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

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): November 14, 2022

Power Solutions International, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-35944
(Commission
File Number)

33-0963637
(IRS Employer
Identification No.)

201 Mittel Drive, Wood Dale, Illinois 60191
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code: (630) 350-9400

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	—	—

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition.

On November 14, 2022, Power Solutions International, Inc. (the “Company”) issued a press release announcing third quarter 2022 financial results and containing its outlook for 2022.

In accordance with General Instruction B.2. of Form 8-K, the information contained under Item 2.02 in this Current Report on Form 8-K, including Exhibit 99.1, is being furnished and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and will not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release of Power Solutions International, Inc., dated November 14, 2022.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Xun Li

Xun Li

Chief Financial Officer

Dated: November 14, 2022



Power Solutions International, Inc.

201 Mittel Drive
Wood Dale, Illinois 60191
www.psiengines.com

Power Solutions International Announces Third Quarter 2022 Financial Results

Net Income of \$3.2 Million, an Improvement of \$10.4 Million

Adjusted Net Income of \$4.2 million, an Improvement of \$9.0 Million

*Adjusted Earnings Per Share of \$0.18 Versus Adjusted Loss Per Share of \$0.21,
an Improvement of \$0.39*

*Earnings Per Share of \$0.14 Versus Loss Per Share of \$0.31,
an Improvement of \$0.45*

Gross Profit Growth of \$12.8 Million or 113%

WOOD DALE, Ill., November 14, 2022 — Power Solutions International, Inc. (the “Company” or “PSI”) (OTC Pink: PSIX), a leader in the design, engineering and manufacture of emission-certified engines and power systems, announced third quarter 2022 financial results.

Third Quarter 2022 Results

Sales for the third quarter of 2022 were \$124.9 million, an increase of \$7.3 million, or 6%, versus the comparable period last year, a result of sales increases of \$10.9 million and \$18.8 million in the power systems and industrial end markets, respectively, partly offset by a \$22.5 million decline in the transportation end market, which was expected during the year as the Company focuses on driving improved long-term profitability. Further, overall sales in the third quarter of 2022 continued to reflect supply chain challenges that impacted the Company’s ability to timely meet certain customer orders. Higher power systems end market sales were attributable to increased sales across various categories, including within standby, demand response, and to customers that have traditionally served the oil and gas market. Higher industrial end market sales are primarily due to increased demand for products across various applications, with the largest increase attributable to products used within the material handling/forklift market. The decreased sales within the transportation end market were primarily attributable to lower sales in the medium duty truck market, coupled with lower sales of school bus products.

Gross profit increased by \$12.8 million, or 113%, during the third quarter of 2022 as compared to the prior year. Gross margin in the third quarter of 2022 was 19.3%, an increase of 9.7 percentage points compared to 9.6% last year, primarily due to the impact of higher sales, improved mix and pricing actions, and lower warranty expenses, among other items. For the three months ended September 30, 2022, warranty costs were \$3.5 million, a decrease of \$3.8 million compared to warranty costs of \$7.3 million last year, due largely to lower volumes and a contract revision for the transportation end market engines during the three months ended September 30, 2022. A majority of the warranty activity is attributable to products sold within the transportation end market.

Operating expenses decreased by \$0.1 million, or 1%, versus the comparable period in 2021, due to lower research, development, and engineering (“R&D”) expenses as R&D expenses declined by \$0.6 million during the third quarter of 2022 versus the prior year, primarily due to overall efficiency improvements, executed R&D projects based on market trends and demands, as well as other prudent cost control measures taken during in the period. Additionally, selling, general and administrative costs increased \$0.6 million primarily attributable to higher incentive compensation expense and an increase of a legal reserve for an ongoing litigation matter offset by lower legal costs related to the Company’s indemnification obligations of former officers and employees in relation to the conclusion of the United States Attorney’s Office for the Northern District of Illinois’ trial involving former officers and employees during September 2021.

Interest expense was \$3.6 million in the third quarter of 2022 as compared to \$1.6 million in the prior year, largely due to higher average outstanding debt and a higher overall effective interest rate on the Company’s debt during the third quarter of 2022.

