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

FORM 10-Q

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended September 30, 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 No. 000-11676

BEL FUSE INC.

(Exact name of registrant as specified in its charter)

206 Van Vorst Street
Jersey City, NJ 07302
(201) 432-0463

(Address of principal executive offices and zip code)
(Registrant's telephone number, including area code)

New Jersey	22-1463699
(State of incorporation)	(I.R.S. Employer Identification No.)

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

Title of Each Class	*Trading Symbol*	*Name of Exchange on Which Registered*
Class A Common Stock ($0.10 par value)	BELFA	Nasdaq Global Select Market
Class B Common Stock ($0.10 par value)	BELFB	Nasdaq Global Select Market

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 ☒

Title of Each Class	*Number of Shares of Common Stock Outstanding as of November 1, 2022*
Class A Common Stock ($0.10 par value)	2,141,589
Class B Common Stock ($0.10 par value)	10,338,260

BEL FUSE INC. AND SUBSIDIARIES

FORM 10-Q INDEX

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING INFORMATION

The terms the “Company,” “Bel,” “we,” “us,” and “our” as used in this report refer to Bel Fuse Inc. and its consolidated subsidiaries unless otherwise specified.

The Company’s consolidated operating results are affected by a wide variety of factors that could materially and adversely affect revenues and profitability, including the risk factors described in Item 1A of our 2021 Annual Report on Form 10-K and the risk factors described in this or other Quarterly Reports on Form 10-Q filed thereafter, and from time to time in our other filings with the Securities and Exchange Commission (“SEC”). As a result of these and other factors, the Company may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect its business, consolidated financial condition, operating results, and common stock prices. Furthermore, this document and other documents filed by the Company with the SEC contain certain forward-looking statements under the Private Securities Litigation Reform Act of 1995 (“Forward-Looking Statements”) with respect to the business of the Company. Forward-Looking Statements are necessarily subject to risks and uncertainties, many of which are outside our control, that could cause actual results to differ materially from these statements. Forward-Looking Statements can be identified by such words as “anticipates,” “believes,” “plan,” “assumes,” “could,” “should,” “estimates,” “expects,” “intends,” “potential,” “seek,” “predict,” “may,” “will” and similar references to future periods. All statements other than statements of historical facts included in this report regarding our strategies, prospects, financial condition, operations, costs, plans and objectives and regarding the anticipated impact of COVID-19 are Forward-Looking Statements. These Forward-Looking Statements are subject to certain risks and uncertainties, including those detailed in Item 1A of our 2021 Annual Report on Form 10-K and in the risk factors described in this or other Quarterly Reports on Form 10-Q filed thereafter, and from time to time in our other filings with the SEC, which could cause actual results to differ materially from these Forward-Looking Statements. The Company undertakes no obligation to publicly release the results of any revisions to these Forward-Looking Statements which may be necessary to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Any Forward-Looking Statement made by the Company is based only on information currently available to us and speaks only as of the date on which it is made.

PART I. Financial Information

Item 1. Financial Statements (Unaudited)

BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(unaudited)

	September 30, 2022	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 70,895	$ 61,756
Accounts receivable, net of allowance for doubtful accounts of $1,403 and $1,536, respectively	103,221	87,135
Inventories	164,381	139,383
Unbilled receivables	28,592	28,275
Assets held for sale	1,466	1,626
Other current assets	8,810	10,841
Total current assets	377,365	329,016
Property, plant and equipment, net	35,227	38,210
Right-of-use assets	20,828	21,252
Intangible assets, net	54,725	60,995
Goodwill	23,775	26,651
Deferred income taxes	8,965	4,461
Other assets	32,931	31,261
Total assets	$ 553,816	$ 511,846
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 66,191	$ 65,960
Accrued expenses	42,662	34,453
Operating lease liabilities, current	5,904	6,880
Other current liabilities	22,325	4,719
Total current liabilities	137,082	112,012
Long-term Liabilities:		
Long-term debt	110,000	112,500
Operating lease liabilities, long-term	14,992	14,668
Liability for uncertain tax positions	24,007	28,434
Minimum pension obligation and unfunded pension liability	24,284	23,909
Deferred income taxes	1,026	1,487
Other liabilities	6,392	10,093
Total liabilities	317,783	303,103
Commitments and contingencies (see Note 14)		
Stockholders' Equity:		
Preferred stock, no par value, 1,000,000 shares authorized; none issued	-	-
Class A common stock, par value $.10 per share, 10,000,000 shares authorized; 2,141,589 shares and 2,144,912 shares outstanding at September 30, 2022 and December 31, 2021, respectively (net of 1,072,769 restricted treasury shares)	214	214
Class B common stock, par value $.10 per share, 30,000,000 shares authorized; 10,338,260 and 10,377,102 shares outstanding at September 30, 2022 and December 31, 2021, respectively (net of 3,218,307 restricted treasury shares)	1,034	1,038
Treasury stock (unrestricted, consisting of 3,323 Class A shares and 17,342 Class B shares)	(349)	-
Additional paid-in capital	40,095	38,419
Retained earnings	224,022	187,935
Accumulated other comprehensive loss	(28,983)	(18,863)
Total stockholders' equity	236,033	208,743
Total liabilities and stockholders' equity	$ 553,816	$ 511,846

See accompanying notes to unaudited condensed consolidated financial statements.

BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net sales	$ 177,739	$ 146,966	$ 485,030	$ 396,351
Cost of sales	126,205	110,992	354,084	301,234
Gross profit	51,534	35,974	130,946	95,117
Research and development costs	4,877	5,918	14,381	16,301
Selling, general and administrative expenses	22,223	21,188	67,216	64,757
Restructuring charges	3,969	398	4,000	675
Gain on sale of property	(1,596)	(403)	(1,596)	(6,578)
Income from operations	22,061	8,873	46,945	19,962
Interest expense	(944)	(1,491)	(2,411)	(3,014)
Other (expense) income, net	(429)	(201)	(2,926)	458
Earnings before provision for income taxes	20,688	7,181	41,608	17,406
Provision for income taxes	4,140	1,447	2,959	593
Net earnings available to common stockholders	$ 16,548	$ 5,734	$ 38,649	$ 16,813
Net earnings per common share:				
Class A common share - basic and diluted	$ 1.27	$ 0.44	$ 2.95	$ 1.29
Class B common share - basic and diluted	$ 1.34	$ 0.47	$ 3.12	$ 1.37
Weighted-average number of shares outstanding:				
Class A common share - basic and diluted	2,142	2,145	2,144	2,145
Class B common share - basic and diluted	10,340	10,269	10,358	10,237

See accompanying notes to unaudited condensed consolidated financial statements.

BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net earnings available to common stockholders	$ 16,548	$ 5,734	$ 38,649	$ 16,813
Other comprehensive (loss) income:				
Currency translation adjustment, net of taxes of ($40), ($12), ($83) and ($336), respectively	(8,372)	(1,982)	(16,352)	(1,971)
Unrealized gains on interest rate swap cash flow hedge, net of taxes of $0 in all periods presented	2,070	-	6,061	-
Unrealized holding (losses) gains on marketable securities, net of taxes of $0 in all periods presented	(1)	46	(11)	45
Change in unfunded SERP liability, net of taxes of ($18), ($28), ($52) and ($83), respectively	61	100	182	299
Other comprehensive loss	(6,242)	(1,836)	(10,120)	(1,627)
Comprehensive income	$ 10,306	$ 3,898	$ 28,529	$ 15,186

See accompanying notes to unaudited condensed consolidated financial statements.

BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except per share data)
(unaudited)

	Total	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Class A Common Stock	Class B Common Stock	Treasury Stock	Additional Paid-In Capital
Balance at December 31, 2021	$ 208,743	$ 187,935	$ (18,863)	$ 214	$ 1,038	$ -	$ 38,419
Net earnings	5,064	5,064	-	-	-	-	-
Dividends declared:							
Class A Common Stock, $0.06/share	(129)	(129)	-	-	-	-	-
Class B Common Stock, $0.07/share	(727)	(727)	-	-	-	-	-
Forfeiture of restricted common stock	-	-	-	-	(1)	-	1
Foreign currency translation adjustment, net of taxes of ($12)	(1,216)	-	(1,216)	-	-	-	-
Unrealized gains on interest rate swap cash flow hedge	2,984	-	2,984	-	-	-	-
Stock-based compensation expense	576	-	-	-	-	-	576
Change in unfunded SERP liability, net of taxes of ($17)	61	-	61	-	-	-	-
Balance at March 31, 2022	215,356	192,143	(17,034)	214	1,037	-	38,996
Net earnings	17,038	17,038	-	-	-	-	-
Dividends declared:							
Class A Common Stock, $0.06/share	(129)	(129)	-	-	-	-	-
Class B Common Stock, $0.07/share	(726)	(726)	-	-	-	-	-
Forfeiture of restricted common stock	-	-	-	-	(1)	-	1
Repurchase of treasury stock	(349)	-	-	-	-	(349)	-
Foreign currency translation adjustment, net of taxes of ($31)	(6,764)	-	(6,764)	-	-	-	-
Unrealized gains on interest rate swap cash flow hedge	1,008	-	1,008	-	-	-	-
Unrealized holding losses on marketable securities arising during the year, net of taxes of $0	(12)	-	(12)	-	-	-	-
Stock-based compensation expense	512	-	-	-	-	-	512
Change in unfunded SERP liability, net of taxes of ($17)	61	-	61	-	-	-	-
Balance at June 30, 2022	225,995	208,326	(22,741)	214	1,036	(349)	39,509
Net earnings	16,548	16,548	-	-	-	-	-
Dividends declared:							
Class A Common Stock, $0.06/share	(128)	(128)	-	-	-	-	-
Class B Common Stock, $0.07/share	(724)	(724)	-	-	-	-	-
Forfeiture of restricted common stock	-	-	-	-	(2)	-	2
Repurchase of Class A common stock	-	-	-	-	-	-	-
Foreign currency translation adjustment, net of taxes of ($40)	(8,372)	-	(8,372)	-	-	-	-
Unrealized gains on interest rate swap cash flow hedge	2,070	-	2,070	-	-	-	-
Unrealized holding losses on marketable securities	(1)	-	(1)	-	-	-	-
Stock-based compensation expense	584	-	-	-	-	-	584
Change in unfunded SERP liability, net of taxes of ($18)	61	-	61	-	-	-	-
Balance at September 30, 2022	$ 236,033	$ 224,022	$ (28,983)	$ 214	$ 1,034	$ (349)	$ 40,095

	Total	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital
Balance at December 31, 2020	$ 185,799	$ 166,491	$ (18,063)	$ 214	$ 1,021	$ 36,136
Net earnings	3,199	3,199	-	-	-	-
Dividends declared:						
Class A Common Stock, $0.06/share	(128)	(128)	-	-	-	-
Class B Common Stock, $0.07/share	(716)	(716)	-	-	-	-
Forfeiture of restricted common stock	-	-	-	-	(1)	1
Foreign currency translation adjustment,	(2,529)	-	(2,529)	-	-	-

net of taxes of $9						
Unrealized holding losses on marketable securities	(1)	-	(1)	-	-	-
Stock-based compensation expense	600	-	-	-	-	600
Change in unfunded SERP liability, net of taxes of ($28)	99	-	99	-	-	-
Balance at March 31, 2021	186,323	168,846	(20,494)	214	1,020	36,737
Net earnings	7,880	7,880	-	-	-	-
Dividends declared:						
Class A Common Stock, $0.06/share	(129)	(129)	-	-	-	-
Class B Common Stock, $0.07/share	(714)	(714)	-	-	-	-
Issuance of restricted common stock	-	-	-	-	8	(8)
Forfeiture of restricted common stock	-	-	-	-	(1)	1
Foreign currency translation adjustment, net of taxes of ($333)	2,540	-	2,540	-	-	-
Stock-based compensation expense	598	-	-	-	-	598
Change in unfunded SERP liability, net of taxes of ($28)	100	-	100	-	-	-
Balance at June 30, 2021	196,598	175,883	(17,854)	214	1,027	37,328
Net earnings	5,734	5,734	-	-	-	-
Dividends declared:						
Class A Common Stock, $0.06/share	(129)	(129)	-	-	-	-
Class B Common Stock, $0.07/share	(719)	(719)	-	-	-	-
Forfeiture of restricted common stock	-	-	-	-	(1)	1
Foreign currency translation adjustment, net of taxes of ($12)	(1,982)	-	(1,982)	-	-	-
Unrealized holding gains on marketable securities	46	-	46	-	-	-
Stock-based compensation expense	554	-	-	-	-	554
Change in unfunded SERP liability, net of taxes of ($28)	100	-	100	-	-	-
Balance at September 30, 2021	$ 200,202	$ 180,769	$ (19,690)	$ 214	$ 1,026	$ 37,883

See accompanying notes to unaudited condensed consolidated financial statements.

BEL FUSE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities:		
Net earnings	$ 38,649	$ 16,813
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,604	12,514
Stock-based compensation	1,672	1,752
Amortization of deferred financing costs	34	1,267
Deferred income taxes	(5,113)	(124)
Net unrealized gains on foreign currency revaluation	(494)	(373)
Gains on sale of property	(1,596)	(6,578)
Other, net	360	1,355
Changes in operating assets and liabilities:		
Accounts receivable, net	(17,851)	(11,893)
Unbilled receivables	(317)	(13,958)
Inventories	(32,574)	(22,831)
Accounts payable	4,884	15,800
Accrued expenses	6,678	9,066
Accrued restructuring costs	3,628	124
Income taxes payable	6,380	(1,372)
Other operating assets/liabilities, net	8,125	(3,276)
Net cash provided by (used in) operating activities	24,069	(1,714)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(5,612)	(4,154)
Payments for acquisitions, net of cash acquired	-	(16,811)
Proceeds from sale of property, plant and equipment	1,833	7,249
Net cash used in investing activities	(3,779)	(13,716)
Cash flows from financing activities:		
Dividends paid to common stockholders	(2,470)	(2,447)
Purchase of treasury stock	(349)	-
Deferred financing costs	-	(675)
Borrowings under revolving credit line	-	115,000
Repayments of revolving credit line	-	(14,500)
Repayments of long-term debt	(2,500)	(104,846)
Net cash used in financing activities	(5,319)	(7,468)
Effect of exchange rate changes on cash and cash equivalents	(5,832)	(80)
Net increase (decrease) in cash and cash equivalents	9,139	(22,978)
Cash and cash equivalents - beginning of period	61,756	84,939
Cash and cash equivalents - end of period	$ 70,895	$ 61,961
Supplementary information:		
Cash paid during the period for:		
Income taxes, net of refunds received	$ 7,496	$ 2,024
Interest payments	$ 2,129	$ 1,683
ROU assets obtained in exchange for lease obligations	$ 6,111	$ 6,382
Details of acquisitions:		
Fair value of identifiable net assets acquired	$ -	$ 18,215
Goodwill	-	2,499
Fair value of net assets acquired	$ -	$ 20,714
Fair value of consideration transferred	$ -	$ 20,714
Less: Cash acquired in acquisitions	-	(3,903)
Cash paid for acquisitions, net of cash acquired	$ -	$ 16,811

See accompanying notes to unaudited condensed consolidated financial statements.

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated balance sheets and statements of operations, comprehensive income, stockholders' equity and cash flows for the periods presented herein have been prepared by the Company and are unaudited. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the consolidated financial position, results of operations and cash flows for all periods presented have been made. The results for the three and nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for the full year. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Bel Fuse Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Certain information and footnote disclosures required under accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted from these condensed consolidated financial statements pursuant to the rules and regulations, including the interim reporting requirements, of the U.S. Securities and Exchange Commission ("SEC"). The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in our condensed consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

The Company's significant accounting policies are summarized in Note 1 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021. There were no significant changes to these accounting policies during the nine months ended September 30, 2022, except as discussed in "Recently Adopted Accounting Standards" below.

All amounts included in the tables to these notes to condensed consolidated financial statements, except per share amounts, are in thousands.

Recently Adopted Accounting Standards

In August 2018, the FASB issued ASU 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans* ("ASU 2018-14"). This guidance removes certain disclosures that are not considered cost beneficial, clarifies certain required disclosures and adds additional disclosures. The Company adopted amendments in ASU 2018-14 on a retrospective basis effective January 1, 2021. The adoption of this guidance modified the Company's annual disclosures for its defined benefit plan, but did not have any impact on the Company's consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which modifies ASC 740 to reduce complexity while maintaining or improving the usefulness of the information provided to users of financial statements. This guidance was adopted by the Company effective January 1, 2021 and did not have a material impact on the Company's consolidated financial statements.

Accounting Standards Issued But Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASU 2016-13”), as amended. The new guidance will broaden the information that an entity must consider in developing its expected credit loss estimates related to its financial instruments and adds to U.S. GAAP an impairment model that is based on expected losses rather than incurred losses. The amendment is currently effective for the Company for annual reporting periods beginning after December 15, 2022, with early adoption permitted. Management is currently assessing the impact of ASU 2016-13, but it is not expected to have a material impact on the Company’s consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). ASU 2020-04 provides temporary optional guidance on contract modifications and hedging accounting to ease the financial reporting burdens of the expected market transition from the London Interbank Offered Rate (“LIBOR”) to alternative reference rates. In January 2021, the FASB issued ASU 2021-01, which refines the scope of Topic 848 and clarifies some of its guidance as part of the FASB’s monitoring of global reference rate activities. The new guidance was effective upon issuance, and the Company is allowed to elect to apply the amendments prospectively through December 31, 2022. Management is currently evaluating the impact of this accounting standard update on the Company's consolidated financial statements and related disclosures.

