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 September 30, 2026

or

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

For the transition period from _____to_____
Commission file number 001-35944

POWER SOLUTIONS INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**33-0963637**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
201 Mittel Drive, Wood Dale, IL	**60191**
(Address of Principal Executive Offices)	(Zip Code)

(630) 350-9400
(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, par value $0.001 per share	PSIX	Nasdaq Stock Market

Securities Registered Pursuant to Section 12(g) of the Act:

_____

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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 29, 2026, there were 23,065,450 outstanding shares of the Common Stock of the registrant.

TABLE OF CONTENTS

		Page
	PART I – FINANCIAL INFORMATION	
	Forward-Looking Statements	3
Item 1.	Financial Statements	4
	Consolidated Balance Sheets	4
	Consolidated Statements of Income	5
	Consolidated Statements of Stockholders' Equity	6
	Consolidated Statements of Cash Flows	7
	Notes to Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	38
Item 4.	Controls and Procedures	38
	PART II – OTHER INFORMATION	
Item 1.	Legal Proceedings	39
Item 1A.	Risk Factors	39
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	39
Item 3.	Defaults Upon Senior Securities	39
Item 4.	Mine Safety Disclosures	39
Item 5.	Other Information	39
Item 6.	Exhibits	40
	Signatures	40

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Quarterly Report on Form 10-Q for the three months ended September 30, 2026, (the "Quarterly Report") that are not historical facts are intended to constitute "forward-looking statements" entitled to the safe-harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements may involve risks and uncertainties. These statements often include 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 forward-looking statements include statements regarding Power Solutions International, Inc.'s, a Delaware corporation ("Power Solutions," "PSI" or the "Company"), projected sales, potential profitability and liquidity, strategic initiatives, future business strategies, warranty mitigation efforts and market opportunities, improvements in its business, improvement of product margins, and product market conditions and trends. These statements are not guarantees of performance or results, and they involve risks, uncertainties and assumptions. Although the Company believes that these forward-looking statements are based on reasonable assumptions, there are many factors that could affect the Company's results of operations and liquidity and could cause actual results, performance or achievements to differ materially from those expressed in, or implied by, the Company's forward-looking 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 Company's ability to comply with the financial and other covenants under the Credit Facility; the timing and ultimate conversion of Power Systems orders into revenue, including data-center-related orders, and the volume and timing of related shipments; quarterly variability in product mix, including the relative contribution of data center and oil and gas products, and the corresponding effect on gross profit and gross margin; customer-specific product requirements and changes in the timing, mix and production requirements of custom product orders, which may affect production costs, shipment timing, net sales and gross margin; the amount and timing of tariff refunds and other non-recurring items, and year-end adjustments, including those arising from inventory counts; the cost, pace, throughput and operational outcomes of capacity ramp-up activities at the Company's Wisconsin operations, including the duration and magnitude of related production costs; the Company's ability to execute operational improvement initiatives on the anticipated timetable; the level and persistence of customer demand in the power systems, industrial and transportation end markets; the concentration of the Company's sales among a limited number of customers, including in the data center market; volatility in oil and gas prices and corresponding demand for related products; supply-chain disruptions, continuing material availability constraints and supplier performance, which may delay deliveries or change the mix of products shipped; macroeconomic, regulatory and trade conditions, including U.S. tariffs and trade restrictions; integration of recent and future acquisitions, including the acquisition of MTL Manufacturing and Equipment; the Company's ability to achieve the objectives of its Power Boost 2030 strategy; the outcome of pending or future litigation, including the previously disclosed putative federal securities class action and the related consolidated stockholder derivative action, and of any governmental or regulatory inquiries; changes in management or other key personnel and the Company's ability to recruit and retain key employees; the impact of changes in our effective tax rate or applicable tax legislation; the effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures; and the other risks and uncertainties described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 and in the Company's subsequent filings with the U.S. Securities and Exchange Commission (the "SEC"), all of which are incorporated by reference into this Quarterly Report.

The Company's forward-looking statements speak only as of the date of this filing. Except as required by law, the Company expressly disclaims any intention or obligation to revise or update any forward-looking statement, whether as a result of new information, future events or otherwise. Investors are cautioned not to place undue reliance on any forward-looking statements.

AVAILABLE INFORMATION

The Company is subject to the reporting and information requirements of the Exchange Act, and as a result, it is obligated to file annual, quarterly and current reports, proxy and information statements and other information with the SEC. The Company makes these filings available free of charge on its website (http://www.psiengines.com) as soon as reasonably practicable after it electronically files them with, or furnishes them to, the SEC. Information on the Company's website does not constitute part of this Quarterly Report. In addition, the SEC maintains a website (http://www.sec.gov) that contains the annual, quarterly and current reports, proxy and information statements, and other information the Company electronically files with, or furnishes to, the SEC.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

POWER SOLUTIONS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except par values)	As of September 30, 2026 (unaudited)	As of December 31, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	$ 72,031	$ 41,250
Restricted cash	4,479	3,698
Accounts receivable, net of allowances of $1,002 and $967 as of September 30, 2026 and December 31, 2025, respectively; (from related parties $200 and $415 as of September 30, 2026 and December 31, 2025, respectively)	79,799	90,446
Income tax receivable	—	6,442
Inventories, net	123,375	127,363
Prepaid expenses	5,354	4,500
Contract assets	22,527	15,965
Other current assets	975	1,256
Total current assets	308,540	290,920
Property, plant and equipment, net	33,485	23,014
Operating lease right-of-use assets, net	58,212	52,911
Intangible assets, net	1,062	1,236
Goodwill	34,921	29,835
Deferred tax assets	7,136	13,322
Customs-related deposits	12,978	12,893
Other noncurrent assets	1,185	614
TOTAL ASSETS	$ 457,519	$ 424,745
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable (to related parties $18,800 and $4,126 as of September 30, 2026 and December 31, 2025, respectively)	$ 72,800	$ 48,196
Tariff refund liability	1,439	—
Current maturities of long-term debt	15	28
Finance lease liability, current	414	355
Operating lease liability, current	7,801	6,346
Other short-term financing	250	—
Other accrued liabilities (to related parties $73 and $60 as of September 30, 2026 and December 31, 2025, respectively)	44,495	37,353
Total current liabilities	127,214	92,278
Long-term debt, net of current maturities	875	10
Revolving line of credit, long-term	35,000	95,000
Finance lease liability, long-term	1,165	1,224
Operating lease liability, long-term	52,486	49,397
Noncurrent contract liabilities	1,635	1,699
Other noncurrent liabilities	6,095	6,528
TOTAL LIABILITIES	$ 224,470	$ 246,136
Commitments and Contingencies (Note 11)		
STOCKHOLDERS' EQUITY		
Common stock – $0.001 par value; 50,000 shares authorized; 23,117 shares issued; 23,066 and 23,041 shares outstanding at September 30, 2026 and December 31, 2025, respectively	23	23
Additional paid-in capital	158,359	157,602
Retained earnings	76,567	22,476
Treasury stock, at cost, 51 and 76 shares at September 30, 2026 and December 31, 2025, respectively	(1,900)	(1,492)
TOTAL STOCKHOLDERS' EQUITY	233,049	178,609
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 457,519	$ 424,745

See Notes to Condensed Consolidated Financial Statements

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

(in thousands, except per share amounts)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Net sales (including related party amounts of $1 and $398 for the three months ended September 30, 2026 and 2025, respectively, $20 and $1,263 for the nine months ended September 30, 2026 and 2025, respectively)	$ 202,074	$ 203,829	$ 483,211	$ 531,182
Cost of sales (derived from related party net sales $0 and $275 for the three months ended September 30, 2026 and 2025, respectively, and $8 and $863 for the nine months ended September 30, 2026 and 2025, respectively)	142,133	155,118	352,477	388,094
Gross profit	59,941	48,711	130,734	143,088
Operating expenses:				
Research and development expenses	5,093	4,790	14,949	13,649
Selling, general and administrative expenses	13,689	15,256	38,784	43,045
Amortization of intangible assets	265	308	794	921
Total operating expenses	19,047	20,354	54,527	57,615
Operating income	40,894	28,357	76,207	85,473
Other expense (income), net:				
Interest expense (from related parties of $0 and $0 for the three months ended September 30, 2026 and 2025, respectively, and $0 and $634 for the nine months ended September 30, 2026 and 2025, respectively)	961	1,617	4,276	5,083
Other expense (income)	(155)	—	(361)	(295)
Total other expense, net	806	1,617	3,915	4,788
Income before income taxes	40,088	26,740	72,292	80,685
Income tax expense (benefit)	10,158	(876)	18,201	(17,225)
Net income	$ 29,930	$ 27,616	$ 54,091	$ 97,910
Weighted-average common shares outstanding:				
Basic	23,064	23,033	23,053	23,015
Diluted	23,075	23,061	23,070	23,062
Earnings per common share:				
Basic	$ 1.30	$ 1.20	$ 2.35	$ 4.25
Diluted	$ 1.30	$ 1.20	$ 2.34	$ 4.25

See Notes to Condensed Consolidated Financial Statements

POWER SOLUTIONS INTERNATIONAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

(in thousands)

	For the Three Months Ended				
	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Total Stockholders' Equity
Balance at June 30, 2026	$ 23	$ 158,308	$ 46,637	$ (1,900)	$ 203,068
Net income	—	—	29,930	—	29,930
Stock-based compensation expense	—	51	—	—	51
Balance at September 30, 2026	$ 23	$ 158,359	$ 76,567	$ (1,900)	$ 233,049
Balance at June 30, 2025	23	157,775	(21,217)	(930)	135,651
Net income	—	—	27,616	—	27,616
Stock Appreciation Rights ("SAR") exercised	—	(175)	—	175	—
Stock-based compensation expense	—	19	—	—	19
Repurchases to settle tax withholding obligations for stock-based compensation awards	—	—	—	(832)	(832)
Balance at September 30, 2025	$ 23	$ 157,619	$ 6,399	$ (1,587)	$ 162,454

(in thousands)

	For the Nine Months Ended				
	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 2025	$ 23	$ 157,602	$ 22,476	$ (1,492)	$ 178,609
Net income	—	—	54,091	—	54,091
Stock Appreciation Rights ("SAR") exercised	—	(148)		148	—
Stock-based compensation expense	—	905	—	—	905
Repurchases to settle tax withholding obligations for stock-based compensation awards	—	—	—	(556)	(556)
Balance at September 30, 2026	$ 23	$ 158,359	$ 76,567	$ (1,900)	$ 233,049
Balance at December 31, 2024	$ 23	$ 157,561	$ (91,511)	$ (823)	$ 65,250
Net income	—	—	97,910	—	97,910
Stock Appreciation Rights ("SAR") exercised	—	(268)	—	268	—
Stock-based compensation expense	—	326		—	326
Repurchases to settle tax withholding obligations for stock-based compensation awards	—	—	—	(1,032)	(1,032)
Balance at September 30, 2025	$ 23	$ 157,619	$ 6,399	$ (1,587)	$ 162,454

See Notes to Condensed Consolidated Financial Statements

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

(in thousands)	For the Nine Months Ended September 30,	
	2026	**2025**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 54,091	$ 97,910
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of intangible assets	794	921
Depreciation	4,244	3,087
Noncash lease expense	4,833	4,486
Stock-based compensation expense	905	326
Amortization of financing fees	597	495
Deferred income taxes	6,186	(21,083)
Provision (credit) for losses in accounts receivable	35	(750)
Increase in allowance for inventory obsolescence, net	1,504	331
Other adjustments, net	1,095	55
Changes in operating assets and liabilities, net of effects of business combinations:		
Accounts receivable	13,707	(18,262)
Inventories	6,713	(55,910)
Prepaid expenses	(854)	1,352
Contract assets	(6,561)	8,197
Other assets	31	(7,184)
Accounts payable	22,639	25,337
Tariff refund liability	1,439	—
Income taxes receivable	6,442	(5,368)
Accrued expenses and other current liabilities	5,074	2,500
Other noncurrent liabilities	(6,305)	(7,710)
Net cash provided by operating activities	116,609	28,730
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(5,295)	(6,968)
Proceeds from disposal of assets	—	11
Business acquisition	(11,911)	—
Net cash used in investing activities	(17,206)	(6,957)
CASH FROM FINANCING ACTIVITIES		
Repayment of long-term debt and lease liabilities	(101,376)	(354)
Proceeds from long-term financings	35,000	—
Repayment of short-term financings	—	(25,000)
Payments of deferred financing costs	(899)	(1,152)
Repurchases to settle tax withholding obligations for stock-based compensation awards	(556)	(1,032)
Other financing activities, net	(10)	—
Net cash used in financing activities	(67,841)	(27,538)
Net increase (decrease) in cash, cash equivalents, and restricted cash	31,562	(5,765)
Cash, cash equivalents, and restricted cash at beginning of the period	44,948	58,491
Cash, cash equivalents, and restricted cash at end of the period	$ 76,510	$ 52,726

(in thousands)	As of September 30,	
	2026	**2025**
Reconciliation of cash, cash equivalents, and restricted cash to the Consolidated Balance Sheets		
Cash and cash equivalents	$ 72,031	$ 49,046
Restricted cash	4,479	3,680
Total cash, cash equivalents, and restricted cash	$ 76,510	$ 52,726

See Notes to Condensed Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies and Other Information

Nature of Business Operations

Power Solutions International, Inc. ("Power Solutions," "PSI" or the "Company"), a Delaware corporation, is a global producer and distributor of a broad range of high-performance, certified, low-emission power systems, including alternative-fueled power systems for original equipment manufacturers ("OEMs") of off-highway industrial equipment and large custom-engineered integrated electrical power generation systems.

