UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2022

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 001-39467

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE	**25-1724540**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

600 Mayer Street
Bridgeville, PA 15017
(Address of principal executive offices, including zip code)
(412) 257-7600
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value $0.001 per share		The Nasdaq Stock Market, LLC
Preferred Stock Purchase Rights	USAP	The Nasdaq Stock Market, LLC

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 April 18, 2022, there were 8,957,453 shares of the Registrant's common stock outstanding.

Universal Stainless & Alloy Products, Inc.
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Part I. **FINANCIAL INFORMATION**

Item 1. **FINANCIAL STATEMENTS**

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in Thousands, Except Per Share Information)
(Unaudited)

	Three months ended March 31, 2022	Three months ended March 31, 2021
Net sales	$ 47,562	$ 37,038
Cost of products sold	43,509	37,286
Gross margin	4,053	(248)
Selling, general and administrative expenses	5,049	5,231
Operating loss	(996)	(5,479)
Interest expense and other financing costs	709	550
Other expense, net	13	16
Loss before income taxes	(1,718)	(6,045)
Income taxes	(103)	(1,516)
Net loss	$ (1,615)	$ (4,529)
Net loss per common share - Basic	$ (0.18)	$ (0.51)
Net loss per common share - Diluted	$ (0.18)	$ (0.51)
Weighted average shares of common stock outstanding		
Basic	8,946,174	8,888,815
Diluted	8,946,174	8,888,815

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Dollars in Thousands)
(Unaudited)

	Three months ended March 31,	
	2022	**2021**
Net loss	$ (1,615)	$ (4,529)
Other comprehensive income, net of tax		
Unrealized gain on derivatives	135	15
Comprehensive loss	$ (1,480)	$ (4,514)

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands, Except Per Share Information)

	March 31, 2022 (Unaudited)	December 31, 2021
ASSETS		
Current assets:		
Cash	$ 279	$ 118
Accounts receivable (less allowance for doubtful accounts of $201 and $201, respectively)	28,347	21,192
Inventory, net	147,632	140,684
Other current assets	8,498	8,567
Total current assets	184,756	170,561
Property, plant and equipment, net	157,157	159,162
Other long-term assets	886	909
Total assets	$ 342,799	$ 330,632
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 31,549	$ 24,000
Accrued employment costs	2,608	4,303
Current portion of long-term debt	2,376	2,392
Other current liabilities	1,720	943
Total current liabilities	38,253	31,638
Long-term debt, net	73,585	66,852
Deferred income taxes	2,391	2,461
Other long-term liabilities, net	3,320	3,360
Total liabilities	117,549	104,311
Stockholders' equity:		
Senior preferred stock, par value $0.001 per share; 1,980,000 shares authorized; 0 shares issued and outstanding	-	-
Common stock, par value $0.001 per share; 20,000,000 shares authorized; 8,957,453 and 8,938,091 shares issued, respectively	9	9
Additional paid-in capital	95,999	95,590
Accumulated other comprehensive income	175	40
Retained earnings	129,067	130,682
Total stockholders' equity	225,250	226,321
Total liabilities and stockholders' equity	$ 342,799	$ 330,632

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOW
(Dollars in Thousands)
(Unaudited)

	Three months ended March 31, 2022	Three months ended March 31, 2021
Operating Activities:		
Net loss	$ (1,615)	$ (4,529)
Adjustments for non-cash items:		
Depreciation and amortization	4,871	4,834
Deferred income tax	(122)	(1,518)
Share-based compensation expense	409	309
Changes in assets and liabilities:		
Accounts receivable, net	(7,155)	(2,568)
Inventory, net	(7,365)	(639)
Accounts payable	7,872	6,149
Accrued employment costs	(1,695)	1,261
Income taxes	23	7
Other	798	(1,689)
Net cash (used in) provided by operating activities	(3,979)	1,617
Investing Activity:		
Capital expenditures	(2,520)	(2,683)
Net cash used in investing activity	(2,520)	(2,683)
Financing Activities:		
Borrowings under revolving credit facility	28,799	29,541
Payments on revolving credit facility	(21,535)	(20,820)
Proceeds from term loan facility	-	8,571
Payments on term loan facility, finance leases, and notes	(604)	(15,428)
Payments of financing costs	-	(539)
Net cash provided by financing activities	6,660	1,325
Net increase in cash	161	259
Cash at beginning of period	118	164
Cash at end of period	$ 279	$ 423

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

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in Thousands)

(Unaudited)

	Common shares outstanding	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)
For the three months ended March 31, 2022					
Balance at December 31, 2021	8,938,091	$ 9	$ 95,590	$ 130,682	$ 40
Share-based compensation	19,362	-	409	-	-
Net gain on derivative instruments	-	-	-	-	135
Net loss	-	-	-	(1,615)	-
Balance at March 31, 2022	8,957,453	$ 9	$ 95,999	$ 129,067	$ 175
For the three months ended March 31, 2021					
Balance at December 31, 2020	8,883,788	$ 9	$ 94,276	$ 131,440	$ (45)
Share-based compensation	11,034	-	309	-	-
Net gain on derivative instruments	-	-	-	-	15
Net loss	-	-	-	(4,529)	-
Balance at March 31, 2021	8,894,822	$ 9	$ 94,585	$ 126,911	$ (30)

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

Note 1: Nature of Business and Basis of Presentation

Universal Stainless & Alloy Products, Inc., and its wholly-owned subsidiaries (collectively, "Universal," "we," "us," "our," or the "Company"), manufacture and market semi-finished and finished specialty steel products, including stainless steel, nickel alloys, tool steel and certain other alloyed steels. Our manufacturing process involves melting, remelting, heat treating, hot and cold rolling, forging, machining and cold drawing of semi-finished and finished specialty steels. Our products are sold to service centers, forgers, rerollers, original equipment manufacturers and wire redrawers. Our customers further process our products for use in a variety of industries, including the aerospace, power generation, oil and gas, heavy equipment, and general industrial manufacturing industries. We also perform conversion services on materials supplied by customers.

The accompanying unaudited consolidated statements include the accounts of Universal Stainless & Alloy Products, Inc. and its subsidiaries and are prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial reports and the instructions for Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under U.S. GAAP have been condensed or omitted pursuant to such regulations. Although the December 31, 2021 consolidated balance sheet data was derived from the audited financial statements, it does not include all disclosures required by U.S. GAAP. However, we believe that the disclosures are adequate to make the information presented not misleading. These consolidated financial statements should be read in conjunction with our most recently audited financial statements and the notes thereto included in our Annual Report on Form 10-K as filed with the Securities and Exchange Commission. In the opinion of management, the accompanying financial statements include all adjustments necessary to present a fair presentation of the consolidated financial statements for the periods shown. Interim results are not necessarily indicative of the operating results for the full fiscal year or any future period. The preparation of these financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. Actual results may differ from our estimates. The consolidated financial statements include our accounts and the accounts of our wholly–owned subsidiaries. We also consolidate, regardless of our ownership percentage, variable interest entities (each a "VIE") for which we are deemed to have a controlling financial interest. All intercompany transactions and balances have been eliminated.

When we obtain an economic interest in an entity, we evaluate the entity to determine if the entity is a VIE, and if we are deemed to be a primary beneficiary. As a part of our evaluation, we are required to qualitatively assess if we are the primary beneficiary of the VIE based on whether we hold the power to direct those matters that most significantly impacted the activities of the VIE and the obligation to absorb losses or the right to receive the benefits of the VIE that could potentially be significant. Refer to Note 7, New Markets Tax Credit Financing Transaction, for a description of the VIEs included in our consolidated financial statements.

Recently Adopted Accounting Pronouncements

None.

Recently Issued Accounting Pronouncements

The Company considers the applicability and impact of all ASUs. Recently issued ASUs not listed were assessed and were determined not applicable, or are expected to have minimal impact on our consolidated financial statements.