2. ACQUISITIONS

rms Connectors

On January 8, 2021, the Company acquired rms Connectors, Inc. (“rms Connectors” or "rms"), from rms Company Inc., a division of Cretex Companies, Inc., for $9.0 million in cash, including a working capital adjustment. rms Connectors is a highly regarded connector manufacturer with over 30 years of experience producing harsh environment circular connectors used in a variety of military and aerospace applications. This acquisition complemented Bel's existing military and aerospace product portfolio and enabled us to expand key customer relationships within these end markets and leverage the combined manufacturing resources to improve our operational efficiency. Originally based in Coon Rapids, Minnesota, the rms Connectors business was relocated into Bel's existing facilities during the second quarter of 2021, and is part of Bel's Connectivity Solutions group. The transaction was funded with cash on hand.

EOS Power

On March 31, 2021, the Company completed the acquisition of EOS Power ("EOS") through a stock purchase agreement for $7.8 million, net of cash acquired, including a working capital adjustment. EOS, located in Mumbai, India, had sales of $12.0 million for the year ended December 31, 2020. EOS enhances Bel's position related to certain industrial and medical markets historically served by EOS, with a strong line of high-power density and low-profile products with high convection ratings. In addition to new products and customers acquired, this acquisition diversified Bel's manufacturing footprint in Asia. The EOS business is part of Bel’s Power Solutions and Protection group. The transaction was funded with cash on hand.

The acquisitions of rms Connectors and EOS may hereafter be referred to collectively as either the "2021 Acquisitions" or the "2021 Acquired Companies". As of the respective acquisition dates, all of the assets acquired and liabilities assumed were recorded at their fair values and the Company's condensed consolidated results of operations for the three and nine months ended September 30, 2021 include the operating results of the 2021 Acquired Companies from their respective acquisition dates through September 30, 2021. During the nine months ended September 30, 2021, the Company incurred $0.5 million of acquisition-related costs related to the 2021 Acquisitions. No acquisition-related costs were incurred during the three months ended September 30, 2022 or 2021 or during the nine months ended September 30, 2022. These costs are included in selling, general and administrative expenses in the accompanying condensed consolidated statements of operations.

The results of operations of the 2021 Acquired Companies have been included in the Company’s condensed consolidated financial statements for the periods subsequent to their respective acquisition dates. During the three and nine months ended September 30, 2021, the 2021 Acquired Companies contributed revenues of $4.3 million and $12.4 million, respectively, and estimated net earnings of $0.2 million and $1.6 million, respectively, to the Company since their respective acquisition dates. The unaudited pro forma information below presents the combined operating results of the Company and the 2021 Acquired Companies assuming that the acquisition of the 2021 Acquired Companies had occurred as of January 1, 2021. The unaudited pro forma results are presented for illustrative purposes only. They do not reflect the realization of any potential cost savings, or any related integration costs. This unaudited pro forma information does not purport to be indicative of the results that would have actually been obtained if the 2021 Acquisitions had occurred as of January 1, 2021, nor is the pro forma data intended to be a projection of results that may be achieved in the future.

The following unaudited pro forma consolidated results of operations assume that the acquisition of the 2021 Acquired Companies was completed as of January 1, 2021:

	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Revenue, net	$ 146,966	$ 399,372
Net earnings	5,734	17,043
Earnings per Class A common share - basic and diluted	0.44	1.31
Earnings per Class B common share - basic and diluted	0.47	1.39

3. REVENUE

The following table provides information about disaggregated revenue by geographic region and sales channel, and includes a reconciliation of the disaggregated revenue to our reportable segments:

	Three Months Ended September 30, 2022				Nine Months Ended September 30, 2022			
	Connectivity Solutions	Power Solutions and Protection	Magnetic Solutions	Consolidated	Connectivity Solutions	Power Solutions and Protection	Magnetic Solutions	Consolidated
By Geographic Region:								
North America	$ 37,877	$ 60,267	$ 13,490	$ 111,634	$ 105,189	$ 155,022	$ 38,616	$ 298,827
Europe	9,327	8,779	2,535	20,641	26,895	29,264	8,128	64,287
Asia	3,049	7,387	35,028	45,464	7,978	21,961	91,977	121,916
	$ 50,253	$ 76,433	$ 51,053	$ 177,739	$ 140,062	$ 206,247	$ 138,721	$ 485,030
By Sales Channel:								
Direct to customer	$ 29,974	$ 48,765	$ 40,362	$ 119,101	$ 84,571	$ 130,210	$ 105,619	$ 320,400
Through distribution	20,279	27,668	10,691	58,638	55,491	76,037	33,102	164,630
	$ 50,253	$ 76,433	$ 51,053	$ 177,739	$ 140,062	$ 206,247	$ 138,721	$ 485,030

	Three Months Ended September 30, 2021				Nine Months Ended September 30, 2021			
	Connectivity Solutions	Power Solutions and Protection	Magnetic Solutions	Consolidated	Connectivity Solutions	Power Solutions and Protection	Magnetic Solutions	Consolidated
By Geographic Region:								
North America	$ 30,144	$ 42,064	$ 11,338	$ 83,546	$ 92,868	$ 109,708	$ 28,009	$ 230,585
Europe	7,916	9,679	2,635	20,230	22,220	29,306	6,126	57,652
Asia	2,284	8,538	32,368	43,190	6,358	20,298	81,458	108,114
	$ 40,344	$ 60,281	$ 46,341	$ 146,966	$ 121,446	$ 159,312	$ 115,593	$ 396,351
By Sales Channel:								
Direct to customer	$ 23,476	$ 36,154	$ 38,022	$ 97,652	$ 72,898	$ 96,759	$ 95,104	$ 264,761
Through distribution	16,868	24,127	8,319	49,314	48,548	62,553	20,489	131,590
	$ 40,344	$ 60,281	$ 46,341	$ 146,966	$ 121,446	$ 159,312	$ 115,593	$ 396,351

The balances of the Company's contract assets and contract liabilities at September 30, 2022 and December 31, 2021 are as follows:

	September 30, 2022	December 31, 2021
Contract assets - current (unbilled receivables)	$ 28,592	$ 28,275
Contract liabilities - current (deferred revenue)	$ 11,303	$ 2,224

The change in balance of our unbilled receivables from December 31, 2021 to September 30, 2022 primarily relates to a timing difference between the Company's performance (i.e. when our product is shipped to a customer-controlled hub) and the point at which the Company can invoice the customer per the terms of the customer contract (i.e. when the customer pulls our product from the customer-controlled hub). The increase in our deferred revenue balance from December 31, 2021 to September 30, 2022 primarily relates to customer prepayments on raw material surcharges and expedite fees, which will be recorded as revenue in the period in which the related finished goods are shipped to the customer.

The aggregate amount of transaction price allocated to remaining performance obligations that have not been satisfied as of September 30, 2022 related to contracts that exceed one year in duration amounted to $94.5 million, with expected contract expiration dates that range from 2023 - 2026. It is expected that 57% of this aggregate amount will be recognized in 2023, 36% will be recognized in 2024 and the remainder will largely be recognized in 2025.

4. EARNINGS PER SHARE

The following table sets forth the calculation of basic and diluted net earnings per common share under the two-class method for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net earnings	$ 16,548	$ 5,734	$ 38,649	$ 16,813
Less dividends declared:				
Class A	128	129	386	386
Class B	724	719	2,176	2,149
Undistributed earnings	$ 15,696	$ 4,886	$ 36,087	$ 14,278
Undistributed earnings allocation - basic and diluted:				
Class A undistributed earnings	$ 2,587	$ 811	$ 5,941	$ 2,375
Class B undistributed earnings	13,109	4,075	30,146	11,903
Total undistributed earnings	$ 15,696	$ 4,886	$ 36,087	$ 14,278
Net earnings allocation - basic and diluted:				
Class A net earnings	$ 2,715	$ 940	$ 6,327	$ 2,761
Class B net earnings	13,833	4,794	32,322	14,052
Net earnings	$ 16,548	$ 5,734	$ 38,649	$ 16,813
Denominator:				
Weighted-average shares outstanding:				
Class A - basic and diluted	2,142	2,145	2,144	2,145
Class B - basic and diluted	10,340	10,269	10,358	10,237
Net earnings per share:				
Class A - basic and diluted	$ 1.27	$ 0.44	$ 2.95	$ 1.29
Class B - basic and diluted	$ 1.34	$ 0.47	$ 3.12	$ 1.37

5. FAIR VALUE MEASUREMENTS

Fair value is defined as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based upon the best use of the asset or liability at the measurement date. Entities are required to use a fair value hierarchy which maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 – Observable inputs such as quoted market prices in active markets;

Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable; and

Level 3 – Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

As of September 30, 2022 and December 31, 2021, our equity securities primarily consisted of investments held in a rabbi trust which are intended to fund the Company's Supplemental Executive Retirement Plan ("SERP") obligations. These securities are measured at fair value using quoted prices in active markets for identical assets (Level 1) inputs and amounted to $0.2 million at September 30, 2022 and $0.3 million at December 31, 2021.

