b>452,306</b>	<b>85,568</b>		<b>201,161</b>	<b>78,233</b>
Trademarks	582,992	—		227,097	—
<b>Total intangible assets</b>	<b>\$ 1,035,298</b>	<b>\$ 85,568</b>		<b>\$ 428,258</b>	<b>\$ 78,233</b>

The gross carrying amount of intangible assets was impacted by \$563 related to foreign currency translation.

Amortization expense for intangible assets was \$4,470 and \$2,407 for the quarters ended March 31, 2022 and 2021, respectively, and \$6,857 and \$4,759 for the six months ended March 31, 2022 and 2021, respectively. The increase in intangible assets and amortization is related to the Hunter acquisition.

Amortization expense for the remainder of 2022 and the next five fiscal years and thereafter, based on current intangible balances and classifications, is estimated as follows: 2022 - \$13,600; 2023 - \$22,100; 2024 - \$22,100; 2025 - \$22,100; 2026 - \$22,100; 2027 - \$22,100; thereafter \$242,638.

During the six months ended March 31, 2022, the Company determined that there were no triggering events and, as a result, there was no impairment to either its goodwill or indefinite-lived intangible assets at March 31, 2022.



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**NOTE 9 – INCOME TAXES**

During the quarter ended March 31, 2022, the Company recognized a tax provision of \$24,533 on income before taxes from continuing operations of \$83,104, compared to a tax provision of \$11,082 on income before taxes from continuing operations of \$29,201 in the comparable prior year quarter. The current year quarter results included restructuring charges of \$4,766 (\$3,496, net of tax), acquisition costs of \$6,708 (\$6,146, net of tax), proxy expenses of \$4,661 (\$3,591, net of tax), fair value step-up of acquired inventory sold of \$2,701 (\$2,007, net of tax), and discrete and certain other tax benefits, net, that affect comparability of \$693. The prior year quarter results included restructuring charges of \$7,502 (\$5,605, net of tax), and discrete tax and certain other tax provisions, net, that affect comparability of \$1,417. Excluding these items, the effective tax rates for the quarters ended March 31, 2022 and 2021 were 28.3% and 31.5%, respectively.

During the six months ended March 31, 2022, the Company recognized a tax provision of \$31,851 on income before taxes of \$107,327, compared to a tax provision of \$22,790 on income before taxes of \$66,339 in the comparable prior year period. The six month period ended March 31, 2022 included restructuring charges of \$6,482 (\$4,826, net of tax), acquisition costs of \$9,303 (\$8,149, net of tax), proxy expenses of \$6,952 (\$5,359, net of tax), fair value step-up of acquired inventory sold of \$2,701 (\$2,007, net of tax), and discrete and certain other tax benefits, net, that affect comparability of \$1,574. The six month period ended March 31, 2021 included restructuring charges of \$10,581 (\$7,906, net of tax), and discrete tax and certain other tax provisions, net, that affect comparability of \$369. Excluding these items, the effective tax rates for the six months ended March 31, 2022 and 2021 were 29.0% and 32.6%, respectively.

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**NOTE 10 – LONG-TERM DEBT**

	At March 31, 2022					At September 30, 2021				
	Outstanding Balance	Original Issuer Premium/(Discount)	Capitalized Fees & Expenses	Balance Sheet	Coupon Interest Rate	Outstanding Balance	Original Issuer Premium/(Discount)	Capitalized Fees & Expenses	Balance Sheet	Coupon Interest Rate
Senior notes due 2028 (a)	\$1,000,000	\$ 290	(12,257)	\$ 988,033	5.75 %	\$1,000,000	\$ 315	\$(13,293)	\$ 987,022	5.75 %
Term Loan B 2029 (b)	800,000	(1,970)	(15,235)	782,795	Variable	—	—	—	—	n/a
Revolver due 2025 (b)	153,146	—	(1,473)	151,673	Variable	13,483	—	(1,718)	11,765	Variable
Finance lease - real estate (c)	13,757	—	—	13,757	Variable	14,594	—	(4)	14,590	Variable
Non US lines of credit (d)	11,713	—	(9)	11,704	Variable	3,012	—	(17)	2,995	Variable
Non US term loans (d)	15,948	—	(52)	15,896	Variable	25,684	—	(91)	25,593	Variable
Other long term debt (e)	2,991	—	(14)	2,977	Variable	3,733	—	(15)	3,718	Variable
Totals	1,997,555	(1,680)	(29,040)	1,966,835		1,060,506	315	(15,138)	1,045,683	
less: Current portion	(25,110)	—	—	(25,110)		(12,486)	—	—	(12,486)	
Long-term debt	<u>\$1,972,445</u>	<u>\$ (1,680)</u>	<u>\$(29,040)</u>	<u>\$1,941,725</u>		<u>\$1,048,020</u>	<u>\$ 315</u>	<u>\$(15,138)</u>	<u>\$1,033,197</u>	

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	Three Months Ended March 31, 2022						Three Months Ended March 31, 2021					
	Effective Interest Rate	Cash Interest	Amort. Debt (Premium)/Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense		Effective Interest Rate	Cash Interest	Amort. Debt Premium	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense	
Senior notes due 2028	(a)	6.0 %	\$ 14,375	\$ (12)	\$ 518	\$ 14,881	6.0 %	\$ 14,375	\$ (12)	\$ 529	\$ 14,892	
Term Loan B due 2029	(b)	3.4 %	4,767	30	232	5,029	n/a	—	—	—	—	
Revolver due 2025	(b)	Variable	990	—	123	1,113	Variable	287	—	122	409	
Finance lease - real estate	(c)	5.6 %	192	—	—	192	5.9 %	224	—	7	231	
Non US lines of credit	(d)	Variable	7	—	3	10	Variable	4	—	4	8	
Non US term loans	(d)	Variable	185	—	18	203	Variable	163	—	18	181	
Other long term debt	(e)	Variable	61	—	—	61	Variable	115	—	1	116	
Capitalized interest			(81)	—	—	(81)		(6)	—	—	(6)	
<b>Totals</b>			<u>\$ 20,496</u>	<u>\$ 18</u>	<u>\$ 894</u>	<u>\$ 21,408</u>		<u>\$ 15,162</u>	<u>\$ (12)</u>	<u>\$ 681</u>	<u>\$ 15,831</u>	

	Six Months Ended March 31, 2022						Six Months Ended March 31, 2021					
	Effective Interest Rate	Cash Interest	Amort. Debt (Premium)/Discount	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense		Effective Interest Rate	Cash Interest	Amort. Debt Premium	Amort. Debt Issuance Costs & Other Fees	Total Interest Expense	
Senior notes due 2028	(a)	6.0 %	\$ 28,750	\$ (24)	\$ 1,036	\$ 29,762	6.0 %	\$ 28,750	\$ (24)	\$ 1,071	\$ 29,797	
Term Loan B due 2029	(b)	3.4 %	4,767	30	232	5,029	n/a	—	—	—	—	
Revolver due 2025	(b)	Variable	1,251	—	245	1,496	Variable	416	—	245	661	
Finance lease - real estate	(c)	5.5 %	390	—	4	394	5.6 %	456	—	13	469	
Non US lines of credit	(d)	Variable	10	—	7	17	Variable	7	—	8	15	
Non US term loans	(d)	Variable	351	—	35	386	Variable	334	—	35	369	
Other long term debt	(e)	Variable	158	—	1	159	Variable	222	—	1	223	
Capitalized interest			(154)	—	—	(154)		(13)	—	—	(13)	
<b>Totals</b>			<u>\$ 35,523</u>	<u>\$ 6</u>	<u>\$ 1,560</u>	<u>\$ 37,089</u>		<u>\$ 30,172</u>	<u>\$ (24)</u>	<u>\$ 1,373</u>	<u>\$ 31,521</u>	

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- (a) During 2020, Griffon issued, at par, \$1,000,000 of 5.75% Senior Notes due in 2028 (the "2028 Senior Notes"). Proceeds from the 2028 Senior Notes were used to redeem \$1,000,000 of 5.25% Senior Notes due 2022. As of March 31, 2022, outstanding 2028 Senior Notes due totaled \$1,000,000; interest is payable semi-annually on March 1 and September 1.

The 2028 Senior Notes are senior unsecured obligations of Griffon guaranteed by certain domestic subsidiaries, and subject to certain covenants, limitations and restrictions. The 2028 Senior Notes were registered under the Securities Act of 1933, as amended (the "Securities Act") via an exchange offer. The fair value of the 2028 Senior Notes approximated \$945,000 on March 31, 2022 based upon quoted market prices (level 1 inputs). In connection with these transactions, Griffon capitalized \$16,448 of underwriting fees and other expenses incurred related to the issuance and exchange of the 2028 Senior Notes, which is being amortized over the term of such notes, and at March 31, 2022, \$12,257 remained to be amortized.

- (b) On January 24, 2022, Griffon amended and restated its Revolving Credit Facility (as amended, "Credit Agreement") to provide for a new \$800,000 Term Loan B facility, due January 24, 2029, in addition to its current \$400,000 revolving credit facility ("Revolver"), and replaced LIBOR with SOFR (Secured Overnight Financing Rate). The fair value of the Term Loan B facility approximated \$792,000 on March 31, 2022 based upon quoted market prices (level 1 inputs). The Term Loan B contains a SOFR floor of 0.50% and a current spread of 2.75%, for a total current interest rate of 3.25%. The Original Issue Discount for the Term Loan B was 99.75%. Additionally, there are two interest rate step-downs tied to achieving decreased secured leverage ratio thresholds. The Term Loan B facility requires nominal quarterly principal payments equal to 0.25% of the original outstanding principal amount, beginning with the quarter ended June 30, 2022; potential additional annual principal payments based on a percentage of excess cash flow and certain secured leverage thresholds starting with the fiscal year ending September 30, 2023; and a final balloon payment due at maturity. Term Loan B borrowings may generally be repaid without penalty but may not be re-borrowed. The Term Loan B facility is subject to the same affirmative and negative covenants that apply to the Revolver, but is not subject to any financial maintenance covenants. Term Loan B borrowings are secured by the same collateral as the Revolver. In connection with this amendment, Griffon capitalized \$15,466 of underwriting fees and other expenses incurred, which are being amortized over the term of the loan. At March 31, 2022, \$15,235 remained to be amortized.

The Revolver's maximum borrowing availability is \$400,000 and it matures on March 22, 2025. The Revolver includes a letter of credit sub-facility with a limit of \$100,000; a multi-currency sub-facility of \$200,000; and contains a customary accordion feature that permits us to request, subject to each lender's consent, an increase in the maximum aggregate amount that can be borrowed by up to an additional \$100,000.

In addition, on December 9, 2021, Griffon replaced the Revolver GBP LIBOR benchmark rate with a Sterling Overnight Index Average ("SONIA"). Borrowings under the Revolver may be repaid and re-borrowed at any time. Interest is payable on borrowings at either a SOFR, SONIA or base rate benchmark rate, plus an applicable margin, which adjusts based on financial performance. Current margins are 1.00% for base rate loans, 2.00% for SOFR loans and 2.00% for SONIA loans. The Revolver has certain financial maintenance tests including a maximum total leverage ratio, a maximum senior secured leverage ratio and a minimum interest coverage ratio, as well as customary affirmative and negative covenants, and events of default. The negative covenants place limits on Griffon's ability to, among other things, incur indebtedness, incur liens, and make restricted payments and investments. Both the Revolver and Term Loan B borrowings under the Credit Agreement are guaranteed by Griffon's material domestic subsidiaries and are secured, on a first priority basis, by substantially all domestic assets of the Company and the guarantors, and a pledge of not greater than 65% of the equity interest in Griffon's material, first-tier foreign subsidiaries. At March 31, 2022, there were \$153,146 of outstanding borrowings under the Revolver; outstanding standby letters of credit were \$13,815; and \$233,039 was available, subject to certain loan covenants, for borrowing at that date.

- (c) Griffon has one finance lease outstanding for real estate located in Ocala, Florida. The lease matures in 2025 and bears interest at a fixed rate of approximately 5.6%. The Ocala, Florida lease contains two five-year renewal options. At March 31, 2022, \$13,757 was outstanding, net of issuance costs. During the year-to-date period ended March 31, 2022, the financing lease on the Troy, Ohio location expired. The lease bore interest at a rate of approximately 5.0%, was secured by a mortgage on the real estate, which was guaranteed by Griffon, and had a one dollar buyout at the end of the lease. Griffon exercised the one dollar buyout option in November 2021. Refer to Note 21- Leases for further details.

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- (d) In November 2012, Garant G.P. ("Garant"), a Griffon wholly owned subsidiary, entered into a CAD 15,000 (\$12,018 as of March 31, 2022) revolving credit facility. The facility accrues interest at LIBOR (USD) or the Bankers Acceptance Rate (CDN) plus 1.3% per annum (1.75% LIBOR USD and 2.38% Bankers Acceptance Rate CDN as of March 31, 2022). The revolving facility matures in October 2022. Garant is required to maintain a certain minimum equity. At March 31, 2022, there were no outstanding borrowings under the revolving credit facility with CAD 15,000 (\$12,018 as of March 31, 2022) available.

During the period ended March 31, 2022, Griffon Australia Holdings Pty Ltd and its Australian subsidiaries (collectively, "Griffon Australia") amended its AUD 18,375 term loan, AUD 20,000 revolver and AUD 15,000 receivable purchase facility agreement that was entered into in July 2016 and further amended in fiscal 2020. Griffon Australia paid off the term loan in the amount of AUD 9,625 and canceled the AUD 20,000 revolver. The amendment refinanced the existing AUD 15,000 receivable purchase facility. The receivable purchase facility matures in March 2023, but is renewable upon mutual agreement with the lender. The receivable purchase facility accrues interest at BBSY (Bank Bill Sap Rate) plus 1.25%, respectively, per annum (1.31% at March 31, 2022). At March 31, 2022, there was no balance outstanding under the receivable purchase facility with AUD 15,000 (\$11,273 as of March 31, 2022) available. The receivable purchase facility is secured by substantially all of the assets of Griffon Australia and its subsidiaries. Griffon Australia is required to maintain a certain minimum equity level.

In July 2018, The AMES Companies UK Ltd and its subsidiaries (collectively, "AMES UK") entered into a GBP 14,000 term loan, GBP 4,000 mortgage loan and GBP 5,000 revolver. The term loan and mortgage loan require quarterly principal payments of GBP 438 and GBP 105 plus interest, respectively, and have balloon payments due upon maturity, July 2023, of GBP 7,088 and GBP 2,349, respectively. Effective in January 2022, the Term Loan and Mortgage Loan were amended to replace GBP LIBOR with SONIA. The Term Loan and Mortgage Loans each accrue interest at the SONIA Rate plus 1.92% (2.61% at March 31, 2022). The revolving facility accrues interest at the Bank of England Base Rate plus 3.25% (4.00% as of March 31, 2022). The revolving credit facility matures in July 2022, but it is renewable upon mutual agreement with the lender. As of March 31, 2022, the revolver had an outstanding balance of GBP 2,827 (\$3,713 as of March 31, 2022) while the term and mortgage loan balances amounted to GBP 12,145 (\$15,948 as of March 31, 2022). The revolver and the term loan are both secured by substantially all of the assets of AMES UK and its subsidiaries. AMES UK is subject to a maximum leverage ratio and a minimum fixed charges cover ratio. During the period ended March 31, 2022, AMES UK entered into a \$8,500 trade loan facility agreement. The trade loan facility has a maximum loan period of 135 days and is due on June 29, 2022. The trade facility accrues interest at the Mid-point of the FED Target Range plus 2.50% (2.88% as of March 31, 2022). The trade facility had an outstanding balance of \$8,000 as of March 31, 2022.

- (e) Other long-term debt primarily consists of a loan with the Pennsylvania Industrial Development Authority, with the balance consisting of finance leases.

At March 31, 2022, Griffon and its subsidiaries were in compliance with the terms and covenants of all credit and loan agreements.

**NOTE 11 — SHAREHOLDERS' EQUITY**

During the six months ended March 31, 2022, the Company paid two quarterly cash dividends of \$0.09 per share each. During 2021, the Company paid a quarterly cash dividend of \$0.08 per share, totaling \$0.32 per share for the year. A dividend payable was established for the holders of restricted shares; such dividends will be released upon vesting of the underlying restricted shares.

On April 27, 2022, the Board of Directors declared a quarterly cash dividend of \$0.09 per share, payable on June 16, 2022 to shareholders of record as of the close of business on May 19, 2022.