Note 2: Net loss per Common Share

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

	Three months ended March 31,	
(dollars in thousands, except per share amounts)	**2022**	**2021**
Numerator:		
Net loss	$ (1,615)	$ (4,529)
Denominator:		
Weighted average number of shares of common stock outstanding	8,946,174	8,888,815
Weighted average effect of dilutive share-based compensation	-	-
Diluted weighted average number of shares of common stock outstanding	8,946,174	8,888,815
Net loss per common share:		
Net loss per common share - Basic	$ (0.18)	$ (0.51)
Net loss per common share - Basic	$ (0.18)	$ (0.51)

We had options to purchase 748,775 and 757,775 shares of common stock outstanding at a weighted average price of $19.01 and $21.78 for the three months ended March 31, 2022 and 2021, respectively, which were excluded in the computation of diluted net loss per common share. These options were not included in the computation of diluted net loss per common share because their exercise prices were greater than the average market price of our common stock. In addition, the calculation of diluted net loss per share for the three months ended March 31, 2022 and 2021, respectively, excluded 28,398 and 30,553 shares for the assumed exercise of stock options as a result of being in a net loss position.

Note 3: Revenue Recognition

The Company's revenues are primarily comprised of sales of products. Revenue is recognized when the Company satisfies its performance obligation under the contract by transferring the promised product to its customer that obtains control of the product. A performance obligation is a promise in a contract to transfer a distinct product to a customer. Most of the Company's contracts have a single performance obligation, as the promise to transfer products or services is not separately identifiable from other promises in the contract and, therefore, not distinct.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products. As such, revenue is recorded net of returns, allowances, customer discounts, and incentives. Sales and other taxes are excluded from revenues. Invoiced shipping and handling costs are included in revenue.

The Company's revenue is primarily from products transferred to customers at a point in time. The Company recognizes revenue at the point in time in which the customer obtains control of the product, which is generally when product title passes to the customer upon shipment.

We have determined that there are certain customer agreements involving production of specified product grades and shapes that require revenue to be recognized over time, in advance of shipment, due to there being no alternative use for these grades and shapes without significant economic loss. Also, the Company maintains an enforceable right to payment including a normal profit margin from the customer in the event of contract termination. Contract assets related to services performed and not yet billed of $1.9 million and $2.2 million are included in Accounts Receivable in the Consolidated Balance Sheets at March 31, 2022 and December 31, 2021, respectively.

The Company has elected the following practical expedients allowed under ASU 2014-09:

- Shipping costs are not considered to be separate performance obligations.
- Performance obligations are satisfied within one year from a given reporting date; consequently, we omit disclosure of the transaction price apportioned to remaining performance obligations on open orders.

The following summarizes our revenue by melt type:

	Three months ended March 31,			
	2022		2021	
Net sales:				
Specialty alloys	$	38,220	$	29,091
Premium alloys (A)		8,933		7,553
Conversion services and other sales		409		394
Total net sales	$	47,562		37,038

(A) Premium alloys represent all vacuum induction melted (VIM) products.

Note 4: Inventory

Our raw material and starting stock inventory is primarily comprised of ferrous and non-ferrous scrap metal and alloys such as nickel, chrome, molybdenum, cobalt, vanadium and copper. Our semi-finished and finished steel products are work-in-process in various stages of production or are finished products waiting to be shipped to our customers.

Operating materials are primarily comprised of forge dies and production molds and rolls that are consumed over their useful lives. During the three months ended March 31, 2022 and March 31, 2021, we amortized these operating materials in the amount of $0.4 million in each period. This expense is recorded as a component of cost of products sold on the consolidated statements of operations and included as a part of our total depreciation and amortization on the consolidated statements of cash flows.

Inventory is stated at the lower of cost or net realizable value with cost principally determined on a weighted average cost method. Such costs include the acquisition cost for raw materials and supplies, direct labor and applied manufacturing overhead. We assess market based upon actual and estimated transactions at or around the balance sheet date. Typically, we reserve for slow-moving inventory and inventory that is being evaluated under our quality control process. The reserves are based upon management's expected method of disposition.

Due to low activity levels at our production facilities caused by the COVID-19 pandemic, management revised its accounting estimates for the absorption of costs into inventory during 2020. As a result, $2.6 million of fixed overhead costs were not absorbed into inventory and charged directly to expense during the three months ended March 31, 2021. There was no such charge during the three months ended March 31, 2022.

Inventories consisted of the following:

(in thousands)	March 31, 2022	December 31, 2021
Raw materials and starting stock	$ 14,340	$ 12,263
Semi-finished and finished steel products	126,508	122,396
Operating materials	11,256	10,620
Gross inventory	152,104	145,279
Inventory reserves	(4,472)	(4,595)
Total inventory, net	$ 147,632	$ 140,684

Note 5: Leases

The Company periodically enters into leases in its normal course of business. At March 31, 2022, the leases in effect were primarily related to mobile and other production equipment. The term of our leases is generally 60 months or less, and the leases do not have significant restrictions, covenants, or other nonstandard terms.

Right-of-use assets and lease liabilities are recorded at the present value of minimum lease payments. For our operating leases, the assets are included in Other long-term assets on the consolidated balance sheets and are amortized within operating income over the respective lease terms. The long-term component of the lease liability is included in Other long-term liabilities, net, and the current component is included in Other current liabilities. For our finance leases, the assets are included in Property, plant and equipment, net on the consolidated balance sheets and are depreciated over the respective lease terms which range from three to five years. The long-term component of the lease liability is included in Long-term debt and the current component is included in Current portion of long-term debt.

The Company entered into one new lease agreement accounted for as an operating lease, and did not enter into any new lease agreements accounted for as a finance lease, during the first quarter of 2022.

As of March 31, 2022, future minimum lease payments applicable to operating and finance leases were as follows:

	Operating Leases	Finance Leases
2022	251	211
2023	243	242
2024	147	225
2025	35	112
2026	14	-
Total minimum lease payments	690	790
Less amounts representing interest	(29)	(75)
Present value of minimum lease payments	661	715
Less current obligations	(310)	(233)
Total long-term lease obligations, net	$ 351	$ 482
Weighted-average remaining lease term	2.5 years	2.4 years

Right-of-use assets recorded to the consolidated balance sheet at March 31, 2022 were $0.6 million for operating leases and $0.8 million for finance leases. For the three months ended March 31, 2022, the amortization of finance lease assets was $0.1 million and was included in cost of products sold in the Consolidated Statements of Operations.

The Company applies the practical expedient allowed under Leases (Topic 842) to exclude leases with a term of 12 months or less from the calculation of our lease liabilities and right-of-use assets.

In determining the lease liability and corresponding right-of-use asset for each lease, the Company calculated the present value of future lease payments using the interest rate implicit in the lease, when available, or the Company's incremental borrowing rate. The incremental borrowing rate was determined with reference to the interest rate applicable under revolving credit facility discussed in Note 6, Long-Term Debt, as this facility is collateralized by a first lien on substantially all of the assets of the Company and its term is similar to the term of our leases.

Note 6: Long-Term Debt

Long-term debt consisted of the following:

(in thousands)	March 31, 2022	December 31, 2021
Revolving credit facility	$ 63,261	$ 55,997
Term loan	13,393	13,929
Finance leases	715	783
Total debt	77,369	70,709
Less: current portion of long-term debt	(2,376)	(2,392)
Less: deferred financing costs	(1,408)	(1,465)
Long-term debt, net	$ 73,585	$ 66,852

Credit Facility

On March 17, 2021, we entered into the Second Amended and Restated Revolving Credit, Term Loan and Security Agreement (the "Credit Agreement"), with PNC Bank, National Association, as administrative agent and co-collateral agent (the "Agent"), Bank of America, N.A., as co-collateral agent ("Bank of America"), the Lenders (as defined in the Credit Agreement) party thereto from time to time and PNC Capital Markets LLC, as sole lead arranger and sole bookrunner. The Credit Agreement replaces our Prior Credit Agreement, and provides for a senior secured revolving credit facility in an aggregate principal amount not to exceed $105.0 million ("Revolving Credit Facility") and a senior secured term loan facility ("Term Loan") in the amount of $15.0 million (together with the Revolving Credit Facility, the "Facilities").

The Company was in compliance with all the applicable financial covenants on December 31, 2021 and March 31, 2022.

The Facilities, which expire on March 17, 2026 (the 'Expiration Date"), are collateralized by a first lien on substantially all of the assets of the company and its subsidiaries, except that no real property is collateral under the Facilities other than Company's real property in North Jackson, Ohio.