Throughout 2022 and 2021, the Company entered into a series of foreign currency forward contracts, the fair value of which was ($1.0) million at September 30, 2022 and less than $0.1 million at December 31, 2021. The estimated fair value of foreign currency forward contracts is based on quotes received from the applicable counterparty, and represents the estimated amount we would receive or pay to settle the contracts, taking into consideration current exchange rates which can be validated through readily observable data from external sources (Level 2).

During the fourth quarter of 2021, the Company entered into two interest rate swap agreements as further described in Note 9, "Derivative Instruments and Hedging Activities". The fair value of the interest rate swap agreements was $5.9 million at September 30, 2022 and $0.1 million at December 31, 2021, which was based on market data, and represents the estimated amount we would receive or pay to settle the agreements, taking into consideration current and projected future interest rates as well as the creditworthiness of the parties, all of which can be validated through readily observable data from external sources.

The Company does not have any financial assets measured at fair value on a recurring basis categorized as Level 3, and there were no transfers in or out of Level 1, Level 2 or Level 3 during the nine months ended September 30, 2022 or September 30, 2021. There were no changes to the Company's valuation techniques used to measure asset fair values on a recurring or nonrecurring basis during the nine months ended September 30, 2022 or September 30, 2021.

There were no financial assets accounted for at fair value on a nonrecurring basis as of September 30, 2022 or December 31, 2021.

The Company has other financial instruments, such as cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, which are not measured at fair value on a recurring basis but are recorded at amounts that approximate fair value due to their liquid or short-term nature. The fair value of the Company's long-term debt is estimated using a discounted cash flow method based on interest rates that are currently available for debt issuances with similar terms and maturities. At September 30, 2022 and December 31, 2021, the estimated fair value of total debt was $110.0 million $112.5 million, respectively, compared to a carrying amount of $110.0 million $112.5 million, respectively. The Company did not have any other financial liabilities within the scope of the fair value disclosure requirements as of September 30, 2022.

Nonfinancial assets and liabilities, such as goodwill, indefinite-lived intangible assets and long-lived assets, are accounted for at fair value on a nonrecurring basis. These items are tested for impairment upon the occurrence of a triggering event or in the case of goodwill, on at least an annual basis. Based on the Company's assessment, it was concluded that no triggering events occurred during the nine months ended September 30, 2022 or September 30, 2021.

6. INVENTORIES

The components of inventories are as follows:

	September 30, 2022	December 31, 2021
Raw materials	$ 71,024	$ 67,127
Work in progress	44,814	31,103
Finished goods	48,543	41,153
Inventories	$ 164,381	$ 139,383

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	September 30, 2022	December 31, 2021
Land	$ 1,082	$ 1,105
Buildings and improvements	21,058	20,915
Machinery and equipment	120,501	120,961
Construction in progress	3,135	5,081
	145,776	148,062
Accumulated depreciation	(110,549)	(109,852)
Property, plant and equipment, net	$ 35,227	$ 38,210

Depreciation expense was $2.1 million and $2.3 million, respectively, for the three months ended September 30, 2022 and 2021 and $6.8 million and $7.2 million, respectively, for the nine months ended September 30, 2022 and 2021. Depreciation expense related to our manufacturing facilities and equipment is included in cost of sales and depreciation expense associated with administrative facilities and office equipment is included in selling, general and administrative expense within the accompanying condensed consolidated statements of operations.

At December 31, 2021, a total of $1.6 million of property was classified as assets held for sale on the accompanying condensed consolidated balance sheet as of such date related to our corporate headquarters in Jersey City, New Jersey. On July 21, 2022, the Company closed on the sale of one of its two buildings in Jersey City, New Jersey. In connection with this sale, the Company received proceeds in the amount of $1.8 million and recognized a gain on sale during the third quarter of 2022 in the amount of $1.6 million. The other property in Jersey City, New Jersey continues to be classified as held for sale at a net book value of $1.5 million.

8. ACCRUED EXPENSES

Accrued expenses consist of the following:

	September 30, 2022	December 31, 2021
Salaries, bonuses and related benefits	$ 24,718	$ 21,342
Accrued restructuring costs	3,637	9
Sales commissions	2,449	2,049
Subcontracting labor	1,927	1,622
Warranty accrual	1,338	1,056
Other	8,593	8,375
	$ 42,662	$ 34,453

The change in warranty accrual during the nine months ended September 30, 2022 primarily related to repair costs incurred and adjustments to pre-existing warranties. There were no new material warranty charges incurred during the nine months ended September 30, 2022.

Restructuring Activities:

Activity and liability balances related to restructuring costs for the nine months ended September 30, 2022 are as follows:

		Nine Months Ended September 30, 2022		
	Liability at December 31, 2021	New Charges	Cash Payments and Other Settlements	Liability at September 30, 2022
Severance costs	$ 9	$ 1,429	$ (372)	$ 1,066
Other restructuring costs	-	2,571	-	2,571
Total	$ 9	$ 4,000	$ (372)	$ 3,637

During the third quarter of 2022, Bel launched a series of initiatives to simplify its operational footprint. Two of the Company's Magnetic Solutions manufacturing facilities in China will be consolidated into a single new facility in Southwestern China, with expected completion by mid-2023. In connection with the announcement internally, the Company recorded $1.1 million of severance costs and $2.6 million of other restructuring costs associated with this initiative. Also during the third quarter of 2022, the Company incurred $0.2 million of severance costs in connection with the reorganization of the Connectivity Solutions' sales and product management teams. These amounts are classified as restructuring charges on the condensed consolidated statements of operations for the three and nine months ended September 30, 2022.

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Our primary objective for holding derivative financial instruments is to manage foreign currency exchange rate risk and interest rate risk, when deemed appropriate. We enter into these contracts in the normal course of business to mitigate risks and not for speculative purposes.

Foreign Currency Forward Contracts

Under our risk management strategy, we periodically use foreign currency forward contracts to manage our short-term exposures to fluctuations in operational cash flows resulting from changes in foreign currency exchange rates. These cash flow exposures result from portions of our forecasted operating expenses, primarily compensation and related expenses, which are transacted in currencies other than the U.S. dollar, most notably the Chinese Renminbi and the Mexican Peso. These foreign currency forward contracts generally have maturities of no longer than twelve months, although occasionally we will execute a contract that extends beyond twelve months, depending upon the nature of the underlying risk. The foreign currency forward contracts related to the Chinese Renminbi have been designated for hedge accounting.

We held outstanding foreign currency forward contracts with notional amounts of $14.9 million and $17.1 million as of September 30, 2022 and December 31, 2021, respectively.

Interest Rate Swap Agreements

To partially mitigate risks associated with the variable interest rates on the revolver borrowings under the credit agreement (further described in Note 10, "Debt"), in December 2021, we executed a pay-fixed, receive-variable interest rate swap agreement with each of two multinational financial institutions under which we (i) pay interest at a fixed rate of 1.3055% and receive variable interest of one-month LIBOR on a notional amount of $30.0 million and (ii) pay interest at a fixed rate of 1.3180% and receive variable interest of one-month LIBOR on a notional amount of $30.0 million (the “2021 Swaps”). The effective date of the 2021 Swaps was December 31, 2021, and settlements with the counterparties began on January 31, 2022 and occur on a monthly basis. The 2021 Swaps will terminate on August 31, 2026.

The 2021 Swaps are designated as cash flow hedges for accounting purposes and as such, changes in their fair value are recognized in accumulated other comprehensive loss in the condensed consolidated balance sheets and are reclassified into the condensed consolidated statements of operations within interest expense in the period in which the hedged transaction affects earnings.