On January 29, 2016, shareholders approved the Griffon Corporation 2016 Equity Incentive Plan (the "Original Incentive Plan") pursuant to which, among other things, under which awards of performance shares, performance units, stock options,

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stock appreciation rights, restricted shares, restricted stock units, deferred shares and other stock-based awards may be granted. On January 31, 2018, shareholders approved Amendment No. 1 to the Original Incentive Plan pursuant to which, among other things, 1,000,000 shares were added to the Original Incentive Plan; and on January 30, 2020, shareholders approved Amendment No. 2 to the Original Incentive Plan, pursuant to which 1,700,000 shares were added to the Original Incentive Plan. On February 17, 2022, shareholders approved the Amended and Restated 2016 Equity Incentive Plan (the "Amended Incentive Plan"), which amended and restated the Original Incentive Plan and pursuant to which, among other things, 1,200,000 shares were added to the Original Incentive Plan. Options granted under the Amended Incentive Plan may be either "incentive stock options" or nonqualified stock options, generally expire ten years after the date of grant and are granted at an exercise price of not less than 100% of the fair market value at the date of grant. The maximum number of shares of common stock available for award under the Amended Incentive Plan is 6,250,000 (600,000 of which may be issued as incentive stock options), plus (i) any shares that were reserved for issuance under the Original Incentive Plan as of the effective date of the Original Incentive Plan, and (ii) any shares underlying awards outstanding on such date under the 2011 Incentive Plan that were subsequently canceled or forfeited. As of March 31, 2022, there were 867,180 shares available for grant.

Compensation expense for restricted stock and restricted stock units is recognized ratably over the required service period based on the fair value of the grant, calculated as the number of shares granted multiplied by the stock price on the date of grant and, for performance shares, the likelihood of achieving the performance criteria. Compensation expense for restricted stock granted to two senior executives is calculated as the maximum number of shares granted, upon achieving certain performance criteria, multiplied by the stock price as valued by a Monte Carlo Simulation Model. Compensation cost related to stock-based awards with graded vesting, generally over a period of three to four years, is recognized using the straight-line attribution method and recorded within SG&A expenses.

During the first quarter of 2022, Griffon granted 236,973 shares of restricted stock and restricted stock units. This included 218,162 shares of restricted stock and restricted stock units, subject to certain performance conditions, with vesting periods of thirty-four months, with a total fair value of \$6,285, or a weighted average fair value of \$28.81 per share. Furthermore, this included an 18,811 shares of restricted stock award granted to one executive, with a vesting period of three years and a total fair value of \$507 or a weighted average fair value of \$26.97 per share.

During the second quarter of 2022, Griffon granted 711,725 shares of restricted stock. This included 199,195 shares of restricted stock to nine executives with a vesting period of three years, with a total fair value of \$1,494, or a weighted average fair value of \$22.50 per share. This also included 454,146 shares of restricted stock granted to two senior executives with a vesting period of thirty-four months and a two-year post-vesting holding period, subject to the achievement of certain performance conditions relating to required levels of return on invested capital and the relative total shareholder return of Griffon's common stock as compared to a market index. So long as the minimum performance condition is attained, the amount of shares that can vest will range from 113,538 to 454,146. The total fair value of these restricted shares, assuming achievement of the performance conditions at target, is approximately \$5,456, or a weighted average fair value of \$24.03 per share. Additionally, Griffon granted 58,384 restricted shares to the non-employee directors of Griffon with a vesting period of one year and a fair value of \$1,375, or a weighted average fair value of \$23.55 per share. During the six months ended March 31, 2022, 469,855 shares granted were issued out of treasury stock.

The following table summarizes the Company's compensation expense relating to all stock-based incentive plans:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2022	2021	2022	2021
Restricted stock	\$ 4,314	\$ 4,286	\$ 8,204	\$ 7,714
ESOP	778	1,007	1,755	1,787
Total stock based compensation	\$ 5,092	\$ 5,293	\$ 9,959	\$ 9,501

On each of August 3, 2016 and August 1, 2018, Griffon's Board of Directors authorized the repurchase of up to \$50,000 of Griffon's outstanding common stock. Under this share repurchase program, the Company may purchase shares in the open market, including pursuant to a 10b5-1 plan, or in privately negotiated transactions. During the six months ended March 31, 2022, Griffon did not purchase any shares of common stock under these repurchase programs. As of March 31, 2022, an aggregate of \$57,955 remains under Griffon's Board authorized repurchase programs.

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During the six months ended March 31, 2022, 421,860 shares, with a market value of \$10,742, or \$25.46 per share were withheld to settle employee taxes due upon the vesting of restricted stock, and were added to treasury stock. Furthermore, during the six months ended March 31, 2022, an additional 5,480 shares, with a market value of \$144, or \$26.31 per share, were withheld from common stock issued upon the vesting of restricted stock units to settle employee taxes due upon vesting.

**NOTE 12 – EARNINGS PER SHARE (EPS)**

Basic EPS was calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS was calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding plus additional common shares that could be issued in connection with stock based compensation.

The following table is a reconciliation of the share amounts (in thousands) used in computing earnings per share:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Common shares outstanding	57,032	56,684	57,032	56,684
Unallocated ESOP shares	(1,769)	(1,961)	(1,769)	(1,961)
Non-vested restricted stock	(3,533)	(3,822)	(3,533)	(3,822)
Impact of weighted average shares	(62)	(63)	(307)	(184)
Weighted average shares outstanding - basic	51,668	50,838	51,423	50,717
Incremental shares from stock based compensation	1,762	2,426	2,179	2,494
Weighted average shares outstanding - diluted	53,430	53,264	53,602	53,211

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**NOTE 13 – BUSINESS SEGMENTS**

Griffon reports its operations through two reportable segments, as follows:

- Consumer and Professional Products (“CPP”) is a leading North American manufacturer and a global provider of branded consumer and professional tools; residential, industrial and commercial fans; home storage and organization products; and products that enhance indoor and outdoor lifestyles. CPP sells products globally through a portfolio of leading brands including AMES, since 1774, Hunter, since 1886, True Temper, and ClosetMaid.
- Home and Building Products (“HBP”) conducts its operations through Clopay. Founded in 1964, Clopay is the largest manufacturer and marketer of garage doors and rolling steel doors in North America. Residential and commercial sectional garage doors are sold through professional dealers and leading home center retail chains throughout North America under the brands Clopay, Ideal, and Holmes. Rolling steel door and grille products designed for commercial, industrial, institutional, and retail use are sold under the CornellCookson brand.

Information on Griffon’s reportable segments from continuing operations is as follows:

REVENUE	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2022	2021	2022	2021
Consumer and Professional Products	\$ 411,012	\$ 331,871	\$ 694,185	\$ 622,913
Home and Building Products	368,605	242,811	677,181	493,292
<b>Total revenue</b>	<b>\$ 779,617</b>	<b>\$ 574,682</b>	<b>\$ 1,371,366</b>	<b>\$ 1,116,205</b>

**Disaggregation of Revenue**

Revenue from contracts with customers is disaggregated by end markets, segments and geographic location, as it more accurately depicts the nature and amount of the Company’s revenue. The following table presents revenue disaggregated by end market and segment:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2022	2021	2022	2021
Residential repair and remodel	\$ 50,478	\$ 50,560	\$ 89,237	\$ 96,160
Retail	216,836	153,746	347,071	292,994
Residential new construction	12,019	14,540	22,346	28,055
Industrial	21,068	9,958	32,374	19,489
International excluding North America	110,611	103,067	203,157	186,215
<b>Total Consumer and Professional Products</b>	<b>411,012</b>	<b>331,871</b>	<b>694,185</b>	<b>622,913</b>
Residential repair and remodel	172,377	120,827	317,462	246,942
Commercial construction	157,376	94,751	288,165	190,690
Residential new construction	38,852	27,233	71,554	55,660
<b>Total Home and Building Products</b>	<b>368,605</b>	<b>242,811</b>	<b>677,181</b>	<b>493,292</b>
<b>Total Consolidated Revenue</b>	<b>\$ 779,617</b>	<b>\$ 574,682</b>	<b>\$ 1,371,366</b>	<b>\$ 1,116,205</b>



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The following table presents revenue disaggregated by geography based on the location of the Company's customer:

	<b>For the Three Months Ended March 31,</b>					
	<b>2022</b>			<b>2021</b>		
	<b>CPP</b>	<b>HBP</b>	<b>Total</b>	<b>CPP</b>	<b>HBP</b>	<b>Total</b>
United States	\$ 264,747	\$ 352,809	\$ 617,556	\$ 205,368	\$ 230,955	\$ 436,323
Europe	46,783	7	46,790	38,965	41	39,006
Canada	31,029	13,877	44,906	21,778	9,797	31,575
Australia	62,189	—	62,189	63,691	—	63,691
All other countries	6,264	1,912	8,176	2,069	2,018	4,087
Consolidated revenue	<u>\$ 411,012</u>	<u>\$ 368,605</u>	<u>\$ 779,617</u>	<u>\$ 331,871</u>	<u>\$ 242,811</u>	<u>\$ 574,682</u>

	<b>For the Six Months Ended March 31, 2022</b>					
	<b>2022</b>			<b>2021</b>		
	<b>CPP</b>	<b>HBP</b>	<b>Total</b>	<b>CPP</b>	<b>HBP</b>	<b>Total</b>
United States	\$ 429,646	\$ 647,385	\$ 1,077,031	\$ 388,810	\$ 467,486	\$ 856,296
Europe	65,113	44	65,157	52,121	41	52,162
Canada	53,657	25,891	79,548	43,893	21,285	65,178
Australia	136,537	—	136,537	133,231	—	133,231
All other countries	9,232	3,861	13,093	4,858	4,480	9,338
Consolidated revenue	<u>\$ 694,185</u>	<u>\$ 677,181</u>	<u>\$ 1,371,366</u>	<u>\$ 622,913</u>	<u>\$ 493,292</u>	<u>\$ 1,116,205</u>

Griffon evaluates performance and allocates resources based on each segment's operating results before interest income and expense, income taxes, depreciation and amortization, unallocated amounts (mainly corporate overhead), restructuring charges, loss from debt extinguishment and acquisition related expenses, as well as other items that may affect comparability, as applicable ("Segment adjusted EBITDA"). Griffon believes this information is useful to investors for the same reason. The following table provides a reconciliation of Segment adjusted EBITDA to Income before taxes from continuing operations:

	<b>For the Three Months Ended March 31,</b>		<b>For the Six Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Segment adjusted EBITDA:				
Consumer and Professional Products	\$ 47,844	\$ 37,423	\$ 64,058	\$ 70,136
Home and Building Products	104,474	40,060	160,771	88,429
Segment adjusted EBITDA	152,318	77,483	224,829	158,565
Unallocated amounts, excluding depreciation *	(12,750)	(12,104)	(25,707)	(24,733)
Adjusted EBITDA	139,568	65,379	199,122	133,832
Net interest expense	(21,376)	(15,527)	(37,024)	(31,173)
Depreciation and amortization	(16,252)	(13,149)	(29,333)	(25,739)
Restructuring charges	(4,766)	(7,502)	(6,482)	(10,581)
Acquisition costs	(6,708)	—	(9,303)	—
Proxy expenses	(4,661)	—	(6,952)	—
Fair value step-up of acquired inventory sold	(2,701)	—	(2,701)	—
Income before taxes from continuing operations	<u>\$ 83,104</u>	<u>\$ 29,201</u>	<u>\$ 107,327</u>	<u>\$ 66,339</u>

\* Unallocated amounts typically include general corporate expenses not attributable to a reportable segment.

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<b>DEPRECIATION and AMORTIZATION</b>	<b>For the Three Months Ended March 31,</b>		<b>For the Six Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Segment:</b>				
Consumer and Professional Products	\$ 11,791	\$ 8,620	\$ 20,397	\$ 16,819
Home and Building Products	4,324	4,379	8,662	8,720
Total segment depreciation and amortization	16,115	12,999	29,059	25,539
Corporate	137	150	274	200
Total consolidated depreciation and amortization	<u>\$ 16,252</u>	<u>\$ 13,149</u>	<u>\$ 29,333</u>	<u>\$ 25,739</u>

**CAPITAL EXPENDITURES**

<b>Segment:</b>				
Consumer and Professional Products	\$ 9,054	\$ 6,813	\$ 16,184	\$ 13,720
Home and Building Products	2,403	1,998	5,752	4,113
Total segment	11,457	8,811	21,936	17,833
Corporate	—	2	94	2
Total consolidated capital expenditures	<u>\$ 11,457</u>	<u>\$ 8,813</u>	<u>\$ 22,030</u>	<u>\$ 17,835</u>

**ASSETS**

	<b>At March 31, 2022</b>	<b>At September 30, 2021</b>
<b>Segment assets:</b>		
Consumer and Professional Products	\$ 2,665,362	\$ 1,377,618
Home and Building Products	714,647	666,422
Total segment assets	3,380,009	2,044,040
Corporate	138,462	283,202
Total continuing assets	3,518,471	2,327,242
Discontinued operations - held for sale	264,861	273,414
Other discontinued operations	3,691	4,029
Consolidated total	<u>\$ 3,787,023</u>	<u>\$ 2,604,685</u>

**NOTE 14 – EMPLOYEE BENEFIT PLANS**

Defined benefit pension expense (income) included in Other Income (Expense), net was as follows:

	<b>Three Months Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest cost	\$ 911	\$ 745	\$ 1,707	\$ 1,489
Expected return on plan assets	(2,835)	(2,545)	(5,424)	(5,089)
<b>Amortization:</b>				
Recognized actuarial loss	845	1,573	1,690	3,146
Net periodic expense (income)	<u>\$ (1,079)</u>	<u>\$ (227)</u>	<u>\$ (2,027)</u>	<u>\$ (454)</u>

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**NOTE 15 – RECENT ACCOUNTING PRONOUNCEMENTS**

**Issued but not yet effective accounting pronouncements**

In October 2021, the Financial Accounting Standards Board ("FASB") issued ASU No. 2021-08, *Business Combinations (Topic 805); Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This new guidance affects all entities that enter into a business combination within the scope of ASC 805-10. Under this new guidance, the acquirer should determine what contract assets and/or liabilities it would have recorded under ASC 606 (Revenue Guidance) as of the acquisition date, as if the acquirer had entered into the original contract at the same date and on the same terms as the acquirer. Under current U.S. GAAP, contract assets and contract liabilities acquired in a business combination are recorded by the acquirer at fair value. This update is effective for the Company beginning in fiscal 2023. Early adoption is permitted. The Company is currently evaluating the effects that the adoption of this guidance will have on our consolidated financial statements and related disclosures.

**New Accounting Standards Implemented**

In December 2019, the FASB issued guidance on simplifying the accounting for income taxes by clarifying and amending existing guidance related to the recognition of franchise tax, the evaluation of a step up in the tax basis of goodwill, and the effects of enacted changes in tax laws or rates in the effective tax rate computation, among other clarifications. This guidance became effective for the Company beginning in fiscal 2022. We adopted the recognition of non-income taxes on the modified retrospective basis. Adoption of this standard did not have a material impact on our consolidated financial statements and the related disclosures.

In August 2018, the FASB issued guidance to clarify disclosure requirements related to defined benefit pension and other post-retirement plans. The guidance is effective for fiscal years beginning after December 15, 2020, with early adoption permitted, and was effective for the Company in our fiscal year beginning in October 1, 2021. Adoption of this standard did not have a material impact on our consolidated financial statements and the related disclosures.

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements, and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

**NOTE 16 – DISCONTINUED OPERATIONS**

On September 27, 2021, Griffon announced it is exploring strategic alternatives for its DE segment, which consists of its Telephonics subsidiary, and on April 18, 2022, Griffon entered into a definitive agreement to sell Telephonics to TTM for \$330,000 in cash. The transaction is expected to close within the second calendar quarter of 2022.

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

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**Defense Electronics (DE or Telephonics)**

The following amounts related to Telephonics have been segregated from Griffon's continuing operations and are reported as a discontinued operation:

	<b>For the Three Months Ended March 31,</b>		<b>For the Six Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenue	\$ 56,273	\$ 60,150	\$ 110,266	\$ 127,918
Cost of goods and services	45,188	51,411	86,149	113,512
Gross profit	11,085	8,739	24,117	14,406
Selling, general and administrative expenses	10,289	9,359	20,309	19,301
Income (loss) from discontinued operations	796	(620)	3,808	(4,895)
Other income (expense)				
Interest income, net	2	1	2	1
Gain on sale of business	—	(949)	—	5,291
Other, net	(104)	227	(102)	293
Total other income (expense)	(102)	(721)	(100)	5,585
Income from discontinued operations before taxes	\$ 694	\$ (1,341)	\$ 3,708	\$ 690
Provision (benefit) for income taxes	(6,424)	(334)	(5,803)	(2,373)
Income from discontinued operations	<u>\$ 7,118</u>	<u>\$ (1,007)</u>	<u>\$ 9,511</u>	<u>\$ 3,063</u>

During the three and six months ended March 31, 2022, Income from discontinued operations includes \$2,422 and \$4,214, respectively, of costs associated with consulting and stay bonuses. Depreciation and amortization was excluded from the current year results since DE is classified as a discontinued operation and, accordingly, the Company ceased depreciation and amortization in accordance with discontinued operations accounting guidelines. Depreciation and amortization would have been approximately \$2,400 and \$5,100 in the three and six months ended March 31, 2022, respectively. Provision (benefit) for income taxes includes \$4,954 of estimated deferred tax benefits related to the anticipated disposition of the Telephonics subsidiary.