Net income in the third quarter of 2022 was \$3.2 million, or \$0.14 per share, versus a net loss of \$7.2 million, or a loss of \$0.31 per share for the comparable prior year period. Adjusted net income was \$4.2 million, or Adjusted earnings per share of \$0.18, versus Adjusted net loss of \$4.8 million, or Adjusted loss per share of \$0.21 for the third quarter of 2021. Adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”) was positive at \$9.9 million compared to an Adjusted EBITDA loss of \$1.5 million in the third quarter last year.

Net cash flows provided by operating activities was \$12.5 million in the third quarter of 2022 as compared to net cash used by operating activities of \$24.9 million in the prior year, primarily driven by the increase in earnings and improvements from working capital accounts.

See “Non-GAAP Financial Measures” below for the Company’s definition of total Adjusted net income (loss), Adjusted earnings (loss) per share, EBITDA and Adjusted EBITDA and the financial tables that accompany this release for reconciliations of these measures to their closest comparable GAAP measures.

Debt Update

The Company’s total debt was approximately \$211.7 million at September 30, 2022, while cash and cash equivalents were approximately \$16.5 million. Included in the Company’s total debt at September 30, 2022 were borrowings of \$130.0 million under the Uncommitted Revolving Credit Agreement with Standard Chartered Bank (the “Credit Agreement”) and borrowings of \$25.0 million, \$50.0 million, and \$5 million under the Second, Third and Fourth Shareholder’s Loan Agreements, respectively, with Weichai America Corp., the Company’s majority stockholder. The Credit Agreement includes financial covenants which were effective for the three months ended September 30, 2022, including an interest coverage ratio and a minimum EBITDA threshold, as further defined in the Credit Agreement. For the three months ended September 30, 2022, the Company was in compliance with the covenants.

The Company is working with Weichai to explore near-term financing solutions in addition to longer-term financing options including the extension of the Third Shareholder's Loan Agreement which expires on November 30, 2022.

Outlook for 2022

The Company expects its sales for the full year of 2022 to increase by at least 3% versus 2021 levels, the result of expectations for strong growth in the industrial and power systems end markets, partly offset by an expected reduction in sales in the transportation end market as the Company focuses on driving improved long-term profitability. Gross profit as a percentage of sales is targeted to improve by at least 7 percentage points in the full year of 2022. Further, in the last quarter of 2022, the Company anticipates continued year-over-year growth in the industrial and power systems end markets, partly offset by a reduction in the transportation end market.

Notwithstanding this outlook, which is being driven in part by expectations for an improvement in supply chain dynamics, including timelier availability of parts, and a continuation of favorable conditions across the Company's various markets, the Company cautions that significant uncertainty remains as a result of supply chain challenges, inflationary costs, commodity volatility, and the COVID-19 pandemic, among other factors.

Management Comments

Dino Xykis, interim chief executive officer, commented, "We are pleased to have continued the momentum from the second quarter as we saw continued sales growth and significant improvement in our gross margin and profitability."

He continued, "As we look to close out the last quarter of 2022, we are optimistic that these recent trends will continue for 2022 and into the following year."

About Power Solutions International, Inc.

Power Solutions International, Inc. (PSI) is a leader in the design, engineering and manufacture of a broad range of advanced, emission-certified engines and power systems. PSI provides integrated turnkey solutions to leading global original equipment manufacturers and end-user customers within the power systems, industrial and transportation end markets. The Company's unique in-house design, prototyping, engineering and testing capabilities allow PSI to customize clean, high-performance engines using a fuel agnostic strategy to run on a wide variety of fuels, including natural gas, propane, gasoline, diesel and biofuels.

PSI develops and delivers complete power systems that are used worldwide in stationary and mobile power generation applications supporting standby, prime, demand response, microgrid, and co-generation power (CHP) applications; and industrial applications that include forklifts, agricultural and turf, arbor care, industrial sweepers, aerial lifts, irrigation pumps, ground support, and construction equipment. In addition, PSI develops and delivers powertrains purpose-built for medium-duty trucks and buses including school and transit buses, work trucks, terminal tractors, and various other vocational vehicles. For more information on PSI, visit www.psiengines.com.