Fair Values of Derivative Financial Instruments

The fair values of our derivative financial instruments and their classifications in our condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021 were as follows:

	Balance Sheet Classification	September 30, 2022	December 31, 2021
Derivative assets:			
Foreign currency forward contracts:			
Designated as cash flow hedges	Other current assets	$ -	$ 57
Interest rate swap agreements:			
Designated as a cash flow hedge	Other assets	5,946	-
Total derivative assets		$ 5,946	$ 57
Derivative liabilities:			
Foreign currency forward contracts:			
Designated as cash flow hedges	Other current liabilities	$ 995	$ -
Not designated as hedging instruments	Other current liabilities	-	19
Interest rate swap agreements:			
Designated as a cash flow hedge	Other long-term liabilities	-	116
Total derivative liabilities		$ 995	$ 135

Derivative Financial Instruments in Cash Flow Hedging Relationships

The effects of derivative financial instruments designated as cash flow hedges on accumulated other comprehensive loss (“AOCL”) and on the condensed consolidated statements of operations for the three and nine months ended September 30, 2022 and 2021 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net (losses) gains recognized in AOCL:				
Foreign currency forward contracts	$ (671)	$ -	$ (1,196)	$ -
Interest rate swap agreements	2,206	-	5,939	-
	$ 1,535	$ -	$ 4,743	$ -
Net (losses) gains reclassified from AOCL to the consolidated statement of operations:				
Foreign currency forward contracts	$ (308)	$ -	$ (381)	$ -
Interest rate swap agreements	136	-	(122)	-
	$ (172)	$ -	$ (503)	$ -

The losses related to the foreign currency forward contracts are included as a component of currency translation adjustment on the accompanying condensed consolidated statements of comprehensive income at September 30, 2022 and December 31, 2021.

Derivative Financial Instruments Not Designated as Hedging Instruments

Gains recognized on derivative financial instruments not designated as hedging instruments in our condensed consolidated statements of operations for the three and nine months ended September 30, 2022 and 2021 were as follows:

	Classification in Consolidated Statements of Operations	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Foreign currency forward contracts	Other (expense) income, net	17	31	58	82
		$ 17	$ 31	$ 58	$ 82

10. DEBT

The Company has a Credit and Security Agreement with KeyBank National Association (as amended, the "credit agreement" or the "CSA"). The CSA provides a $175 million 5-year senior secured revolving credit facility ("Revolver"), with a sublimit of up to $10 million available for letters of credit and a sublimit of up to $5 million available for swing line loans. The Company had $110.0 million and $112.5 million in outstanding borrowings under the Revolver at September 30, 2022 and December 31, 2021, respectively. Revolving loans borrowed under the CSA mature on September 1, 2026.

The weighted-average interest rate in effect for the variable-rate portion of our outstanding borrowings ($50.0 million at September 30, 2022 and $52.5 million at December 31, 2021) was 4.37% at September 30, 2022 and 1.60% at December 31, 2021 and consisted of LIBOR plus the Company's credit spread, as determined per the terms of the CSA. In order to manage our interest rate exposure on the remaining borrowings, and as further described in Note 9, "Derivative Instruments and Hedging Activities", the Company is party to the 2021 Swaps, each with an aggregate notional amount of $30 million, or $60 million in the aggregate, the effect of which is to fix the LIBOR portion of the interest rate on a portion of our outstanding debt on our Revolver. The 2021 Swaps require the Company to pay interest on the notional amount at the rate of 1.3055% and 1.3180%, respectively, in exchange for the one-month LIBOR rate. The effective rate of interest for our outstanding borrowings, including the impact of the 2021 Swaps, was 3.38% and 2.92%, respectively, during the three and nine months ended September 30, 2022. The Company incurred $0.9 million and $1.5 million of interest expense during the three months ended September 30, 2022 and September 30, 2021, respectively, and $2.4 million and $3.0 million during the nine months ended September 30, 2022 and 2021, respectively in connection with interest due on its outstanding borrowings under the CSA during each period, the effects of the 2021 Swaps and amortization of deferred financing costs.

The CSA contains customary representations and warranties, covenants and events of default. In addition, the CSA contains financial covenants that measure (i) the ratio of the Company's total funded indebtedness, on a consolidated basis, less the aggregate amount of all unencumbered cash and cash equivalents, to the amount of the Company's consolidated EBITDA ("Leverage Ratio") and (ii) the ratio of the amount of the Company's consolidated EBITDA to the Company's consolidated fixed charges ("Fixed Charge Coverage Ratio"). If an event of default occurs, the lenders under the CSA would be entitled to take various actions, including the acceleration of amounts due thereunder and all actions permitted to be taken by a secured creditor. At September 30, 2022, the Company was in compliance with its debt covenants, including its most restrictive covenant, the Fixed Charge Coverage Ratio.

Subsequent to September 30, 2022, the Company made a voluntary payment of $10.0 million towards its Revolver balance, bringing the outstanding borrowings under the Revolver to $100.0 million as of October 31, 2022.

11. INCOME TAXES

The Company's estimated taxable income in future periods is not on a legal entity basis and therefore income tax expense for the interim period is not measured using the annual effective tax rate ("AETR") method. The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. The Company is no longer subject to U.S. federal examinations by tax authorities for years before 2018 and for state examinations before 2015. Regarding foreign subsidiaries, the Company is no longer subject to examination by tax authorities for years before 2012 in Asia and generally 2013 in Europe.

As a result of the expiration of the statutes of limitations for specific jurisdictions, it is reasonably possible that the related unrecognized benefits for tax positions taken regarding previously filed tax returns may change materially from those recorded as liabilities for uncertain tax positions in the Company's condensed consolidated financial statements at September 30, 2022. The Company's liabilities for uncertain tax positions totaled $24.0 million and $28.4 million at September 30, 2022 and December 31, 2021, respectively, of which $4.1 million is included in other current liabilities at December 31, 2021 and was resolved during 2022 by way of expiration of the related statute of limitations. These amounts, if recognized, would reduce the Company's effective tax rate.

The Company's policy is to recognize interest and penalties related to uncertain tax positions as a component of the current provision for income taxes. During the nine months ended September 30, 2022 and 2021, the Company recognized $0.4 million and $0.5 million, respectively, in interest and penalties in the condensed consolidated statements of operations during each period. The Company has approximately $3.8 million and $5.0 million, respectively, accrued for the payment of interest and penalties at September 30, 2022 and December 31, 2021, which is included in both income taxes payable and liability for uncertain tax positions in the condensed consolidated balance sheets.

12. RETIREMENT, SAVINGS AND DEFERRED COMPENSATION PLANS

The Company maintains the Bel Fuse Inc. Employees' Savings Plan, a defined contribution plan that is intended to meet the applicable requirements for tax-qualification under sections 401(a) and (k) of the Internal Revenue Code of 1986, as amended. The expense for the three months ended September 30, 2022 and 2021 amounted to $0.3 million for each period. The expense for the nine months ended September 30, 2022 and 2021 amounted to $1.0 million and $0.9 million, respectively. The Company's matching contribution is made in the form of Bel Fuse Inc. Class A common stock. As of September 30, 2022, the plan owned 313,559 and 93,789 shares of Bel Fuse Inc. Class A and Class B common stock, respectively.

The Company also maintains a Nonqualified Deferred Compensation Plan (the "DCP"). With certain exceptions, the Company's contributions to the DCP are discretionary and become fully vested by the participants upon reaching age 65. The expense for the three months September 30, 2022 and 2021 amounted to less than $0.1 million during each period. The expense for the nine months ended September 30, 2022 and 2021 amounted to $0.1 million during each period. As the plan is fully funded, the assets and liabilities related to the DCP were in equal amounts of $0.6 million at September 30, 2022 and $0.8 million at December 31, 2021. These amounts are included in other assets and other liabilities, respectively, on the accompanying condensed consolidated balance sheets as of each date.

The Company's subsidiaries in Asia have a retirement fund covering substantially all of their Hong Kong based full-time employees. The expense for the three months ended September 30, 2022 and 2021 amounted to $0.4 million and $0.6 million, respectively, and the expense for the nine months ended September 30, 2022 and 2021 amounted to $1.3 million and $1.9 million, respectively. As of December 31, 2021, the plan owned 3,323 and 17,342 shares of Bel Fuse Inc. Class A and Class B common stock, respectively. During the second quarter of 2022, the Company repurchased all shares back from the Asia retirement plan and no shares were owned by the plan as of September 30, 2022.

The Company maintains a SERP, which is designed to provide a limited group of key management and other key employees of the Company with supplemental retirement and death benefits. As discussed in Note 5 above, the Company has investments in a rabbi trust which are intended to fund the obligations of the SERP.