The gain on sale of business relates to the divestiture of the SEG business on December 18, 2020; SEG had sales of \$6,713 in the quarter ended December 31, 2020.

In September 2020, a Voluntary Employee Retirement Plan was initiated, which was subsequently followed by a reduction in force in November 2020, to improve efficiencies by combining functions and responsibilities. The reduction in force initiative resulted in severance charges of approximately \$2,200, recorded in the first quarter ended December 31, 2020. These actions reduced headcount by approximately 90 people.

Income from discontinued operations includes charges of \$5,601 recorded in fiscal 2021 primarily related to exiting older weather radar product lines.

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(Unaudited)

The following amounts related to Telephonics have been segregated from Griffon's continuing operations and are reported as assets and liabilities of discontinued operations held for sale in the consolidated balance sheets:

	At March 31, 2022	At September 30, 2021
<b>CURRENT ASSETS</b>		
Accounts receivable, net	\$ 48,652	\$ 42,020
Contract assets, net of progress payments	52,497	72,983
Inventories	87,265	83,970
Prepaid and other current assets	4,993	4,409
<b>PROPERTY, PLANT AND EQUIPMENT, net</b>	47,313	45,371
<b>OPERATING LEASE RIGHT-OF-USE ASSETS</b>	1,167	1,167
<b>GOODWILL</b>	17,734	17,734
<b>INTANGIBLE ASSETS, net</b>	131	131
<b>OTHER ASSETS</b>	5,109	5,629
Total Assets Held for Sale	<u>\$ 264,861</u>	<u>\$ 273,414</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	58,681	60,486
Accrued liabilities	10,510	15,153
Current portion of operating lease liabilities	223	287
<b>LONG-TERM OPERATING LEASE LIABILITIES</b>	766	867
<b>OTHER LIABILITIES</b>	3,038	3,955
Total Liabilities Held for Sale	<u>\$ 73,218</u>	<u>\$ 80,748</u>

**Installation Services and Other Discontinued Activities**

The following amounts summarize the total assets and liabilities related to the Installation Services and other discontinued activities which have been segregated from Griffon's continuing operations, and are reported as assets and liabilities of discontinued operations in the Condensed Consolidated Balance Sheets:

	At March 31, 2022	At September 30, 2021
<b>Assets of discontinued operations:</b>		
Prepaid and other current assets	\$ 497	\$ 605
Other long-term assets	3,194	3,424
Total assets of discontinued operations	<u>\$ 3,691</u>	<u>\$ 4,029</u>
<b>Liabilities of discontinued operations:</b>		
Accrued liabilities, current	\$ 3,312	\$ 3,280
Other long-term liabilities	4,406	3,794
Total liabilities of discontinued operations	<u>\$ 7,718</u>	<u>\$ 7,074</u>

At March 31, 2022 and September 30, 2021, Griffon's liabilities for Installations Services and other discontinued operations primarily related to insurance claims, warranty and environmental reserves totaling liabilities of approximately \$7,718 and \$7,074, respectively.

There was no reported revenue in the quarter and six month period ended March 31 2022 and 2021.

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**NOTE 17 – RESTRUCTURING CHARGES**

In November 2019, Griffon announced the development of a next-generation business platform for CPP to enhance the growth, efficiency, and competitiveness of its U.S. operations, and on November 12, 2020, Griffon announced that CPP is broadening this strategic initiative to include additional North American facilities, the AMES United Kingdom (U.K.) and Australia businesses, and a manufacturing facility in China. On April 28, 2022, Griffon announced an accelerated timeline and reduced scope for the initiative, which will now be completed by the end of fiscal 2022. These changes reflect the rapid progress made with the initiative, and reduced investment in facilities expansion and equipment given recent significant increases in construction and equipment costs. Any remaining expenditures, after the end of fiscal 2022, including those related to the deployment of AMES' global information systems, will be included in the continuing operations of the business. Future investments in equipment, particularly for automation, will be part of normal-course annual capital expenditures.

This initiative includes three key development areas. First, certain AMES U.S. and global operations will be consolidated to optimize facilities footprint and talent. Second, strategic investments in automation and facilities expansion will be made to increase the efficiency of our manufacturing and fulfillment operations, and support e-commerce growth. Third, multiple independent information systems will be unified into a single data and analytics platform, which will serve the whole AMES global enterprise.

When fully implemented and the efficiencies are fully realized, we expect annual cash savings of \$25,000 (previously \$30,000 to \$35,000). The cost to implement this new business platform, over the duration of the project, will now include one-time charges of approximately \$50,000 (previously \$65,000) and capital investments of approximately \$15,000 (previously \$65,000), net of future proceeds from the sale of exited facilities.

In the quarter and six months ended March 31, 2022, CPP incurred pre-tax restructuring and related exit costs approximating \$4,766 and \$6,482, respectively. During the six months ended March 31, 2022, cash charges totaled \$4,427 and non-cash, asset-related charges totaled \$2,055; the cash charges included \$2,138 for one-time termination benefits and other personnel-related costs and \$2,289 for facility exit costs. Non-cash charges included a \$1,766 impairment charge related to certain fixed assets at several manufacturing locations and \$289 of inventory that have no recoverable value. During the six months ended March 31, 2022, headcount was reduced by 20.

In the quarter and six months ended March 31, 2021, CPP incurred pre-tax restructuring and related exit costs approximating \$7,502 and \$10,581, respectively. During the six months ended March 31, 2021, cash charges totaled \$7,891 and non-cash, asset-related charges totaled \$2,690; the cash charges included \$1,084 for one-time termination benefits and other personnel related costs and \$6,807 for facility and lease exit costs primarily driven by the consolidation of distribution facilities. Non-cash charges of \$2,690 predominantly related to inventory that have no recoverable value.

A summary of the restructuring and other related charges included in Cost of goods and services and SG&A expenses in the Company's Condensed Consolidated Statements of Operations were as follows:

	<b>For the Three Months Ended March 31,</b>		<b>For the Six Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Cost of goods and services	\$ 2,455	\$ 3,337	\$ 2,777	\$ 3,878
Selling, general and administrative expenses	2,311	4,165	3,705	6,703
Total restructuring charges	<u>\$ 4,766</u>	<u>\$ 7,502</u>	<u>\$ 6,482</u>	<u>\$ 10,581</u>

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	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2022	2021	2022	2021
Personnel related costs	\$ 1,878	\$ 722	\$ 2,138	\$ 1,084
Facilities, exit costs and other	1,122	4,283	2,289	6,807
Non-cash facility and other	1,766	2,497	2,055	2,690
Total	<u>\$ 4,766</u>	<u>\$ 7,502</u>	<u>\$ 6,482</u>	<u>\$ 10,581</u>

The following table summarizes the accrued liabilities of the Company's restructuring actions:

	Cash Charges		Non-Cash	Total
	Personnel related costs	Facilities & Exit Costs	Facility and Other Costs	
Accrued liability at September 30, 2021	\$ 418	\$ 264	\$ —	\$ 682
Q1 Restructuring charges	260	1,167	289	1,716
Q1 Cash payments	(275)	(1,167)	—	(1,442)
Q1 Non-cash charges	—	—	(289)	(289)
Accrued liability at December 31, 2021	\$ 403	\$ 264	\$ —	\$ 667
Q2 Restructuring charges	1,878	1,122	1,766	4,766
Q2 Cash payments	(1,883)	(1,122)	—	(3,005)
Q2 Non-cash charges	—	—	(1,766)	(1,766)
Accrued liability at March 31, 2022	\$ 398	\$ 264	\$ —	\$ 662

**NOTE 18 – OTHER INCOME (EXPENSE)**

For the quarters ended March 31, 2022 and 2021, Other income (expense) of \$1,675 and \$1,081, respectively, includes \$168 and \$320, respectively, of net currency exchange losses in connection with the translation of receivables and payables denominated in currencies other than the functional currencies of Griffon and its subsidiaries, net periodic benefit plan income of \$1,079 and \$227, respectively, as well as \$(331) and \$55, respectively, of net investment income (loss). Other income (expense) also includes rental income of \$462 in each of the three months ended March 31, 2022 and 2021. Additionally, it includes royalty income of \$616 for the three months ended March 31, 2022.

For the six months ended March 31, 2022 and 2021, Other income (expense) of \$3,056 and \$1,438, respectively, includes \$562 and \$379, respectively, of net currency exchange losses in connection with the translation of receivables and payables denominated in currencies other than the functional currencies of Griffon and its subsidiaries, net periodic benefit plan income of \$2,027 and \$454, respectively, as well as \$(238) and \$386, respectively, of net investment income (loss). Other income (expense) also includes rental income of \$924 in each of the six months ended March 31, 2022 and 2021. Additionally, it includes royalty income of \$616 for the six months ended March 31, 2022.

**NOTE 19 – WARRANTY LIABILITY**

CPP and HBP offer warranties against product defects for periods generally ranging from one to ten years, with limited lifetime warranties on certain door and fan models. Typical warranties require CPP and HBP to repair or replace the defective products during the warranty period at no cost to the customer. At the time revenue is recognized, Griffon records a liability for warranty costs, estimated based on historical experience, and periodically assesses its warranty obligations and adjusts the liability as necessary. CPP offers an express limited warranty for a period of ninety days on all products from the date of original purchase unless otherwise stated on the product or packaging from the date of original purchase.

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*(Unless otherwise indicated, references to years or year-end refer to Griffon's fiscal period ending September 30)*

Changes in Griffon's warranty liability, included in Accrued liabilities, were as follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Balance, beginning of period	\$ 9,572	\$ 6,232	\$ 7,818	\$ 6,268
Warranties issued and changes in estimated pre-existing warranties	5,788	4,933	9,249	8,509
Actual warranty costs incurred	(3,755)	(3,245)	(5,462)	(6,857)
Other warranty liabilities assumed from acquisitions	6,353	—	6,353	—
Balance, end of period	<u>\$ 17,958</u>	<u>\$ 7,920</u>	<u>\$ 17,958</u>	<u>\$ 7,920</u>

**NOTE 20 – OTHER COMPREHENSIVE INCOME (LOSS)**

The amounts recognized in other comprehensive income (loss) were as follows:

	For the Three Months Ended March 31,					
	2022			2021		
	Pre-tax	Tax	Net of tax	Pre-tax	Tax	Net of tax
Foreign currency translation adjustments	\$ 6,049	\$ —	\$ 6,049	\$ 1,739	\$ —	\$ 1,739
Pension and other defined benefit plans	177	(37)	140	1,585	(340)	1,245
Cash flow hedges	(1,771)	531	(1,240)	2,559	(768)	1,791
Total other comprehensive income (loss)	<u>\$ 4,455</u>	<u>\$ 494</u>	<u>\$ 4,949</u>	<u>\$ 5,883</u>	<u>\$ (1,108)</u>	<u>\$ 4,775</u>

	For the Six Months Ended March 31,					
	2022			2021		
	Pre-tax	Tax	Net of tax	Pre-tax	Tax	Net of tax
Foreign currency translation adjustments	\$ 3,730	\$ —	\$ 3,730	\$ 13,862	\$ —	\$ 13,862
Pension and other defined benefit plans	1,023	(215)	808	3,735	(784)	2,951
Cash flow hedges	(3,342)	1,002	(2,340)	1,576	(473)	1,103
Total other comprehensive income (loss)	<u>\$ 1,411</u>	<u>\$ 787</u>	<u>\$ 2,198</u>	<u>\$ 19,173</u>	<u>\$ (1,257)</u>	<u>\$ 17,916</u>

The components of Accumulated other comprehensive income (loss) are as follows:

	At March 31, 2022	At September 30, 2021
Foreign currency translation adjustments	\$ (15,520)	\$ (19,250)
Pension and other defined benefit plans	(27,994)	(28,802)
Change in Cash flow hedges	(265)	2,075
	<u>\$ (43,779)</u>	<u>\$ (45,977)</u>



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Amounts reclassified from accumulated other comprehensive income (loss) to income were as follows:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2022	2021	2022	2021
Gain (Loss)				
Pension amortization	\$ (845)	\$ (1,573)	\$ (1,690)	\$ (3,146)
Cash flow hedges	1,384	(1,741)	2,917	(2,399)
Total gain (loss)	\$ 539	\$ (3,314)	\$ 1,227	\$ (5,545)
Tax benefit (expense)	(113)	696	(257)	1,165
<b>Total</b>	<b>\$ 426</b>	<b>\$ (2,618)</b>	<b>\$ 970</b>	<b>\$ (4,380)</b>

**NOTE 21 — LEASES**

The Company recognizes right-of-use ("ROU") assets and lease liabilities on the balance sheet, with the exception of leases with a term of twelve months or less. The Company determines if an arrangement is a lease at inception. The ROU assets and short and long-term liabilities associated with our Operating leases are shown as separate line items on our Condensed Consolidated Balance Sheets. Finance leases are included in property, plant, and equipment, net, other accrued liabilities, and other non-current liabilities. The Company's finance leases are immaterial. ROU assets, along with any other related long-lived assets, are periodically evaluated for impairment.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease payments primarily include rent and insurance costs (lease components). The Company's leases also include non-lease components such as real estate taxes and common-area maintenance costs. The Company elected the practical expedient to account for lease and non-lease components as a single component. In certain of the Company's leases, the non-lease components are variable and in accordance with the standard are therefore excluded from lease payments to determine the ROU asset. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. We use the implicit rate when readily determinable. Our determination of the lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For finance leases and impaired operating leases, the ROU asset is depreciated on a straight-line basis over the remaining lease term, along with recognition of interest expense associated with accretion of the lease liability. For leases with a lease term of 12 months or less (a "Short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the Condensed Consolidated Balance Sheets. Variable lease cost for both operating and finance leases, if any, is recognized as incurred. Components of operating lease costs are as follows:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2022	2021	2022	2021
Fixed	\$ 9,906	\$ 9,686	\$ 19,653	\$ 19,177
Variable <sup>(a), (b)</sup>	1,684	1,919	3,536	3,813
Short-term <sup>(b)</sup>	1,486	985	2,835	2,055
<b>Total</b>	<b>\$ 13,076</b>	<b>\$ 12,590</b>	<b>\$ 26,024</b>	<b>\$ 25,045</b>

(a) Primarily relates to common-area maintenance and property taxes.

(b) Not recorded on the balance sheet.

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Supplemental cash flow information were as follows:

	<b>For the Six Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from operating leases	\$ 22,510	\$ 21,223
Financing cash flows from finance leases	1,401	1,865
<b>Total</b>	<b>\$ 23,911</b>	<b>\$ 23,088</b>

Supplemental Condensed Consolidated Balance Sheet information related to leases were as follows:

	<b>March 31, 2022</b>	<b>September 30, 2021</b>
<b>Operating Leases:</b>		
Right of use assets:		
Operating right-of-use assets	\$ 149,587	\$ 144,598
<b>Lease Liabilities:</b>		
Current portion of operating lease liabilities	\$ 32,210	\$ 29,881
Long-term operating lease liabilities	122,488	119,315
Total operating lease liabilities	<u>\$ 154,698</u>	<u>\$ 149,196</u>
<b>Finance Leases:</b>		
Property, plant and equipment, net <sup>(1)</sup>	\$ 15,113	\$ 16,466
<b>Lease Liabilities:</b>		
Notes payable and current portion of long-term debt	\$ 2,329	\$ 2,347
Long-term debt, net	13,019	14,120
Total financing lease liabilities	<u>\$ 15,348</u>	<u>\$ 16,467</u>

(1) Finance lease assets are recorded net of accumulated depreciation of \$4,488 and \$6,136 as of March 31, 2022 and September 30, 2021, respectively.

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Griffon has one finance lease outstanding for real estate located in Ocala, Florida. The lease matures in 2025 and bears interest at a fixed rate of approximately 5.6%. The Ocala, Florida lease contains two five-year renewal options. At March 31, 2022, \$13,757 was outstanding, net of issuance costs. During the six months ended March 31, 2022, the financing lease on the Troy, Ohio location expired. The lease bore interest at a rate of approximately 5.0%, was secured by a mortgage on the real estate, which was guaranteed by Griffon, and had a one dollar buyout at the end of the lease. Griffon exercised the one dollar buyout option in November 2021.