Cautionary Note Regarding Forward-Looking Statements

This press release contains forward-looking statements regarding the current expectations of the Company about its prospects and opportunities. These forward-looking statements are entitled to the safe-harbor provisions of Section 21E of the Securities Exchange Act of 1934. The Company has tried to identify these forward-looking statements by using words such as “anticipate,” “believe,” “budgeted,” “contemplate,” “estimate,” “expect,” “forecast,” “guidance,” “may,” “outlook,” “plan,” “projection,” “should,” “target,” “will,” “would,” or similar expressions, but these words are not the exclusive means for identifying such statements. These statements are subject to a number of risks, uncertainties, and assumptions that may cause actual results, performance or achievements to be materially different from those expressed in, or implied by, such statements.

The Company cautions that the risks, uncertainties and other factors that could cause its actual results to differ materially from those expressed in, or implied by, the forward-looking statements, include, without limitation: the impact of the ongoing COVID-19 pandemic could have on the Company’s business and financial results; the Company’s ability to continue as a going concern; the Company’s ability to raise additional capital when needed and its liquidity; uncertainties around the Company’s ability to meet funding conditions under its financing arrangements and access to capital thereunder; the potential acceleration of the maturity at any time of the loans under the Company’s uncommitted senior secured revolving credit facility through the exercise by Standard Chartered Bank of its demand right; the impact of rising interest rates; the timing of completion of steps to address, and the inability to address and remedy, material weaknesses; the identification of additional material weaknesses or significant deficiencies; risks related to complying with the terms and conditions of the settlements with the Securities and Exchange Commission (the “SEC”) and the United States Attorney’s Office for the Northern District of Illinois (the “USAO”); variances in non-recurring expenses; risks relating to the substantial costs and diversion of personnel’s attention and resources deployed to address the internal control matters; the Company’s obligations to indemnify past and present directors and officers and certain current and former employees with respect to the investigations conducted by the SEC, which will be funded by the Company with its existing cash resources due to the exhaustion of its historical primary directors’ and officers’ insurance coverage; the ability of the Company to accurately forecast sales, and the extent to which sales result in recorded revenues; changes in customer demand for the Company’s products; volatility in oil and gas prices; the impact of U.S. tariffs on imports from China on the Company’s supply chain; impact on the global economy of the war in Ukraine; the impact of supply chain interruptions and raw material shortages; the potential impact of higher warranty costs and the Company’s ability to mitigate such costs; any delays and challenges in recruiting and retaining key employees consistent with the Company’s plans; any negative impacts from delisting of the Company’s common stock par value \$0.001 from the NASDAQ Stock Market and any delays and challenges in obtaining a re-listing on a stock exchange; and the risks and uncertainties described in reports filed by the Company with the SEC, including without limitation its Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and the Company’s subsequent filings with the SEC.

The Company's forward-looking statements are presented as of the date hereof. Except as required by law, the Company expressly disclaims any intention or obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contact:

Power Solutions International, Inc.

Matt Thomas

Corporate Controller

(630) 509-6383

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Condensed consolidated results of operations for the three and nine months ended September 30, 2022 compared with the three and nine months ended September 30, 2021:

(in thousands, except per share amounts)