The components of SERP expense are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Service cost	$ 126	$ 169	$ 377	$ 508
Interest cost	159	135	477	405
Net amortization	78	127	234	382
Net periodic benefit cost	$ 363	$ 431	$ 1,088	$ 1,295

The service cost component of net benefit cost is presented within cost of sales or selling, general and administrative expense on the accompanying condensed consolidated statements of operations, in accordance with where compensation cost for the related associate is reported. All other components of net benefit cost, including interest cost and net amortization noted above, are presented within other (expense) income, net in the accompanying condensed consolidated statements of operations.

The following amounts are recognized net of tax in accumulated other comprehensive loss:

	September 30, 2022	December 31, 2021
Prior service cost	$ 365	$ 460
Net loss	1,252	1,391
	$ 1,617	$ 1,851

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of accumulated other comprehensive loss at September 30, 2022 and December 31, 2021 are summarized below:

	September 30, 2022	December 31, 2021
Foreign currency translation adjustment, net of taxes of ($334) at September 30, 2022 and ($417) at December 31, 2021	$ (31,263)	$ (14,911)
Unrealized gains (losses) on interest rate swap cash flow hedge, net of taxes of $0 at September 30, 2022 and $0 at December 31, 2021	5,945	(116)
Unrealized holding gains on marketable securities, net of taxes of ($7) at September 30, 2022 and ($7) at December 31, 2021	18	29
Unfunded SERP liability, net of taxes of ($451) at September 30, 2022 and ($502) at December 31, 2021	(3,683)	(3,865)
Accumulated other comprehensive loss	$ (28,983)	$ (18,863)

Changes in accumulated other comprehensive loss by component during the nine months ended September 30, 2022 are as follows. All amounts are net of tax.

	Foreign Currency Translation Adjustment	Unrealized Gains (Losses) on Interest Rate Swap Cash Flow Hedge	Unrealized Holding Gains (Losses) on Marketable Securities	Unfunded SERP Liability	Total
Balance at December 31, 2021	$ (14,911)	$ (116)	$ 29	$ (3,865)	$ (18,863)
Other comprehensive (loss) income before reclassifications	(16,733)	5,939	(11)	(7)	(10,812)
Amount reclassified from accumulated other comprehensive loss	381	122	-	189 (a)	692
Net current period other comprehensive (loss) income	(16,352)	6,061	(11)	182	(10,120)
Balance at September 30, 2022	$ (31,263)	$ 5,945	$ 18	$ (3,683)	$ (28,983)

(a) This reclassification relates to the amortization of prior service costs and gains/losses associated with the Company's SERP Plan. This expense is reflected in other (expense) income, net on the accompanying condensed consolidated statements of operations.

14. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

On June 23, 2021, a patent infringement lawsuit styled *Bel Power Solutions, Inc. v. Monolithic Power Systems, Inc.*, Case Number 6:21cv00655, was filed in the United States District Court for the Western District of Texas (Waco Division) by Bel Power Solutions, Inc. against Monolithic Power Systems, Inc. ("MPS") for infringement of various patents directed towards systems, methods and articles of manufacture that provide a substantial improvement in power control for circuits, including novel and unique point-of-load regulators. MPS filed a Motion to Dismiss and a Motion to Transfer Venue to the Northern District of California in September 2021. On May 5, 2022, the Western District of Texas court denied MPS's motion to dismiss and its efforts to challenge venue. As such, the suit shall remain and continue in the Western District of Texas. The Company has made a demand for a jury trial.

In connection with the Company's 2014 acquisition of the Power-One Power Solutions business ("Power Solutions") of ABB Ltd., there is an ongoing claim by the Arezzo Revenue Agency in Italy concerning certain tax matters related to what was then Power-One Asia Pacific Electronics Shenzhen Co. Ltd. (now Bel Power Solutions Asia Pacific Electronics Shenzhen Co. Ltd, or "BPS China") for the years 2004 to 2006. In September 2012, the Tax Court of Arezzo ruled in favor of BPS China and cancelled the claim. In February 2013, the Arezzo Revenue Agency filed an appeal of the Tax Court's ruling. The hearing of the appeal was held on October 2, 2014. On October 13, 2014, BPS China was informed of the Regional Tax Commission of Florence ruling which was in favor of the Arezzo Revenue Agency and against BPS China. An appeal was filed on July 18, 2015 before the Regional Tax Commission of Florence and rejected. On December 5, 2016, the Arezzo Revenue Agency filed an appeal with the Supreme Court and BPS China filed a counter-appeal on January 4, 2017. The Supreme Court has yet to render its judgment. The estimated liability related to this matter is approximately $12.0 million and has been included as a liability for uncertain tax positions on the accompanying condensed consolidated balance sheets at September 30, 2022 and December 31, 2021. As Bel is fully indemnified in this matter per the terms of the stock purchase agreement with ABB, a corresponding other asset for indemnification is also included in other assets on the accompanying condensed consolidated balance sheets at September 30, 2022 and December 31, 2021.

The Company is not a party to any other legal proceeding, the adverse outcome of which is likely to have a material adverse effect on the Company's consolidated financial condition or results of operations.

15. SEGMENTS

The Company operates in one industry with three reportable operating segments, which represent the Company's three product groups and a corporate segment. The segments consist of Connectivity Solutions, Power Solutions and Protection, Magnetic Solutions and a Corporate segment. The primary criteria by which financial performance is evaluated and resources are allocated are revenue and gross profit. The following is a summary of key financial data:

	Three Months Ended September 30, 2022				
	Connectivity Solutions	Power Solutions and Protection	Magnetic Solutions	Corporate Segment	Total
Revenue	$ 50,253	$ 76,433	$ 51,053	$ -	$ 177,739
Gross Profit	13,099	24,801	15,501	(1,867)	51,534
Gross Profit %	26.1%	32.4%	30.4%	nm	29.0%

	Three Months Ended September 30, 2021				
	Connectivity Solutions	Power Solutions and Protection	Magnetic Solutions	Corporate Segment	Total
Revenue	$ 40,344	$ 60,281	$ 46,341	$ -	$ 146,966
Gross Profit	10,003	15,762	10,722	(513)	35,974
Gross Profit %	24.8%	26.1%	23.1%	nm	24.5%

	Nine Months Ended September 30, 2022				
	Connectivity Solutions	Power Solutions and Protection	Magnetic Solutions	Corporate Segment	Total
Revenue	$ 140,062	$ 206,247	$ 138,721	$ -	$ 485,030
Gross Profit	37,414	60,775	37,476	(4,719)	130,946
Gross Profit %	26.7%	29.5%	27.0%	nm	27.0%

	Nine Months Ended September 30, 2021				
	Connectivity Solutions	Power Solutions and Protection	Magnetic Solutions	Corporate Segment	Total
Revenue	$ 121,446	$ 159,312	$ 115,593	$ -	$ 396,351
Gross Profit	32,826	40,917	24,026	(2,652)	95,117
Gross Profit %	27.0%	25.7%	20.8%	nm	24.0%

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

The information in this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Company's condensed consolidated financial statements and the related notes set forth in Item 1 of Part I of this Quarterly Report on Form 10-Q, our MD&A set forth in Item 7 of Part II of our 2021 Annual Report on Form 10-K and our consolidated financial statements and related notes set forth in Item 8 of Part II of our 2021 Annual Report on Form 10-K. See Part II, Item 1A, "Risk Factors," below and "Cautionary Notice Regarding Forward-Looking Information," above, and the information referenced therein, for a description of risks that we face and important factors that we believe could cause actual results to differ materially from those in our Forward-Looking Statements. All statements herein regarding the anticipated or likely impact of COVID-19 constitute Forward-Looking Statements. All amounts and percentages are approximate due to rounding and all dollars in the text are in millions, except per share amounts or where otherwise noted. When we cross-reference to a "Note," we are referring to our "Notes to Condensed Consolidated Financial Statements," unless the context indicates otherwise. All amounts noted within the tables are in thousands and amounts and percentages are approximate due to rounding.

Overview

Our Company

Bel designs, manufactures and markets a broad array of products that power, protect and connect electronic circuits. These products are primarily used in the networking, telecommunications, computing, high-speed data transmission, military, commercial aerospace, transportation and e-Mobility industries. Bel's portfolio of products also finds application in the automotive, medical, broadcasting and consumer electronics markets.

The Company operates through three product group segments, in addition to a Corporate segment. In the nine months ended September 30, 2022, 42% of the Company's revenues were derived from Power Solutions and Protection, 29% from Connectivity Solutions and 29% from its Magnetic Solutions operating segment.

Our operating expenses are driven principally by the cost of labor where the factories that Bel uses are located, the cost of the materials that we use and our ability to effectively and efficiently manage overhead costs. As labor and material costs vary by product line and region, any significant shift in product mix can have an associated impact on our costs of sales. Costs are recorded as incurred for all products manufactured. Such amounts are determined based upon the estimated stage of production and include materials, labor cost and fringes and related allocations of factory overhead. Our products are manufactured at various facilities in the U.S., Mexico, Dominican Republic, England, Czech Republic, Slovakia, India and the People's Republic of China (PRC).