The aggregate future maturities of lease payments for operating leases and finance leases as of March 31, 2022 are as follows (in thousands):

	<b>Operating Leases</b>	<b>Finance Leases</b>
2022 <sup>(a)</sup>	\$ 20,230	\$ 1,541
2023	34,959	2,893
2024	26,530	2,322
2025	23,775	2,128
2026	15,566	2,106
2027	11,677	2,074
Thereafter	54,552	5,703
Total lease payments	\$ 187,289	\$ 18,767
Less: Imputed Interest	(32,591)	(3,419)
Present value of lease liabilities	\$ 154,698	\$ 15,348

(a) Excluding the six months ended March 31, 2022.

Average lease terms and discount rates at March 31, 2022 were as follows:

<b>Weighted-average remaining lease term (years)</b>	
Operating leases	7.6
Finance Leases	7.8
<b>Weighted-average discount rate</b>	
Operating Leases	4.36 %
Finance Leases	5.49 %

**NOTE 22 — COMMITMENTS AND CONTINGENCIES**

Legal and environmental

Peekskill Site. Lightron Corporation ("Lightron"), a wholly-owned subsidiary of Griffon, once conducted operations at a location in the Town of Cortlandt, New York, just outside the city of Peekskill, New York (the "Peekskill Site") which was owned by ISC Properties, Inc. ("ISCP"), a wholly-owned subsidiary of Griffon, for approximately three years. ISCP sold the Peekskill Site in November 1982.

On May 15, 2019 the United States Environmental Protection Agency ("EPA") added the Peekskill Site to the National Priorities List under CERCLA and has since announced that it is performing a Remedial Investigation/Feasibility Study ("RI/FS"). On August 25, 2020, the EPA sent a letter to several parties, including Lightron and ISCP, requesting that each such party inform the EPA as to whether it would be willing to enter into discussions regarding implementation of the RI/FS. The EPA also sent a request for information under Section 104(e) of CERCLA to each party. Lightron and ISCP have informed the

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EPA that they are willing to participate in discussions regarding implementation of the RI/FS. Lightron and ISCP have also submitted responses to certain items contained in the Section 104(e) information request, with additional responses to follow. The current owner of the property, which acquired the Peekskill Site from ISCP in 1982 and has no relationship with Lightron or ISCP, has also informed the EPA that it is willing to discuss implementation of the RI/FS, and has also received, and submitted certain information in response to, a Section 104(e) information request. The EPA may decide to implement the RI/FS, on its own or through the use of consultants, may reach agreement with one or more parties to perform the RI/FS, or may offer to negotiate with one or more parties to accept a settlement addressing the potential liability of such parties for investigation and/or remediation at the Peekskill Site. Should the EPA implement the RI/FS, or perform further studies and/or subsequently remediate the site, without first reaching agreement with one or more relevant parties, the EPA would likely seek reimbursement for the costs incurred from such parties.

Lightron has not engaged in any operations in over three decades. ISCP functioned solely as a real estate holding company, and has not held any real property in over three decades. Griffon does not acknowledge any responsibility to perform any investigation or remediation at the Peekskill Site. One of Griffon's insurers is defending Lightron, ISCP and Griffon subject to a reservation of rights.

*Union Fork and Hoe, Frankfort, NY site.* The former Union Fork and Hoe property in Frankfort, New York was acquired by AMES in 2006 as part of a larger acquisition, and has historic site contamination involving chlorinated solvents, petroleum hydrocarbons and metals. AMES entered into an Order on Consent with the New York State Department of Environmental Conservation ("DEC"). While the Order is without admission or finding of liability or acknowledgment that there has been a release of hazardous substances at the site, the Order required AMES to perform a remedial investigation of certain portions of the property and to recommend a remediation option. In 2011, remediation of chlorinated solvents in the groundwater was completed to the satisfaction of DEC. In June 2020, AMES completed the remediation required by the Record of Decision issued by DEC in 2019 ("ROD") and filed a Construction Completion Report, a Site Management Plan and an environmental easement with DEC. While AMES was implementing the remediation required by the ROD, DEC requested additional investigation of a small area on the site and of an area adjacent to the site perimeter. AMES investigated the on-site area and has completed remediation of that small area under a workplan approved by DEC. AMES also completed a workplan approved by DEC to investigate the areas adjacent to the site perimeter, and is now performing a statistical analysis to determine the area, if any, required to be remediated. AMES has a number of defenses to liability in this matter, including its rights under a previous Consent Judgment entered into between DEC and a predecessor of AMES relating to the site. AMES' insurer has accepted AMES' claim for a substantial portion of the costs incurred and to be incurred for both the on-site and off-site activities.

*Memphis, TN site.* Hunter Fan Company ("Hunter") operated its headquarters and a production plant in Memphis, Tennessee for over 50 years (the "Memphis Site"). While Hunter completed certain on-site remediation of PCB-contaminated soils, Hunter did not investigate the extent to which PCBs existed beneath the building itself nor determine whether off-site areas had been impacted. Hunter vacated the Memphis Site approximately twenty years ago, and the on-site buildings have now been demolished.

The State of Tennessee Department of Environment and Conservation ("TDEC") identified the Memphis Site as being potentially contaminated, raising the possibility that site operations could have resulted in soil and groundwater contamination involving volatile organic compounds and metals. The TDEC performed a preliminary assessment of the site and recommended to the United States Environmental Protection Agency ("EPA") that the site be listed on the National Priorities List established under CERCLA. The TDEC further recommended that the EPA fund an investigation of potential soil gas contamination in receptors near the site. The TDEC has also indicated that it will proceed with this investigation if the EPA does not act.

It is unknown whether the EPA will add the Memphis Site to the National Priorities List, whether a site investigation will reveal contamination and, if there is contamination, the extent of such contamination. However, given that certain PCB work was not completed in the past and the TDEC's stated intent for the EPA to perform an investigation (and the statement by the TDEC that it will perform the investigation if the EPA will not), liability is probable in this matter. There are other potentially responsible parties for this site, including a former owner of Hunter; Hunter has notified such former owner of this matter, which may have liability for any required remediation.

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If the EPA decides to add this site to the National Priorities List, a Remedial Investigation/Feasibility Study (“RI/FS”) will be required. Hunter expects that EPA will ask it to perform this work. If Hunter does not reach an agreement with the EPA to perform this work, the EPA will implement the RI/FS on its own. Should the EPA implement the RI/FS or perform further studies and/or subsequently remediate the site without first reaching an agreement with one or more relevant parties, the EPA would likely seek from such parties, including Hunter, reimbursement for the costs incurred.

General legal

Griffon is subject to various laws and regulations relating to the protection of the environment and is a party to legal proceedings arising in the ordinary course of business. Management believes, based on facts presently known to it, that the resolution of the matters above and such other matters will not have a material adverse effect on Griffon’s consolidated financial position, results of operations or cash flows.

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

### **BUSINESS**

#### **Overview**

Griffon Corporation (the "Company", "Griffon", "we" or "us") is a diversified management and holding company that conducts business through wholly-owned subsidiaries. The Company was founded in 1959, is a Delaware corporation headquartered in New York, N.Y. and is listed on the New York Stock Exchange (NYSE:GFF).

#### **Business Strategy**

We own and operate, and seek to acquire, businesses in multiple industries and geographic markets. Our objective is to maintain leading positions in the markets we serve by providing innovative, branded products with superior quality and industry-leading service. We place emphasis on our iconic and well-respected brands, which helps to differentiate us and our offerings from our competitors and strengthens our relationship with our customers and those who ultimately use our products.

Through operating a diverse portfolio of businesses, we expect to reduce variability caused by external factors such as market cyclicality, seasonality, and weather. We achieve diversity by providing various product offerings and brands through multiple sales and distribution channels and conducting business across multiple countries which we consider our home markets.

Griffon oversees the operations of its subsidiaries, allocates resources among them and manages their capital structures. Griffon provides direction and assistance to its subsidiaries in connection with acquisition and growth opportunities as well as in connection with divestitures. As long-term investors, having substantial experience in a variety of industries, our intent is to continue the growth and strengthening of our existing businesses, and to diversify further through investments in our businesses and through acquisitions.

Over the past four years, we have undertaken a series of transformative transactions. We divested our specialty plastics business in 2018 to focus on our core markets and improve our free cash flow conversion. In our Consumer and Professional Products ("CPP") segment, we expanded the scope of our brands through the acquisition of Hunter Fan Company ("Hunter") on January 24, 2022 and ClosetMaid, LLC ("ClosetMaid") in 2018. In our Home and Building Products ("HBP") segment, we acquired CornellCookson, Inc. ("CornellCookson"), which has been integrated into Clopay Corporation ("Clopay") in our Home and Building Products ("HBP") segment, creating a leading North American manufacturer and marketer of residential garage doors and sectional commercial doors, and rolling steel doors and grille products under brands that include Clopay, Ideal and CornellCookson. We established an integrated headquarters for CPP in Orlando, Florida, for our portfolio of leading brands that includes AMES, Hunter, True Temper and ClosetMaid. CPP is now positioned to fulfill its mission of Bringing Brands Together™ with the leading brands in consumer and professional tools; residential, industrial and commercial fans; home storage and organization products; and products that enhance indoor and outdoor lifestyles.

On September 27, 2021, we announced we are exploring strategic alternatives for our Defense Electronics ("DE") segment, which consists of our Telephonics Corporation ("Telephonics") subsidiary; and on April 18, 2022, Griffon entered into a definitive agreement to sell Telephonics to TTM Technologies, Inc. (NASDAQ:TTMI) ("TTM") for \$330,000 in cash. The transaction is expected to close within the second calendar quarter of 2022, subject to certain closing conditions and regulatory approvals. Since September 2021, Griffon has classified the results of operations of the Telephonics business as a discontinued operation in the Consolidated Statements of Operations for all periods presented and classified the related assets and liabilities associated with the discontinued operation as held for sale in the consolidated balance sheets. Accordingly, all references made to results and information in this Quarterly Report on Form 10-Q are to Griffon's continuing operations, unless noted otherwise.

On January 24, 2022, Griffon acquired Hunter Fan Company ("Hunter"), a market leader in residential ceiling, commercial, and industrial fans, from MidOcean Partners ("MidOcean") for a contractual purchase price of \$845,000, subject to customary post-closing adjustments. Hunter, part of Griffon's CPP segment, complements and diversifies our portfolio of leading consumer brands and products. The acquisition of Hunter was financed with a new \$800,000 seven year Term Loan B facility; a combination of cash on hand and revolver borrowings was used to fund the balance of the purchase price and related acquisition and debt expenditures.

## **Update of COVID-19 on Our Business**

The health and safety of our employees, our customers and their families is a high priority for Griffon. As of the date of this filing, all of Griffon's facilities are fully operational. We have implemented a variety of new policies and procedures, including additional cleaning, social distancing, staggered shifts and prohibiting or significantly restricting on-site visitors, to minimize the risk to our employees of contracting COVID-19. In the United States, we manufacture a substantial majority of the products that we sell. While this helps mitigate the effects of global supplier and transportation disruptions, we are still impacted by these disruptions. Our supply chain has experienced certain disruptions which, together with other factors such as a shortage of labor, has resulted in longer delivery lead times and restricted manufacturing capacity for certain of our products. Commodity prices have increased during COVID-19 and may continue to increase, and we may not be able to pass off all or any of such price increases to our customers on a timely basis, or at all. It is difficult to predict whether the supply chain disruptions that impact us will improve, worsen or remain the same in the near term. Our suppliers could be required by government authorities to temporarily cease operations in accordance with the various restrictions discussed above; might be limited in their production capacity due to complying with restrictions relating to the operation of businesses during the COVID-19 pandemic; or could suffer their own supply chain disruptions, impacting their ability to continue to supply us with the quantity of materials required by us.

We believe that, based on the various standards published to date, the work our employees are performing are either critical, essential and/or life-sustaining for the following reasons: 1) HBP residential and commercial garage doors, rolling steel doors and related products (a) provide protection and support for the efficient and safe movement of people, goods, and equipment in and out of residential and commercial facilities, (b) help prevent fires from spreading from one location to another, and (c) protect warehouses and homes, and their contents, from damage caused by strong weather events such as hurricanes and tornadoes; and 2) CPP tools and storage products provide critical support for the national infrastructure including construction, maintenance, manufacturing and natural disaster recovery, and is part of the essential supply base to many of its largest customers including Home Depot, Lowe's and Menards. Our AMES international facilities are currently fully operational, as they meet the applicable standards in their respective countries.

Griffon believes it has adequate liquidity to invest in its existing businesses and execute its business plan, while managing its capital structure on both a short-term and long-term basis. At March 31, 2022, \$233,039 of revolver capacity was available under Griffon's Credit Agreement and Griffon had cash and equivalents of \$122,293.

We will continue to actively monitor the situation and may take further actions that impact our operations as may be required by federal, state or local authorities or that we determine are in the best interests of our employees, customers, suppliers and shareholders. While we are unable to determine or predict the nature, duration or scope of the overall impact the COVID-19 pandemic will have on our businesses, results of operations, liquidity or capital resources, we believe it is important to discuss where our company stands today, how our response to COVID-19 is progressing and how our operations and financial condition may change as the fight against COVID-19 progresses.

## **Business Highlights**

On September 27, 2021, we announced we are exploring strategic alternatives for our DE segment, which consists of our Telephonics subsidiary, and on April 18, 2022, Griffon entered into a definitive agreement to sell Telephonics to TTM for \$330,000 in cash. The transaction is expected to close within the second calendar quarter of 2022. Griffon believes this will increase long-term value for Griffon shareholders, while creating enhanced growth opportunities for Telephonics. Telephonics is recognized globally as a leading provider of highly sophisticated intelligence, surveillance and communications solutions that are deployed across a wide range of land, sea and air applications. Telephonics designs, develops, manufactures and provides logistical support and lifecycle sustainment services to defense, aerospace and commercial customers worldwide.

On January 24, 2022, Griffon acquired Hunter, a market leader in residential ceiling, commercial, and industrial fans, for a contractual purchase price of \$845,000, subject to customary post-closing adjustments. The acquisition of Hunter was financed primarily with a new \$800,000 seven year Term Loan B facility; a combination of cash on hand and revolver borrowings was used to fund the balance of the purchase price and related acquisition and debt expenditures. Hunter is expected to contribute approximately \$385,000 in revenue in the first twelve months of operation after the acquisition.

In August 2020 Griffon completed the public offering of 8,700,000 shares of our common stock for total net proceeds of \$178,165. The Company used a portion of the net proceeds to repay outstanding borrowings under its Credit Agreement. The Company intends to use the remainder of the proceeds for general corporate purposes, including to expand its current business through acquisitions of, or investments in, other businesses or products.

During 2020, Griffon issued, at par, \$1,000,000 of 5.75% Senior Notes due in 2028 (the "2028 Senior Notes"). Proceeds from the 2028 Senior Notes were used to redeem the \$1,000,000 of 5.25% Senior Notes due 2022.

In January 2020, Griffon amended its Credit Agreement to increase the total amount available for borrowing from \$350,000 to \$400,000, extend its maturity date from March 22, 2021 to March 22, 2025 and modify certain other provisions of the facility.

In November 2019, Griffon announced the development of a next-generation business platform for CPP to enhance the growth, efficiency, and competitiveness of its U.S. operations, and on November 12, 2020, Griffon announced that CPP is broadening this strategic initiative to include additional North American facilities, the AMES United Kingdom (U.K.) and Australia businesses, and a manufacturing facility in China. On April 28, 2022, Griffon announced an accelerated timeline and reduced scope for the initiative, which will now be completed by the end of fiscal 2022. These changes reflect the rapid progress made with the initiative, and reduced investment in facilities expansion and equipment given recent significant increases in construction and equipment costs. Any remaining expenditures, after the end of fiscal 2022, including those related to the deployment of AMES' global information systems, will be included in the continuing operations of the business. Future investments in equipment, particularly for automation, will be part of normal-course annual capital expenditures.

This initiative includes three key development areas. First, certain AMES U.S. and global operations will be consolidated to optimize facilities footprint and talent. Second, strategic investments in automation and facilities expansion will be made to increase the efficiency of our manufacturing and fulfillment operations, and support e-commerce growth. Third, multiple independent information systems will be unified into a single data and analytics platform, which will serve the whole AMES global enterprise.

When fully implemented and the efficiencies are fully realized, we expect annual cash savings of \$25,000 (previously \$30,000 to \$35,000). The cost to implement this new business platform, over the duration of the project, will now include one-time charges of approximately \$50,000 (previously \$65,000) and capital investments of approximately \$15,000 (previously \$65,000).