The Company's customers include large, industry-leading and multinational organizations. The Company's products and services are sold predominantly to customers throughout North America as well as to customers located throughout the Pacific Rim and Europe. The Company's power systems are highly engineered, comprehensive systems which, through the Company's technologically sophisticated development and manufacturing processes, including its in-house design, prototyping, testing and engineering capabilities and its analysis and determination of the specific components to be integrated into a given power system (driven in large part by emission standards and cost considerations), allow the Company to provide its customers with power systems customized to meet specific OEM application requirements, other customers' technical specifications and requirements imposed by environmental regulatory bodies.

The Company's power system configurations range from a basic engine integrated with appropriate fuel system components to completely packaged power systems that include any combination of cooling systems, electronic systems, air intake systems, fuel systems, housings, power takeoff systems, exhaust systems, hydraulic systems, enclosures, brackets, hoses, tubes and other assembled componentry. The Company also designs and manufactures large, custom-engineered integrated electrical power generation systems for both standby and prime power applications. The Company purchases engines from third-party suppliers and produces internally designed engines, all of which are then integrated into its power systems.

Of the other components that the Company integrates into its power systems, a substantial portion consist of internally designed components and components for which it coordinates significant design efforts with third-party suppliers, with the remainder consisting largely of parts that are sourced off-the-shelf from third-party suppliers. Some of the key components (including purchased engines) embody proprietary intellectual property of the Company's suppliers. As a result of its design and manufacturing capabilities, the Company is able to provide its customers with a power system that can be incorporated into a customer's specified application. In addition to the certified products described above, the Company sells diesel, gasoline and non-certified power systems and after-market components.

During the first quarter of 2026, the Company acquired MTL Manufacturing & Equipment, Inc. ("MTL"), which engages in the welding, fabrication, painting, and assembly of steel components. The acquisition expands the Company's manufacturing capabilities and vertical integration.

Stock Ownership and Control

Weichai America Corp., a wholly-owned subsidiary of Weichai Power Co., Ltd. (HK2338, SZ000338) (herein collectively referred to as "Weichai"), owns approximately 46.0% of the outstanding shares of the Company's Common Stock as of September 30, 2026. Weichai has entered into an Investor Rights Agreement (the "Rights Agreement") with the Company. The Rights Agreement provides Weichai with representation on the Company's Board of Directors (the "Board") and management representation rights. Weichai currently has four representatives on the Board, which constitutes the majority of the directors serving on the Board. In addition, the Company and Weichai have entered into a Shareholders Agreement with the Company's founders (the "Founders"), pursuant to which the Founders have agreed to vote in favor of Weichai's designees to the Board and for certain other matters. Based solely on the most recent Schedule 13D amendment filed with the SEC by Gary Winemaster, one of the Founders, on September 18, 2025, the Company believes the Founders hold between 5% and 10% of the Company's outstanding Common Stock as of September 30, 2026. As a result, of its ownership, Board representation and the voting arrangements under the Shareholders Agreement, Weichai is able to exercise control over matters requiring stockholders' approval, including the election of directors, amendment of the Company's Certificate of Incorporation (the "Charter") and approval of significant corporate transactions. This control could have the effect of delaying or preventing a change of control of the Company or changes in management and will make the approval of certain transactions impractical without the support of Weichai.

According to the Rights Agreement, during any period when the Company is a "controlled company" within the meaning of the Nasdaq Listing Rules, it will take such measures as to avail itself of the "controlled company" exemptions available under Rule 5615 of the Nasdaq Listing Rules from Rules 5605(b), (d) and (e) to the extent applicable.

Basis of Presentation and Consolidation

The Company is filing this Form 10-Q for the quarterly period ended September 30, 2026, which contains unaudited condensed consolidated financial statements as of September 30, 2026 and for the three and nine months ended September 30, 2026 and 2025.

The consolidated financial statements include the accounts of Power Solutions International, Inc. and its wholly-owned subsidiaries and majority-owned subsidiaries over which the Company exercises control. The consolidated financial statements were prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") and rules and regulations of the SEC for interim financial reporting. All intercompany balances and transactions have been eliminated in consolidation.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The accompanying unaudited Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q and include all of the information and disclosures required by U.S GAAP for interim financial reporting. These unaudited Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements of the Company and related footnotes for the year ended December 31, 2025, included in the 2025 Annual Report on Form 10-K, filed with the SEC on March 2, 2026 (the "2025 Annual Report"). There have been no material changes in the Company's significant accounting policies as compared to the significant accounting policies described in the Company's 2025 Annual Report. The accompanying interim financial information is unaudited; however, the Company believes the financial information reflects all adjustments (consisting of items of a normal recurring nature) necessary for a fair presentation of its financial position, results of operations and cash flows in conformity with U.S. GAAP. Operating results for interim periods are not necessarily indicative of annual operating results.

Segments

The Company operates as one business and geographic operating segment. Operating segments are defined as components of a business that can earn revenues and incur expenses for which discrete financial information is available that is evaluated on a regular basis by the chief operating decision maker ("CODM"). The Company's CODM is its principal executive officer, who decides how to allocate resources and assess performance. A single management team reports to the CODM, who manages the entire business. The Company's CODM reviews consolidated statements of income to make decisions, allocate resources and assess performance, and the CODM does not evaluate the profit or loss from any separate geography or product line.

Concentrations

The following table presents customers individually accounting for more than 10% of the Company's net sales:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Customer B	22 %	18 %	19 %	20 %
Customer C	12 %	11 %	18 %	**
Customer E	**	10 %	**	11 %
Customer F	13 %	17 %	**	14 %

The following table presents customers individually accounting for more than 10% of the Company's trade accounts receivable:

	As of September 30, 2026	As of December 31, 2025
Customer B	10 %	14 %
Customer C	12 %	10 %
Customer E	**	11 %
Customer F	25 %	**
Customer G	**	11 %

The following table presents suppliers individually accounting for more than 10% of the Company's purchases:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Supplier A	**	28 %	**	23 %

** Less than 10% of the total

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates and assumptions include the valuation of allowances for uncollectible receivables, inventory reserves, warranty reserves, stock-based compensation, evaluation of goodwill, other intangibles, property, plant and equipment for impairment, income tax valuation allowances and determination of useful lives of long-lived assets. Actual results could materially differ from those estimates.

Restricted Cash

Restricted cash consists of funds that are contractually restricted as to usage or withdrawal due to required minimum levels of cash collateral for letters of credits and contractual agreements with customers. As of September 30, 2026 and December 31, 2025, the Company had restricted cash of $4.5 million and $3.7 million, respectively, which includes $1.4 million restricted cash held in escrow which could be required to be refunded to the customer if conditions occur as defined in the agreement with the customer. The Company has not recognized revenue associated with the restricted cash. The liability is included within *Noncurrent Contract Liabilities* on the Consolidated Balance Sheet.

Inventories

The Company's inventories consist primarily of engines and parts. Engines are valued at the lower of cost, including estimated freight-in or net realizable value. Parts are valued at the lower of cost or net realizable value, except for integral parts provided by customers for installation on custom ordered engines. Such parts are accounted for as noncash consideration which is valued at fair value. Net realizable value approximates replacement cost. Cost is principally determined using the first-in, first-out or average-cost method and includes material, labor and manufacturing overhead. It is the Company's policy to review inventories on a continuing basis for obsolete, excess and slow-moving items and to record valuation adjustments for such items in order to eliminate non-recoverable costs from inventory. Valuation adjustments are recorded in an inventory reserve account and reduce the cost basis of the inventory in the period in which the reduced valuation is determined. Inventory reserves are established based on quantities on hand, usage and sales history, customer orders, projected demand and utilization within a current or future power system. Specific analysis of individual items or groups of items is performed based on these same criteria, as well as on changes in market conditions or any other identified conditions.

Inventories consist of the following:

(in thousands)

Inventories	**As of September 30, 2026**	**As of December 31, 2025**
Raw materials	$ 110,533	$ 105,225
Work in process	2,826	5,103
Finished goods	19,773	25,288
Total inventories	133,132	135,616
Inventory allowance	(9,757)	(8,253)
Inventories, net	$ 123,375	$ 127,363

Activity in the Company's inventory allowance was as follows:

(in thousands)	**For the Nine Months Ended September 30,**	
Inventory Allowance	**2026**	**2025**
Balance at beginning of period	$ 8,253	$ 8,135
Charged to expense	1,980	487
Write-offs	(476)	(156)
Balance at end of period	$ 9,757	$ 8,466

As of September 30, 2026 and December 31, 2025, the Company's inventory included $1.7 million and $0.2 million, respectively, of raw materials provided by its customers for installation in the fulfillment of its performance obligations to these customers and recorded an associated contract liability. See Note 3. *Revenue* for further information regarding contract assets and contract liabilities.

Other Accrued Liabilities

Other accrued liabilities consisted of the following:

(in thousands)

Other Accrued Liabilities	As of September 30, 2026	As of December 31, 2025
Accrued product warranty	$ 5,448	$ 6,634
Accrued litigation [1]	1,700	1,400
Contract liabilities	15,767	3,486
Accrued compensation and benefits	8,668	19,565
Accrued interest expense	73	268
Stock appreciation rights liability [2]	—	1,070
Non-interest bearing note payable	1,082	740
Customs accrual	3,713	1,248
Taxes payable	4,041	257
Other	4,003	2,685
Total	$ 44,495	$ 37,353

[1] As of September 30, 2026 and December 31, 2025 accrued litigation includes accruals related to various ongoing legal matters including associated legal fees. See Note 11. *Commitments and Contingencies* for further information regarding the various ongoing legal matters.

[2] The Company has an incentive compensation plan, which authorizes the granting of a variety of different types of awards including, but not limited to, non-qualified stock options, incentive stock options, Stock Appreciation Rights ("SARs"), Restricted Stock Awards ("RSAs"), deferred stock and performance units to its executive officers, employees, consultants and Directors. The liability classified SAR awards were exercised and paid during the quarter ended June 30, 2026. See Note 14. *Stock-Based Compensation* in the Company's 2025 Annual Report for additional information on the SARs and RSAs.

Warranty Costs

The Company offers a standard limited warranty on the workmanship of its products that in most cases covers defects for a defined period. Warranties for certified emission products are mandated by the U.S. Environmental Protection Agency (the "EPA") and/or the California Air Resources Board (the "CARB") and are longer than the Company's standard warranty on certain emission-related products. The Company's products also carry limited warranties from suppliers. The Company's warranties generally apply to engines fully manufactured by the Company and to the modifications the Company makes to supplier base products. Costs related to supplier warranty claims are generally borne by the supplier and passed through to the end customer.

Warranty estimates are based on historical experience and represent the projected cost associated with the product. A liability and related expense are recognized at the time products are sold. The Company adjusts estimates when it is determined that actual costs may differ from initial or previous estimates. The Company's warranty liability is generally affected by failure rates, repair costs and the timing of failures. Future events and circumstances related to these factors could materially change the estimates and require adjustments to the warranty liability. In addition, new product launches require a greater use of judgment in developing estimates until historical experience becomes available.

Accrued product warranty activities included in *Other noncurrent liabilities* on the Consolidated Balance Sheet are presented below:

(in thousands)	For the Nine Months Ended September 30,	
Accrued Product Warranty	**2026**	**2025**
Balance at beginning of period	$ 8,193	$ 13,972
Current period provision *	2,260	4,657
Changes in estimates for preexisting warranties **	622	736
Payments made during the period	(4,642)	(10,291)
Balance at end of period	6,433	9,074
Less: current portion	5,448	7,008
Noncurrent accrued product warranty (included with Other Noncurrent liabilities)	$ 985	$ 2,066

* Warranty costs, net of supplier recoveries and other adjustments, were $2.9 million and $5.3 million for the nine months ended September 30, 2026 and 2025, respectively. Supplier recoveries were none and $0.1 million for nine months ended September 30, 2026 and 2025.