We have little visibility into the ordering habits of our customers and we can be subjected to large and unpredictable variations in demand for our products. Accordingly, we must continually recruit and train new workers to replace those lost to attrition and be able to address peaks in demand that may occur from time to time. These recruiting and training efforts and related inefficiencies, and overtime required in order to meet any increase in demand, can add volatility to the labor costs incurred by us.

The Effects of COVID-19 on Bel's Business

The Company continues to be focused on the safety and well-being of its associates around the world in light of COVID-19 and the variants of COVID that have followed. A significant amount of products manufactured by Bel are utilized in military, medical and networking applications, and are therefore deemed essential by many of the jurisdictions in which we operate. Our management team closely monitors the situation at each of Bel's facilities and has been able to effectively respond in implementing our business continuity plans around the world. Protective measures, where possible, remain in place throughout our facilities. The majority of our office staff now follow a hybrid work schedule. The combination of protective measures at our factories coupled with remote work arrangements have enabled us to maintain operations, including financial reporting systems, internal controls over financial reporting and disclosure controls and procedures.

On March 13, 2022, the PRC government issued a notice with immediate effect whereby certain regions were temporarily shut down to perform widespread testing in response to a COVID-19 outbreak in those regions and in accordance with Beijing's "zero-tolerance" policy. Our Bel Power Solutions manufacturing facility in Shenzhen, China and our Magnetics TRP manufacturing facility in Changping, China were closed for approximately one week during the month of March 2022 while residents underwent testing. Further, certain of Bel's customers and suppliers are also located within these regions, which caused a temporary disruption in the related supply chain. Although all of our manufacturing sites are running at normal workforce levels as of the filing date of this Quarterly Report on Form 10-Q, COVID-19 remains a potential supply continuity risk due to the unknown nature of future outbreaks. Given the general uncertainty regarding the impact of COVID-19 on our manufacturing capability, on our customers and our suppliers, we are unable to quantify the ultimate impact of COVID-19 on our future results at this time.

Beginning in the third quarter of 2021, pandemic-related issues have created additional port congestion and intermittent supplier shutdowns and delays, resulting in additional expenses to expedite delivery of critical parts. In order to better control our costs, the expediting of raw material deliveries has been generally reserved for customer-specific requests for expedited timing whereby our end customer has agreed to pay the incremental fee. Further, the majority of our product is shipped via air, and we have therefore been minimally impacted by ocean-related logistic constraints. While there are some delays within the supply chain in the movement of products related to border closures and government monitoring/treatment of goods being transported across borders, to date such delays have not materially impacted our ability to operate our business or achieve our business goals.

Based on our analysis of ASC 350 and ASC 360 during the nine months ended September 30, 2022, we are not aware of any potential triggering events for impairment of our goodwill, indefinite-lived intangible assets or finite-lived assets. The Company will continue to assess the relevant criteria on a quarterly basis based on updated cash flow and market assumptions. Unfavorable changes in cash flow or market assumptions could result in impairment of these assets in future periods.

As our operations have continued, albeit at slightly reduced production and efficiency rates, we have not experienced a negative impact on our liquidity to date. Our balance of cash on hand continues to be strong at $70.9 million at September 30, 2022 as compared to $61.8 million at December 31, 2021. The Company also has availability under its current revolving credit facility; as of September 30, 2022, the Company could borrow an additional $65.0 million while still being in compliance with its debt covenants. However, any further pressure or negative impact to our financial results related to COVID-19 would have a related negative impact on our financial covenants outlined in our credit agreement, which would impact the amount available to borrow under our revolving credit facility. The management team closely monitors the rapidly changing COVID situation and has developed plans which could be implemented to minimize the impact to the Company in the event the situation deteriorates.

Our statements regarding the future impact of COVID-19 represent Forward-Looking Statements. See “Cautionary Notice Regarding Forward-Looking Information.”

Other Key Factors Affecting our Business

The Company believes that, in addition to uncertainties around COVID-19, the Russia-Ukraine conflict and recent global inflationary pressures on the costs of goods and services in general, the key factors affecting Bel’s results for the nine months ended September 30, 2022 and/or future results include the following:

- Revenues – The Company’s revenues in the first nine months of 2022 were up $88.7 million, or 22.4%, as compared to the same period of 2021. The increase was primarily seen within our Power Solutions and Protection group from incremental revenue associated with the EOS acquisition, increased demand for our CUI and circuit protection products, and recent power design wins moving into production within the e-Mobility end market. In addition, each of our three product groups experienced an increase in sales through our distribution partners during the first nine months of 2022 as compared to 2021. Our Connectivity Solutions group is also benefiting from a rebound within the commercial aerospace end market, which contributed to higher sales for this group as compared to the first nine months of 2021.

- Backlog – Our backlog of orders amounted to $582.8 million at September 30, 2022, an increase of $115.0 million, or 25%, from December 31, 2021. From year-end 2021 to September 30, 2022, we saw a 48% increase in the backlog for our Power Solutions and Protection business due to increased demand across the majority of our Power product lines. At quarter-end, the backlog of orders for our Connectivity Solutions products grew by 37% from year-end, primarily due to higher demand from our distribution and premise wiring customers and continued recovery in demand from our direct and after-market commercial aerospace customers. During the first nine months of 2022, the backlog for our Magnetic Solutions products decreased by 22% from the 2021 year-end levels, largely driven by the ordering pattern of one large networking customer.

- Product Mix – Material and labor costs vary by product line and any significant shift in product mix between higher- and lower-margin product lines will have a corresponding impact on the Company's gross margin percentage. In general, our Connectivity products have historically had the highest contribution margins of our three product groups, though margins for this group in 2022 have been challenged due to costs and inefficiencies associated with the ramp-up in commercial aerospace. Our Power products have a higher cost bill of materials and are impacted to a greater extent by changes in material costs. As our Magnetic Solutions products are more labor intensive in nature, margins on these products are impacted to a greater extent by minimum and market-based wage increases in the PRC and fluctuations in foreign exchange rates between the U.S. Dollar and the Chinese Renminbi. Fluctuations in revenue volume among our product groups will have a corresponding impact on Bel's profit margins. See *"Results of Operations - Summary by Operating Segment - Revenue and Gross Margin"* below for further details.

- Pricing and Availability of Materials – There have been ongoing supply constraints related to components that constitute raw materials in our manufacturing processes, particularly with resistors, capacitors, discrete semiconductors, plastic resin and copper. Lead times have been extended and the reduction in supply also caused an increase in prices for certain of these components. Beginning in the third quarter of 2022, there has been some stabilization of raw material pricing and availability for a portion of the components that Bel's purchases, but in general supply constraints continue to be a challenge. The Company's material costs as a percentage of revenue were 45.9% of sales during the first nine months of 2022, down slightly from 46.6% during the same period of 2021 as a result of a favorable shift in product mix and the impact of Bel's recent pricing actions, offset in part by higher material costs in the 2022 period.

- Labor Costs – Labor costs represented 8.4% of revenue during the first nine months of 2022 as compared to 9.0% of revenue during the same period of 2021. The reduction in labor costs as a percentage of sales for the first nine months of 2022 was largely impacted by recent pricing actions taken by the Company and favorable exchange rate fluctuations in 2022 leading to lower labor costs at our PRC factories.

- Inflationary Pressures - Inflationary pressures could result in higher input costs, including those related to our raw materials, labor, freight, utilities, healthcare and other expenses. Our future operating results will depend, in part, on our continued ability to manage these fluctuations through pricing actions, cost savings initiatives and sourcing decisions.