In June 2018, Clopay acquired CornellCookson, a leading provider of rolling steel service doors, fire doors, and grilles, for an effective purchase price of approximately \$170,000. This transaction strengthened Clopay's strategic portfolio with a line of commercial rolling steel door products to complement Clopay's sectional door offerings in the commercial sector, and expands the Clopay network of professional dealers focused on the commercial market.

In February 2018, we closed on the sale of our Clopay Plastics Products ("Plastics") business to Berry Global, Inc. ("Berry") for approximately \$465,000, net of certain post-closing adjustments, thus exiting the specialty plastics industry that the Company had entered when it acquired Clopay Corporation in 1986. This transaction provided immediate liquidity and improved Griffon's cash flow given the historically higher capital needs of the Plastics operations as compared to Griffon's remaining businesses.

In October 2017, we acquired ClosetMaid from Emerson Electric Co. (NYSE:EMR) for an effective purchase price of approximately \$165,000. ClosetMaid, founded in 1965, is a leading North American manufacturer and marketer of wood and wire closet organization, general living storage and wire garage storage products, and sells to some of the largest home center retail chains, mass merchandisers, and direct-to-builder professional installers in North America. We believe that ClosetMaid is the leading brand in its category, with excellent consumer recognition.

We believe these actions have established a solid foundation for growth in sales, profit, and cash generation and bolster Griffon's platforms for opportunistic strategic acquisitions.

#### **Other Acquisitions and Dispositions**

On December 22, 2020, AMES acquired Quatro Design Pty Ltd ("Quatro"), a leading Australian manufacturer and supplier of glass fiber reinforced concrete landscaping products for residential, commercial, and public sector projects for a purchase price of AUD \$3,500 (approximately \$2,700). Quatro contributed approximately \$5,000 in revenue in the first twelve months after the acquisition.

On November 29, 2019, AMES acquired Vatre Group Limited ("Apta"), a leading U.K. supplier of innovative garden pottery and associated products sold to leading U.K. and Ireland garden centers for approximately \$10,500 (GBP 8,750), inclusive of a post-closing working capital adjustment, net of cash acquired. This acquisition broadens AMES' product offerings in the U.K. market and increases its in-country operational footprint.



On February 13, 2018, AMES acquired Kelkay, a leading U.K. manufacturer and distributor of decorative outdoor landscaping products sold to garden centers, retailers and grocers in the U.K. and Ireland. This acquisition broadened AMES' product offerings in the market and increased its in-country operational footprint.

In November 2017, Griffon acquired Harper Brush Works, a leading U.S. manufacturer of cleaning products for professional, home, and industrial use, from Horizon Global (NYSE:HZN). This acquisition expanded the AMES line of long-handle tools in North America to include brooms, brushes, and other cleaning products.

During fiscal 2017, Griffon also completed a number of other acquisitions to expand and enhance AMES' global footprint. In the United Kingdom, Griffon acquired La Hacienda, an outdoor living brand of unique heating and garden décor products, in July 2017. The acquisition of La Hacienda, together with the February 2018 acquisition of Kelkay and November 2020 acquisition of Apta, provides AMES with additional brands and a platform for growth in the U.K. market and access to leading garden centers, retailers, and grocers in the UK and Ireland. In Australia, Griffon acquired Hills Home Living, the iconic brand of clotheslines and home products, from Hills Limited (ASX:HIL) in December 2016, and in September 2017 Griffon acquired Tuscan Path, an Australian provider of pots, planters, pavers, decorative stone, and garden décor products. The Hills, Tuscan Path and December, 2020 Quatro acquisitions broadened AMES' outdoor living and lawn and garden business, strengthening AMES' portfolio of brands and its market position in Australia and New Zealand.

### **Further Information**

Griffon posts and makes available, free of charge through its website at [www.griffon.com](http://www.griffon.com), its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as well as press releases, as soon as reasonably practicable after such materials are published or filed with or furnished to the Securities and Exchange Commission (the "SEC"). The information found on Griffon's website is not part of this or any other report it files with or furnishes to the SEC.

For information regarding revenue, profit and total assets of each segment, see the Reportable Segments footnote in the Notes to Consolidated Financial Statements.

### **Reportable Segments:**

Griffon conducts its operations through two reportable segments:

- Consumer and Professional Products ("CPP") is a leading North American manufacturer and a global provider of branded consumer and professional tools; residential, industrial and commercial fans; home storage and organization products; and products that enhance indoor and outdoor lifestyles. CPP sells products globally through a portfolio of leading brands including AMES, since 1774, Hunter, since 1886, True Temper, and ClosetMaid.
- Home and Building Products ("HBP") conducts its operations through Clopay. Founded in 1964, Clopay is the largest manufacturer and marketer of garage doors and rolling steel doors in North America. Residential and commercial sectional garage doors are sold through professional dealers and leading home center retail chains throughout North America under the brands Clopay, Ideal, and Holmes. Rolling steel door and grille products designed for commercial, industrial, institutional, and retail use are sold under the CornellCookson brand.

Defense Electronics, classified as a discontinued operation, conducts its operations through Telephonics Corporation ("Telephonics"), founded in 1933, a globally recognized leading provider of highly sophisticated intelligence, surveillance and communications solutions for defense, aerospace and commercial customers.

## OVERVIEW

Revenue for the quarter ended March 31, 2022 was \$779,617 compared to \$574,682 in the prior year comparable quarter, an increase of 36%. Revenue increased at HBP and CPP by 52% and 24%, respectively. Excluding the Hunter acquisition on January 24, 2022, revenue increased 23% to \$708,768. Hunter contributed \$70,849. Income from continuing operations was \$58,571 or \$1.10 per share, compared to \$18,119, or \$0.34 per share, in the prior year quarter.

The current year quarter results from operations included the following:

- Restructuring charges of \$4,766 (\$3,496, net of tax, or \$0.07 per share);
- Acquisition costs of \$6,708 (\$6,146, net of tax, or \$0.12 per share); and
- Proxy expenses of \$4,661 (\$3,591, net of tax, or \$0.07 per share);
- Fair value step-up of acquired inventory sold of \$2,701 (\$2,007, net of tax, or \$0.04 per share);
- Discrete and certain other tax benefits, net, of \$693 or \$0.01 per share.

The prior year quarter results from operations included the following:

- Restructuring charges of \$7,502 (\$5,605, net of tax, or \$0.11 per share);
- Discrete and certain other tax provisions, net, of \$1,417 or \$0.03 per share.

Excluding these items from the respective quarterly results, Income from continuing operations would have been \$73,118, or \$1.37 per share, in the current year quarter compared to \$25,141, or \$0.47 per share in the prior year quarter.

Revenue for the six months ended March 31, 2022 was \$1,371,366 compared to \$1,116,205 in the prior year period, an increase of 23%. Revenue increased at HBP and CPP by 37% and 11%, respectively. Revenue, excluding the Hunter acquisition, increased 17% to \$1,300,517. Income from continuing operations was \$75,476 or \$1.41 per share, compared to \$43,549, or \$0.82 per share, in the prior year period.

The current year-to-date results from operations included the following:

- Restructuring charges of \$6,482 (\$4,826, net of tax, or \$0.09 per share);
- Acquisition costs of \$9,303 (\$8,149, net of tax, or \$0.15 per share); and
- Proxy expenses of \$6,952 (\$5,359, net of tax, or \$0.10 per share);
- Fair value step-up of acquired inventory sold of \$2,701 (\$2,007, net of tax, or \$0.04 per share);
- Discrete and certain other tax benefits, net, of \$1,574 or \$0.03 per share.

The prior year-to-date results from operations included the following:

- Restructuring charges of \$10,581 (\$7,906, net of tax, or \$0.15 per share);
- Discrete and certain other tax provisions, net, of \$369 or \$0.01 per share.

Excluding these items from the respective periods, Income from continuing operations would have been \$94,243, or \$1.76 per share in the current year period ended March 31, 2022 compared to \$51,824, or \$0.97 per share, in the comparable prior year period.

Griffon evaluates performance based on Net income and the related Earnings per share excluding restructuring charges, loss from debt extinguishment, acquisition related expenses and discrete and certain other tax items, as well as other items that may affect comparability, as applicable. Griffon believes this information is useful to investors for the same reason. The following table provides a reconciliation of Income from continuing operations to Adjusted income from continuing operations and Earnings per share from continuing operations to Adjusted earnings per share from continuing operations:

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2022	2021	2022	2021
	(Unaudited)			
Income from continuing operations	\$ 58,571	\$ 18,119	\$ 75,476	\$ 43,549
Adjusting items:				
Restructuring charges	4,766	7,502	6,482	10,581
Acquisition costs	6,708	—	9,303	—
Proxy expenses	4,661	—	6,952	—
Fair value step-up of acquired inventory sold	2,701	—	2,701	—
Tax impact of above items	(3,596)	(1,897)	(5,097)	(2,675)
Discrete and certain other tax provisions (benefits), net	(693)	1,417	(1,574)	369
Adjusted income from continuing operations	\$ 73,118	\$ 25,141	\$ 94,243	\$ 51,824
Earnings per common share from continuing operations	\$ 1.10	\$ 0.34	\$ 1.41	\$ 0.82
Adjusting items, net of tax:				
Restructuring charges	0.07	0.11	0.09	0.15
Acquisition costs	0.12	—	0.15	—
Proxy expenses	0.07	—	0.10	—
Fair value step-up of acquired inventory sold	0.04	—	0.04	—
Discrete and certain other tax provisions (benefits), net	(0.01)	0.03	(0.03)	0.01
Adjusted earnings per common share from continuing operations	\$ 1.37	\$ 0.47	\$ 1.76	\$ 0.97
Weighted-average shares outstanding (in thousands)	53,430	53,264	53,602	53,211

Note: Due to rounding, the sum of earnings per common share from continuing operations and adjusting items, net of tax, may not equal adjusted earnings per common share from continuing operations.

The tax impact for the above reconciling adjustments from GAAP to non-GAAP Net income and EPS is determined by comparing the Company's tax provision, including the reconciling adjustments, to the tax provision excluding such adjustments.

**RESULTS OF OPERATIONS****Three and six months ended March 31, 2022 and 2021**

Griffon evaluates performance and allocates resources based on each segment's operating results before interest income and expense, income taxes, depreciation and amortization, unallocated amounts (primarily corporate overhead), restructuring charges, loss on debt extinguishment and acquisition related expenses, as well as other items that may affect comparability, as applicable ("Adjusted EBITDA", a non-GAAP measure). Griffon believes this information is useful to investors for the same reason.

See table provided in Note 13 - Business Segments for a reconciliation of Segment Adjusted EBITDA to Income before taxes from continuing operations.

**Consumer and Professional Products**

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2022	2021	2022	2021
United States	\$ 264,747	\$ 205,368	\$ 429,646	\$ 388,810
Europe	46,783	38,965	65,113	52,121
Canada	31,029	21,778	53,657	43,893
Australia	62,189	63,691	136,537	133,231
All other countries	6,264	2,069	9,232	4,858
Total Revenue	\$ 411,012	\$ 331,871	\$ 694,185	\$ 622,913
Adjusted EBITDA	47,844	37,423	64,058	70,136
	11.6 %	11.3 %	9.2 %	11.3 %
Depreciation and amortization	11,791	8,620	\$ 20,397	\$ 16,819

For the quarter ended March 31, 2022, revenue increased \$79,141, or 24%, compared to the prior year period primarily resulting from a 21% or \$70,849 contribution from the January 24, 2022 Hunter acquisition, and price and mix of 15%, partially offset by an 11% reduction in volume, primarily in the U.S. due to reduced consumer demand and customer supplier diversification, and an unfavorable impact of foreign exchange of 1%.

For the quarter ended March 31, 2022, Adjusted EBITDA increased 28% to \$47,844 compared to \$37,423 in the prior year quarter, due to EBITDA of \$14,339 from the Hunter acquisition. Excluding the Hunter contribution, EBITDA of \$33,505 decreased 10% primarily due to the unfavorable impact of reduced U.S. volume and increased material, labor and transportation costs, partially offset by the benefits of price and mix.

For the six months ended March 31, 2022, revenue increased \$71,272, or 11%, compared to the prior year period primarily resulting from a 12% or \$70,849 contribution from the Hunter acquisition and price and mix of 13%, partially offset by a 13% reduction in volume, primarily in the U.S. due to reduced consumer demand and customer supplier diversification and an unfavorable impact of foreign exchange of 1%.

For the six months ended March 31, 2022, Adjusted EBITDA decreased 9% to \$64,058 compared to \$70,136 in the prior year period. Excluding the Hunter contribution of EBITDA of \$14,339, EBITDA of \$49,719 decreased 29% primarily due to the unfavorable impact of reduced US volume coupled with the lag in realization of price increases (Q1) and increased material, labor and transportation costs, partially offset by the benefits of price and mix.

For the quarter and six months ended March 31, 2022, segment depreciation and amortization increased \$3,171 and \$3,578, respectively, compared to the prior year comparable periods, due to new assets placed in service.

On January 24, 2021, Griffon completed the acquisition of Hunter Fan Company ("Hunter"), a market leader in residential ceiling, commercial, and industrial fans for a contractual purchase price of \$845,000, subject to customary post-closing adjustments. Hunter adds to Griffon's CPP segment, complementing and diversifying our portfolio of leading consumer brands and products.

On December 22, 2020, AMES acquired Quatro Design Pty Ltd (“Quatro”), a leading Australian manufacturer and supplier of glass fiber reinforced concrete landscaping products for residential, commercial, and public sector projects.

### Strategic Initiative and Restructuring Charges

In November 2019, Griffon announced the development of a next-generation business platform for CPP to enhance the growth, efficiency, and competitiveness of its U.S. operations, and on November 12, 2020, Griffon announced that CPP is broadening this strategic initiative to include additional North American facilities, the AMES United Kingdom (U.K.) and Australia businesses, and a manufacturing facility in China. On April 28, 2022, Griffon announced an accelerated timeline and reduced scope for the initiative, which will now be completed by the end of fiscal 2022. These changes reflect the rapid progress made with the initiative, and reduced investment in facilities expansion and equipment given recent significant increases in construction and equipment costs. Any remaining expenditures, after the end of fiscal 2022, including those related to the deployment of AMES' global information systems, will be included in the continuing operations of the business. Future investments in equipment, particularly for automation, will be part of normal-course annual capital expenditures.

This initiative includes three key development areas. First, certain AMES U.S. and global operations will be consolidated to optimize facilities footprint and talent. Second, strategic investments in automation and facilities expansion will be made to increase the efficiency of our manufacturing and fulfillment operations, and support e-commerce growth. Third, multiple independent information systems will be unified into a single data and analytics platform, which will serve the whole AMES global enterprise.

When fully implemented and the efficiencies are fully realized, we expect annual cash savings of \$25,000 (previously \$30,000 to \$35,000). The cost to implement this new business platform, over the duration of the project, will now include one-time charges of approximately \$50,000 (previously \$65,000) and capital investments of approximately \$15,000 (previously \$65,000), net of future proceeds from the sale of exited facilities.

In connection with this initiative, during the three and six months ended March 31, 2022, CPP incurred pre-tax restructuring and related exit costs approximating \$4,766 and \$6,482, respectively. Since inception of this initiative in fiscal 2020, total cumulative charges totaled \$41,569, comprised of cash charges of \$28,167 and non-cash, asset-related charges of \$13,402; the cash charges included \$10,948 for one-time termination benefits and other personnel-related costs and \$17,219 for facility exit costs. Since inception of this initiative in fiscal 2020 and during the six months ended March 31, 2022, capital expenditures of \$18,058 and \$2,551, respectively, were driven by investment in CPP business intelligence systems and an e-commerce facility.

	Cash Charges		Non-Cash Charges		Total	Capital Investments
	Personnel related costs	Facilities, exit costs and other	Facility and other			
Phase I	\$ 12,000	\$ 4,000	\$ 19,000	\$ 35,000	\$ 40,000	
Phase II	14,000	16,000	—	30,000	25,000	
Reduction in Scope	(9,500)	(1,000)	(4,500)	(15,000)	(50,000)	
<b>Total Anticipated Charges</b>	<b>16,500</b>	<b>19,000</b>	<b>14,500</b>	<b>50,000</b>	<b>15,000</b>	
Total 2020 restructuring charges	(5,620)	(3,357)	(4,692)	(13,669)	(6,733)	
Total 2021 restructuring charges	(3,190)	(11,573)	(6,655)	(21,418)	(8,774)	
Q1 FY2022 Activity	(260)	(1,167)	(289)	(1,716)	(1,690)	
Q2 FY2022 Activity	(1,878)	(1,122)	(1,766)	(4,766)	(861)	
Total cumulative charges	(10,948)	(17,219)	(13,402)	(41,569)	\$ (18,058)	
Estimate to Complete	\$ 5,552	\$ 1,781	\$ 1,098	\$ 8,431	\$ (3,058) <sup>(a)</sup>	

(a) Includes future proceeds from the sale of exited facilities.