** Changes in estimates for preexisting warranties reflect changes in the Company's estimate of warranty costs for products sold in prior periods. Such adjustments typically occur when claims experience deviates from historical and expected trends. During the nine months ended September 30, 2026, the Company recorded a cost for changes in estimates of preexisting warranties of $0.6 million, or $0.03 per diluted share. During the nine months ended September 30, 2025, the Company recorded a cost for changes in estimates of preexisting warranties $0.7 million, or $0.03 per diluted share.

Tariff Refunds

During the second quarter of 2026, the Company received tariff refunds totaling $22.7 million related to the International Emergency Economic Powers Act ("IEEPA") ruling. The Company accounts for IEEPA tariff refunds under ASC 450-30, Gain Contingencies, and recognizes tariff refunds when the refund is realized or realizable. Under the American Institute of Certified Public Accountants ("AICPA") IEEPA tariff refund guidance, recognized tariff refunds generally should be recorded in the same manner as the related tariff costs were originally recorded, and material amounts and line items should be disclosed.

During the third quarter of 2026, the Company completed its evaluation of the tariff refunds received. The Company determined that $3.8 million of the refunds related to tariff costs were not passed through to customers. Accordingly, the Company recognized $3.8 million as a reduction of *Cost of Sales* in the Company's Condensed Consolidated Statements of Income during the three months ended September 30, 2026.

The remaining $18.9 million of tariff refunds was determined to be refundable to customers. This amount consisted of $17.5 million to be settled through credit notes as of September 30, 2026 and recorded within *Accounts Receivable, net of allowances* on the Condensed Consolidated Balance Sheets. The remaining $1.4 million is recorded within *Tariff Refund Liability* on the Condensed Consolidated Balance Sheet since the final amounts to be refunded to customers or retained by the Company is unknown as of the issuance of these consolidated financial statements.

Recently Issued Accounting Pronouncements – Adopted

In July 2025, the Financial Accounting Standards Board ("FASB") issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The ASU provides a practical expedient that permits entities to assume that current economic conditions as of the balance sheet date will remain unchanged for the remaining life of current accounts receivable and current contract assets arising from transactions accounted for under Topic 606, *Revenue from Contracts with Customers* when estimating expected credit losses. The Company adopted ASU 2025-05 effective January 1, 2026 and elected the practical expedient for its current accounts receivable and current contract assets. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements or related disclosures.

Recently Issued Accounting Pronouncements – Not Yet Adopted

In November 2024, the FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income: Expense Disaggregation Disclosures (Subtopic 220-40)*. This update requires entities to provide more detailed disclosures about the components of significant expense categories, enhancing the transparency and decision usefulness of financial statements. The amendments in this update are intended to provide investors with additional information about specific expense categories in the notes to the financial statements at interim and annual reporting periods. In January 2025, the FASB issued ASU 2025-01, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date,* which clarified the effective date of ASU 2024-03. ASU 2024-03 is effective for public business entities for annual reporting periods beginning after December 15, 2026 and interim periods within annual reporting periods beginning after December 15, 2027, with early adoption permitted. While we anticipate that the adoption of this standard will require

additional disclosures, the Company is currently assessing the impact of the amendment to this standard on its consolidated financial statements.

In December 2025, the FASB issued ASU 2025-11, Interim Reporting (Topic 270): Narrow-Scope Improvements. The ASU clarifies and reorganizes certain interim reporting requirements, including guidance on interim disclosure principles and the form and content of interim financial statements. The guidance is effective for public business entities for annual reporting periods beginning after December 15, 2027, and interim periods within those annual periods, with early adoption permitted. The Company is currently evaluating the impact of this standard on its interim consolidated financial statements and related disclosures.

Note 2. Business Combination

On January 9, 2026, the Company acquired 100% of the issued and outstanding equity interest of MTL, for a total purchase price of $11.1 million subject to customary working capital and other post-closing adjustments (the "Acquisition"). MTL is engaged in the welding, fabrication, painting, and assembly of steel components. The acquisition expands the Company's manufacturing capabilities and vertical integration, and it is expected to support future growth and operational efficiencies. The transaction was accounted for as a business combination under ASC 805, Business Combinations ("ASC 805"), using the acquisition method of accounting. Accordingly, the Company recognized the assets acquired and liabilities assumed at their estimated fair values as of the acquisition date.

Preliminary Purchase Price Consideration

The aggregate purchase price consisted of $10.0 million in cash and a $1.1 million promissory note issued to the seller which bears interest at 8.0% per annum, and matures on January 9, 2031, with annual principal payments beginning in 2027. The note is secured by the acquired shares of MTL. Cash consideration paid at closing was subject to adjustment for estimated closing working capital and other items pursuant to the stock purchase agreement for the Acquisition. Any changes resulting from the final determination of these adjustments will be reflected as measurement period adjustments. The preliminary purchase price of MTL consists of the following:

(in thousands)		**Amount**
Cash paid at closing	$	10,000
Promissory note to seller		1,125
Working capital and other adjustments		2,068
Total consideration transferred	**$**	**13,193**

Preliminary Purchase Price Allocation

In accordance with ASC 805, the identifiable assets acquired and liabilities assumed were recorded at their estimated fair values as of January 9, 2026. The components of the preliminary allocation of the purchase price are summarized below:

(in thousands)		**Fair Value**
Purchase Price	$	13,193
Accounts receivable		3,095
Inventory		2,500
Other assets		93
Property, plant & equipment		8,786
Operating lease-right-of-use assets		7,507
Intangible - Trade name		620
Accounts payables and other accrued liabilities		(1,066)
Notes payable and long-term debt		(5,921)
Operating lease liabilities		(7,507)
Total identifiable net assets	$	8,107
Goodwill	$	5,086

Goodwill is calculated as the excess of the purchase price over the net assets acquired and primarily represents the future economic benefits expected from anticipated synergies, assembled workforce, and expansion into new markets, and is not deductible for U.S. federal income tax purposes. Identifiable intangible assets acquired in the transaction include trade names.

For indefinite lived intangible assets, the Company applied the income approach through a relief from royalty method to fair value the trade name using Level 3 inputs. The Company amortizes trade names over 10 years.

The fair values of assets acquired and liabilities assumed are based on the information that was available to management at the time of the unaudited financial statements were prepared. The Company may record measurement period adjustments in the period they are identified, with such adjustments reflected as if they had been recognized as of the acquisition date. The measurement period may extend up to 12 months after the acquisition date. The finalization of the Company's purchase accounting assessment could result in change in the valuation of assets acquired and liabilities assumed.

Consolidated Results of Operations

MTL's results of operations have been included in the Company's consolidated financial statements from the acquisition date of January 9, 2026 through the end of the reporting period. Revenue and net income attributable to MTL for the periods presented were not material to the Company's consolidated results. Pro forma financial information has not been presented because the impact of this acquisition was immaterial to our consolidated financial statements.

Transaction Costs

The Company incurred $0.3 million of acquisition-related costs during the nine months ended September 30, 2026 and $0.2 million in 2025, primarily consisting of legal, advisory, valuation, and integration expenses. These expenses are included in selling, general and administrative expenses in the Consolidated Statements of Income.

Note 3. Revenue

Disaggregation of Revenue

The following table summarizes net sales by end market:

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
End Market	**2026**	**2025**	**2026**	**2025**
Power Systems	$ 163,136	$ 169,370	$ 381,975	$ 432,980
Industrial	33,656	28,105	87,059	81,492
Transportation	5,282	6,354	14,177	16,710
Total	$ 202,074	$ 203,829	$ 483,211	$ 531,182

The following table summarizes net sales by geographic area:

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
Geographic Area	**2026**	**2025**	**2026**	**2025**
United States	$ 187,449	$ 193,053	$ 447,111	$ 499,653
North America (outside of United States)	6,589	4,187	17,034	14,468
Pacific Rim	6,529	5,703	14,517	14,131
Europe	1,149	882	4,063	2,704
Other	358	4	486	226
Total	$ 202,074	$ 203,829	$ 483,211	$ 531,182

Contract Balances

Most of the Company's contracts are for a period of less than one year; however, extended warranty contracts extend beyond one year. The timing of revenue recognition may differ from the time of invoicing to customers and these timing differences result in contract assets, or contract liabilities on the Company's Consolidated Balance Sheets. Contract assets include amounts related to the contractual right to consideration for completed performance when the right to consideration is conditional. The Company records contract liabilities when cash payments are received or due in advance of performance. The fair value of noncash consideration of parts provided by customers is recorded in contract liabilities. Contract assets and contract liabilities are recognized at the contract level.

(in thousands)	As of September 30, 2026	As of December 31, 2025	As of December 31, 2024
Short-term contract assets (included in *Contract assets*)	$ 22,527	$ 15,965	$ 21,462
Short-term contract liabilities (included in *Other accrued liabilities*)	(15,767)	(3,486)	(10,184)
Long-term contract liabilities (included in *Noncurrent contract liabilities*)	(1,635)	(1,699)	(1,877)
Net contract assets (liabilities)	$ 5,125	$ 10,780	$ 9,401

During the nine months ended September 30, 2026 and 2025, the Company recognized $1.8 million and $10.6 million, respectively, of revenue upon satisfaction of performance obligations related to amounts that were included in the net contract liabilities balance as of December 31, 2025 and 2024, respectively. During the three months ended September 30, 2026 and 2025, the Company recognized $0.2 million and $1.7 million, respectively, of revenue upon satisfaction of performance obligations related to amounts that were included in the net contract liabilities balance as of June 30, 2026 and 2025, respectively.

Remaining Performance Obligations

The Company has elected the practical expedient to not disclose remaining performance obligations that have expected original durations of one year or less. For performance obligations that extend beyond one year, the Company had $1.8 million of remaining performance obligations as of September 30, 2026, primarily related to extended warranties. The Company expects to recognize revenue related to these remaining performance obligations of $1.6 million in 2027, and $0.2 million in 2028.

Note 4. Weichai Transactions

Weichai Collaboration Arrangement and Related Party Transactions

The Company and Weichai executed a strategic collaboration agreement (the “Collaboration Agreement”) on March 20, 2017, in order to achieve their respective strategic objectives and enhance the strategic cooperation alliance to share experience, expertise and resources. On March 22, 2023, the Collaboration Agreement was extended for an additional term of three years, through March 20, 2026. The Collaboration Agreement expired in accordance with its terms on March 20, 2026. The Company has received a renewal notice from Weichai and is in the process of negotiating the renewal of the Collaboration Agreement; however, no formal extension has been executed as of the date of this filing.

The Company evaluates whether an arrangement is a collaborative arrangement at its inception based on the facts and circumstances specific to the arrangement. The Company also reevaluates whether an arrangement qualifies or continues to qualify as a collaborative arrangement whenever there is a change in either the roles of the participants or the participants’ exposure to significant risks and rewards dependent on the ultimate commercial success of the endeavor. For those collaborative arrangements where it is determined that the Company is the principal participant, costs incurred and revenue generated from third parties are recorded on a gross basis in the financial statements. Purchases of inventory from Weichai were $18.0 million and $31.1 million for the three and nine months ended September 30, 2026, respectively. Purchases of inventory from Weichai were $3.1 million and $35.4 million for the three and nine months ended September 30, 2025, respectively.

In January 2022, PSI and Societe Internationale des Moteurs Baudouin (“Baudouin”), a subsidiary of Weichai, entered into an international distribution and sales agreement which enables Baudouin to bring PSI’s power systems line of products into the European, Middle Eastern, and African markets. In addition to sales, Baudouin will manage service, support, warranty claims, and technical requests. Refer to the Consolidated Balance Sheets and Statements of Income for detailed related party information.

During the year ended December 31, 2025, the Company and KION North America Corporation ("KNA"), a subsidiary of Weichai, entered into an agreement to settle development costs incurred by the Company related to a 2.4L dual-fuel engine intended for use by KNA in the production of materials handling equipment.

See Note 16. *Related Party Transactions* for information regarding the purchase agreement with Shandong Weichai Import & Export Corporation (“SWIEC”), an affiliate of Weichai, KNA, and manufacture of record (“MOR”) agreement with Weichai.