Availability under the Credit Agreement is based on eligible accounts receivable and inventory. The Company must maintain undrawn availability under the Credit Agreement of at least $11.0 million. That requirement can be overcome if the Company maintains a fixed charge coverage ratio of not less than 1.10 to 1.0 measured on a rolling two-quarter basis and calculated in accordance with the terms of the Credit Agreement.

The Company is required to pay a commitment fee of 0.25% based on the daily unused portion of the Revolving Credit Facility.

With respect to the Term Loan, the Company pays quarterly installments of the principal of approximately $0.5 million, plus accrued and unpaid interest, on the first day of each fiscal quarter beginning after June 30, 2021. To the extent not previously paid, the Term Loan will become due and payable in full on the Expiration Date.

Amounts outstanding under the Facilities, at the Company's option, bear interest at either a base rate or a LIBOR based rate, in either case calculated in accordance with the terms of the Credit Agreement. Interest under the Credit Agreement is payable monthly. We elected to use the LIBOR based rate for the majority of the debt outstanding under the Facilities for the three months ended March 31, 2022, which ranged between 2.79% and 2.96% for our Revolving Credit Facility and was 3.24% for the Term Loan.

We incurred $0.5 million in additional financing costs in conjunction with the execution of the Credit Agreement, which were recorded to the consolidated balance sheet at March 31, 2021 and will be amortized to interest expense over the life of the Credit Agreement. At March 31, 2022, we had total Credit Agreement related net deferred financing costs of approximately $0.8 million. For the three months ended March 31, 2022, we amortized $0.1 million of those deferred financing costs.

Paycheck Protection Program Term Note

On April 16, 2020, the Company entered into a promissory note, dated April 15, 2020, with PNC Bank, National Association, evidencing an unsecured loan with a principal amount of $10.0 million made to the Company pursuant to the Paycheck Protection Program (the "PPP Term Note") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The PPP Term Note is guaranteed by the United States Small Business Administration.

The proceeds could be used to maintain payroll or make certain covered interest payments, lease payments and utility payments. Under the terms of the CARES Act, the Company was eligible for forgiveness for all or a portion of loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for payment of payroll costs and any payments of certain covered interest, lease and utility payments.

The PPP Term Note incurred interest at a fixed annual rate of 1.00%, with the first six months of interest deferred. According to the terms of the PPP Term Note, the Company would begin to make 18 equal monthly payments of principal and interest in November 2020 with the final payment due in April 2022. The Company did not make any principal or interest payments related to the PPP Term Note.

The Company applied for forgiveness of the PPP Term Note during the third quarter of 2020. In July 2021, PNC Bank notified the Company that forgiveness of the note was granted by the United States Small Business Administration. Accordingly, the PPP Term Note was forgiven in its entirety, including all related accrued interest. In the third quarter of 2021, we recognized forgiveness of the PPP Term Note and recorded a corresponding gain on extinguishment of debt in the Consolidated Statement of Operations for the period.

Notes

In connection with the acquisition of the ***North*** Jackson facility in 2011, we issued $20.0 million in Notes to the sellers of the facility as partial consideration in the transaction, which were retired in 2021.

On January 21, 2016, the ***Company*** entered into Amended and Restated Notes in the aggregate principal amount of $20.0 million (the “Notes”), each in favor of Gorbert Inc. (“Holder”). The Company’s obligations under the Notes were collateralized by a second lien on the same assets of the Company that collateralize the obligations of the Company under the Facilities. The Holder had the right to elect at any time on or prior to August 17, 2017 to convert all or any portion of the outstanding principal amount of the Notes.

The Notes were originally scheduled to mature on March 17, 2019. In 2019, the Company extended the maturity date to March 17, 2020 in accordance with the terms of the Notes. In 2020, the Company extended the maturity date to March 17, 2021 in accordance with the terms of the Notes. The Company made partial principal payments on the notes upon extension, and an aggregate principal amount of $15.0 million remained outstanding at the 2021 maturity date. On March 17, 2021, the Company paid the remaining principal balance and all applicable interest to settle the notes obligation.

The Notes had an applicable interest at a rate of 6.0% per year from August 17, 2017 until the time they were paid off. All accrued and unpaid interest was payable quarterly in arrears on September 18, December 18, March 18 and June 18 of each year.

Note 7: New Markets Tax Credit Financing Transaction

On March 9, 2018, the Company entered into a qualified New Markets Tax Credit (“NMTC”) financing program with PNC New Markets Investment Partners, LLC and Boston Community Capital, Inc. related to a new mid-size bar cell capital project at the Company’s Dunkirk, NY facility. PNC New Markets Investment Partners, LLC made a capital contribution and the Company made a loan to Dunkirk Investment Fund, LLC (“Investment Fund”) under the qualified NMTC program. Through this financing transaction, the Company secured low interest financing and the potential for other future benefits related to its mid-size bar cell capital project.

In connection with the NMTC financing program, the Company loaned $6.7 million aggregate principal amount (“Leverage Loan”) due in March 2048, to the Investment Fund. Additionally, PNC New Markets Investment Partners, LLC contributed $3.5 million to the Investment Fund, and as such, PNC New Markets Investment Partners, LLC is entitled to substantially all tax and other benefits derived from the NMTC. The Investment Fund then contributed the proceeds to a community development entity (“CDE”). The CDE then loaned the funds, on similar terms, as the Leverage Loan to Dunkirk Specialty Steel, LLC, a wholly-owned subsidiary of the Company. The CDE loan proceeds are restricted for use on the mid-size bar cell capital project.

The NMTC is subject to 100 percent recapture for a period of seven years as provided in the Internal Revenue Code. The Company is required to comply with various regulations and contractual provisions that apply to the NMTC arrangement. Non-compliance with applicable requirements could result in projected tax benefits not being realized and, therefore, require the Company to indemnify PNC New Markets Investment Partners, LLC for any loss or recapture of NMTCs related to the financing until the Company’s obligation to deliver tax benefits is relieved. The Company does not anticipate any credit recaptures will be required in connection with this arrangement.

As of March 31, 2022 and December 31, 2021, the Company recorded $2.8 million within Other long-term liabilities related to this transaction, which represents the funds contributed to the Investment Fund by PNC New Markets Investment Partners, LLC.

This transaction also includes a put/call provision whereby the Company may be obligated or entitled to repurchase PNC New Markets Investment Partners, LLC’s interest in the Investment Fund. The Company believes that PNC New Markets Investment Partners, LLC will exercise the put option in March 2025, at the end of the recapture period, resulting in a gain of $2.8 million at that time. The value attributed to the put/call is negligible.

Direct costs incurred in structuring this financing transaction totaled $0.7 million. These costs were deferred and are amortized over the term of the loans.

The Company has determined that the Investment Fund and CDE are each a variable interest entity ("VIE"), and that it is the primary beneficiary of each VIE. This conclusion was reached based on the following:

- The ongoing activities of the VIE, collecting and remitting interest and fees, and NMTC compliance were all considered in the initial design and are not expected to significantly affect economic performance throughout the life of the VIE;
- Contractual arrangements obligate the Company to comply with NMTC rules and regulations and provide various other guarantees to the Investment Fund and CDE;
- PNC New Markets Investment Partners, LLC lacks a material interest in the underlying economics of the project; and
- The Company is obligated to absorb losses of the VIE.

Because the Company is the primary beneficiary of each VIE, these entities have been included in the Company's Consolidated Financial Statements.

Note 8: Fair Value Measurement

The fair value hierarchy has three levels based on the inputs used to determine fair value, which are as follows:

Level 1 — Unadjusted quoted prices available in active markets for the identical assets or liabilities at the measurement date.

Level 2 — Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 — Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The fair value hierarchy requires the use of observable market data when available. In instances where the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The carrying amounts of our cash, accounts receivable and accounts payable approximated fair value at March 31, 2022 and December 31, 2021 due to their short-term maturities (Level 1). The fair value of the Term Loan and Revolving Credit facility at March 31, 2022 and December 31, 2021 approximated the carrying amount as the interest rate is based upon floating short-term interest rates (Level 2).

Note 9: Commitments and Contingencies

From time to time, various lawsuits and claims have been or may be asserted against us relating to the conduct of our business, including routine litigation relating to commercial and employment matters. The ultimate cost and outcome of any litigation or claim cannot be predicted with certainty. Management believes, based on information presently available, that the likelihood that the ultimate outcome of any such pending matter will have a material adverse effect on our financial condition, or liquidity or a material impact on our results of operations is remote, although the resolution of one or more of these matters may have a material adverse effect on our results of operations for the period in which the resolution occurs.