**Home and Building Products**

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2022	2021	2022	2021
Residential	\$ 211,229	\$ 148,060	\$ 389,016	\$ 302,602
Commercial	157,376	94,751	288,165	190,690
<b>Total Revenue</b>	<b>\$ 368,605</b>	<b>\$ 242,811</b>	<b>\$ 677,181</b>	<b>\$ 493,292</b>
Adjusted EBITDA	104,474	40,060	\$ 160,771	\$ 88,429
	28.3 %	16.5 %	23.7 %	17.9 %
Depreciation and amortization	4,324	4,379	\$ 8,662	\$ 8,720

For the quarter ended March 31, 2022, HBP revenue increased \$125,794, or 52%, compared to the prior year period due to favorable mix and pricing with increased commercial volume offset by reduced residential volume due to labor and supply chain disruptions.

For the quarter ended March 31, 2022, Adjusted EBITDA increased 161% to \$104,474 compared to \$40,060 in the prior year period. EBITDA benefited from the increased revenue noted above, partially offset by increased material, labor and transportation costs.

For the six months ended March 31, 2022, revenue increased \$183,889, or 37%, compared to the prior year period, due to favorable mix and pricing of 43% driven by both residential and commercial, partially offset by reduced volume of 6% driven by decreased residential volume due to labor and supply chain disruptions.

For the six months ended March 31, 2022, Adjusted EBITDA increased 82% to \$160,771 compared to \$88,429 in the prior year period. The favorable variance resulted from the increased revenue noted above, partially offset by increased material, labor and transportation costs.

For the quarter and six months ended March 31, 2022, segment depreciation and amortization remained consistent with the prior year comparable periods.

**Unallocated**

For the quarter ended March 31, 2022, unallocated amounts, excluding depreciation, consisted primarily of corporate overhead costs totaling \$12,750 compared to \$12,104 in the prior year quarter; for the six months ended March 31, 2022, unallocated amounts totaled \$25,707 compared to \$24,733 in the prior year period. The increase in both the current quarter and six month periods, compared to their respective comparable prior year periods, primarily relates to increased medical claims, travel and stock compensation (Q1) expenses.

**Proxy expenses**

During the three and six months ended March 31, 2022, we incurred \$4,661 and \$6,952, respectively, of proxy expenses (including legal and advisory fees) in unallocated amounts as a result of a proxy contest initiated by a shareholder during the most recently completed fiscal quarter. There were no similar costs in the comparable period of the prior year. The proxy contest was completed at the shareholder meeting on February 17, 2022.

**Segment Depreciation and Amortization**

Segment depreciation and amortization increased \$3,116 and \$3,520 for the quarter and six months ended March 31, 2022, respectively, compared to the comparable prior year periods, primarily due to depreciation and amortization on new assets placed in service and assets acquired in acquisitions.

### **Other Income (Expense)**

For the quarters ended March 31, 2022 and 2021, Other income (expense) of \$1,675 and \$1,081, respectively, includes \$168 and \$320, respectively, of net currency exchange losses in connection with the translation of receivables and payables denominated in currencies other than the functional currencies of Griffon and its subsidiaries, net periodic benefit plan income of \$1,079 and \$227, respectively, as well as \$(331) and \$55, respectively, of net investment income. Other income (expense) also includes rental income of \$462 in each of the three months ended March 31, 2022 and 2021. Additionally, it includes royalty income of \$616 for the three months ended March 31, 2022.

For the six months ended March 31, 2022 and 2021, Other income (expense) of \$3,056 and \$1,438, respectively, includes \$562 and \$(379), respectively, of net currency exchange losses in connection with the translation of receivables and payables denominated in currencies other than the functional currencies of Griffon and its subsidiaries, net periodic benefit plan income of \$2,027 and \$454, respectively, as well as \$238 and \$386, respectively, of net investment income. Other income (expense) also includes rental income of \$924 in each of the six months ended March 31, 2022 and 2021. Additionally, it includes royalty income of \$616 for the six months ended March 31, 2022.

### **Provision for income taxes**

During the quarter ended March 31, 2022, the Company recognized a tax provision of \$24,533 on income before taxes from continuing operations of \$83,104, compared to a tax provision of \$11,082 on income before taxes from continuing operations of \$29,201 in the comparable prior year quarter. The current year quarter results included restructuring charges of \$4,766 (\$3,496, net of tax), acquisition costs of \$6,708 (\$6,146, net of tax), proxy expenses of \$4,661 (\$3,591, net of tax), fair value step-up of acquired inventory sold of \$2,701 (\$2,007, net of tax), and discrete and certain other tax benefits, net, that affect comparability of \$693. The prior year quarter results included restructuring charges of \$7,502 (\$5,605, net of tax), and discrete tax and certain other tax provisions, net, that affect comparability of \$1,417. Excluding these items, the effective tax rates for the quarters ended March 31, 2022 and 2021 were 28.3% and 31.5%, respectively.

During the six months ended March 31, 2022, the Company recognized a tax provision of \$31,851 on income before taxes of \$107,327, compared to a tax provision of \$22,790 on income before taxes of \$66,339 in the comparable prior year period. The six month period ended March 31, 2022 included restructuring charges of \$6,482 (\$4,826, net of tax), acquisition costs of \$9,303 (\$8,149, net of tax), proxy expenses of \$6,952 (\$5,359, net of tax), fair value step-up of acquired inventory sold of \$2,701 (\$2,007, net of tax), and discrete and certain other tax benefits, net, that affect comparability of \$1,574. The six month period ended March 31, 2021 included restructuring charges of \$10,581 (\$7,906, net of tax), and discrete tax and certain other tax provisions, net, that affect comparability of \$369. Excluding these items, the effective tax rates for the six months ended March 31, 2022 and 2021 were 29.0% and 32.6%, respectively.

### **Stock based compensation**

For the quarters ended March 31, 2022 and 2021, stock based compensation expense, which includes expenses for both restricted stock grants and the ESOP, totaled \$5,092 and \$5,293, respectively. For the six months ended March 31, 2022 and 2021, stock based compensation expense totaled \$9,959 and \$9,501, respectively.

### **Comprehensive income (loss)**

For the quarter ended March 31, 2022, total other comprehensive income (loss), net of taxes, of \$4,949 included a gain of \$6,049 from foreign currency translation adjustments primarily due to the strengthening of the Euro, Canadian Dollar and British Pound, offset by the weakening of the Australian Dollar, all in comparison to the US Dollar; a \$140 benefit from pension amortization; and a \$1,240 loss on cash flow hedges.

For the quarter ended March 31, 2021, total other comprehensive income, net of taxes, of \$4,775 included a gain of \$1,739 from foreign currency translation adjustments primarily due to the strengthening of the British Pound and Canadian Dollar, partially offset by the weakening of the Euro, all in comparison to the US Dollar; a \$1,245 benefit from pension amortization; and a \$1,791 gain on cash flow hedges.

For the six months ended March 31, 2022, total other comprehensive income, net of taxes, of \$2,198 included a gain of \$3,730 from foreign currency translation adjustments primarily due to the strengthening of the Canadian and Australian Dollars, offset by the weakening of the Euro and the British Pound, all in comparison to the US Dollar; a \$808 benefit from pension amortization of actuarial losses; and a \$2,340 loss on cash flow hedges.

For the six months ended March 31, 2021, total other comprehensive income, net of taxes, of \$17,916 included a gain of \$13,862 from foreign currency translation adjustments primarily due to the strengthening of the British Pound and Canadian and Australian Dollars, all in comparison to the US Dollar; a \$2,951 benefit from pension amortization of actuarial losses; and a \$1,103 gain on cash flow hedges.

## **DISCONTINUED OPERATIONS**

### **Defense Electronics**

On September 27, 2021, we announced we are exploring strategic alternatives for our DE segment, which consists of our Telephonics subsidiary, and on April 18, 2022, Griffon entered into a definitive agreement to sell Telephonics to TTM for \$330,000 in cash. The transaction is expected to close within the second calendar quarter of 2022. Griffon believes this will increase long-term value for Griffon shareholders, while creating enhanced growth opportunities for Telephonics. Telephonics is recognized globally as a leading provider of highly sophisticated intelligence, surveillance and communications solutions that are deployed across a wide range of land, sea and air applications. Telephonics designs, develops, manufactures and provides logistical support and lifecycle sustainment services to defense, aerospace and commercial customers worldwide.

For the quarter ended March 31, 2022, DE revenue decreased 6% to \$56,273 from \$60,150 compared to the prior year quarter, and Adjusted EBITDA increased by 23% to \$2,729 from \$2,220. For the six months ended March 31, 2022, revenue decreased by 14% to \$110,266 from \$127,918 compared to the prior year period, and Adjusted EBITDA decreased by 8% to \$7,201 from \$7,805. The six months ended March 31, 2021 included \$6,713 of revenue and \$412 of EBITDA from the SEG business divested in December 2020.

### **Other Discontinued Operations**

At March 31, 2022, Griffon's other discontinued assets and liabilities are primarily related to insurance claims, product liability, warranty reserves, environmental reserves and related income taxes. See Note 16, Discontinued Operations.



**LIQUIDITY AND CAPITAL RESOURCES****Liquidity**

Griffon believes it has adequate liquidity to invest in its existing businesses and execute its business plan, while managing its capital structure on both a short-term and long-term basis. Griffon's primary sources of liquidity are cash flows generated from operations, cash on hand and our January 2022 secured \$400,000 Credit Agreement. At March 31, 2022, \$233,039 of revolver capacity was available under the Credit Agreement and we had cash and cash equivalents of \$122,293.

Management assesses Griffon's liquidity in terms of its ability to generate cash to fund its operating, investing and financing activities. Significant factors affecting liquidity include cash flows from operating activities, capital expenditures, acquisitions, dispositions, bank lines of credit and the ability to attract long-term capital under satisfactory terms. Griffon believes it has sufficient liquidity available to invest in existing businesses and strategic acquisitions while managing its capital structure on both a short-term and long-term basis.

As of March 31, 2022, the amount of cash, cash equivalents and marketable securities held by foreign subsidiaries was \$53,700. Our intent is to permanently reinvest these funds outside the U.S., and we do not currently anticipate that we will need funds generated from foreign operations to fund our domestic operations. In the event we determine that funds from foreign operations are needed to fund operations in the U.S., we will be required to accrue and pay U.S. taxes to repatriate these funds (unless applicable U.S. taxes have already been paid).

The following table is derived from the Condensed Consolidated Statements of Cash Flows:

<b>Cash Flows from Operations</b>	<b>For the Six Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Net Cash Flows Provided by (Used In):		
Operating activities	\$ (172,633)	\$ (44,411)
Investing activities	(858,539)	(22,106)
Financing activities	899,924	(5,916)

Cash used in operating activities from continuing operations for the six months ended March 31, 2022 was \$172,633 compared to cash used in continuing operations of \$44,411 in the comparable prior year period. Cash provided by income from continuing operations, adjusted for non-cash expenditures, was more than offset by a net increase in working capital predominately consisting of increased accounts receivable and inventory primarily to meet seasonal demands.

Cash flows used in investing activities from continuing operations is primarily comprised of capital expenditures and business acquisitions as well as proceeds from the sale of businesses, investments and property, plant and equipment. During the six months ended March 31, 2022, Griffon used \$858,539 in investing activities from continuing operations compared to \$22,106 used in the prior year comparable period. Griffon used \$851,464 to acquire Hunter during the six months ended March 31, 2022. Griffon used \$2,242 in the prior year comparable period to acquire Quatro. Capital expenditures, net of proceeds from the sale of assets, for the six months ended March 31, 2022 totaled \$21,998, an increase of \$4,245 from the prior year period. Proceeds from the sale of investments totaled \$14,923 during the six months ended March 31, 2022 compared to cash used to purchase investments of \$2,138 in the prior year comparable period.

During the six months ended March 31, 2022, cash provided by financing activities from continuing operations totaled \$899,924 compared to cash used of \$5,916 used in the prior year comparable period. Cash provided by financing activities in the current period consisted primarily of net proceeds from long-term debt of \$937,385, partially offset by financing costs of \$16,457, purchases of treasury shares to satisfy vesting of restricted stock of \$10,886 and the payment of dividends of \$10,091. Cash used in financing activities in the prior year comparable period consisted primarily of payments of dividends of 8,678 and purchases of treasury shares to satisfy vesting of restricted stock of \$2,909, partially offset by net proceeds from long-term debt of \$6,456.

During the six months ended March 31, 2022, 421,860 shares, with a market value of \$10,742, or \$25.46 per share were withheld to settle employee taxes due upon the vesting of restricted stock and were added to treasury stock. Furthermore, during the six months ended March 31, 2022, an additional 5,480 shares, with a market value of \$144, or \$26.31 per share, were withheld from common stock issued upon the vesting of restricted stock units to settle employee taxes due upon vesting.

During 2021, the Company declared and paid regular cash dividends totaling \$0.32 per share, or \$0.08 per share each quarter. During the six months ended March 31, 2022, the Board of Directors approved and paid two quarterly cash dividends of \$0.09 per share each. The Company currently intends to pay dividends each quarter; however, payment of dividends is determined by the Board of Directors at its discretion based on various factors, and no assurance can be provided as to the payment of future dividends. On April 27, 2022, the Board of Directors declared a quarterly cash dividend of \$0.09 per share, payable on June 16, 2022 to shareholders of record as of the close of business on May 19, 2022.

On each of August 3, 2016 and August 1, 2018, Griffon's Board of Directors authorized the repurchase of \$50,000 of Griffon's outstanding common stock. Under these share repurchase programs, the Company may, from time to time, purchase shares of its common stock in the open market, including pursuant to a 10b5-1 plan, or in privately negotiated transactions. As of March 31, 2022, an aggregate of \$57,955 remains under Griffon's Board authorized repurchase programs. No shares were repurchased during the six months ended March 31, 2022 under these share repurchase programs.

During the six months ended March 31, 2022, cash provided by discontinued operations from operating activities of \$9,846 primarily related to DE operations and the settling of certain liabilities and environmental costs associated with the former Installations Services business. Cash provided by discontinued operations from investing activities related to DE operations capital expenditures.

During the six months ended March 31, 2021, Griffon used cash for discontinued operations from operating activities of \$17,058 primarily related to DE operations and the settling of certain liabilities and environmental costs associated with other discontinued operations. Cash provided by discontinued operations from investing activities of 11,323 primarily related to net proceeds received of \$14,725 from DE's sale of its SEG business less capital expenditures of \$6,151.

#### Cash and Equivalents and Debt

	March 31, 2022	September 30, 2021
Cash and equivalents	\$ 122,293	\$ 248,653
Notes payables and current portion of long-term debt	25,110	12,486
Long-term debt, net of current maturities	1,941,725	1,033,197
Debt discount/premium and issuance costs	30,720	14,823
<b>Total debt</b>	<b>1,997,555</b>	<b>1,060,506</b>
Debt, net of cash and equivalents	<b>\$ 1,875,262</b>	<b>\$ 811,853</b>

During 2020, Griffon issued, at par, \$1,000,000 of 5.75% Senior Notes due in 2028 (the "2028 Senior Notes"). Proceeds from the 2028 Senior Notes were used to redeem the \$1,000,000 of 5.25% Senior Notes due 2022. As of March 31, 2022, the outstanding 5.75% Senior Notes due totaled \$1,000,000; interest is payable semi-annually on March 1 and September 1.

The Senior Notes are senior unsecured obligations of Griffon guaranteed by certain domestic subsidiaries, and subject to certain covenants, limitations and restrictions and are registered under the Securities Act. The fair value of the Senior Notes approximated \$945,000 on March 31, 2022 based upon quoted market prices (level 1 inputs). In connection with the issuance of Senior Notes, Griffon capitalized \$16,448 of underwriting fees and other expenses incurred related to the issuance and exchange of the Senior Notes, which will amortize over the term of such notes, and, at March 31, 2022, \$12,257 remained to be amortized.