Note 5. Property, Plant and Equipment

Property, plant and equipment by type were as follows:

(in thousands)	As of September 30, 2026	As of December 31, 2025
Property, Plant and Equipment		
Leasehold improvements	$ 15,201	$ 11,268
Machinery and equipment	62,163	53,306
Construction in progress	6,780	3,151
Total property, plant and equipment, at cost	84,144	67,725
Accumulated depreciation	(50,659)	(44,711)
Property, plant and equipment, net	$ 33,485	$ 23,014

Note 6. Goodwill and Other Intangibles

Goodwill

The carrying amount of goodwill at September 30, 2026 and December 31, 2025 was as follows:

	Total
Balance at December 31, 2025	$ 29,835
Goodwill acquired	5,086
Balance at September 30, 2026	$ 34,921

Accumulated impairment losses at both September 30, 2026 and December 31, 2025 were $11.6 million.

Other Intangible Assets

Components of intangible assets are as follows:

(in thousands)	As of September 30, 2026		
	Gross Carrying Value	Accumulated Amortization	Net Book Value
Customer relationships	$ 34,940	$ (34,463)	$ 477
Developed technology	700	(700)	—
Trade names and trademarks	2,320	(1,735)	585
Total	$ 37,960	$ (36,898)	$ 1,062

(in thousands)	As of December 31, 2025		
	Gross Carrying Value	Accumulated Amortization	Net Book Value
Customer relationships	$ 34,940	$ (33,751)	$ 1,189
Developed technology	700	(700)	—
Trade names and trademarks	1,700	(1,653)	47
Total	$ 37,340	$ (36,104)	$ 1,236

Note 7. Debt

The Company's outstanding debt consisted of the following:

(in thousands)	As of September 30, 2026		As of December 31, 2025		
	Amount	Rate [2]	Amount	Rate [2]	Maturity Date
Long-term debt:					
Revolving Credit Agreements [1]	$ 35,000	5.85%	$ 95,000	6.35%	September 25, 2029
Promissory Note	1,125	8.00%	—	—%	January 9, 2031
Finance leases and other debt	1,594	**	1,617	**	Various
Total long-term debt and finance leases	37,719		96,617		
Less: Current maturities of long-term debt and finance leases	679		383		
Long-term debt	$ 37,040		$ 96,234		

[1] Unamortized financing costs and deferred fees on its Revolving Credit Agreements are not presented in the above table as they are classified in *Prepaid expenses* and *other current assets* on the Consolidated Balance Sheets. Unamortized debt issuance costs, were $1.3 million and $1.0 million as of September 30, 2026 and December 31, 2025, respectively.

[2] Includes the weighted average interest rate.

** Finance lease obligations are a non-cash financing activity. See Note 9. Leases.

Revolving Credit Agreements

On August 30, 2024, the Company closed on a Revolving Credit Agreement, with Standard Chartered Bank ("Standard Chartered Credit Agreement") and two other lenders. The Standard Chartered Credit Agreement allowed the Company to borrow up to $120.0 million and had a maturity date of August 30, 2025. The Standard Chartered Credit Agreement was subject to customary events of default and covenants, including minimum consolidated EBITDA and Consolidated Interest Coverage Ratio covenants for the third and fourth quarters of 2024 and the first and second quarters of 2025. Borrowings under the Standard Chartered Credit Agreement incurred interest at the applicable Secured Overnight Financing Rate ("SOFR") plus 2.00% per annum. The obligations under the Standard Chartered Credit Agreement were unconditionally guaranteed, on a joint and several basis, by certain wholly-owned, existing and subsequently acquired or formed direct and indirect subsidiaries of the Company, subject to customary exceptions. The obligations under the Standard Chartered Credit Agreement were secured by substantially all assets of the Company and the Company's wholly-owned subsidiaries. In addition, the Company paid fees of $0.6 million related to the Standard Chartered Credit Agreement which were deferred and amortized over the term of the revolving credit agreement.

On July 30, 2025, the Company entered into a second amendment to its then-existing Standard Chartered Credit Agreement, which increased aggregate borrowing capacity to $135.0 million and extended the maturity date to July 30, 2027. Borrowings under the amended facility bore interest at SOFR plus 2.10%, increasing to SOFR plus 2.60% if Weichai held less than 50% of the Company's common equity. The Company incurred approximately $1.2 million of fees related to the amendment, which were deferred and being amortized over the term of the facility. The amended facility was replaced by a new Revolving Credit Agreement on September 25, 2026.

On September 25, 2026, the Company entered into a new secured Revolving Credit Agreement (the "HSBC Credit Agreement") with HSBC Bank USA, National Association, as administrative agent, and a syndicate of lenders. The HSBC Credit Agreement provides aggregate revolving commitments of $220.0 million, including letter of credit commitments of up to $70.0 million, and matures on September 25, 2029. Borrowings may bear interest based on Term SOFR plus 1.80% or an alternate base rate plus the applicable margin. The facility is secured by substantially all assets of the Company and specified guarantor subsidiaries, including intellectual property. The agreement contains customary affirmative and negative covenants and requires a minimum consolidated interest coverage ratio of 3.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. At closing, the Company borrowed $35.0 million under the HSBC Credit Agreement. The proceeds were used to repay the outstanding obligation of $15.0 million under the Company's prior revolving credit facility and for other working capital needs. As of September 30, 2026, the Company had $35.0 million outstanding under the Revolving Credit Agreements.

In connection with the refinancing, the Company terminated the Standard Chartered Credit Agreement. For accounting purposes, the Company evaluated the syndicated refinancing on a lender-by-lender basis. The portions attributable to continuing lenders were accounted for as debt modifications, the portion attributable to the exiting lender was accounted for as an extinguishment, and the portion attributable to a new lender was accounted for as new debt. The Company recognized a loss on extinguishment of approximately $0.2 million related to the exiting lender's portion of unamortized issuance costs and legal fees. The loss on extinguishment is included within *Interest Expense* on the Company's Condensed Consolidated Statements of Income.

The Company incurred approximately $0.9 million of new debt issuance costs in connection with the HSBC Credit Agreement. Qualifying costs associated with the new and modified revolving commitments, together with approximately $0.4 million of continuing unamortized costs and termination legal fees allocated to continuing lenders, resulted in approximately $1.3 million of deferred debt issuance costs. These costs are amortized over the applicable term of the HSBC Credit Agreement.

On January 9, 2026, the Company acquired the equity interests of MTL for $11.1 million dollars which included a $1.1 million promissory note issued to the seller (the "Promissory Note"). The Promissory Note bears interest at 8% per annum and matures on January 9, 2031. The Promissory Note is secured by the acquired shares of MTL. As of September 30, 2026, the Company had $1.1 million outstanding on the Promissory Note. As part of the acquisition, the Company also assumed the outstanding debt of MTL as described below.

MTL entered into a financing arrangement under the Master Loan Agreement ("First Master Loan Agreement") dated August 14, 2025 with U.S. Bank Equipment Finance, a division of U.S. Bank National Association. The First Master Loan Agreement provides for an original principal balance of $3.5 million, bearing interest at a fixed annual rate of 6.25% and matures in August 2031. The loan is secured by substantially all equipment financed under the arrangement. The First Master Loan Agreement permits prepayment subject to a prepayment fee stated as a percentage of the prepaid balance or a make-whole amount. Such prepayment provisions apply to both voluntary prepayments and amounts accelerated following events of default. The loan bears interest at a stated fixed rate. The Company is required to comply with customary representations, warranties, and covenants associated with the financing arrangement. As of September 30, 2026, the Company had no amounts outstanding under this loan.

MTL entered into a financing arrangement under the Master Loan Agreement ("Second Master Loan Agreement") dated October 23, 2025 with U.S. Bank Equipment Finance, a division of U.S. Bank National Association. The Second Master Loan Agreement provides for an original principal balance of $2.0 million, bearing interest at a fixed annual rate of 6.20% and matures in October 2031. The loan is secured by substantially all equipment financed under the arrangement. The Second Master Loan Agreement permits prepayment subject to a prepayment fee stated as a percentage of the prepaid balance or a make-whole amount. Such prepayment provisions apply to both voluntary prepayments and amounts accelerated following events of default. The loan bears interest at a stated fixed rate. The Company is required to comply with customary representations, warranties, and covenants associated with the financing arrangement. As of September 30, 2026, the Company had no amounts outstanding under this loan.

On July 27, 2022, MTL entered into a loan agreement with JPMorgan Chase Bank, N.A. under the U.S. Small Business Administration 7(a) loan program ("SBA Loan"). The SBA Loan provides for an original principal balance of $0.9 million, bearing interest at a fixed annual rate of 5.03% and matures on July 27, 2032. The loan is secured by substantially all equipment financed under the arrangement. The loan may be prepaid without penalty for amounts up to 20% of the outstanding principal balance. The Company may prepay outstanding balances exceeding the 20% with proper notices and pay specified additional interest amounts. The Company is required to comply with customary representations, warranties, covenants associated with the financing arrangement, and certain new indebtedness restrictions. As of September 30, 2026, the Company had no amounts outstanding under the SBA Loan.

As of September 30, 2026, the Company's total outstanding debt obligations under the Revolving Credit Agreement and for finance leases and other debt were $37.7 million in the aggregate. The Company's total accrued interest for the Revolving Credit Agreement was $0.1 million and $0.3 million as of September 30, 2026 and December 31, 2025, respectively. Accrued interest is included within *Other Accrued Liabilities* on the Consolidated Balance Sheet.

Note 8. Other Non-Current Liabilities

On June 14, 2024, the Company executed a non-interest bearing note payable of $4.5 million upon settlement of a legal matter (the "Note Payable"). The Note Payable is due May 2028 and is discounted based on an imputed interest rate of 6.66%. The Note Payable includes an option for the Company to extend maturity of the note to September 2029 upon written notice before the thirty-seventh payment and, if such option is exercised, the maximum payment amount of the Note Payable increases to $4.8 million.

As of September 30, 2026 and December 31, 2025 the current portion of the Note Payable of $1.1 million and $0.7 million, respectively, is included in *Other accrued liabilities* in the Company's Consolidated Balance Sheet.

(in thousands)	As of September 30, 2026	As of December 31, 2025
Note Payable	$ 2,259	$ 2,810
Unamortized discount	(141)	(265)
Total	$ 2,118	$ 2,545

The following table presents remaining maturities for the note payable as of September 30, 2026:

(in thousands)	Maturities	Discount Amortization
Three months ending December 31, 2026	$ 190	$ 35
Year ending December 31, 2027	1,328	97
Year ending December 31, 2028	741	9
Total note payable	$ 2,259	$ 141

The Company recorded less than $0.1 million discount amortization as interest expense for both the three months ended September 30, 2026 and 2025, respectively. The Company recorded $0.1 million and $0.2 million discount amortization as interest expense for the nine months ended September 30, 2026 and 2025, respectively.

Note 9. Leases

Leases

The Company has obligations under lease arrangements primarily for facilities, equipment and vehicles. These leases have original lease periods expiring between July 2027 and August 2036. The following table summarizes the lease expense by category in the Consolidated Statements of Income:

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Cost of sales	$ 3,619	$ 3,096	$ 10,826	$ 7,770
Research and development expenses	78	101	236	261
Selling, general and administrative expenses	26	84	227	188
Interest expense	26	30	80	71
Total	$ 3,749	$ 3,311	$ 11,369	$ 8,290

The following table summarizes the components of lease expense:

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Operating lease cost	$ 2,993	$ 2,493	$ 8,947	$ 6,187
Finance lease cost				
Amortization of right-of-use ("ROU") asset	103	107	297	258
Interest expense	26	30	80	71
Short-term lease cost	99	267	537	529
Variable lease cost	528	414	1,508	1,245
Total lease cost, net	$ 3,749	$ 3,311	$ 11,369	$ 8,290

The following table presents supplemental cash flow information related to leases:

(in thousands)	For the Nine Months Ended September 30,	
	2026	2025
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows paid for operating leases	$ 9,692	$ 5,669
Operating cash flows paid for interest portion of finance leases	80	71
Financing cash flows paid for principal portion of finance leases	268	238
ROU assets obtained in exchange for lease obligations		
Operating leases	11,046	35,699
Finance leases	283	1,730

As of September 30, 2026 and December 31, 2025, the weighted-average remaining lease term was 7.7 years and 8.0 years for operating leases, respectively, and 3.5 years and 4.2 years for finance leases, respectively. As of both September 30, 2026 and December 31, 2025, the weighted-average discount rate was 7.1% for operating leases, and 6.9% for finance leases.