Note 10: Income Taxes

Management estimates the annual effective income tax rate quarterly, based on current annual forecasted results. Items unrelated to current year ordinary income are recognized entirely in the period identified as a discrete item of tax. The quarterly income tax provision includes tax on ordinary income provided at the most recent estimated annual effective tax rate ("ETR"), increased or decreased for the tax effect of discrete items.

For the three months ended March 31, 2022 and 2021, our estimated annual effective tax rates applied to ordinary income were 10.6% and 25.8%, respectively. The difference between the federal statutory rate of 21.0% and the projected annual ETR in both years is primarily due to research and development credits. The 2022 and 2021 estimated annual effective tax rates differ primarily due to a forecast of income tax expense in 2022 compared to an income tax benefit in 2021.

Discrete items during the three months ended March 31, 2022 totaled approximately $0.1 million of expense related to share-based compensation items, and the ETR for the quarter was 6.0%. Discrete items for the first quarter of the prior year were not significant and the ETR was 25.1%.

Note 11: Derivatives and Hedging

The Company invoices certain customers in foreign currencies. In order to mitigate the risks associated with fluctuations in exchange rates with the U.S. Dollar, the Company entered into foreign exchange forward contracts to mitigate the foreign currency risk related to a portion of these sales, and has designated these contracts as cash flow hedges. The notional value of contracts was $2.2 million and $2.5 million at March 31, 2022 and December 31, 2021, respectively, and a related unrealized gain of less than $0.1 million was recorded in accumulated other comprehensive income at each date.

Additionally, the Company entered into a forward interest rate swap contract during 2020 to fix the interest rate on a portion of its variable-rate debt from January 1, 2021 to June 30, 2023. The forward interest rate swap was designated as a cash flow hedge. The notional amount of the contract at its inception and December 31, 2021 was $16 million, and the notional amount will step down throughout the term. The notional amount of the contract at March 31, 2022 was $10 million.   The contract had a related unrealized gain recorded in accumulated other comprehensive income of $0.1 and less than $0.1 million at March 31, 2022 and December 31, 2021, respectively.

Note 12: Subsequent Events

Subsequent to the end of the quarter, a liquid metal spill occurred during operations at the Company's electric arc melting facility in Bridgeville, Pennsylvania. There were no related injuries as a result of the spill, which was caused by a breakthrough at the bottom of a furnace shell. Cleanup and damage assessment have begun and the Company expects melting operations to resume in May 2022, subject to parts and contractor availability. All other operations continue to function as normal, and the Company does not expect any near-term interruption to product delivery schedules. The full cost of the cleanup and other financial impacts of the spill are not known at this time.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains or incorporates forward looking statements within the meaning of the Private Securities Reform Act of 1995, which involves risks and uncertainties. The following information should be read in conjunction with the unaudited consolidated financial information and the notes thereto included in this Quarterly Report on Form 10-Q. You should not place undue reliance on these forward looking statements. Actual events or results may differ materially due to competitive factors and other factors referred to in Part 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2021, our other filings with the Securities and Exchange Commission and elsewhere in this Quarterly Report. These factors may cause our actual results to differ materially from any forward looking statement. These forward looking statements are based on current expectations, estimates, forecasts, and projections about the industry and markets in which we operate, and management's beliefs and assumptions. In addition, other written or oral statements that constitute forward looking statements may be made by us or on our behalf. Words such as "expect," "anticipate," "intend," "plan," "believe," "could," "estimate," "may," "target," "project," or variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties, and assumptions that are difficult to predict.

Overview

We manufacture and market semi-finished and finished specialty steel products, including stainless steel, nickel alloys, tool steel and certain other alloyed steels. Our manufacturing process involves melting, remelting, heat treating, hot and cold rolling, forging, machining and cold drawing of semi-finished and finished specialty steels. Our products are sold to service centers, forgers, rerollers, and original equipment manufacturers. Our customers further process our products for use in a variety of industries, including the aerospace, power generation, oil and gas, heavy equipment and general industrial markets. We also perform conversion services on materials supplied by customers.

Sales in the first quarter of 2022 were $47.6 million, an increase of $4.3 million, or 10.0%, from the fourth quarter of 2021. During this period, sales to our largest end market, aerospace, increased $4.4 million, or 16.9%, driven by increasing aerospace supply chain demand. Sales increased in all our end markets compared to the fourth quarter of 2021, except for heavy equipment.

Total company backlog, before surcharges, at the end of the first quarter was $201.8 million, an increase of $67.3 million, or 50.0%, compared to the end of 2021. This is the result of record order-entry in the first quarter as demand for our products continues to increase despite our price increases and lengthening lead times.

During the quarter, our sales of premium alloy products, which we define as all vacuum induction melt products, totaled $8.9 million and comprised 18.8% of total sales. This percentage of sales was an increase sequentially, but a decrease from 20.4% of sales in the first quarter of 2021. Our premium alloy products are primarily sold to the aerospace end market.

Our gross margin for the first quarter was $4.1 million, or 8.5% of net sales, and included a $1.1 million benefit related to a grant received from the Aviation Manufacturing Jobs Protection ("AMJP") Program. The gross margin percentage is an increase from negative 0.7% of net sales in the first quarter of 2021, but a decrease from 8.7% of net sales in the fourth quarter of 2021. The sequential decrease in gross margin was primarily caused by supply chain challenges and operational difficulties at the beginning of 2022, including trucking delays and interruptions in service, parts and supplies availability. This impact was worsened by continuing labor shortages and rapidly rising costs that were not fully offset by price increases. We have since enacted prices targeted to offset these higher costs. These negative impacts were partly offset by rising product margins on our premium alloy products sold during the quarter.

COVID-19 Pandemic

While the Company's four plants have continued to operate throughout the pandemic, COVID-19 related challenges negatively impacted the efficiency of our operations. These challenges continued in the first quarter and may continue throughout 2022. These factors may have additional significant impacts on the Company's backlog, end markets, overall operations, cash flows and financial results.

The scope and nature of these impacts, most of which are beyond the Company's control, continue to evolve, and the outcome is uncertain. The ultimate extent of the effects of the COVID-19 pandemic on the Company, and the end markets we serve, remains highly uncertain and will depend on future developments and, as such, effects could exist for an extended period, even after the pandemic may end.

Results of Operations

Three months ended March 31, 2022 as compared to the three months ended March 31, 2021:

(in thousands, except shipped ton information)	Three months ended March 31, 2022		2021			
	Amount	Percentage of net sales	Amount	Percentage of net sales	Dollar / ton variance	Percentage variance
Net sales	$ 47,562	100.0	$ 37,038	100.0	$ 10,524	28.4
Cost of products sold	43,509	91.5	37,286	100.7	6,223	16.7
Gross margin	4,053	8.5	(248)	(0.7)	4,301	NM
Selling, general and administrative expenses	5,049	10.6	5,231	14.1	(182)	(3.5)
Operating loss	(996)	(2.1)	(5,479)	(14.8)	4,483	81.8
Interest expense	653	1.4	494	1.3	159	32.2
Deferred financing amortization	56	0.1	56	0.2	-	-
Other expense, net	13	-	16	-	(3)	(18.8)
Loss before income taxes	(1,718)	(3.6)	(6,045)	(16.3)	4,327	71.6
Income taxes	(103)	(0.2)	(1,516)	(4.1)	1,413	93.2
Net loss	$ (1,615)	(3.4)%	$ (4,529)	(12.2)%	$ 2,914	64.3
Tons shipped	6,829		7,048		(219)	(3.1)
Sales dollars per shipped ton	$ 6,965		$ 5,255		$ 1,710	32.5%

Market Segment Information

(in thousands)	Three months ended March 31, 2022		2021			
	Amount	Percentage of net sales	Amount	Percentage of net sales	Dollar variance	Percentage variance
Net sales:						
Service centers	$ 33,253	69.9%	$ 25,844	69.8%	$ 7,409	28.7%
Original equipment manufacturers	4,704	9.9	4,795	12.9	(91)	(1.9)
Rerollers	4,508	9.5	3,793	10.2	715	18.9
Forgers	4,688	9.9	2,212	6.0	2,476	111.9
Conversion services and other	409	0.8	394	1.1	15	3.8
Total net sales	$ 47,562	100.0%	$ 37,038	100.0%	$ 10,524	28.4%

Melt Type Information

(in thousands)	Three months ended March 31, 2022		2021			
	Amount	Percentage of net sales	Amount	Percentage of net sales	Dollar variance	Percentage variance
Net sales:						
Specialty alloys	$ 38,220	80.4%	$ 29,091	78.5%	$ 9,129	31.4%
Premium alloys (A)	8,933	18.8	7,553	20.4	1,380	18.3
Conversion services and other	409	0.8	394	1.1	15	3.8
Total net sales	$ 47,562	100.0%	$ 37,038	100.0%	$ 10,524	28.4%

(A) Premium alloys represent all vacuum induction melted (VIM) products.