On January 24, 2022, Griffon amended and restated its Revolving Credit Facility (as amended, "Credit Agreement") to provide for a new \$800,000 Term Loan B facility, due January 24, 2029, in addition to its current \$400,000 revolving credit facility ("Revolver"), and replaced LIBOR with SOFR (Secured Overnight Financing Rate). The fair value of the Term Loan B facility approximated \$792,000 on March 31, 2022 based upon quoted market prices (level 1 inputs). The Term Loan B contains a SOFR floor of 0.50% and a current spread of 2.75%, for a total current interest rate of 3.25%. The Original Issue Discount for the Term Loan B was 99.75%. Additionally, there are two interest rate step-downs tied to achieving decreased secured leverage ratio thresholds. The Term Loan B facility requires nominal quarterly principal payments equal to 0.25% of the original outstanding principal amount, beginning with the quarter ended June 30, 2022; potential additional annual principal payments based on a percentage of excess cash flow and certain secured leverage thresholds starting with the fiscal year ending September 30, 2023; and a final balloon payment due at maturity. Term Loan B borrowings may generally be repaid without penalty but may not be re-borrowed. The Term Loan B facility is subject to the same affirmative and negative covenants that apply to the Revolver, but is not subject to any financial maintenance covenants. Term Loan B borrowings are secured by the same collateral as the Revolver. In connection with this amendment, Griffon capitalized \$15,466 of underwriting fees and other expenses incurred, which are being amortized over the term of the loan. At March 31, 2022, \$15,235 remained to be amortized.

The Revolver's maximum borrowing availability is \$400,000 and it matures on March 22, 2025. The Revolver includes a letter of credit sub-facility with a limit of \$100,000; a multi-currency sub-facility of \$200,000; and contains a customary accordion feature that permits us to request, subject to each lender's consent, an increase in the maximum aggregate amount that can be borrowed by up to an additional \$100,000.

In addition, on December 9, 2021, Griffon replaced the Revolver GBP LIBOR benchmark rate with a Sterling Overnight Index Average ("SONIA"). Borrowings under the Revolver may be repaid and re-borrowed at any time. Interest is payable on borrowings at either a SOFR, SONIA or base rate benchmark rate, plus an applicable margin, which adjusts based on financial performance. Current margins are 1.00% for base rate loans, 2.00% for SOFR loans and 2.00% for SONIA loans. The Revolver has certain financial maintenance tests including a maximum total leverage ratio, a maximum senior secured leverage ratio and a minimum interest coverage ratio, as well as customary affirmative and negative covenants, and events of default. The negative covenants place limits on Griffon's ability to, among other things, incur indebtedness, incur liens, and make restricted payments and investments. Both the Revolver and Term Loan B borrowings under the Credit Agreement are guaranteed by Griffon's material domestic subsidiaries and are secured, on a first priority basis, by substantially all domestic assets of the Company and the guarantors, and a pledge of not greater than 65% of the equity interest in Griffon's material, first-tier foreign subsidiaries. At March 31, 2022, there were \$153,146 of outstanding borrowings under the Revolver; outstanding standby letters of credit were \$13,815; and \$233,039 was available, subject to certain loan covenants, for borrowing at that date.

Griffon has one finance lease outstanding for real estate located in Ocala, Florida. The lease matures in 2025 and bears interest at a fixed rate of approximately 5.6%. The Ocala, Florida lease contains two five-year renewal options. At March 31, 2022, \$13,757 was outstanding, net of issuance costs. During the period ended March 31, 2022, the financing lease on the Troy, Ohio location expired. The lease bore interest at a rate of approximately 5.0%, was secured by a mortgage on the real estate, which was guaranteed by Griffon, and had a one dollar buyout at the end of the lease. Griffon exercised the one dollar buyout option in November 2021.

In November 2012, Garant G.P. ("Garant"), a Griffon wholly owned subsidiary, entered into a CAD 15,000 (\$12,018 as of March 31, 2022) revolving credit facility. The facility accrues interest at LIBOR (USD) or the Bankers Acceptance Rate (CDN) plus 1.3% per annum (1.75% LIBOR USD and 2.38% Bankers Acceptance Rate CDN as of March 31, 2022). The revolving facility matures in October 2022. Garant is required to maintain a certain minimum equity. At March 31, 2022, there were no outstanding borrowings under the revolving credit facility with CAD 15,000 (\$12,018 as of March 31, 2022) available.

On March 30, 2022, Griffon Australia Holdings Pty Ltd and its Australian subsidiaries (collectively, "Griffon Australia") amended its AUD 18,375 term loan, AUD 20,000 revolver and AUD 15,000 receivable purchase facility agreement that was entered into in July 2016 and further amended in fiscal 2020. Griffon Australia paid in full and canceled the term loan in the amount of AUD 9,625 and canceled the AUD 20,000 revolver. The amendment refinanced the existing AUD 15,000 receivable purchase facility. The receivable purchase facility matures in March 2023, but is renewable upon mutual agreement with the lender. The receivable purchase facility accrues interest at BBSY (Bank Bill Sap Rate) plus 1.25%, respectively, per annum (1.31% at March 31, 2022). At March 31, 2022, there was no balance outstanding under the receivable purchase facility with AUD 15,000 (\$11,273 as of March 31, 2022) available. The receivable purchase facility is secured by substantially all of the assets of Griffon Australia and its subsidiaries.

In July 2018, The AMES Companies UK Ltd and its subsidiaries (collectively, "AMES UK") entered into a GBP 14,000 term loan, GBP 4,000 mortgage loan and GBP 5,000 revolver. The term loan and mortgage loan require quarterly principal payments of GBP 438 and GBP 105 plus interest, respectively, and have balloon payments due upon maturity, July 2023, of GBP 7,088 and GBP 2,349, respectively. Effective in January 2022, the Term Loan and Mortgage Loan were amended to replace GBP LIBOR with SONIA. The Term Loan and Mortgage Loans each accrue interest at the SONIA Rate plus 1.92% (2.61% at March 31, 2022). The revolving facility accrues interest at the Bank of England Base Rate plus 3.25% (4.00% as of March 31, 2022) and was renewed in June 2021. The revolving credit facility matures in July 2022, but it is renewable upon mutual agreement with the lender. As of March 31, 2022, the revolver had an outstanding balance of GBP 2,827 (\$3,713 as of March 31, 2022) while the term and mortgage loan balances amounted to GBP 12,145 (\$15,948 as of March 31, 2022). The revolver and the term loan are both secured by substantially all of the assets of AMES UK and its subsidiaries. AMES UK is subject to a maximum leverage ratio and a minimum fixed charges cover ratio. On February 14, 2022, AMES UK entered into a \$8,500 trade facility agreement. The trade facility has a maximum loan period of 135 days and is due on June 29, 2022. The trade facility accrues interest at the Mid-point of the FED Target Range plus 2.50% (2.88% as of March 31, 2022). The trade facility had an outstanding balance of \$8,000 as of March 31, 2022.

Other long-term debt primarily consists of a loan with the Pennsylvania Industrial Development Authority, with the balance consisting of capital leases.

At March 31, 2022, Griffon and its subsidiaries were in compliance with the terms and covenants of its credit and loan agreements. Gross Debt to EBITDA (Leverage), as calculated in accordance with the definition in the Credit Agreement, was 4.4x at March 31, 2022.

### **Capital Resource Requirements**

Griffon's debt requirements include principal on our outstanding debt, most notably our Senior Notes totaling \$1,000,000 payable in 2028 and related annual interest payments of approximately \$57,500. As noted above, Griffon entered into a new \$800,000 seven year Term Loan B facility with initial pricing of SOFR floor of 50 basis points plus a spread of 275 basis points, for a total interest rate of 325 basis points. The OID was 99.75%. The Term Loan B facility requires quarterly payments equal to 0.25% of the outstanding principal amount, with a balloon payment due at maturity.

### **Customers**

A small number of customers account for, and are expected to continue to account for, a substantial portion of Griffon's consolidated revenue. For the six months ended March 31, 2022, The Home Depot represented 13% of Griffon's consolidated revenue, 19% of CPP's revenue and 8% of HBP's revenue.

No other customer exceeded 10% of consolidated revenue. Future operating results will continue to depend substantially on the success of Griffon's largest customers and our ongoing relationships with them. Orders from these customers are subject to change and may fluctuate materially. The loss of all or a portion of the volume from any one of these customers could have a material adverse impact on Griffon's liquidity and results of operations.

### **SUPPLEMENTAL GUARANTOR FINANCIAL INFORMATION**

Griffon's Senior Notes are fully and unconditionally guaranteed, jointly and severally by Clopay Corporation, Telephonics Corporation, The AMES Companies, Inc., Clopay AMES Holding Corp., ClosetMaid LLC, AMES Hunter Holdings Corporation, Hunter Fan Company, CornellCookson, LLC and Cornell Real Estate Holdings, LLC, all of which are indirectly 100% owned by Griffon. In accordance with Rule 3-10 of Regulation S-X promulgated under the Securities Act, presented below are summarized financial information of the Parent (Griffon) subsidiaries and the Guarantor subsidiaries as of March 31, 2022 and September 30, 2021 and for the six months ended March 31, 2022 and for the year ended September 30, 2021. All intercompany balances and transactions between subsidiaries under Parent and subsidiaries under the Guarantor have been eliminated. The information presented below excludes eliminations necessary to arrive at the information on a consolidated basis. The summarized information excludes financial information of the Non-Guarantors, including earnings from and investments in these entities. The financial information may not necessarily be indicative of the results of operations or financial position of the guarantor companies or non-guarantor companies had they operated as independent entities. The guarantor companies and the non-guarantor companies include the consolidated financial results of their wholly-owned subsidiaries accounted for under the equity method.

The indentures relating to the Senior Notes (the "Indentures") contain terms providing that, under certain limited circumstances, a guarantor will be released from its obligations to guarantee the Senior Notes. These circumstances include (i) a sale of at least a majority of the stock, or all or substantially all the assets, of the subsidiary guarantor as permitted by the Indentures; (ii) a public equity offering of a subsidiary guarantor that qualifies as a "Minority Business" as defined in the Indentures (generally, a business the EBITDA of which constitutes less than 50% of the segment adjusted EBITDA of the Company for the most recently ended four fiscal quarters), and that meets certain other specified conditions as set forth in the Indentures; (iii) the designation of a guarantor as an "unrestricted subsidiary" as defined in the Indentures, in compliance with the terms of the Indentures; (iv) Griffon exercising its right to defease the Senior Notes, or to otherwise discharge its obligations under the Indentures, in each case in accordance with the terms of the Indentures; and (v) upon obtaining the requisite consent of the holders of the Senior Notes.

**Summarized Statements of Operations and Comprehensive Income (Loss)**

	For the Six Months Ended March 31, 2022		For the Year Ended September 30, 2021	
	Parent Company	Guarantor Companies	Parent Company	Guarantor Companies
Net sales	\$ —	\$ 1,182,806	\$ —	\$ 1,991,434
Gross profit	\$ —	\$ 341,200	\$ —	\$ 497,829
Income (loss) from operations	\$ (29,973)	\$ 129,427	\$ (22,321)	\$ 123,870
Equity in earnings of Guarantor subsidiaries	\$ 81,860	\$ —	\$ 79,055	\$ —
Net income (loss)	\$ (28,340)	\$ 81,860	\$ (40,035)	\$ 79,055

**Summarized Balance Sheet Information**

	For the Six Months Ended March 31, 2022		For the Year Ended September 30, 2021	
	Parent Company	Guarantor Companies	Parent Company	Guarantor Companies
Current assets	\$ 58,337	\$ 1,241,063	\$ 114,377	\$ 951,609
Non-current assets	15,351	1,965,964	17,665	1,069,540
Total assets	\$ 73,688	\$ 3,207,027	\$ 132,042	\$ 2,021,149
Current liabilities	\$ 71,811	\$ 425,053	\$ 41,334	\$ 397,121
Long-term debt	1,914,502	13,697	998,787	14,482
Other liabilities	26,677	318,099	43,337	164,122
Total liabilities	\$ 2,012,990	\$ 756,849	\$ 1,083,458	\$ 575,725

**CRITICAL ACCOUNTING POLICIES**

The preparation of Griffon’s consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on assets, liabilities, revenue and expenses. These estimates can also affect supplemental information contained in public disclosures of Griffon, including information regarding contingencies, risk and its financial condition. These estimates, assumptions and judgments are evaluated on an ongoing basis and based on historical experience, current conditions and various other assumptions, and form the basis for estimating the carrying values of assets and liabilities, as well as identifying and assessing the accounting treatment for commitments and contingencies. Actual results may materially differ from these estimates. There have been no changes in Griffon’s critical accounting policies from September 30, 2021.

Griffon’s significant accounting policies and procedures are explained in the Management Discussion and Analysis section in the Annual Report on Form 10-K for the year ended September 30, 2021. In the selection of the critical accounting policies, the objective is to properly reflect the financial position and results of operations for each reporting period in a consistent manner that can be understood by the reader of the financial statements. Griffon considers an estimate to be critical if it is subjective and if changes in the estimate using different assumptions would result in a material impact on the financial position or results of operations of Griffon.

**RECENT ACCOUNTING PRONOUNCEMENTS**

The FASB issues, from time to time, new financial accounting standards, staff positions and emerging issues task force consensus. See the Notes to Condensed Consolidated Financial Statements for a discussion of these matters.

**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q, especially “Management’s Discussion and Analysis”, contains certain “forward-looking statements” within the meaning of the Securities Act, the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Such statements relate to, among other things, income (loss), earnings, cash flows,

revenue, changes in operations, operating improvements, the impact of the Hunter Fan transaction, industries in which Griffon Corporation (the “Company” or “Griffon”) operates and the United States and global economies. Statements in this Form 10-Q that are not historical are hereby identified as “forward-looking statements” and may be indicated by words or phrases such as “anticipates,” “supports,” “plans,” “projects,” “expects,” “believes,” “should,” “would,” “could,” “hope,” “forecast,” “management is of the opinion,” “may,” “will,” “estimates,” “intends,” “explores,” “opportunities,” the negative of these expressions, use of the future tense and similar words or phrases. Such forward-looking statements are subject to inherent risks and uncertainties that could cause actual results to differ materially from those expressed in any forward-looking statements. These risks and uncertainties include, among others: current economic conditions and uncertainties in the housing, credit and capital markets; Griffon’s ability to achieve expected savings from cost control, restructuring, integration and disposal initiatives; the ability to identify and successfully consummate, and integrate, value-adding acquisition opportunities (including, in particular, integration of the Hunter Fan acquisition); increasing competition and pricing pressures in the markets served by Griffon’s operating companies; the ability of Griffon’s operating companies to expand into new geographic and product markets, and to anticipate and meet customer demands for new products and product enhancements and innovations; reduced military spending by the government on projects for which Griffon’s Telephonics Corporation supplies products, including as a result of defense budget cuts or other government actions; the ability of the federal government to fund and conduct its operations; increases in the cost or lack of availability of raw materials such as resin, wood and steel, components or purchased finished goods, including any potential impact on costs or availability resulting from tariffs; changes in customer demand or loss of a material customer at one of Griffon’s operating companies; the potential impact of seasonal variations and uncertain weather patterns on certain of Griffon’s businesses; political events that could impact the worldwide economy; a downgrade in Griffon’s credit ratings; changes in international economic conditions including interest rate and currency exchange fluctuations; the reliance by certain of Griffon’s businesses on particular third party suppliers and manufacturers to meet customer demands; the relative mix of products and services offered by Griffon’s businesses, which impacts margins and operating efficiencies; short-term capacity constraints or prolonged excess capacity; unforeseen developments in contingencies, such as litigation, regulatory and environmental matters; unfavorable results of government agency contract audits of Telephonics Corporation; our strategy, future operations, prospects and the plans of our businesses, including the closing of the disposition of Telephonics Corporation; Griffon’s ability to adequately protect and maintain the validity of patent and other intellectual property rights; the cyclical nature of the businesses of certain of Griffon’s operating companies; possible terrorist threats and actions and their impact on the global economy; the impact of COVID-19 on the U.S. and the global economy, including business disruptions, reductions in employment and an increase in business and operating facility failures, specifically among our customers and suppliers; Griffon’s ability to service and refinance its debt; and the impact of recent and future legislative and regulatory changes, including, without limitation, changes in tax laws. Additional important factors that could cause the statements made in this Quarterly Report on Form 10-Q or the actual results of operations or financial condition of Griffon to differ are discussed under the caption “Item 1A. Risk Factors” and “Special Notes Regarding Forward-Looking Statements” in Griffon’s Annual Report on Form 10-K for the year ended September 30, 2021. Readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements speak only as of the date made. Griffon undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Such statements reflect the views of the Company with respect to future events and are subject to these and other risks, as previously disclosed in the Company’s Securities and Exchange Commission filings. Readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements speak only as of the date made. Griffon undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

### **Item 3 - Quantitative and Qualitative Disclosure About Market Risk**

Griffon’s business activities necessitate the management of various financial and market risks, including those related to changes in interest rates, foreign currency rates and commodity prices.

#### **Interest Rates**

Griffon’s exposure to market risk for changes in interest rates relates primarily to variable interest rate debt and investments in cash and equivalents.

Griffon’s amended and restated Credit Agreement references a benchmark rate with SONIA or SOFR. In addition, certain other of Griffon’s credit facilities have a LIBOR and BBSY (Bank Bill Swap Rate) based variable interest rate. Due to the current and expected level of borrowings under these facilities, a 100 basis point change in SONIA, SOFR, BBSY, or LIBOR would not have a material impact on Griffon’s results of operations or liquidity.