	For the Three Months Ended September 30,		Change	% Change	For the Nine Months Ended September 30,		Change	% Change
	2022	2021			2022	2021		
Net sales	\$ 124,900	\$ 117,630	\$ 7,270	6%	\$ 344,326	\$ 329,279	\$ 15,047	5%
Cost of sales	100,792	106,288	(5,496)	(5)%	285,181	297,673	(12,492)	(4)%
Gross profit	24,108	11,342	12,766	113%	59,145	31,606	27,539	87%
<i>Gross margin %</i>	19.3%	9.6%	9.7%		17.2%	9.6%	7.6%	
Operating expenses:								
Research, development and engineering expenses	4,819	5,437	(618)	(11)%	13,931	17,772	(3,841)	(22)%
<i>Research, development and engineering expenses as a % of sales</i>	3.9%	4.6%	(0.7)%		4.0%	5.4%	(1.4)%	
Selling, general and administrative expenses	11,541	10,958	583	5%	32,922	47,858	(14,936)	(31)%
<i>Selling, general and administrative expenses as a % of sales</i>	9.2%	9.3%	(0.1)%		9.6%	14.5%	(4.9)%	
Amortization of intangible assets	526	634	(108)	(17)%	1,598	1,901	(303)	(16)%
Total operating expenses	16,886	17,029	(143)	(1)%	48,451	67,531	(19,080)	(28)%
Operating income (loss)	7,222	(5,687)	12,909	227%	10,694	(35,925)	46,619	130%
Other expense, net:								
Interest expense	3,615	1,623	1,992	123%	8,729	5,253	3,476	66%
Other expense (income), net	—	—	—	NM	—	1	(1)	NM
Total other expense, net	3,615	1,623	1,992	123%	8,729	5,254	3,475	66%
Income (Loss) before income taxes	3,607	(7,310)	10,917	149%	1,965	(41,179)	43,144	105%
Income tax expense (benefit)	415	(133)	548	NM	14	(281)	295	(105)%
Net income (loss)	\$ 3,192	\$ (7,177)	\$ 10,369	144%	\$ 1,951	\$ (40,898)	\$ 42,849	105%
Earnings (Loss) per common share:								
Basic	\$ 0.14	\$ (0.31)	\$ 0.45	145%	\$ 0.09	\$ (1.79)	\$ 1.88	105%
Diluted	\$ 0.14	\$ (0.31)	\$ 0.45	145%	\$ 0.09	\$ (1.79)	\$ 1.88	105%
Non-GAAP Financial Measures:								
Adjusted net income (loss) *	\$ 4,159	\$ (4,841)	\$ 9,000	186%	\$ 6,095	\$ (21,571)	\$ 27,666	128%
Adjusted earnings (loss) per share – diluted *	\$ 0.18	\$ (0.21)	\$ 0.39	186%	\$ 0.27	\$ (0.95)	\$ 1.22	128%
EBITDA *	\$ 8,887	\$ (3,851)	\$ 12,738	331%	\$ 15,824	\$ (30,378)	\$ 46,202	152%
Adjusted EBITDA *	\$ 9,854	\$ (1,515)	\$ 11,369	NM	\$ 19,506	\$ (10,496)	\$ 30,002	NM

NM Not meaningful

1. Non-GAAP measurement, see reconciliation below

POWER SOLUTIONS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except par values)

	As of September 30, 2022 (unaudited)	As of December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,477	\$ 6,255
Restricted cash	3,565	3,477
Accounts receivable, net of allowances of \$3,115 and \$3,420 as of September 30, 2022 and December 31, 2021, respectively	82,732	65,110
Income tax receivable	567	4,276
Inventories, net	127,221	142,192
Prepaid expenses and other current assets	17,849	8,918
Total current assets	248,411	230,228
Property, plant and equipment, net	14,389	17,344
Intangible assets, net	6,186	7,784
Goodwill	29,835	29,835
Other noncurrent assets	12,762	15,347
TOTAL ASSETS	\$ 311,583	\$ 300,538
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 73,120	\$ 93,256
Current maturities of long-term debt	217	254
Revolving line of credit	130,000	130,000
Other short-term financing	81,001	25,000
Other accrued liabilities	42,618	34,801
Total current liabilities	326,956	283,311
Deferred income taxes	1,041	1,016
Long-term debt, net of current maturities	455	25,636
Noncurrent contract liabilities	3,412	3,330
Other noncurrent liabilities	19,479	29,268
TOTAL LIABILITIES	\$ 351,343	\$ 342,561
STOCKHOLDERS' DEFICIT		
Preferred stock – \$0.001 par value. Shares authorized: 5,000. No shares issued and outstanding at all dates.	\$ —	\$ —
Common stock – \$0.001 par value; 50,000 shares authorized; 23,117 shares issued; 22,950 and 22,926 shares outstanding at September 30, 2022 and December 31, 2021, respectively	23	23
Additional paid-in capital	157,603	157,436
Accumulated deficit	(196,415)	(198,366)
Treasury stock, at cost, 167 and 191 shares at September 30, 2022 and December 31, 2021, respectively	(971)	(1,116)
TOTAL STOCKHOLDERS' DEFICIT	(39,760)	(42,023)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 311,583	\$ 300,538