The majority of our products are sold to service centers rather than the ultimate end market customers. The end market information in this Quarterly Report is our estimate based upon our knowledge of our customers and the grade of material sold to them, which they will in-turn sell to the ultimate end market customer.

End Market Information

(in thousands)	Three months ended March 31, 2022		2021			
	Amount	Percentage of net sales	Amount	Percentage of net sales	Dollar variance	Percentage variance
Net sales:						
Aerospace	$ 30,102	63.3%	$ 22,227	60.0%	$ 7,875	35.4%
Power generation	1,297	2.7	1,199	3.2	98	8.2
Oil & gas	4,352	9.2	3,066	8.3	1,286	41.9
Heavy equipment	8,074	17.0	8,080	21.8	(6)	(0.1)
General industrial, conversion services and other	3,737	7.8	2,466	6.7	1,271	51.5
Total net sales	$ 47,562	100.0%	$ 37,038	100.0%	$ 10,524	28.4%

Net sales:

Net sales for the three months ended March 31, 2022 increased $10.5 million, or 28.4%, compared to the same period in the prior year. This was driven by a strong pricing environment as reflected by the increase in average sales dollars per shipped ton. The higher average sales price includes an increase in premium alloy net sales, increased base and surcharge pricing, and a shift in mix from semi-finished products to more finished products.

Gross margin:

As a percent of sales, our gross margin for the three months ended March 31, 2022 was 8.5% compared to a negative 0.7% for the three months ended March 31, 2021. The increase primarily reflects higher activity levels and better absorption compared to the prior year first quarter. Further, the current quarter includes approximately $1.1 million in benefit from our AMJP (as defined below) grant awarded during the period.

Selling, general and administrative expenses:

Our selling, general and administrative ("SG&A") expenses consist primarily of employee costs, which include salaries, payroll taxes and benefit related costs, professional services, stock compensation and insurance costs. SG&A expenses decreased by $0.2 million for the three months ended March 31, 2022 compared to the same period in the prior year.

Interest expense and other financing costs:

Interest expense totaled approximately $0.7 million in the first quarter of 2022 compared to $0.5 million in the first quarter of 2021. The increase reflects higher debt levels and the impact of higher variable interest rates paid on our revolving credit facility debt.

Income tax benefit:

Management estimates the annual effective income tax rate quarterly, based on current annual forecasted results. Items unrelated to current year ordinary income are recognized entirely in the period identified as a discrete item of tax. The quarterly income tax provision includes tax on ordinary income provided at the most recent estimated annual effective tax rate ("ETR"), increased or decreased for the tax effect of discrete items.

For the three months ended March 31, 2022 and 2021, our estimated annual effective tax rates applied to ordinary income were 10.6% and 25.8%, respectively. The difference between the federal statutory rate of 21.0% and the projected annual ETR in both years is primarily due to research and development credits. The 2022 and 2021 estimated annual effective tax rates differ primarily due to a forecast of income tax expense in 2022 compared to an income tax benefit in 2021.

Discrete items during the three months ended March 31, 2022 totaled approximately $0.1 million of expense related to share-based compensation items, and the ETR for the quarter was 6.0%. Discrete items for the first quarter of the prior year were not significant and the ETR was 25.1%.

Net loss:

For the three months ended March 31, 2022, the Company recorded a net loss of $1.6 million, or $0.18 per diluted share, compared to a net loss of $4.5 million, or $0.51 per diluted share, for the three months ended March 31, 2021.

Liquidity and Capital Resources

Historically, we have financed our operations through cash provided by operating activities and borrowings on our credit facilities. At March 31, 2022, we maintained approximately $25.3 million of remaining availability under our revolving credit facility.

We believe that our cash flows from continuing operations, as well as available borrowings under our credit facility are adequate to satisfy our working capital, capital expenditure requirements, and other contractual obligations for the foreseeable future, including at least the next 12 months.

Net cash used in (provided by) operating activities:

During the three months ended March 31, 2022, net cash of $4.0 million was used in operating activities. Our net loss, after adjustments for non-cash expenses, generated $3.5 million. We used $5.9 million of cash from managed working capital, which we define as net accounts receivable, plus inventory, minus accounts payable, minus other current liabilities. Accounts receivable increased $7.2 million due to higher sales. Inventory also grew in support of our record backlog and used $7.4 million in cash. An increase in accounts payable provided $7.9 million in cash, partially offsetting the increased inventory and accounts receivable. We also used $0.9 million of cash from other assets and liabilities.

In February 2022, the Company entered into an agreement with the Department of Transportation (“DOT”) under the Aviation Manufacturing Jobs Protection (“AMJP”) Program for a grant of up to $3.6 million, and received the first installment of $1.8 million. The Company expects to receive additional funds from the DOT after completion of the service period upon final confirmation from the DOT of the Company's compliance with the terms of the agreement. The receipt of the full award is primarily conditioned upon the Company committing to not furlough or lay off a defined group of employees during the six-month period of performance between February 2022 and August 2022. The grant benefit will be recognized over the six-month performance period as a reduction to cost of sales. During the quarter ended March 31, 2022, the Company recognized approximately $1.1 million as a reduction in cost of sales with the remaining balance of the initial installment presented in Other current liabilities on the Consolidated Balance Sheet as of March 31, 2022.

During the three months ended March 31, 2022, net cash of $1.6 million was generated from operating activities. Our net loss, after adjustments for non-cash expenses, used $0.9 million. We generated $1.1 million of cash from managed working capital, which we define as net accounts receivable, plus inventory, minus accounts payable, minus other current liabilities. Accounts receivable increased $2.6 million due to higher sales, while inventory increased $0.6 million. Accounts payable increased $6.1 million due to increased production activity compared to the end of 2021, and other current liabilities decreased $1.9 million. We also generated $1.5 million of cash from other assets and liabilities.

Net cash used in investing activities:

During the three months ended March 31, 2022, we used $2.5 million of cash for capital expenditures, compared to $2.7 million for the same period in the prior year. 2022 capital spending is expected to approximate $20.0 million.

Net cash provided by financing activities:

Net cash provided by financing activities was $6.7 million for the three months ended March 31, 2022, compared to $1.3 million for the same period in the prior year. The increase was due to higher working capital requirements due to inventory and accounts receivable growth.

Raw materials

The cost of raw materials represents approximately 40% of the cost of products sold in the first three months of 2022 and 2021. The major raw materials used in our operations include nickel, molybdenum, vanadium, chrome, iron and carbon scrap. Additionally, our Bridgeville facility uses graphite electrodes as a consumable supply in the melting process. The average price of substantially all our major raw materials, including iron, nickel, molybdenum, vanadium, and chrome, increased in 2021 and through March 31, 2022.

We maintain sales price surcharge to mitigate the risk of substantial raw material cost fluctuations. The market values for these raw materials and others continue to fluctuate based on supply and demand, market disruptions and other factors. Over time, our surcharge will effectively offset changes in raw material costs; however, during a period of rising or falling prices the timing will cause variation between reporting periods.