The following table presents supplemental balance sheet information related to leases:

(in thousands)	September 30, 2026	December 31, 2025
Operating lease ROU assets, net	$ 58,212	$ 52,911
Operating lease liabilities, current	7,801	6,346
Operating lease liabilities, non-current	52,486	49,397
Total operating lease liabilities	$ 60,287	$ 55,743
Finance lease ROU assets, net [1]	$ 1,494	$ 1,533
Finance lease liabilities, current	414	355
Finance lease liabilities, non-current	1,165	1,224
Total finance lease liabilities	$ 1,579	$ 1,579

1. Included in *Property, plant and equipment, net* for finance leases on the Consolidated Balance Sheets.

The following table presents maturity analysis of lease liabilities as of September 30, 2026:

(in thousands)	Operating Leases	Finance Leases
Three months ending December 31, 2026	$ 2,924	$ 127
Year ending December 31, 2027	11,805	507
Year ending December 31, 2028	10,774	507
Year ending December 31, 2029	9,968	488
Year ending December 31, 2030	8,616	133
Year ending December 31, 2031	6,645	10
Thereafter	27,979	1
Total undiscounted lease payments	78,711	1,773
Less: imputed interest	18,424	194
Total lease liabilities	$ 60,287	$ 1,579

Note 10. Fair Value of Financial Instruments

For assets and liabilities measured at fair value on a recurring and nonrecurring basis, a three-level hierarchy of measurements based upon observable and unobservable inputs is used to arrive at fair value. Observable inputs are developed based on market data obtained from independent sources, while unobservable inputs reflect the Company's assumptions about valuation based on the best information available in the circumstances. Depending on the inputs, the Company classifies each fair-value measurement as follows:

- Level 1 – based on quoted prices in active markets for identical assets or liabilities;
- Level 2 – based on other significant observable inputs for the assets or liabilities through corroborations with market data at the measurement date; and
- Level 3 – based on significant unobservable inputs that reflect management's best estimate of what market participants would use to price the assets or liabilities at the measurement date.

Financial Instruments Measured at Carrying Value

Current Assets

Cash and cash equivalents (Level 1) are measured at carrying value, which approximates fair value because of the short-term maturities of these instruments.

Debt

The Company measured its material debt obligations and notes payable using original carrying value.

- The carrying value of borrowings under the Company's Revolving Credit Agreements approximated fair value as of September 30, 2026. The Company's estimate was based on Level 2 inputs, including the recent execution of the HSBC Credit Agreement on September 25, 2026, the short period of time between closing and September 30, 2026, the variable interest rate terms of the agreements, and the absence of significant changes in the Company's credit profile or applicable market borrowing rates during that period.
- The Company measured its non-interest bearing Note Payable using the rate at which it could have obtained financing of a similar nature from other sources on the transaction date. The unamortized discount is reported in the Consolidated Balance Sheets as a deduction from the face amount of the note payable.
- The Promissory Note was issued for the acquisition of MTL on January 9, 2026. The debt was established at market rate and the fair value approximates carrying value since the period of time between issuance and September 30, 2026 is not significant.

The Company measured its material debt obligations and note payable using Level 2 inputs as follows:

(in thousands)	As of September 30, 2026			
		Fair Value		
	Carrying Value	Level 1	Level 2	Level 3
HSBC Credit Agreement	$ 35,000	$ —	$ 35,000	$ —
Note Payable	2,259	—	2,259	—
Promissory Note	1,125	—	1,125	—

(in thousands)	As of December 31, 2025			
		Fair Value		
	Carrying Value	Level 1	Level 2	Level 3
Standard Chartered Credit Agreement	$ 95,000	$ —	$ 95,000	$ —
Note Payable	2,810	—	2,810	—

Other Financial Assets and Liabilities

In addition to the methods and assumptions used for the financial instruments discussed above, accounts receivable, net income tax receivable, accounts payable, and certain accrued expenses are measured at carrying value, which approximates fair value because of the short-term maturities of these instruments.

Note 11. Commitments and Contingencies

Legal Contingencies

The legal matters discussed below and others could result in losses, including damages, fines, civil penalties and criminal charges, which could be substantial. The Company records accruals for these contingencies to the extent the Company concludes that a loss is both probable and reasonably estimable. Regarding the matters disclosed below, unless otherwise disclosed, the Company has determined that liabilities associated with these legal matters are reasonably possible; however, unless otherwise stated, the possible loss or range of possible loss cannot be reasonably estimated. Given the nature of the litigation and investigations and the complexities involved, the Company is unable to reasonably estimate a possible loss for all such matters until the Company knows, among other factors the following:

- what claims, if any, will survive dispositive motion practice;
- the extent of the claims, particularly when damages are not specified or are indeterminate;
- how the discovery process will affect the litigation;
- the settlement posture of the other parties to the litigation; and
- any other factors that may have a material effect on the litigation or investigation.

However, the Company could incur judgments, enter into settlements or revise its expectations regarding the outcome of certain matters, and such developments could have a material adverse effect on the Company's results of operations in the period in which the amounts are accrued and/or liquidity in the period in which the amounts are paid.

Mast Powertrain v. the Company

In February 2020, the Company received a demand for arbitration from Mast Powertrain, LLC ("Mast") pursuant to a development agreement entered into in November 2011 (the "Development Agreement"). Mast claimed that it was owed more than $9.0 million in past royalties and other damages for products sold by the Company pursuant to the Development Agreement. The Company disputed Mast's damages, denied that any royalties are owed to Mast, denied any liability, and counterclaimed for overpayment on invoices paid to Mast. Mast subsequently clarified its claim for past royalties owed to be approximately $4.5 million. In July 2021, the Company reached a settlement with Mast to resolve past claims for royalties owed for $1.5 million which the Company had previously recorded within *Selling, general and administrative expenses* in the Consolidated Statement of Income for the year-ended December 31, 2020. The Company fully paid the settlement and had no recognized liability as of December 31, 2025. In September 2023, Mast filed a lawsuit against the Company in the Eastern District of Texas Federal Court ("Court"), alleging, among other things, damages of approximately $6.0 million for fraudulent inducement leading to the 2021 arbitration settlement agreement and breach of said settlement agreement. Upon court order, the Company participated in separate mediations in May 2024 and December 2024, and no settlement was reached. The Company has filed a motion to stay the lawsuit and compel it to arbitration, and the Court granted that motion on January 31, 2025. As of both September 30, 2026 and December 31, 2025, the Company had recorded an estimated liability of $0.9 million, recorded within *Other accrued liabilities* on the Consolidated Balance Sheets related to the potential settlement of this matter.

Gary Winemaster Litigation v. The Company

In August 2021, the Company's former Chairman of the Board and former Chief Executive Officer and President, Gary Winemaster ("Winemaster"), filed suit in the Court of Chancery of the State of Delaware against the Company and Travelers Casualty and Surety Company of America ("Travelers") alleging the Company's breach of its advancement obligations under Winemaster's indemnification agreement and Travelers' breach of the side A policy between Traveler's and the Company of which Winemaster is a beneficiary. In his complaint, Winemaster was seeking reimbursement under his indemnification agreement in excess of $7.2 million of attorney's fees plus interest incurred by Winemaster in his defense of the Department of Justice ("DOJ") case, U.S. v. Winemaster et al. Since the filing of the complaint, the Company estimates that Travelers has paid approximately $8.8 million to Winemaster's attorneys, Latham and Watkins, under the Company's side A policy to settle existing outstanding attorney's fees. Travelers is seeking reimbursement from the Company for those advances pursuant to the terms of the side A policy. In October 2021, the Company and Winemaster entered into a Stipulation and Advancement Order to handle all future attorney's fees relating to his DOJ and SEC cases, to the extent not reimbursed by Travelers under the side A policy. In June 2024, the Company reached a settlement with Travelers for $4.5 million, resulting in a $4.3 million gain that was recorded within *Selling, General and Administrative* expenses on the Consolidated Statements of Income. As of both September 30, 2026 and December 31, 2025, the Company recorded the aforementioned settlement liability within *Other noncurrent liabilities* with the current portion within *Other accrued liabilities* on the Consolidated Balance Sheets. Refer to Note 8. *Other Non-Current Liabilities* for additional information related to this settlement.

Securities Class Action

On March 20, 2026, a putative securities class action complaint captioned Dishion v. Power Solutions International, Inc., et al., Case No. 1:26-cv-03149, was filed in the United States District Court for the Northern District of Illinois against Power Solutions International, Inc. and certain of its executive officers. The complaint purports to assert claims on behalf of persons and entities that purchased or otherwise acquired the Company's common stock between May 8, 2025 and March 2, 2026, inclusive, and alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder based on alleged misstatements and omissions concerning the Company's business, operations and prospects, including matters relating to demand, manufacturing capacity and operating inefficiencies for data center product lines. The complaint seeks damages and other relief. The Company believes the claims are without merit and intends to defend the action vigorously. The matter is at an early stage, and the Company cannot reasonably estimate a possible loss or range of loss at this time.

Stockholder Derivative Action

On August 20, 2026, a verified stockholder derivative complaint captioned Kim v. Xykis, et al., Case No. 1:26-cv-10079, was filed in the United States District Court for the Northern District of Illinois, purportedly on behalf of the Company, against certain of the Company's current and former directors and officers. On August 28, 2026, a second verified stockholder derivative complaint captioned Leiden v. Xykis, et al., Case No. 1:26-cv-10452, asserting substantially similar claims against the same defendants, was filed in the same court. The Company is named as a nominal defendant in both actions. The complaints, which are based on allegations substantially similar to those in the Dishion securities class action, assert claims for violations of Section 14(a) of the Exchange Act and Rule 14a-9 thereunder, breach of fiduciary duty, unjust enrichment, waste of corporate assets, and insider selling and misappropriation of information, and seek unspecified damages and other monetary relief on the Company's behalf, corporate governance reforms, and an award of attorneys' fees and costs.

On September 28, 2026, the Court consolidated the two actions. By order entered October 8, 2026, the Court stayed the consolidated action pending resolution, in whole or in part, of a motion to dismiss in the Dishion action, subject to certain conditions and earlier termination events. The matter is at an early stage, and the Company cannot reasonably estimate a possible loss or range of loss, if any, at this time. The Company's certificate of incorporation and indemnification agreements provide for advancement of defense expenses and indemnification of current and former directors and officers, subject to their terms and applicable law.

Indemnification Agreements

The Company has entered into indemnification agreements with each of its directors and executive officers that, subject to the terms and conditions of such agreements and applicable law, provide for indemnification and advancement of expenses to the fullest extent permitted by Delaware law. The Company holds a directors' and officers' liability insurance policy, which is renewed annually and currently expires in July 2027. The insurance policy includes standard exclusions including for any previously pending litigation.

Other Commitments

At September 30, 2026, the Company had four outstanding letters of credit totaling $2.5 million. The letters of credit primarily serve as collateral for the Company for certain facility leases and insurance policies. As discussed in Note 1. *Summary of Significant Accounting Policies and Other Information*, the Company had restricted cash of $4.5 million as of September 30, 2026, related to these letters of credit and cash held in escrow due to a customer agreement.

Note 12. Income Taxes

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes*. Income tax expense for interim periods is computed using an estimated annual effective tax rate ("AETR"), applied to year to date ordinary income, adjusted for discrete items recognized in the period incurred. The Company's operations are located in the United States, therefore, the tax footnote includes only federal and state domestic tax obligations.

Income Tax Expense

For the three and nine months ended September 30, 2026, the Company recorded income tax expense of $10.2 million and $18.2 million, respectively.

Qualitative Explanation of Effective Tax Rate Drivers

The Company's effective tax rate was 25.3% and 25.2% for the three and nine months ended September 30, 2026, respectively, compared to an effective tax rate for the three and nine months ended September 30, 2025 of (3.3)% and (21.3)%, respectively. The change in the effective tax rate for the three and nine months ended September 30, 2026 compared to the prior-year periods was primarily attributable to the release of substantially all of the Company's valuation allowance during 2025, including the release recorded in the second quarter of 2025 and an additional benefit recognized in the third quarter of 2025, which reflected the Company's improved profitability.

Deferred Income Taxes

There were no material changes in the Company's deferred tax assets or liabilities during the three and nine months ended September 30, 2026, other than those resulting from normal interim period activity. Refer to the Company's consolidated financial statements as of and for the year ended December 31, 2025 for additional information regarding the components of deferred tax assets and liabilities.

Valuation Allowance

As of September 30, 2026, the Company maintained a valuation allowance of approximately $0.2 million. The valuation allowance relates to a capital loss carryforward.

Unrecognized Tax Benefits

The amount of unrecognized tax benefits, that if recognized, would affect the annual effective tax rate was approximately $0.6 million and $1.3 million as of September 30, 2026 and December 31, 2025, respectively. The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. For the three and nine months ended September 30, 2026 and 2025, interest and penalties were not material.

Income Taxes Paid

Income taxes paid, net of refunds, during the three and nine months ended September 30, 2026 were $1.3 million and $2.2 million, respectively, consisting entirely of state income taxes.