POWER SOLUTIONS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash used in operating activities				
Net income (loss)	\$ 3,192	\$ (7,177)	\$ 1,951	\$ (40,898)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Amortization of intangible assets	526	634	1,598	1,901
Depreciation	1,139	1,202	3,532	3,647
Stock-based compensation expense	62	102	315	334
Amortization of financing fees	447	475	1,730	2,102
Deferred income taxes	250	(192)	25	179
Other adjustments, net	418	149	900	652
Changes in operating assets and liabilities:				
Accounts receivable, net	4,071	5,034	(17,635)	5,611
Income taxes receivable	3,710	—	3,710	—
Inventory, net	3,500	(15,750)	14,548	(37,167)
Prepaid expenses and other assets	(4,689)	(2,508)	(6,289)	(2,497)
Accounts payable	(2,780)	10,323	(20,186)	58,798
Accrued expenses	3,627	(16,789)	7,802	(26,911)
Other noncurrent liabilities	(987)	(365)	(9,708)	(4,852)
Net cash provided by (used in) operating activities	<u>12,486</u>	<u>(24,862)</u>	<u>(17,707)</u>	<u>(39,101)</u>
Cash (used in) provided by investing activities				
Capital expenditures	(483)	(971)	(991)	(2,156)
Return of investment in joint venture	—	82	—	2,263
Other investing activities, net	—	52	—	88
Net cash (used in) provided by investing activities	<u>(483)</u>	<u>(837)</u>	<u>(991)</u>	<u>195</u>
Cash provided by (used in) financing activities				
Repayments of long-term debt and lease liabilities	(38)	(93)	(203)	(286)
Proceeds from short-term financings	1,762	26,171	31,582	26,309
Repayment of short-term financings	(581)	(708)	(581)	(708)
Payments of deferred financing costs	(1)	(13)	(1,787)	(2,562)
Other financing activities, net	(1)	(36)	(3)	(40)
Net cash provided by financing activities	<u>1,141</u>	<u>25,321</u>	<u>29,008</u>	<u>22,713</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>13,144</u>	<u>(378)</u>	<u>10,310</u>	<u>(16,193)</u>
Cash, cash equivalents, and restricted cash at beginning of the period	6,898	8,452	9,732	24,267
Cash, cash equivalents, and restricted cash at end of the period	<u>\$ 20,042</u>	<u>\$ 8,074</u>	<u>\$ 20,042</u>	<u>\$ 8,074</u>

Non-GAAP Financial Measures

In addition to the results provided in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) above, this report also includes non-GAAP (adjusted) financial measures. Non-GAAP financial measures provide insight into selected financial information and should be evaluated in the context in which they are presented. These non-GAAP financial measures have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, financial information presented in compliance with U.S. GAAP, and non-GAAP financial measures as reported by the Company may not be comparable to similarly titled amounts reported by other companies. The non-GAAP financial measures should be considered in conjunction with the consolidated financial statements, including the related notes, and *Management’s Discussion and Analysis of Financial Condition and Results of Operations* included in this report. Management does not use these non-GAAP financial measures for any purpose other than the reasons stated below.

<u>Non-GAAP Financial Measure</u>	<u>Comparable GAAP Financial Measure</u>
Adjusted net income (loss)	Net income (loss)
Adjusted earnings (loss) per share	Earnings (loss) per common share – diluted
EBITDA	Net income (loss)
Adjusted EBITDA	Net income (loss)

The Company believes that Adjusted net income (loss), Adjusted earnings (loss) per share, EBITDA, and Adjusted EBITDA provide relevant and useful information, which is widely used by analysts, investors and competitors in its industry as well as by the Company’s management in assessing the performance of the Company. Adjusted net income (loss) is defined as net income (loss) as adjusted for certain items that the Company believes are not indicative of its ongoing operating performance. Adjusted earnings (loss) per share is a measure of the Company’s diluted earnings (loss) per common share adjusted for the impact of special items. EBITDA provides the Company with an understanding of earnings before the impact of investing and financing charges and income taxes. Adjusted EBITDA further excludes the effects of other non-cash charges and certain other items that do not reflect the ordinary earnings of the Company’s operations.