Credit Facility

On March 17, 2021, we entered into the Second Amended and Restated Revolving Credit, Term Loan and Security Agreement (the “Credit Agreement”), with PNC Bank, National Association, as administrative agent and co-collateral agent (the “Agent”), Bank of America, N.A., as co-collateral agent (“Bank of America”), the Lenders (as defined in the Credit Agreement) party thereto from time to time and PNC Capital Markets LLC, as sole lead arranger and sole bookrunner. The Credit Agreement replaces our Prior Credit Agreement, and provides for a senior secured revolving credit facility in an aggregate principal amount not to exceed $105.0 million (“Revolving Credit Facility”) and a senior secured term loan facility (“Term Loan”) in the amount of $15.0 million (together with the Revolving Credit Facility, the “Facilities”).

The Company was in compliance with all the applicable financial covenants on December 31, 2021 and March 31, 2022.

The Facilities, which expire on March 17, 2026 (the ‘Expiration Date”), are collateralized by a first lien on substantially all of the assets of the company and its subsidiaries, except that no real property is collateral under the Facilities other than Company’s real property in North Jackson, Ohio.

Availability under the Credit Agreement is based on eligible accounts receivable and inventory. The Company must maintain undrawn availability under the Credit Agreement of at least $11.0 million. That requirement can be overcome if the Company maintains a fixed charge coverage ratio of not less than 1.10 to 1.0 measured on a rolling two quarter basis and calculated in accordance with the terms of the Credit Agreement.

The Company is required to pay a commitment fee of 0.25% based on the daily unused portion of the Revolving Credit Facility.

With respect to the Term Loan, the Company pays quarterly installments of the principal of approximately $0.5 million, plus accrued and unpaid interest, on the first day of each fiscal quarter beginning after June 30, 2021. To the extent not previously paid, the Term Loan will become due and payable in full on the Expiration Date.

Amounts outstanding under the Facilities, at the Company’s option, bear interest at either a base rate or a LIBOR based rate, in either case calculated in accordance with the terms of the Credit Agreement. Interest under the Credit Agreement is payable monthly. We elected to use the LIBOR based rate for the majority of the debt outstanding under the Facilities for the three months ended March 31, 2022, which ranged between 2.79% and 2.96% for our Revolving Credit Facility and was 3.24% for the Term Loan.

We incurred $0.5 million in additional financing costs in conjunction with the execution of the Credit Agreement, which were recorded to the Consolidated Balance Sheet at March 31, 2021 and will be amortized to interest expense over the life of the Credit Agreement.

At March 31, 2022, we had total Credit Agreement related net deferred financing costs of approximately $0.8 million. For the three months ended March 31, 2022, we amortized $0.1 million of those deferred financing costs.

Paycheck Protection Program Term Note

On April 16, 2020, the Company entered into a promissory note, dated April 15, 2020, with PNC Bank, evidencing an unsecured loan with a principal amount of $10.0 million made to the Company pursuant to the Paycheck Protection Program (the “PPP Term Note”) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP Term Note is guaranteed by the United States Small Business Administration.

The proceeds could be used to maintain payroll or make certain covered interest payments, lease payments and utility payments. Under the terms of the CARES Act, the Company was eligible for forgiveness for all or a portion of loan granted under the PPP, with such forgiveness to be determined, subject to limitations, based on the use of the loan proceeds for payment of payroll costs and any payments of certain covered interest, lease and utility payments.

The PPP Term Note incurred interest at a fixed annual rate of 1.00%, with the first six months deferred. According to the terms of the PPP Term Note, the Company would begin to make 18 equal monthly payments of principal and interest on any unforgiven portion of the Note in November 2020 with the final payment due in April 2022. The Company did not make any principal or interest payments related to the PPP Term Note.

The Company applied for forgiveness of the PPP Term Note during the third quarter of 2020. In July 2021, PNC Bank notified the Company that forgiveness of the note was granted by the United States Small Business Administration. Accordingly, the PPP Term Note was forgiven in its entirety, including all related accrued interest. In the third quarter of 2021, we recognized forgiveness of the PPP Term Note and recorded a corresponding gain on extinguishment of debt in the Consolidated Statement of Operations for the period.

Notes

In connection with the acquisition of the North Jackson facility, in August 2011, we issued $20.0 million in aggregate principal amount of notes to the sellers of the North Jackson facility as partial consideration of the acquisition, which were retired in 2021.

On January 21, 2016, the Company entered into Amended and Restated Notes in the aggregate principal amount of $20.0 million (the “Notes”), each in favor of Gorbert Inc. (“Holder”). The Company’s obligations under the Notes were collateralized by a second lien on the same assets of the Company that collateralize the obligations of the Company under the Facilities. The Holder had the right to elect at any time on or prior to August 17, 2017 to convert all or any portion of the outstanding principal amount of the Notes.

The Notes were originally scheduled to mature on March 17, 2019. In 2019, the Company extended the maturity date to March 17, 2020 in accordance with the terms of the Notes. In 2020, the Company extended the maturity date to March 17, 2021 in accordance with the terms of the Notes. The Company made partial principal payments on the notes upon extension, and an aggregate principal amount of $15.0 million remained outstanding at the 2021 maturity date. On March 17, 2021, the Company paid the remaining principal balance and all applicable interest to settle the notes obligation.

The Notes had an applicable interest at a rate of 6.0% per year from August 17, 2017 until the time they were paid off. All accrued and unpaid interest was payable quarterly in arrears on September 18, December 18, March 18 and June 18 of each year.

Leases

The Company periodically enters into leases in its normal course of business. Operating lease liabilities and right-of-use assets are recorded to the Consolidated Balance Sheets at the present value of minimum lease payments. The assets are included in Other long-term assets in the Consolidated Balance Sheets and are amortized over the respective terms, which are five years or less. The long-term component of the lease liability is recorded in Other long-term liabilities, net and the current component is included in Other current liabilities.

The right-of-use assets and lease liabilities for finance leases are recorded at the present value of minimum lease payments. The assets are included in Property, plant and equipment, net on the Consolidated Balance Sheets and are depreciated over the respective lease terms. The long-term component of the lease liability is included in Long-term debt and the current component is included in Current portion of long-term debt.

The Company entered into one new lease agreement accounted for as an operating during the first quarter of 2022 and did not enter into any finance lease agreements during the quarter.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has reviewed its market risk and believes there are no significant changes from that disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, except as provided in this Form 10-Q in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in Part II. Item 1A. “Risk Factors.”

Item 4. CONTROLS AND PROCEDURES

The Company’s management, including the Company’s Chairman, President and Chief Executive Officer and its Vice President and Chief Financial Officer, performed an evaluation of the effectiveness of the Company’s disclosure controls and procedures. Based on that evaluation, the Company’s Chairman, President and Chief Executive Officer and its Vice President and Chief Financial Officer concluded that, as of the end of the fiscal period covered by this quarterly report, the Company’s disclosure controls and procedures are effective. During the fiscal quarter ended March 31, 2022, there were no changes in the Company’s internal control over financial reporting which have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

There are no material changes from the legal proceedings disclosed in Item 3. of the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Item 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 could materially affect our business, financial conditions or future results. Those risk factors are not the only risks facing us. Additional risks and uncertainties not currently known or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. We believe that there have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

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

Not Applicable.

Item 6. EXHIBITS

Exhibit Number	Exhibit
10.1	Employment Agreement dated April 1, 2022 between the Company and Steven V. DiTommaso (filed herewith).
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101	The following financial information from this Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2022, formatted in XBRL (Extensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Comprehensive Loss; (iv) the Consolidated Statements of Cash Flows; the Consolidated Statements of Shareholders' Equity; and (v) the Notes to the Consolidated Financial Statements (filed herewith).
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in the Exhibit 101 attachments).

SIGNATURES

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

Date: April 20, 2022

/s/ Dennis M. Oates

Dennis M. Oates
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Date: April 20, 2022

/s/ Steven V. DiTommaso

Steven V. DiTommaso
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EMPLOYMENT AGREEMENT

THIS AGREEMENT made as of the 1st day of April 2022, by and between UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC., a Delaware corporation (the "Company"), and Steven DiTommaso (the "Executive").

WITNESSETH:

In consideration of the covenants and agreements herein contained, and intending to be legally bound hereby, the Company and Executive agree as follows:

Article 1. - Employment

0.1. Employment. The Company agrees to employ Executive, and Executive agrees to serve the Company, for the period stated in Article 2 hereof (the "Term of Employment") and upon the other terms and conditions herein provided.

0.1. Position and Responsibilities. The Company employs Executive, and Executive agrees to serve as Vice President & Chief Financial Officer of the Company and to accept such other responsibilities as may be assigned to Executive by the Company from time to time during the Term of Employment.