Open Tax Years

The Company remains subject to examination by U.S. federal and state taxing authorities generally for tax years 2017 through 2026. Management does not believe the resolution of any open matters will have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Note 13. Stockholders' Equity

Common and Treasury Stock

The changes in shares of Common and Treasury Stock are as follows:

(in thousands)	Common Shares Issued	Treasury Stock Shares	Common Shares Outstanding
Balance as of December 31, 2025	23,117	76	23,041
Net shares issued for Stock awards	—	(25)	25
Balance as of September 30, 2026	23,117	51	23,066

Note 14. Stock-Based Compensation

On March 6, 2026, the Company's Board of Directors (the "Board") approved the Power Solutions International, Inc. 2026 Phantom Unit Plan (the "Plan"). The Plan is designed to incentivize eligible service providers of the Company by granting cash-settled awards ("Phantom Units") tied to the fair market value of the Company's common stock. The Plan is administered by the Board or a committee thereof, which has full discretionary authority to grant awards, determine vesting schedules, interpret the Plan, and make all related determinations. Awards are subject to the Company's clawback and recoupment policies, including any policies adopted to comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Each Phantom Unit represents an unfunded and unsecured obligation of the Company to make a cash payment to the participant equal to the average fair market value per share of the Company's common stock over the thirty (30) trading days immediately preceding the applicable vesting date. The Phantom Units do not represent actual equity interests in the Company, carry no voting rights, and do not entitle participants to dividends. The number of Phantom Units subject to each award is determined by dividing the dollar value of the award on the grant date by the average fair market value per share of the Company's common stock over the thirty (30) trading days immediately preceding the grant date. Because settlement amounts are determined by reference to the average fair market value per share of the Company's common stock over the thirty (30) trading days immediately preceding each applicable vesting date, the actual amounts payable under the Plan are not determinable at the time of grant.

Phantom Units vest in three equal annual installments, with the first installment vesting on the vesting commencement date and the remaining installments vesting on each of the first and second anniversaries of the vesting commencement date, subject to the participant's continuous service with the Company or its affiliates. Accelerated vesting of all unvested Phantom Units occurs upon (i) termination of service due to death or disability, (ii) a change in control in which the acquirer does not assume or substitute the outstanding awards, or (iii) an involuntary termination or resignation for good reason within twenty-four (24) months following a change in control in which the awards were assumed or substituted. Settlement is made in a lump sum cash payment within sixty (60) days following the applicable vesting date. The Company granted 23,302 units, 641 units were forfeited, and the corresponding expense was insignificant for the period March 6, 2026 through September 30, 2026.

Note 15. Earnings Per Share

The Company computes basic earnings per share by dividing net income by the weighted-average common shares outstanding during the period. Diluted earnings per share is calculated to give effect to all potentially dilutive common shares that were outstanding during the period. Weighted-average diluted common shares outstanding primarily reflect the additional shares that would be issued upon the assumed exercise of stock options and the assumed vesting of unvested share awards. The treasury stock method has been used to compute diluted earnings per share for the three and nine months ended September 30, 2026 and 2025.

The Company issued SARs and RSAs, all of which have been evaluated for their potentially dilutive effect under the treasury stock method. See Note 14. *Stock-Based Compensation* in the Company's 2025 Annual Report for additional information on the SARs and the RSAs.

The computations of basic and diluted earnings per share are as follows:

(in thousands, except per share basis)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Numerator:				
Net income – basic and diluted	$ 29,930	$ 27,616	$ 54,091	$ 97,910
Denominator:				
Shares used in computing net income per share:				
Weighted-average common shares outstanding – basic	23,064	23,033	23,053	23,015
Effect of dilutive securities	11	28	17	47
Weighted-average common shares outstanding – diluted	**23,075**	**23,061**	**23,070**	**23,062**
Earnings per common share:				
Earnings per share of common stock – basic	$ 1.30	$ 1.20	$ 2.35	$ 4.25
Earnings per share of common stock – diluted	$ 1.30	$ 1.20	$ 2.34	$ 4.25

The aggregate number of shares excluded from the diluted earnings per share calculations, because they would have been anti-dilutive, were none for both the three months ended September 30, 2026 and 2025 and none for both the nine months ended September 30, 2026 and 2025, respectively. For the three and nine months ended September 30, 2026 and 2025, SARs and RSAs were not included in the diluted earnings per share calculations as they would have been anti-dilutive because the Company's average stock price was less than or equal to the exercise price of the SARs or the grant price of the RSAs.

Note 16. Related Party Transactions

Weichai Transactions

See Note 4. *Weichai Transactions* for information regarding the Collaboration Agreement**.**

Other Related Party Transactions

See Note 11. *Commitments and Contingencies* for information regarding the Company's indemnification obligations related to a former director and officer of the Company.

In January 2025, the Company entered into a five-year purchase agreement with SWIEC, for the exclusive purchase and distribution of certain engine and engine components for the fulfillment of a contract with a customer in North America. The supply agreement includes annual minimum requirements of products ordered during the initial term. If all minimum targets are met within the first three-year periods, the contract may be negotiated to extend beyond the five-year initial term. The annual minimum requirements are as follows:

(in thousands)	Annual minimum requirements
Year ending December 31, 2026	$ 49,937
Year ending December 31, 2027	49,937
Year ending December 31, 2028	95,117
Year ending December 31, 2029	95,117
Total	$ 290,108

In February 2025, the Company entered into a MOR agreement with Weichai. The MOR agreement requires the Company to pay Weichai a fee of 1.75% of gross revenues generated by the sale of certain engines manufactured by Weichai. Fees are due on a quarterly basis. The fee for both the three and nine months ended September 30, 2026 was less than $0.1 million. The MOR agreement expires in December 2029.

Note 17. Segment Reporting

Operating segments are defined as components of a business that can earn revenues and incur expenses for which discrete financial information is available that is reviewed on a regular basis by the chief operating decision maker ("CODM"). The Company operates as one business and geographic operating and reportable segment.

Chief Operating Decision Maker

The Company's CODM is its Chief Executive Officer ("CEO"). The CEO oversees the strategic planning and direction of the Company, and the CEO has final approval in assessing the Company's performance and allocating its resources.

Identification of Reportable Segment

The Company's single reportable segment derives revenues primarily in North America from customers by designing, engineering, manufacturing, marketing and selling a broad range of advanced, emission-certified engines and power systems that are powered by a wide variety of clean, alternative fuels, including natural gas, propane, and biofuels, as well as gasoline and diesel options, within the power systems, industrial and transportation end markets. Revenue is attributed to geographic areas based on the country of sale. The sources of external revenue by end market and geographic area are previously disclosed in Note 3. *Revenue*.

The Company evaluated the basis for the CODM's decisions about the allocation of Company resources as well as the basis for the CODM's assessments of the evaluation of the Company's (segment) performance. Specifically, the Company evaluated the financial information that is generally provided and / or is available to the CODM. The Company's CODM reviews consolidated statements of income to make decisions, allocate resources and assess performance.

Measurement

The CODM assesses performance and decides how to allocate resources primarily using consolidated revenue by end market and consolidated net income (loss). The CODM uses consolidated net income (loss) to monitor budget and forecast information to actual results. The CODM reviews cash, accounts receivable, inventory, accounts payable, and total debt; however other long-lived asset information is not reviewed by the CODM.

The accounting policies of the Company's single reportable segment are the same as those described in the Note 1. *Summary of Significant Accounting Policies and Other Information*. The measure of segment assets is consolidated total assets presented in the Company's Consolidated Balance Sheets. Note 1 *Concentrations* discloses customers individually accounting for more than 10% of the Company's consolidated net sales.

Significant Expenses

Significant segment expenses are presented in the *Consolidated Statements of Income*.

Note 18. Subsequent Events

In October 2026, the Company made payments totaling $20.0 million on its HSBC Credit Agreement. As of November 5, 2026, the outstanding balance under the HSBC Credit Agreement was $15.0 million.

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

The following discussion and analysis includes forward-looking statements about the Company's business and consolidated results of operations for the three and nine months ended September 30, 2026 and 2025, including discussions about management's expectations for the Company's business. These statements represent projections, beliefs and expectations based on current circumstances and conditions and are made in light of recent events and trends. These statements should not be construed either as assurances of performance or as promises of a given course of action. Instead, various known and unknown factors are likely to cause the Company's actual performance and management's actions to vary, and the results of these variances may be both material and adverse. See "Forward-Looking Statements" in this Quarterly Report. The following discussion should also be read in conjunction with the Company's unaudited consolidated financial statements and the related Notes included in this Quarterly Report.

Executive Overview

The Company designs, engineers, manufactures, markets and sells a broad range of advanced, emission-certified engines and power systems that run on a wide variety of clean, alternative fuels, including natural gas, propane, and biofuels, as well as gasoline and diesel options, within the power systems, industrial and transportation end markets with primary manufacturing, assembly, engineering, R&D, sales and distribution facilities located in suburban Chicago, Illinois and Darien and Beloit, Wisconsin. The Company provides highly engineered, comprehensive solutions designed to meet specific customer application requirements and technical specifications, including those imposed by environmental regulatory bodies, such as the U.S. Environment Protection Agency ("EPA"), the California Air Resource Board ("CARB") and the People's Republic of China's Ministry of Ecology and Environment ("MEE").

The Company's products are primarily used by global original equipment manufacturers ("OEM") and end-user customers across a wide range of applications and equipment that includes standby and prime power generation, demand response, microgrid, combined heat and power, arbor care, material handling (including forklifts), agricultural and turf, construction, pumps and irrigation, compressors, utility vehicles, light- and medium-duty vocational trucks, school and transit buses, and utility power. The Company manages the business as a single reportable segment.

Net sales by geographic area and by end market for the three and nine months ended September 30, 2026 and 2025 are presented below:

(in thousands)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2026		2025		2026		2025	
Geographic Area		% of Total		% of Total		% of Total		% of Total
United States	$ 187,449	93 %	$ 193,053	95 %	$ 447,111	93 %	$ 499,653	94 %
North America (outside of United States)	6,589	3 %	4,187	2 %	17,034	3 %	14,468	3 %
Pacific Rim	6,529	3 %	5,703	3 %	14,517	3 %	14,131	2 %
Europe	1,149	1 %	882	— %	4,063	1 %	2,704	1 %
Others	358	— %	4	— %	486	— %	226	— %
Total	**$ 202,074**	**100 %**	**$ 203,829**	**100 %**	**$ 483,211**	**100 %**	**$ 531,182**	**100 %**

(in thousands)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2026		2025		2026		2025	
End Market		% of Total		% of Total		% of Total		% of Total
Power Systems	$ 163,136	81 %	$ 169,370	83 %	$ 381,975	79 %	$ 432,980	82 %
Industrial	33,656	17 %	28,105	14 %	87,059	18 %	81,492	15 %
Transportation	5,282	2 %	6,354	3 %	14,177	3 %	16,710	3 %
Totals	**$ 202,074**	**100 %**	**$ 203,829**	**100 %**	**$ 483,211**	**100 %**	**$ 531,182**	**100 %**

Recent Trends and Business Outlook

Sales declined in the third quarter of 2026, primarily within the power systems end market, reflecting uneven customer ordering patterns and some softness in the oil and gas market. Looking ahead, we expect sales to improve in the fourth quarter of the

year compared with the fourth quarter of 2025, driven by demand in data center-related markets, partially offset by ongoing softness in the oil and gas market.

The Company is focused on leading the business through a growth phase with a stronger balance sheet while strategically prioritizing products that demonstrate strong demand and higher gross margins. Consistent with those goals, the Company is actively pursuing several initiatives to enhance and expand manufacturing capacity to meet the increasing demand from data center markets. The Company expects that pivoting the focus to these markets will drive net sales growth and profitability. Through expanded capacity and strategic partnerships, management expects this positive trend to continue.

PSI's operating results are influenced by macroeconomic and geopolitical conditions, including recent softening in the oil and gas sector. In response, the Company is actively managing capital allocation and operating expenses while adjusting commercial strategies.

In addition to prioritizing gross profit, the Company is committed to efficiently managing expenses, including streamlining operating expenses and prioritizing certain R&D investments in support of long-term growth objectives. The Company is committed to focusing on growth opportunities and investment while also optimizing its cost structure to enhance growth and profitability, ultimately delivering sustained value to our shareholders.