Adjusted net income (loss), Adjusted earnings (loss) per share, EBITDA, and Adjusted EBITDA are used by management for various purposes, including as a measure of performance of the Company’s operations and as a basis for strategic planning and forecasting. Adjusted net income (loss), Adjusted earnings (loss) per share, and Adjusted EBITDA may be useful to an investor because these measures are widely used to evaluate companies’ operating performance without regard to items excluded from the calculation of such measures, which can vary substantially from company to company depending on the accounting methods, the book value of assets, the capital structure and the method by which the assets were acquired, among other factors. They are not, however, intended as alternative measures of operating results or cash flow from operations as determined in accordance with U.S. GAAP.

The following table presents a reconciliation from Net income (loss) to Adjusted net income (loss) for the three and nine months ended September 30, 2022 and 2021:

(in thousands)	<u>For the Three Months Ended September 30,</u>		<u>For the Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net income (loss)	\$ 3,192	\$ (7,177)	\$ 1,951	\$ (40,898)
Stock-based compensation ¹	62	102	315	334
Severance ²	(2)	(2)	462	690
Internal control remediation ³	(49)	268	448	971
Government investigations and other legal matters ⁴	956	1,968	2,457	17,887
Discrete income tax items ⁵	—	—	—	(555)
Adjusted net income (loss)	\$ 4,159	\$ (4,841)	\$ 5,633	\$ (21,571)

The following table presents a reconciliation from Income (Loss) per common share – diluted to Adjusted income (loss) per share – diluted for the three and nine months ended September 30, 2022 and 2021:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Earnings (Loss) per common share – diluted	\$ 0.14	\$ (0.31)	\$ 0.09	\$ (1.79)
Stock-based compensation ¹	—	—	0.01	0.01
Severance ²	—	—	0.02	0.03
Internal control remediation ³	—	0.01	0.02	0.04
Government investigations and other legal matters ⁴	0.04	0.09	0.11	0.78
Discrete income tax items ⁵	—	—	—	(0.02)
Adjusted earnings (loss) per share	\$ 0.18	\$ (0.21)	\$ 0.25	\$ (0.95)
Diluted shares (in thousands)	22,959	22,920	22,944	22,902

The following table presents a reconciliation from Net income (loss) to EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2022 and 2021:

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 3,192	\$ (7,177)	\$ 1,951	\$ (40,898)
Interest expense	3,615	1,623	8,729	5,253
Income tax expense (benefit)	415	(133)	14	(281)
Depreciation	1,139	1,202	3,532	3,647
Amortization of intangible assets	526	634	1,598	1,901
EBITDA	8,887	(3,851)	15,824	(30,378)
Stock-based compensation ¹	62	102	315	334
Severance ²	(2)	(2)	462	690
Internal control remediation ³	(49)	268	448	971
Government investigations and other legal matters ⁴	956	1,968	2,457	17,887
Adjusted EBITDA	\$ 9,854	\$ (1,515)	\$ 19,506	\$ (10,496)

1. Amounts reflect non-cash stock-based compensation expense.
2. Amounts represent severance and other post-employment costs for certain former employees of the Company.
3. Amounts represent professional services fees related to the Company's efforts to remediate internal control material weaknesses including certain costs to upgrade IT systems.
4. Amounts include professional services fees for the three and nine months ended September 30, 2022 of a benefit of less than \$(0.1) million, resulting from credit for prior legal fees, and expense of \$0.1 million, respectively, and expense of \$1.6 million and \$15.2 million, respectively, for the three and nine months ended September 30, 2021, related to costs to indemnify certain former officers and employees of the Company. The Company is obligated to pay legal costs of certain former officers and employees in accordance with Company bylaws and certain indemnification agreements. As further discussed in Note 9. *Commitments and Contingencies* of Part I, Item 1. *Financial Statements*, the Company fully exhausted its historical primary directors' and officers' insurance coverage in connection with these matters during the first quarter of 2020. Also included are professional services fees and reserves related to certain other legal matters.
5. Amounts reflect adjustments for impacts of the CARES Act for the three and nine months ended September 30, 2021.