## **Foreign Exchange**

Griffon conducts business in various non-US countries, primarily in Canada, Australia, the United Kingdom, Ireland, New Zealand and China; therefore, changes in the value of the currencies of these countries affect Griffon's financial position and cash flows when translated into US Dollars. Griffon has generally accepted the exposure to exchange rate movements relative to its non-US operations. Griffon may, from time to time, hedge its currency risk exposures. A change of 10% or less in the value of all applicable foreign currencies would not have a material effect on Griffon's financial position and cash flows.

## **Item 4 - Controls and Procedures**

Under the supervision and with the participation of Griffon's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), Griffon's disclosure controls and procedures, as defined by Exchange Act Rule 13a-15(e) and 15d-15(e), were evaluated as of the end of the period covered by this report. Based on that evaluation, Griffon's CEO and CFO concluded that Griffon's disclosure controls and procedures were effective at the reasonable assurance level.

In connection with the Hunter acquisition, Griffon is in the process of integrating its controls and procedures with respect to Hunter's operations. Griffon expects to include the internal controls with respect to Hunter operations in its assessment of the effectiveness of its internal controls over financial reporting as of the end of fiscal year 2023. Other than the acquisition of Hunter, during the period covered by this report, there were no changes in Griffon's internal control over financial reporting which materially affected, or are reasonably likely to materially affect, Griffon's internal control over financial reporting.

## **Limitations on the Effectiveness of Controls**

Griffon believes that a control system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the control system are met, and no evaluation of controls can provide absolute assurance that all controls issues and instances of fraud, if any, within a company have been detected. Griffon's disclosure controls and procedures, as defined by Exchange Act Rule 13a-15(e) and 15d-15(e), are designed to provide reasonable assurance of achieving their objectives.

## **PART II - OTHER INFORMATION**

### **Item 1 Legal Proceedings**

None

### **Item 1A Risk Factors**

In addition to the other information set forth in this report, carefully consider the factors in Item 1A to Part I in Griffon's Annual Report on Form 10-K for the year ended September 30, 2021, which could materially affect Griffon's business, financial condition or future results. The risks described in Griffon's Annual Report on Form 10-K are not the only risks facing Griffon. Additional risks and uncertainties not currently known to Griffon or that Griffon currently deems to be immaterial also may materially adversely affect Griffon's business, financial condition and/or operating results.

**Item 2 Unregistered Sales of Equity Securities and Use of Proceeds****(c) ISSUER PURCHASES OF EQUITY SECURITIES**

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs (1)
January 1 - 31, 2022	—	\$ —	—	—
February 1 - 28, 2022	—	—	—	—
March 1 - 31, 2022	—	—	—	—
<b>Total</b>	<u>—</u>	<u>\$ —</u>	<u>—</u>	<u>\$ 57,955</u>

- On each of August 3, 2016 and August 1, 2018, the Company's Board of Directors authorized the repurchase of up to \$50,000 of Griffon common stock; as of March 31, 2022, an aggregate of \$57,955 remained available for the purchase of Griffon common stock under these repurchase programs.

**Item 3 Defaults Upon Senior Securities**

None

**Item 4 Mine Safety Disclosures**

None

**Item 5 Other Information***Amendment to Employment Agreement*

Following a review of our severance arrangements with our named executive officers, certain differences were identified between the provisions relating to the payment of a pro-rata bonus for the year of an executive's termination (the "Pro Rata Bonus") upon certain terminations of employment occurring within two years following a change in control. To make these provisions uniform, on April 28, 2022, we entered into amendments (collectively, the "Amendments") to each of the employment agreement with our Chief Executive Officer, Ronald J. Kramer, and the severance agreements with our Senior Vice President and Chief Financial Officer, Brian G. Harris, and our Senior Vice President, General Counsel and Secretary, Seth L. Kaplan. The Amendment to Mr. Kramer's employment agreement provides that Mr. Kramer's Pro Rata Bonus be equal to a pro rata portion of the greater of the total bonus received in the immediately preceding year and the "Target Bonus" (with "Target Bonus" being defined as 150% of Mr. Kramer's current salary). This is consistent with similar provisions in the agreements we have with our other named executive officers. The Amendments also provide for payment of the Pro Rata Bonus, and related payments due in the event of certain terminations of employment occurring within two years following a change in control, to be made within 10 days following the date on which the executive's release of claims becomes effective. The foregoing description is qualified in its entirety by the Amendments, copies of each of which are filed as exhibits to this Quarterly Report on Form 10-Q.



<b>Item 6</b>	<b>Exhibits</b>
2.1*	Share Purchase Agreement by and among TTM Technologies, Inc., Exphonics, Inc. and Griffon Corporation, dated as of April 18, 2022 (incorporated by reference to Exhibit 2.1 of Current Report on Form 8-K filed April 21, 2022 (Commission File No. 1-06620)).
3.1	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Griffon Corporation (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K dated February 18, 2022 (Commission File No. 001-06620)).
3.2	Amendment No. 1 to Amended and Restated By-laws of Griffon Corporation (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K dated February 18, 2022 (Commission File No. 001-06620)).
10.1	Second Amendment to Fourth Amended and Restated Credit Agreement, dated as of January 24, 2022, to that certain Fourth Amended and Restated Credit Agreement, dated as of January 30, 2020, among Griffon Corporation, the several banks and other financial institutions or entities from time to time parties thereto, Bank of America, N.A., as administrative agent, and the other agents party thereto (Exhibit 99.1 of Current Report on Form 8-K filed January 28, 2022 (Commission File No. 1-06620)).
10.2**	<a href="#">Griffon Corporation Director Compensation Program, Amended and Restated as of March 3, 2022.</a>
10.3**	Griffon Corporation Amended and Restated 2016 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to Current Report on Form 8-K dated February 18, 2022 (Commission File No. 001-06620)).
10.4**	<a href="#">Amendment No. 3 to Employment Agreement, dated March 16, 2008, by and between Griffon Corporation and Ronald J. Kramer, made as of April 28, 2022.</a>
10.5**	<a href="#">Amendment No. 1 to Severance Agreement, dated July 30, 2015, by and between Griffon Corporation and Brian G. Harris, made as of April 28, 2022.</a>
10.6**	<a href="#">Amendment No. 1 to Severance Agreement, dated April 27, 2010, by and between Griffon Corporation and Seth L. Kaplan, made as of April 28, 2022.</a>
31.1	<a href="#">Certification pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification pursuant to Rule 13a-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32	<a href="#">Certifications pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Document
101.DEF	XBRL Taxonomy Extension Definitions Document
101.LAB	XBRL Taxonomy Extension Labels Document
101.PRE	XBRL Taxonomy Extension Presentations Document

\* The registrant has omitted schedules and similar attachments to the subject agreement pursuant to Item 601(b)(2) of Regulation S-K. The registrant will furnish a copy of any omitted schedule or similar attachment to the Securities and Exchange Commission upon request.

\*\* Indicates a management contract or compensatory plan or arrangement.

**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.

GRIFFON CORPORATION

/s/ Brian G. Harris

\_\_\_\_\_  
Brian G. Harris  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

/s/ W. Christopher Durborow

\_\_\_\_\_  
W. Christopher Durborow  
Vice President and Chief Accounting Officer  
(Principal Accounting Officer)

Date: April 28, 2022

**Exhibit 10.2**  
**Griffon Corporation Director Compensation Program**  
**(adopted as of March 3, 2022)**

Each member of the Board of Directors (the "Board") of Griffon Corporation (the "Company") who is not an employee of the Company (each a "Non-employee Director") shall receive compensation for such person's services as a member of the Board as outlined in this Director Compensation Program.

**Cash Compensation**

*Annual Retainer Fees*

- Annual retainer fee in the amount of \$70,000
- Additional annual retainer fee for the Chairmen of the following Committees:
  - Audit – \$20,000
  - Compensation – \$17,500
  - Finance – \$15,000
  - Nominating and Corporate Governance – \$15,000
- Additional annual retainer fee in the amount of \$25,000 for the Lead Independent Director

*Meeting Fees*

- Fee in the amount of \$1,500 for attending any meeting of the Board
- Fee in the amount of \$2,500 for attending any meeting of the Audit Committee
- Fee in the amount of \$1,500 for attending any meeting of any committee other than the Audit Committee

**Equity Compensation**

Following election to the Board each year at the Annual Meeting of Shareholders ("AGM"), each Non-employee Director shall be awarded a grant of restricted shares with a value of \$100,000 (the "RS Dollar Amount"). If a Non-employee Director becomes a member of the Board other than as a result of being elected at the AGM, such Non-employee Director shall be awarded a grant of restricted shares with a value based on the pro-rata portion of the RS Dollar Amount equal to the difference between 365 and the number of days elapsed since the last AGM as of the date such Non-employee Director becomes a member of the Board, divided by 365. All restricted shares granted to a Non-employee Director shall vest on the first anniversary of the date of grant. If service as a director terminates as a result of (i) death, (ii) disability, (iii) the failure of the Company to nominate such director for re-election to the Board, (iv) the failure of such director to be re-elected to the Board after being nominated for re-election, or (v) the occurrence of a change in control, all restricted shares shall immediately vest.

The number of restricted shares to be granted annually shall be determined by dividing the RS Dollar Amount (or a pro rata portion of such amount, as appropriate) by the closing price of the Company's common stock on the New York Stock Exchange (or, if not the New York Stock Exchange, the principal exchange on which the Company's common stock is traded) on the date of grant. The RS Dollar Amount shall be subject to the review of the Board from time to time.

**AMENDMENT NO. 3 TO EMPLOYMENT AGREEMENT**

AMENDMENT NO. 3 TO THE EMPLOYMENT AGREEMENT (this "Amendment") made as of April 28, 2022 by and between GRIFFON CORPORATION, a Delaware corporation (hereinafter "Griffon") and RONALD J. KRAMER (hereinafter "Kramer").

**WITNESSETH:**

WHEREAS, Griffon and Kramer entered into that certain Employment Agreement, dated as of March 16, 2008, which Employment Agreement was amended pursuant to that certain Amendment No. 1 to Employment Agreement entered into between Griffon and Kramer as of February 3, 2011 and that certain Amendment No. 2 to Employment Agreement as of December 12, 2013 (hereinafter, collectively, the "Employment Agreement").

NOW, THEREFORE, the parties hereto agree to amend the Employment Agreement as follows, effective as of the date hereof.

1. Section 9(f)(ii) shall be deleted in its entirety and replaced with the following:

“(ii) a pro-rata portion of the higher of (A) the actual bonus that Kramer received for the most recently completed Fiscal Year; or (B) the Target Bonus, to be paid as soon as administratively feasible following the date on which the release becomes effective, and in any event within ten (10) days thereafter; and”

2. The parties hereby agree that except as specifically provided in and modified by this Amendment, the Employment Agreement is in all other respects hereby ratified and confirmed. This Amendment shall be construed in accordance with the laws of the State of Delaware (without regard to principles of conflicts of law). This Amendment may be executed in one or more counterparts (including by facsimile, "portable document format," or other electronic means) each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

**IN WITNESS WHEREOF**, the undersigned have executed this Amendment as of the day and year first written above.

**GRIFFON CORPORATION**

By: /s/ Seth L. Kaplan  
Name: Seth L. Kaplan  
Title: Senior Vice President

/s/ Ronald J. Kramer  
Ronald J. Kramer

**AMENDMENT NO. 1 TO SEVERANCE AGREEMENT**

AMENDMENT NO. 1 TO THE SEVERANCE AGREEMENT (this “Amendment”) made as of April 28, 2022 by and between GRIFFON CORPORATION, a Delaware corporation (hereinafter “Griffon”) and Brian G. Harris (hereinafter, the “Executive”).

**WITNESSETH:**

WHEREAS, Griffon and the Executive entered into that certain Severance Agreement, dated as of July 30, 2015 (hereinafter, the “Severance Agreement”).

NOW, THEREFORE, the parties hereto agree to amend the Severance Agreement as follows, effective as of the date hereof.

1. Section 4(d)(i) shall be deleted in its entirety and replaced with the following:

“(i) a lump sum payment, to be paid as soon as administratively feasible following the date on which the release becomes effective, and in any event within ten (10) days thereafter, equal to two and one-half (2.5) times the sum of (A) the Salary (disregarding any reduction in Salary that would constitute Good Reason) and (B) the average of the total bonuses paid to the Executive for each of the three Fiscal Years immediately prior to such termination; and”

2. Section 4(d)(ii) shall be deleted in its entirety and replaced with the following:

“(ii) a pro-rata portion of the higher of (A) the actual bonus that the Executive received for the most recently completed Fiscal Year; or (B) the Target Bonus, to be paid as soon as administratively feasible following the date on which the release becomes effective, and in any event within ten (10) days thereafter; and”

3. The parties hereby agree that except as specifically provided in and modified by this Amendment, the Severance Agreement is in all other respects hereby ratified and confirmed. This Amendment shall be construed in accordance with the laws of the State of Delaware (without regard to principles of conflicts of law). This Amendment may be executed in one or more counterparts (including by facsimile, “portable document format,” or other electronic means) each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

**IN WITNESS WHEREOF**, the undersigned have executed this Amendment as of the day and year first written above.

**GRIFFON CORPORATION**

By: /s/ Seth L. Kaplan  
Name: Seth Kaplan  
Title: Senior Vice President

/s/ Brian G. Harris  
Brian G. Harris

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**AMENDMENT NO. 1 TO SEVERANCE AGREEMENT**

AMENDMENT NO. 1 TO THE SEVERANCE AGREEMENT (this “Amendment”) made as of April 28, 2022 by and between GRIFFON CORPORATION, a Delaware corporation (hereinafter “Griffon”) and Seth L. Kaplan (hereinafter, the “Executive”).

**WITNESSETH:**

WHEREAS, Griffon and the Executive entered into that certain Severance Agreement, dated as of April 27, 2010 (hereinafter, the “Severance Agreement”).

NOW, THEREFORE, the parties hereto agree to amend the Severance Agreement as follows, effective as of the date hereof.

1. Section 4(d)(i) shall be deleted in its entirety and replaced with the following:

“(i) a lump sum payment, to be paid as soon as administratively feasible following the date on which the release becomes effective, and in any event within ten (10) days thereafter, equal to two and one-half (2.5) times the sum of (A) the Salary (disregarding any reduction in Salary that would constitute Good Reason) and (B) the average of the total bonuses paid to the Executive for each of the three Fiscal Years immediately prior to such termination; and”

2. Section 4(d)(ii) shall be deleted in its entirety and replaced with the following:

“(ii) a pro-rata portion of the higher of (A) the actual bonus that the Executive received for the most recently completed Fiscal Year; or (B) the Target Bonus, to be paid as soon as administratively feasible following the date on which the release becomes effective, and in any event within ten (10) days thereafter; and”

3. The parties hereby agree that except as specifically provided in and modified by this Amendment, the Severance Agreement is in all other respects hereby ratified and confirmed. This Amendment shall be construed in accordance with the laws of the State of Delaware (without regard to principles of conflicts of law). This Amendment may be executed in one or more counterparts (including by facsimile, “portable document format,” or other electronic means) each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument.

**IN WITNESS WHEREOF**, the undersigned have executed this Amendment as of the day and year first written above.

**GRIFFON CORPORATION**

By: /s/ Brian G. Harris  
Name: Brian G. Harris  
Title: Chief Financial Officer

/s/ Seth L. Kaplan  
Seth L. Kaplan

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**Exhibit 31.1**

**CERTIFICATION**

I, Ronald J. Kramer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Griffon 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.

Date: April 28, 2022

/s/ Ronald J. Kramer  
Ronald J. Kramer  
Chief Executive Officer  
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION**

I, Brian G. Harris, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Griffon 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.

Date: April 28, 2022

/s/ Brian G. Harris  
Brian G. Harris  
Senior Vice President and Chief Financial Officer  
(Principal Financial Officer)

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

I, Ronald J. Kramer, Chief Executive Officer of Griffon Corporation, hereby certify that the Form 10-Q of Griffon Corporation for the period ended March 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) 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 operations of Griffon Corporation.

/s/ Ronald J. Kramer

\_\_\_\_\_  
Name: Ronald J. Kramer

Date: April 28, 2022

I, Brian G. Harris, Senior Vice President and Chief Financial Officer of Griffon Corporation, hereby certify that the Form 10-Q of Griffon Corporation for the period ended March 31, 2022 fully complies with the requirements of Section 13(a) or 15(d) 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 operations of Griffon Corporation.

/s/ Brian G. Harris

\_\_\_\_\_  
Name: Brian G. Harris

Date: April 28, 2022

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