The Company has experienced tariff costs associated with products in its supply chain. During the third quarter of 2026, the Company completed its evaluation of tariff refunds received in connection with the International Emergency Economic Powers Act ("IEEPA") ruling. Based on that evaluation, the Company issued or expects to issue credit memos to customers for tariff refund amounts determined to be refundable to customers and recognized a reduction of cost of sales for the portion of refunds related to tariff costs that were not passed through to customers. Although the Company has completed its evaluation of the tariff refunds received to date, significant uncertainty remains regarding the scope, rate, duration, and legal authority for future tariffs, the administration's response to tariff-related court decisions, and the timing, process, and likelihood of recovering any additional tariffs previously paid. Future tariff developments could affect the Company's cost of sales, gross margin, pricing, customer credits or refund obligations, supply chain strategy, and liquidity. The Company continues to actively monitor the evolving tariff environment and seeks to mitigate associated risks through strategic sourcing, pricing actions, customer communications, and supply chain agility

The potential for continued economic uncertainty and unfavorable oil and gas market dynamics may have a material adverse impact on the levels of future customer orders and the Company's future business operations, financial condition and liquidity.

The Company is party to several legal contingencies. See Note 11. *Commitments and Contingencies* for further discussion of the Company's indemnification obligations.

Based on the current production schedule and information available as of the date of this Quarterly Report, the Company is raising its outlook and now expects second-half 2026 net sales to exceed second-half 2025 net sales, as larger Power Systems orders move into production and are recognized as revenue. The Company previously expected second-half 2026 net sales to be approximately in line with second-half 2025 net sales. The timing, volume and mix of shipments, including custom product orders, remain subject to customer scheduling, manufacturing throughput, supply chain factors and other variables, including current material availability constraints affecting certain planned fourth quarter deliveries; there can be no assurance that orders will convert to revenue in any particular quarter. Softness in demand within the oil and gas market is expected to continue, offset by higher sales of data center products, which generally carry lower gross margins than oil and gas products. Apart from the expected non-recurrence of the $3.8 million tariff refund described above, the Company expects fourth quarter 2026 gross margin to be modestly lower than in the third quarter, primarily reflecting this less favorable product mix. While the Company expects continued benefits from its operational improvement initiatives, particularly at its Wisconsin operations, continuing ramp-up costs, production volume and year-end adjustments, including those arising from inventory counts, may also adversely affect gross margin. Given ongoing variability in order timing and market conditions, the Company is not providing formal full-year guidance. The Company expects to provide additional perspective on 2027 with its fourth quarter results.

Strategic Initiatives/Growth Strategies: The Company has initiated various business objectives aimed at improving profitability, streamlining processes, strengthening the business and focusing on achieving growth in higher-return product lines. Central to this plan is the Company's increased emphasis on power systems product offerings through new product development and investments, in addition to leveraging the Company's relationship with Weichai. With the recent introduction of numerous natural gas and diesel engines, coupled with its existing strong product lineup, the Company believes that it has a solid foundation to achieve long-term growth, particularly within the power systems market.

Results of Operations

Condensed consolidated results of operations for the three and nine months ended September 30, 2026, compared with the three and nine months ended September 30, 2025 **(UNAUDITED)**:

(in thousands, except per share amounts)	For the Three Months Ended September 30,				For the Nine Months Ended September 30,			
	2026	**2025**	Change	% Change	**2026**	**2025**	Change	% Change
Net sales (to related parties $1 and $398 for the three months ended September 30, 2026 and 2025, respectively, $20 and $1,263 for the nine months ended September 30, 2026 and 2025, respectively)	$ 202,074	$ 203,829	$ (1,755)	(1)%	$ 483,211	$ 531,182	$ (47,971)	(9)%
Cost of sales (derived from related party net sales $0 and $275 for the three months ended September 30, 2026 and 2025, respectively, and $8 and $863 for the nine months ended September 30, 2026 and 2025, respectively)	142,133	155,118	(12,985)	(8)%	352,477	388,094	(35,617)	(9)%
Gross profit	59,941	48,711	11,230	23 %	130,734	143,088	(12,354)	(9)%
Gross margin %	*29.7 %*	*23.9 %*	*580 bps*		*27.1 %*	*26.9 %*	*20 bps*	
Operating expenses:								
Research and development expenses	5,093	4,790	303	6 %	14,949	13,649	1,300	10 %
Research and development expenses as a % of sales	*2.5 %*	*2.4 %*	*10 bps*		*3.1 %*	*2.6 %*	*50 bps*	
Selling, general and administrative expenses	13,689	15,256	(1,567)	(10)%	38,784	43,045	(4,261)	(10)%
Selling, general and administrative expenses as a % of sales	*6.8 %*	*7.5 %*	*(70) bps*		*8.0 %*	*8.1 %*	*(10) bps*	
Amortization of intangible assets	265	308	(43)	(14)%	794	921	(127)	(14)%
Total operating expenses	19,047	20,354	(1,307)	(6)%	54,527	57,615	(3,088)	(5)%
Operating income	40,894	28,357	12,537	44 %	76,207	85,473	(9,266)	(11)%
Other expense (income), net:								
Interest expense (from related parties of $0 and $0 for the three months ended September 30, 2026 and 2025, respectively, and $0 and $634 for the nine months ended September 30, 2026 and 2025, respectively)	961	1,617	(656)	(41)%	4,276	5,083	(807)	(16)%
Other expense (income), net	(155)	—	(155)	NM	(361)	(295)	(66)	NM
Total other expense, net	806	1,617	(811)	(50)%	3,915	4,788	(873)	(18)%
Income before income taxes	40,088	26,740	13,348	50 %	72,292	80,685	(8,393)	(10)%
Income tax expense (benefit)	10,158	(876)	11,034	NM	18,201	(17,225)	35,426	NM
Net income	$ 29,930	$ 27,616	$ 2,314	8 %	$ 54,091	$ 97,910	$ (43,819)	(45)%
Earnings per common share:								
Basic	$ 1.30	$ 1.20	$ 0.10	8 %	$ 2.35	$ 4.25	$ (1.90)	(45)%
Diluted	$ 1.30	$ 1.20	$ 0.10	8 %	$ 2.34	$ 4.25	$ (1.91)	(45)%
Non-GAAP Financial Measures:								
Adjusted net income *	$ 30,028	$ 27,633	$ 2,395	9 %	$ 56,004	$ 98,637	$ (42,633)	(43)%
Adjusted net income per share – diluted*	$ 1.30	$ 1.20	$ 0.10	8 %	$ 2.42	$ 4.28	$ (1.86)	(43)%
EBITDA *	$ 42,714	$ 29,752	$ 12,962	44 %	$ 81,606	$ 89,776	$ (8,170)	(9)%
Adjusted EBITDA *	$ 42,812	$ 29,769	$ 13,043	44 %	$ 83,519	$ 90,503	$ (6,984)	(8)%

NM Not meaningful
* Non-GAAP measurement, see reconciliation below

Net Sales

Net sales decreased $1.8 million, or 1%, during the three months ended September 30, 2026, compared to the three months ended September 30, 2025, as a result of lower sales of $6.2 million and $1.1 million in the power systems and transportation end markets, respectively, partially offset by an increase of $5.6 million in the industrial end market. Net sales decreased $48.0 million, or 9%, during the nine months ended September 30, 2026, compared to the nine months ended September 30, 2025, as a result of lower sales of $51.0 million and $2.5 million in the power systems end market and transportation end markets, respectively. Sales in the power systems end market declined primarily due to softness in demand within the oil and gas market partially offset by higher sales of data center related products. The Company continues to see strong demand for data center power solutions; however, the timing and ultimate volume of revenue recognized from that demand remain subject to customer scheduling, manufacturing throughput, supply chain factors and other variables, and the Company is not predicting any specific level of data center revenue in any future period.

Gross Profit

Gross profit increased during the three months ended September 30, 2026 by $11.2 million, or 23%, compared to the three months ended September 30, 2025. Gross margin was 29.7% and 23.9% during the three months ended September 30, 2026 and 2025, respectively. Gross profit decreased during the nine months ended September 30, 2026 by $12.4 million, or 9%, compared to the nine months ended September 30, 2025. Gross margin was 27.1% and 26.9% during the nine months ended September 30, 2026 and 2025, respectively. The increase in gross margin compared with the third quarter of 2025 primarily reflected the benefits of the Company's operational improvement initiatives at its Wisconsin operations, which have reduced the elevated production costs associated with capacity ramp-up activities supporting data center-related applications that affected the prior-year period, as well as a $3.8 million tariff refund recognized in the third quarter of 2026, which contributed approximately 188 basis points to gross margin, partially offset by an unfavorable year-over-year product mix resulting from lower oil and gas sales. These initiatives have focused on enhancing manufacturing efficiency, streamlining production processes, improving labor productivity and strengthening cost controls. On a sequential basis, gross margin improved by approximately 260 basis points compared with the second quarter of 2026, including the benefit of the tariff refund. For the nine months ended September 30, 2026, the decrease in gross profit compared to the prior-year period was primarily driven by lower sales volume, partially offset by improved gross margin resulting from operational improvement initiatives and the reduction of cost of sales recognized in connection with tariff refunds for costs that were not passed through to customers. Capacity ramp-up activities at the Wisconsin operations are continuing, and the Company expects the related production costs to persist. Gross margin in any quarter remains subject to product mix, production volume, throughput and other operational factors, and the Company does not expect the third-quarter gross margin level, which included the tariff refund, to be sustained in the fourth quarter of 2026.

Research and Development Expenses

Research and development expenses during the three months ended September 30, 2026 and 2025 were $5.1 million and $4.8 million, respectively. Research and development expenses during the nine months ended September 30, 2026 and 2025 were $14.9 million and $13.6 million, respectively. During the three and nine months ended September 30, 2026, the increase of $0.3 million and $1.3 million, respectively, was primarily driven by higher R&D program expenditures to support new programs in 2026.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses were $13.7 million during the three months ended September 30, 2026, a decrease of $1.6 million, or 10%, compared to the three months ended September 30, 2025. SG&A expenses were $38.8 million during the nine months ended September 30, 2026, a decrease of $4.3 million, or 10%, compared to the nine months ended September 30, 2025. During both three and nine months ended September 30, 2026, the decrease was primarily attributable to certain expenses incurred in the prior-year period related to customer relationship improvement initiatives, partially offset by higher selling and administrative expenses associated with the growth of the Company's data center business.

Interest Expense

Interest expense was $1.0 million for the three months ended September 30, 2026, as compared to $1.6 million for the three months ended September 30, 2025. Interest expense was $4.3 million for the nine months ended September 30, 2026, as compared to $5.1 million for the nine months ended September 30, 2025. During both three and nine months ended September 30, 2026, interest expense decreased largely due to lower average debt balances. See Note 7. *Debt*, included in Part 1, Item 1. *Financial Statements*, for additional information.

Income Tax Expense (Benefit)

The Company recorded income tax expense of $10.2 million for the three months ended September 30, 2026, as compared to income tax benefit of $0.9 million for the same period in 2025. Pretax income was $40.1 million for the three months ended

September 30, 2026, compared to $26.7 million for the same period in 2025. The Company recorded income tax expense of $18.2 million for the nine months ended September 30, 2026, as compared to income tax benefit of $17.2 million for the same period in 2025. Pretax income was $72.3 million for the nine months ended September 30, 2026, compared to $80.7 million for the same period in 2025. During both the three and nine months ended September 30, 2026, the change from an income tax benefit in 2025 to an income tax expense in 2026 was primarily attributable to the release of the majority of the Company's valuation allowance during the second quarter of 2025, which did not recur in 2026.

See Note 12. *Income Taxes*, included in Part I, Item 1. *Financial Statements*, for additional information related to the Company's income tax provision.

Non-GAAP Financial Measures

In addition to the results provided in accordance with 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.