0.1. Duties. During the Term of Employment, Executive shall devote all of his business time, attention, skill and efforts to the faithful performance of his duties hereunder.

0.1. No Breach of Other Obligations. The Executive represents that, in the course of performing services for the Company, he will not breach any agreement he may have with others with respect to confidential information, and will not bring to the Company or use in any way any materials or documents obtained from others under an agreement of confidentiality.

Article 1. - Term

The Term of Employment shall commence as of April 1, 2022 (the "Effective Date"), and shall continue until March 31, 2023 (the "Initial Term"). Thereafter, subject to the termination provisions of this Agreement, this Agreement will be automatically extended for successive one year terms unless either party provides written notice to the other party on or before March 1st of any year, of his or its election not to extend the term of this Agreement.

Article 1. - Compensation

0.1. Salary. As compensation to the Executive for the performance of services hereunder, the Company shall pay to the Executive an annual base salary (the "Salary") of $215,000.00. Installments of the Salary shall be paid to the Executive in accordance with the standard procedure of the Company, which at the present time is once every two weeks. During the period of this Agreement, Executive's salary shall be reviewed at least annually and may be increased if the Board of Directors of the Company acting after approval of the Compensation Committee, determines that an increase is appropriate on the basis of the types of factors it generally takes into account in increasing the salaries of employees similarly situated in the Company.

0.1. Reimbursement of Expenses. The Company will reimburse the Executive for those customary and necessary business expenses incurred by him in the performance of his duties and activities on behalf of the Company. Except as provided in this Agreement, such expenses will be reimbursed only on presentation by the Executive of appropriate documentation to substantiate such expenses pursuant to the policies and procedures of the Company governing reimbursement of business expenses to its executives.

0.1. Participation in Plans. The Executive shall be entitled to participate in any life, medical, dental, health, hospitalization, travel, accident and/or disability insurance plans and in any sick leave and/or salary continuation plan, vacation (which shall not be less than three (3) weeks per calendar year), holiday pay, retirement or employee benefit plan or program generally offered by the Company to its salaried employees. In addition, Executive shall be entitled to participate in the variable incentive compensation plan as described on Schedule A attached hereto.

Article 1. - Termination of Employment

0.1. Definitions. For the purposes hereof:

(a) "**Disability**" shall be deemed to have occurred when the Executive is eligible, due to a health condition, to collect benefits under the Company's short term disability plan and has been determined by the Board of Directors to be unable to perform substantially the duties associated with the Executives position for a period of three months.

(b) "**Cause**" shall mean any of the following: (i) Executive's personal dishonesty or willful misconduct; (ii) Executive's willful violation of any law or material rule or regulation, provided that such violation is demonstrably injurious to the assets, operations or business prospects of the Company; (iii) the conversion or embezzlement for the personal benefit of the Executive of corporate funds or property or a material business opportunity of the Company; (iv) the misuse by the Executive for his personal benefit of any trade secrets or other information of the Company in violation of the provisions of Article 7 of this Agreement; or (v) Executive's material breach of any other provision of this Agreement which is not cured within thirty (30) days of receipt of notice of such breach from Company.

(c) "**Good Reason**" shall, absent the Executive's consent to such action, mean the occurrence of any one of the following: (i) following a Change of Control, the removal of the Vice President & Chief Financial Officer (by reason other than death, Disability or Cause); (ii) any breach by the Company of a material obligation under this Agreement; (iii) a substantial and material alteration in the nature or status of Executive's duties and responsibilities that renders the Executive's position to be of substantially less responsibility or scope; (iv) a material reduction by the Company in the Executive's Salary, except for proportional across-the-board salary reductions similarly affecting all senior executives of the Company; or (v) any material reduction by the Company of the benefits, taken as a whole, enjoyed by the Executive on the date of this Agreement under any savings, life insurance, medical, health and accident, disability or other employee welfare benefit plans or programs, including vacation programs, provided that this paragraph (v) shall not apply to any proportional across the board reduction or action similarly affecting all senior executives of the Company.

Notwithstanding the foregoing, no event of "Good Reason" shall be deemed to have occurred unless Executive provides to the Chairman of the Compensation Committee of the Board of Directors of the Company written notice of the facts and circumstances which Executive believes constitutes Good Reason under this Section 4.1(c) within 30 days of such initial occurrence and such facts and circumstances are not corrected or otherwise cured by the Company within thirty (30) days of receipt thereof. Termination by Executive for Good Reason must occur within 90 days of the initial occurrence of the Good Reason event.

For purposes of this Agreement, a Change of Control shall be deemed to have occurred on the earlier of (x) if, in any transaction or series of related transactions consummated in a ninety day period, more than fifty percent (50%) of the then outstanding voting common stock of the Company is sold to a person or group; (y) a merger or consolidation of the Company and another entity in which the Company is not the surviving corporation or in which more than fifty percent(50%) of the equity ownership of the Company changes, or (z) the sale of 50% or more of all of the assets of the Company.

(d) "**Notice of Termination**" shall mean written notice which shall indicate the specific termination or resignation provisions in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination or resignation under the provision so indicated and the Company shall submit to the Executive a certified statement signed by the Chairman of the Compensation Committee of the Board of Directors of the Company approving such termination in the case of a Termination by the Company for Cause or Without Cause.

(e) "**Date of Termination**" shall mean the date specified in the Notice of Termination as the effective date the Executive's employment is terminated for any reason or the Executive's effective date of resignation, whichever is earlier.

Article 1. - Compensation Upon Termination

0.1. Death. If the Executive's employment hereunder terminates by reason of his death, his beneficiaries shall be entitled to receive from the Company such amounts as are then provided pursuant to plans, programs or arrangements currently in effect or as approved from time to time by the Board of Directors.

0.1. Disability. If the Executive's employment hereunder terminates by reason of his Disability, the Executive shall be entitled to receive such amounts as are then provided pursuant to Company's then existing disability plans, programs or arrangements. Notwithstanding any provisions herein to the contrary, the Executive shall be entitled to receive all benefits to which the Executive is entitled as a terminated employee under the terms of any of the Company's qualified employee benefit plans and any other plan, program or arrangement relating to retirement or other benefits including, without limitation, any employee stock ownership plan or any plan now in effect or which is established (with approval of the Board of Directors) as a supplement to any of the forenamed plans, except as otherwise provided in such plans as a result of the Executive's termination of employment.

0.1. Cause. If the Executive's employment hereunder is terminated by the Company for Cause, the Company shall pay to the Executive his full base Salary through the Date of Termination but at a rate no greater than that in effect at the time Notice of Termination is given, and the Company shall have no further obligations to the Executive under this Agreement.

0.1. By the Company Without Cause or by the Executive by Resignation for Good Reason. If the Executive's employment hereunder is terminated by the Company without Cause or is terminated by the Executive pursuant to his resignation for Good Reason, then the Executive shall be entitled to the benefits provided below, which shall constitute complete satisfaction of the obligations of the Company to the Executive under this Agreement:

(a) The Company shall pay the Executive his prorated annual base Salary through the Date of Termination at the rate in effect at the time Notice of Termination is given.

(b) Subsequent to the Date of Termination: the Company shall pay as severance pay to the Executive, a severance equal to 12 months of the Executive's base monthly salary at the rate in effect at the time Notice of Termination is given; and such severance payment shall be made over a 12 month period. Any such payment referred to in this section shall be made in accordance with the Company's standard payroll schedule and shall be less applicable taxes and mandatory deductions.

(c) The Company will provide health care benefits under the group policies covering the other corporate employees including Medical, Dental, Vision and Prescription Drugs, subject to any changes made to the group policies, as provided prior to the Date of Termination for the Executive and eligible dependents, that were covered prior to any Date of Termination, for a period of: twelve (12) months at no cost to the Executive. This period of coverage will not reduce the eligible COBRA period.

(d) The Executive shall not be required to mitigate the amount of any payments provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by the Executive as the result of employment by another employer, or otherwise.

(e) Notwithstanding any provisions herein to the contrary, the Executive shall be entitled to receive all benefits to which the Executive is entitled as a terminated employee under the terms of any of the Company's qualified employee benefit plans and any other plan, program or arrangement relating to retirement or other benefits including, without limitation, any employee stock ownership plan or any plan now in effect or which is established (with approval of the Board of Directors) as a supplement to any of the forenamed plans, except as otherwise provided in such plans as a result of the Executive's termination of employment.

Article 1. - Duties of Executive After Termination of Employment

Following any termination of Executive's employment and for a period of ninety (90) days thereafter, the Executive shall fully cooperate with the Company in all matters relating to the winding up and orderly transfer of the Executive's work on behalf of the Company. Not later than the effective date of any termination of the employment, the Executive will immediately deliver to the Company any and all of the Company's property of any kind or nature whatsoever in the Executive's possession, custody or control, including, without limitation any and all Confidential Information as that term is defined in Section 7.1 of this Agreement.

Article 1. - Confidentiality, Assignment, Non-Solicitation, Noncompetition

0.1. Confidential Relationship. Executive understands and agrees that all company manuals, company policies, marketing plans and surveys, product designs, schematics, specifications and product location and installation data, formulae, processes, methods, machines, compositions, customer information, ideas, inventions, financial information and plans of the Company and all records, correspondence, files, customer lists, data and other information pertaining to or concerning the Company, its principals, vendors and customers (collectively the "**Confidential Information**") contain valuable confidential information that is owned by the Company, and, therefore, that during the period of employment hereunder and at all times thereafter, Executive shall not utilize such Confidential Information for his own benefit or for the benefit of any person or entity other than the Company, nor shall he divulge or communicate any such Confidential Information to any person or entity without the express authorization of the Company. Confidential Information shall not include any information that is or becomes generally available to the public other than as a result of a disclosure by Executive. The Executive agrees that, on the termination of his employment, he will immediately surrender to the Company any and all Confidential Information in his possession pertaining to the Company and its business.

0.1. Assignment of Rights. All inventions, discoveries, designs, developments, technology, computer programs, writings and reports that are made or conceived of by the Executive in the course of his employment with the Company, whether or not patentable or copyrightable, shall become and remain the sole property of the Company without additional compensation to Executive. The Executive recognizes that all such works shall be considered works-for-hire and hereby transfers and assigns any right, title, copyright and interest that Executive acquires in such works to the

Company and will, from time to time, give the Company all reasonable assistance, execute all papers and do all things that may reasonably be required to protect and preserve the rights of the Company in such works.

0.1. Non-Solicitation.The Employee covenants and agrees that (i) during Employee's engagement with the Company, and (ii) for a period of two (2) years following termination, Employee shall not, without the prior written consent of the Company, directly or indirectly, whether for his own account or on behalf of any person, firm, corporation, partnership, association or other entity or enterprise, solicit, recruit, hire or cause to be hired any employees of the Company or any of its affiliates, or any person who was an employee of the Company during the six (6) months preceding the Employee's date of termination of engagement, or solicit or encourage any employee of the Company or any of its affiliates to leave the employment of the Company or any of such affiliates, as applicable.

0.1. Noncompetition.Employee agrees that (i) during Employee's engagement with the Company, Employee shall not engage, directly or indirectly, as an employee, officer, Employee, partner, employees, manager, agent, owner or in any other capacity, in any competition with the Company or any of its subsidiaries; (ii) and for a period of two (2) years following the termination of Employee's engagement for any reason or without reason, Employee shall not in any capacity whether in the capacity as an employee, officer, partner, manager, agent or owner directly or indirectly advise, manage, render or perform services to or for any person or entity which is engaged in a business competitive to that of the Company or any of its subsidiaries within the United States of America.

Article 1. - Source of Payments

All payments provided for under this Agreement shall be paid in cash from the general funds of the Company and no special or separate fund shall be established and no other segregation of assets shall be made to assure payment. No trust or fiduciary relationship with respect to payments shall be deemed created hereby and, to the extent that any person acquires a right to receive payments hereunder, such right shall be no greater than the rights of a general creditor of the Company.

Article 1. - Miscellaneous

0.1. Indulgences, Etc. Neither the failure nor any delay on the part of either party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence.

0.1. Notices. All notices or communications hereunder shall be in writing, addressed as follows:

'o the Company:

)ennis M. Oates, Chairman, CEO and President
Jniversal Stainless & Alloy Products, Inc.
00 Mayer Street
ridgeville, PA 15017

'o the Executive:

Ar. Steven DiTommaso
3 Catalpa Place
Pittsburgh, PA 15228

Any such notice or communication shall be sent by certified or registered mail, return receipt requested, postage prepaid, addressed as above (or to such other address as such party may designate in writing from time to time), and the actual date of receipt, as shown by the receipt therefore, shall determine the time at which notice was given.

0.1. Assignment; Agreement. This Agreement shall be binding upon and inure to the benefit of the heirs and personal representatives of the Executive and the successors and assigns of the Company, but neither this Agreement nor any rights hereunder shall be assignable or otherwise subject to hypothecation by the Executive.

0.1. Entire Agreement; Amendment. This Agreement represents the entire agreement of the parties with respect to the subject matter hereof. This Agreement may be amended or any provision hereof waived at any time only by written agreement of the parties hereto.

0.1. Arbitration Clause. Any and all claims or disputes between Company and Executive arising out of or relating to this employment relationship including but not limited to this Employment Agreement, the hiring, performance or termination of employment and/or cessation of employment with the Company and/or against any employee, officer, alleged agent, director, affiliate, subsidiary or sister company relationship, or relating to an application or candidacy for employment shall be settled by final and binding arbitration administered by the American Arbitration Association under its Employment Arbitration Rules and Mediation Procedures and judgment upon the award rendered by the arbitrator(s) may be confirmed/entered in any court having competent jurisdiction. Any such arbitration shall be conducted by an arbitrator experienced in employment law and any decision or award as a result of any such arbitration proceeding shall be in writing and shall provide an explanation for all conclusions of law and fact. The Executive and Company agree that the Arbitration shall be held in the county and state where Executive currently works for Company or most recently worked for Company. This Agreement and its validity, interpretation, performance and enforcement shall be governed by the laws of the Commonwealth of Pennsylvania. For claims arising under federal law, the

Arbitrator(s) shall follow the substantive law applicable to the United States District Court for the Western District of Pennsylvania.

0.1. Severability. If, for any reason, any provision of this Agreement is held invalid, such invalidity shall not affect any other provision of this Agreement not held so invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Agreement shall be held invalid in part, such invalidity shall in no way affect the remainder of such provision that is not held so invalid, and the remainder of such provision, together with all other provisions of this Agreement, shall to the full extent consistent with law continue in full force and effect.

0.1. Headings. The Article and Section headings in this Agreement are for convenience of reference only; they form no part of this Agreement and shall not affect its interpretation.

0.1. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company and the Executive have duly executed this Agreement as of the day and year first written above.

UNIVERSAL STAINLESS & ALLOY PRODUCTS, INC.

By: /s/ Dennis M. Oates
Dennis M. Oates
Chairman, CEO and President

EXECUTIVE

By: Steven V. DiTommaso
Steven V. DiTommaso

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1. **Incentive Compensation.** Executive will be entitled to participate in the Company's Variable Incentive Compensation Plan as modified from time to time by the Board of Directors. The Target award under such plan for the Executive shall be 80% of his annual base salary.

2. **Stock Grant.** Executive shall be granted 5,000 Restricted Stock Units as of the date of this Agreement, subject to the terms of the Company's standard service RSU Agreement.

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Exhibit 31.1

CERTIFICATION

I, Dennis M. Oates, certify that:

1. I have reviewed this report on Form 10-Q of Universal Stainless & Alloy Products, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth 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.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 20, 2022

/s/ Dennis M. Oates

Dennis M. Oates
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Steven V. DiTommaso, certify that:

1. I have reviewed this report on Form 10-Q of Universal Stainless & Alloy Products, 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(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 20, 2022

/s/ Steven V. DiTommaso

Steven V. DiTommaso
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Universal Stainless & Alloy Products, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, in the capacities and on the dates indicated below, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

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: April 20, 2022

/s/ Dennis M. Oates
Dennis M. Oates
Chairman, President and Chief Executive Officer
(Principal Executive, Financial and Accounting Officer)

Date: April 20, 2022

/s/ Steven V. DiTommaso
Steven V. DiTommaso
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)