Non-GAAP Financial Measure	Comparable GAAP Financial Measure
Adjusted net income	Net income
Adjusted net income per share – diluted	Net income per share – diluted
EBITDA	Net income
Adjusted EBITDA	Net income

The Company believes that Adjusted net income, Adjusted net income per share – diluted, 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 is defined as net income as adjusted for certain items that the Company believes are not indicative of its ongoing operating performance. Adjusted net income per share – diluted is a measure of the Company's diluted earnings 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, Adjusted net income per share – diluted, 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, Adjusted net income per share – diluted, 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 to Adjusted net income for the three and nine months ended September 30, 2026 and 2025:

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Net income	$ 29,930	$ 27,616	$ 54,091	$ 97,910
Stock-based compensation [1]	51	19	905	326
Severance and executive recruiting [2]	17	(2)	517	401
Other legal matters [3]	30	—	491	—
Adjusted net income	$ 30,028	$ 27,633	$ 56,004	$ 98,637

The following table presents a reconciliation from Net income per share – diluted to Adjusted net income per share – diluted for the three and nine months ended September 30, 2026 and 2025:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Net income per share – diluted	$ 1.30	$ 1.20	$ 2.34	$ 4.25
Stock-based compensation [1]	—	—	0.04	0.01
Severance and executive recruiting [2]	—	—	0.02	0.02
Other legal matters [3]	—	—	0.02	—
Adjusted net income per share – diluted	$ 1.30	$ 1.20	$ 2.42	$ 4.28
Diluted shares (in thousands)	23,075	23,061	23,070	23,062

The following table presents a reconciliation from Net income to EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2026 and 2025:

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2026	2025	2026	2025
Net income	$ 29,930	$ 27,616	$ 54,091	$ 97,910
Interest expense	961	1,617	4,276	5,083
Income tax expense (benefit)	10,158	(876)	18,201	(17,225)
Depreciation	1,400	1,087	4,244	3,087
Amortization of intangible assets	265	308	794	921
EBITDA	42,714	29,752	81,606	89,776
Stock-based compensation [1]	51	19	905	326
Severance and executive recruiting [2]	17	(2)	517	401
Other legal matters [3]	30	—	491	—
Adjusted EBITDA	$ 42,812	$ 29,769	$ 83,519	$ 90,503

1. Amounts reflect non-cash stock-based compensation expense for the three and nine months ended September 30, 2026 and 2025.
2. Amounts include severance expense of less than $0.1 million for the three months ended September 30, 2026 and 2025, and of approximately $0.1 million and $0.4 million for the nine months ended September 30, 2026 and 2025, respectively, as well as executive recruiting expense of less than $0.1 million and $0.4 million for the three and nine months ended September 30, 2026, respectively.
3. Amounts include legal settlements for the three and nine months ended September 30, 2026.

Cash Flows

Cash was impacted as follows:

(in thousands)	For the Nine Months Ended September 30,			
	2026	2025	Change	% Change
Net cash provided by operating activities	$ 116,609	$ 28,730	$ 87,879	*NM
Net cash used in investing activities	(17,206)	(6,957)	(10,249)	(147)%
Net cash used in financing activities	(67,841)	(27,538)	(40,303)	(146)%
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ 31,562	$ (5,765)	$ 37,327	*NM
Capital expenditures	$ (5,295)	$ (6,968)	$ 1,673	24 %

NM Not meaningful

Cash Flows for the Nine Months Ended September 30, 2026

Cash Flow from Operating Activities

Net cash provided by operating activities was $116.6 million for the nine months ended September 30, 2026, compared to $28.7 million for the nine months ended September 30, 2025, representing an increase of $87.9 million in cash provided by operating activities year-over-year. The increase occurred despite a decrease in net income of $43.8 million, driven primarily by favorable changes in working capital. These changes included a significant source of cash from accounts receivable, reflecting improved

collections in the current period, as well as a lower use of cash for inventory purchases, payments of accounts payable and accrued expenses compared to the prior-year period.

Cash Flow from Investing Activities

Net cash used in investing activities was $17.2 million for the nine months ended September 30, 2026, compared to cash used in investing activities of $7.0 million for the nine months ended September 30, 2025. For the nine months ended September 30, 2026 and 2025, cash used in investing activities related to capital expenditures and the acquisition of MTL.

Cash Flow from Financing Activities

The Company used $67.8 million in cash from financing activities for the nine months ended September 30, 2026, compared to $27.5 million cash used by financing activities for the nine months ended September 30, 2025. The cash used by financing activities for the nine months ended September 30, 2026 was primarily due to paydowns of $30.0 million during the second quarter and $65.0 million during the third quarter on the Revolving Credit Agreements, payoff of the SBA loan, and repayments of lease liabilities, including $15.0 million pay-off of the Standard Chartered Credit Agreement in September 2026, and share repurchases to settle tax withholding obligations for stock-based compensation awards. These cash outflows were partially offset by $35.0 million of borrowings under the Revolving Credit Agreements. See additional discussion in Note 7. *Debt*, included in Part I, Item 1. Financial Statements, which further describe the Company's debt arrangements.

Liquidity and Capital Resources

The Company's sources of funds are cash flows from operations, borrowings made pursuant to its credit facilities and cash and cash equivalents on hand. Uses of funds include payments of principal on our debt facilities, capital expenditures, and working capital needs. We currently anticipate that cash flows from operations, available funds and access to financing sources, including under our Revolving Credit Agreements, will continue to be sufficient to meet our cash needs for the next twelve months and beyond.

Our material cash requirements from known contractual and other obligations primarily relate to our debt and lease obligations. The Company has achieved profitability and generated positive cash flows from operating activities in 2026. As of September 30, 2026, the Company's total outstanding debt obligations under the Revolving Credit Agreement, finance leases and other debt, were $37.7 million in the aggregate, and its cash and cash equivalents were $72.0 million. See Item 1. *Financial Statements*, Note 7. *Debt*, for additional information. On September 25, 2026, the Company paid-off and terminated its Standard Chartered Credit Agreement with Standard Chartered Bank and other lenders and executed the new HSBC Credit Agreement with HSBC Bank and other lenders. The HSBC Revolving Credit Agreement allows the Company to borrow up to $220.0 million with a maturity date of September 25, 2029.

PSI's business is subject to broader macroeconomic and geopolitical conditions. The oil and gas market, one of the Company's end markets, has recently softened. The Company is responding by managing investments and expenses and making adjustments to its commercial strategies across its end markets. The Company experiences tariff costs associated with products in its supply chain. We are actively assessing the evolving tariff environment and are committed to proactively mitigating any associated risks through strategic sourcing, pricing actions, and supply chain agility. The potential for continued economic uncertainty and unfavorable oil and gas market dynamics may have a material adverse impact on the levels of future customer orders and the Company's future business operations, financial condition and liquidity.

At September 30, 2026, the Company had four outstanding letters of credit totaling $2.5 million. See Item 1. *Financial Statements,* Note 11. *Commitments and Contingencies* for additional information related to the Company's off-balance sheet arrangements and the outstanding letters of credit.

Critical Accounting Policies and Estimates

The Company's consolidated financial statements are prepared in accordance with U.S. GAAP. Preparation of these financial statements requires the Company to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company's most critical accounting policies and estimates are those most important to the portrayal of its financial condition and results of operations which require the Company to make its most difficult and subjective judgments, often as a result of the need to make estimates regarding matters that are inherently uncertain. The Company has identified the items listed below as its most critical accounting policies and judgments. Although management believes that its estimates and assumptions are reasonable, they are based on information available when they are made and, therefore, may differ from estimates made under different assumptions or conditions.

The Company's significant accounting policies are consistent with those discussed in Note 1. *Summary of Significant Accounting Policies and Other Information*, to the consolidated financial statements and the MD&A section of the Company's 2025 Annual Report. During the nine months ended September 30, 2026, there were no significant changes in the application of critical accounting policies.

The Company has identified the following accounting policies as its most critical because they require the Company to make difficult, subjective, and complex judgments and estimates:

- Revenue Recognition
- Goodwill Impairment
- Warranties

Impact of New Accounting Standards

For information about recently issued accounting pronouncements, see Note 1. *Summary of Significant Accounting Policies and Other Information*, included in Part 1, Item 1.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our market risk includes changes in interest rates on its variable-rate debt obligations. As of September 30, 2026, the Company's outstanding borrowings bear interest at variable rates indexed to the SOFR. Increases in SOFR would result in higher interest expense and could adversely affect the Company's results of operations and cash flows. The Company does not currently use derivative instruments to hedge its exposure to variable interest rates.

The Company does not have material exposure to foreign currency exchange rate risk, as substantially all of its transactions are denominated in U.S. dollars. In addition, the Company is not materially exposed to commodity price risk or equity price risk, as it does not engage in activities that are directly affected by fluctuations in commodity prices or publicly traded equity securities.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures" is defined in Rule 13a-15(e) of the Exchange Act as "controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms." The Company's disclosure controls and procedures are designed to ensure that material information relating to the Company and its consolidated subsidiaries is accumulated and communicated to its management, including its Chief Executive Officer and its Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of its disclosure controls and procedures as of September 30, 2026. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of September 30, 2026, to provide reasonable assurance that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the Exchange Act, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control over Financial Reporting

There has been no change in the Company's internal control over financial reporting during the third quarter of 2026 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 11. *Commitments and Contingencies*, included in Part I, Item 1. *Financial Statements*, for a discussion of legal proceedings, which are incorporated herein by reference.

Item 1A. Risk Factors.

In addition to the other information set forth in this report, you should carefully consider the risk factors described in Item 1A. *Risk Factors*, in Part I of the Company's 2025 Annual Report on Form 10-K, filed with the SEC on March 2, 2026. These risk factors could materially affect the Company's business, financial condition, results of operations, liquidity, or future results. The risks described in these filings are not the only risks the Company faces. Additional risks and uncertainties not currently known to the Company or that the Company currently deems immaterial may also materially adversely affect its business, financial condition, results of operations, or liquidity. Except as set forth below, there have been no material changes to the risk factors previously disclosed in the filings referenced above.

We are subject to securities class action and stockholder derivative litigation, which could result in substantial costs and divert management's attention.

The Company and certain of its current and former officers are defendants in a putative securities class action, and certain of the Company's current and former directors and officers are defendants in a consolidated stockholder derivative action in which the Company is a nominal defendant, each pending in the United States District Court for the Northern District of Illinois. The actions involve allegations of misstatements and omissions concerning, among other things, demand, manufacturing capacity, operating inefficiencies, product mix and gross margins relating to our data center product lines. See Note 11. Commitments and Contingencies. We cannot predict the outcome of these matters. Regardless of outcome, these matters may result in significant legal fees and expenses, including amounts payable under our advancement and indemnification obligations to current and former directors and officers, subject to applicable agreements and law. These costs may not be fully covered by our directors' and officers' liability insurance. The litigation may also divert management's attention, harm our reputation and result in additional claims. An unfavorable outcome or settlement could have a material adverse effect on our financial condition, results of operations and cash flows.

We have recently experienced significant changes in our senior leadership, which could disrupt our business.

In May 2026, our former Chief Executive Officer resigned, and our Chief Financial Officer served as interim Chief Executive Officer until the appointment of our current Chief Executive Officer became effective on August 17, 2026. Leadership transitions can disrupt operations, strategy execution, customer relationships and internal controls, and may make it more difficult to retain key employees.

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

None.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the three months ended September 30, 2026, no director or Section 16 officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in item 408(a) of Regulation S-K.

Item 6. Exhibits.

EXHIBIT INDEX

The following documents listed below that have been previously filed with the SEC (1934 Act File No. 001-35944) are incorporated herein by reference:

			Incorporated by Reference Herein			
Exhibit No.		**Exhibit Description**	**Form**	**Exhibit**	**Filing Date**	**File No.**
10.1		Revolving Credit Agreement, dated as of September 25, 2026, among the Company, as borrower, the other loan parties party thereto, the lenders and letter of credit issuers party thereto and HSBC Bank USA, National Association, as administrative agent.	8-K	10.1	09/30/2026	001-35944
10.2		Guaranty and Collateral Agreement, dated as of September 25, 2026, among the Company, the other grantors party thereto and HSBC Bank USA, National Association, as administrative agent.	8-K	10.2	09/30/2026	001-35944
31.1	*	Certification of Chief Executive Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	*	Certification of Chief Financial Officer, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1	**	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.				
32.2	**	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.				
101.INS	*	XBRL Instance Document.				
101.SCH		XBRL Taxonomy Extension Schema Document.				
101.CAL		XBRL Taxonomy Extension Calculation Linkbase Document.				
101.LAB		XBRL Taxonomy Extension Labels Linkbase Document.				
101.PRE		XBRL Taxonomy Extension Presentation Linkbase Document.				
101.DEF	*	XBRL Taxonomy Definition Linkbase Document.				
104	*	Cover Page Interactive Data File (embedded within the Inline XBRL document)				

* Filed with this Report.

** This exhibit shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that Section. Such exhibit shall not be deemed incorporated into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 5th day of November 2026.

POWER SOLUTIONS INTERNATIONAL, INC.

By: /s/ Xun Li

Name: **Xun Li**

Title: Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO 17 CFR 240.13a-14 PROMULGATED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Nan Hu, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Power Solutions International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2026

By: /s/ Nan Hu
Name: **Nan Hu**
Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO 17 CFR 240.13a-14 PROMULGATED UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Xun Li, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Power Solutions International, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2026

By: /s/ Xun Li
Name: **Xun Li**
Title: Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of Power Solutions International, Inc. (the "Company") on Form 10-Q for the three months ended September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nan Hu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2026	By:	/s/ Nan Hu
	Name:	**Nan Hu**
	Title:	Chief Executive Officer

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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

Exhibit 32.2

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

In connection with the Quarterly Report of Power Solutions International, Inc. (the "Company") on Form 10-Q for the three months ended September 30, 2026, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Xun Li, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 5, 2026

By: /s/ Xun Li
Name: **Xun Li**
Title: Chief Financial Officer

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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