- Restructuring – During the third quarter of 2022, we launched a series of initiatives to simplify our operational footprint. In a project expected to be completed by mid-2023, we will initially be consolidating two of our Magnetics sites in Zhongshan and Pingguo, China, spread across 9 manufacturing buildings in total, and bringing them together into a single centralized site in the Binyang county of Southwestern China. Restructuring costs of approximately $9 million are expected related to the China initiative. Of this amount, $3.6 million (including $1.1 million of severance costs) was recognized in the third quarter, and we expect the balance, which is largely severance costs, to be recognized ratably through the third quarter of 2023. Incremental capex spend of approximately $3 million is expected over the next 12 months. We expect to realize annualized cost savings of approximately $3 million on the China initiative, beginning in the fourth quarter of 2023. Within our Connectivity Solutions group, the Company incurred $0.2 million of severance costs in connection with the reorganization of this group's sales and product management teams during the third quarter of 2022. Further, facility consolidation actions are underway in both the U.S. and Europe. In the U.S., our Tempe, Arizona and Melbourne, Florida sites will transition their manufacturing operations into our existing site in Waseca, Minnesota. These U.S. actions are expected to result in restructuring costs (largely severance costs), of $0.6 million, primarily over the next two quarters, with estimated incremental capex spend of $0.4 million. We expect to realize annualized cost savings of approximately $1.1 million on this U.S. initiative, beginning in the second quarter of 2023. In Europe, we plan to exit our facility in Sudbury, UK and consolidate those operations into our existing site in Chelmsford, UK. These UK actions are expected to result in restructuring costs of approximately $0.3 million spread over the next two quarters with incremental capex spend of $1.0 million. We expect to realize annualized cost savings of approximately $0.7 million on this UK initiative, beginning in the third quarter of 2023. The Company will continue to review its operations to optimize the business, which may result in restructuring costs being recognized in future periods. The preceding sentences represent Forward-Looking Statements. See "Cautionary Notice Regarding Forward-Looking Information."

- Impact of Foreign Currency – As further described below, during the nine months ended September 30, 2022, labor and overhead costs were $2.6 million lower than the same period of 2021 due to a favorable foreign exchange environment involving the Chinese Renminbi and Euro as compared to the prior year period. Also as described below, the Company realized foreign exchange transactional gains of $0.5 million during the nine months ended September 30, 2022, due to the fluctuation of the spot rates of certain currencies in effect when translating our balance sheet accounts at September 30, 2022 versus those in effect at December 31, 2021. Since we are a U.S. domiciled company, we translate our foreign currency-denominated financial results into U.S. dollars. Due to the changes in the value of foreign currencies relative to the U.S. dollar, translating our financial results and the revaluation of certain intercompany as well as third-party transactions to and from foreign currencies to U.S. dollars may result in a favorable or unfavorable impact to our consolidated statements of operations and cash flows. The Company was favorably impacted by transactional foreign exchange gains in the first nine months of 2022 due to the depreciation of the Chinese Renminbi and Euro against the U.S. dollar as compared to exchange rates in effect during 2021. The Company has significant manufacturing operations located in in the PRC where labor and overhead costs are paid in local currency. As a result, the U.S. Dollar equivalent costs of these operations were $2.6 million lower in the nine months ended September 30, 2022 as compared to the same period of 2021. The Company monitors changes in foreign currencies and in 2022 implemented additional foreign currency forward contracts, and may continue to implement pricing actions to help mitigate the impact that changes in foreign currencies may have on its consolidated operating results. The preceding sentence represents a Forward-Looking Statement. See "Cautionary Notice Regarding Forward-Looking Information."

- Effective Tax Rate – The Company's effective tax rate will fluctuate based on the geographic regions in which the pretax profits are earned. Of the geographic regions in which the Company operates, the U.S. and Europe's tax rates are generally equivalent; and Asia has the lowest tax rates of the Company's three geographical regions. See Note 11, "Income Taxes".

The strategic initiatives we put in place earlier in the year continue to show steady progress as we look to streamline the way we do business, optimize our operational footprint and drive increased profit margins. The preceding sentences represent Forward-Looking Statements. See "Cautionary Notice Regarding Forward-Looking Information."

Results of Operations - Summary by Operating Segment

Revenue and Gross Margin

The Company's revenue and gross margin by operating segment for the three and nine months ended September 30, 2022 and 2021 were as follows:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	Revenue		Gross Margin		Revenue		Gross Margin	
	2022	2021	2022	2021	2022	2021	2022	2021
Connectivity solutions	$ 50,253	$ 40,344	26.1%	24.8%	$ 140,062	$ 121,446	26.7%	27.0%
Magnetic solutions	51,053	46,341	30.4%	23.1%	138,721	115,593	27.0%	20.8%
Power solutions and protection	76,433	60,281	32.4%	26.1%	206,247	159,312	29.5%	25.7%
	$ 177,739	$ 146,966	29.0%	24.5%	$ 485,030	$ 396,351	27.0%	24.0%

Connectivity Solutions:

Sales of our Connectivity Solutions products increased by $9.9 million and $18.6 million during three and nine months ended September 30, 2022, respectively, as compared to the same periods of 2021. This increase was primarily due to the continued rebound in demand from direct and after-market commercial aerospace customers of $5.2 million (135%) during the three months ended September 30, 2022 and $10.5 million (83%) during the nine months ended September 30, 2022 as compared to the same periods of 2021. Other increases in sales related to higher demand for our passive connector and cabling products for use in premise wiring applications and an increased volume of Connectivity Solutions products sold through our distribution channels. These sales increases were partially offset by a decline in military sales of $0.9 million (10%) during the three months ended September 30, 2022 and a decline in military sales of $3.2 million (11%) during the nine months ended September 30, 2022 as compared to the prior year periods. Gross margins for the 2022 periods presented above were unfavorably impacted by incremental costs and operational inefficiencies related to the ramp-up in commercial aerospace demand.

Magnetic Solutions:

Sales of our Magnetic Solutions products improved by $4.7 million and $23.1 million during the three and nine months ended September 30, 2022, respectively, as compared to the same periods of 2021. Demand for our Magnetic Solutions products from our networking customers and through our distribution channels has been the primary driver of the sales increase. The higher sales volume, coupled with pricing actions and favorable exchange rates with the Chinese Renminbi versus the U.S. dollar, were the primary drivers of gross margin improvement for this product group from last year's periods.

Power Solutions and Protection:

Sales of our Power Solutions and Protection products were higher by $16.2 million during the third quarter of 2022 and by $46.9 million during the first nine months of 2022 as compared to the same periods of 2021. The sales increase for the third quarter was primarily driven by $9.4 million in raw material surcharge invoicing, a $2.5 million (104%) increase in sales of product going into the e-Mobility end market, and a $3.0 million (18%) increase in CUI sales. The sales increase for the first nine months of 2022 was led by approximately $22.0 million in raw material surcharge invoicing, the inclusion of EOS, acquired in March 2021, which contributed incremental sales of $5.5 million, a $4.8 million (28%) increase in circuit protection product sales, a $8.6 million (21%) increase in CUI sales, and a $7.3 million (110%) increase in sales of product going into the e-Mobility end market. Gross margin improved in the 2022 periods above as compared to the 2021 periods as pricing actions, higher sales volume, favorable exchange rates with the Chinese Renminbi versus the U.S. dollar, and a favorable shift in product mix offset the impact of increased material costs.

Cost of Sales

Cost of sales as a percentage of revenue for the three and nine months ended September 30, 2022 and 2021 consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Material costs	46.1%	47.6%	45.9%	46.6%
Labor costs	7.9%	8.5%	8.4%	9.0%
Other expenses	17.0%	19.4%	18.7%	20.4%
Total cost of sales	71.0%	75.5%	73.0%	76.0%

Material costs as a percentage of sales during the three and nine months ended September 30, 2022 were fairly stable compared to the same periods of 2021, as recent pricing actions are helping to offset the continued heightened cost of certain raw materials. Labor costs as a percentage of sales have decreased from the 2021 periods noted in the table above due to the favorable fluctuation in the Chinese Renminbi exchange rate versus the U.S. Dollar. These lower labor costs as a percentage of sales were offset, in part, by incremental labor costs at our Connectivity group related to recruiting and training of new factory associates to accommodate the increase in demand from the commercial aerospace end market in 2022.

The other expenses noted in the table above include fixed cost items such as support labor and fringe, depreciation and amortization, and facility costs (rent, utilities, insurance). In total, these other expenses increased during the three and nine months ended September 30, 2022 by $1.9 million and $10.1 million, respectively, as compared to same periods of 2021 due to a variety of factors. The recent ramp-up in commercial aerospace demand has resulted in significant headcount increases at our factories that support this end market, restoring some of the indirect labor and overhead expenses that had been previously reduced when demand was lower. Further, certain of our other factories have started to run additional shifts to accommodate the increase in demand from our customers, resulting in higher overhead costs. In addition to an increase in support labor headcount, wage rate increases, both inflationary and government-mandated increases to minimum wage rates, have led to higher costs in the 2022 periods as compared to 2021.

Research and Development ("R&D") Expense

R&D expense amounted to $4.9 million and $5.9 million for the three months ended September 30, 2022 and 2021, respectively, and $14.4 million and $16.3 million for the nine months ended September 30, 2022 and 2021, respectively. The lower R&D expense in the 2022 periods as compared to the same periods of 2021 is largely due to the favorable exchange rate environment related to the Euro and Chinese Renminbi versus the U.S. Dollar in 2022.

Selling, General and Administrative Expense (“SG&A”)

SG&A expenses were $22.2 million for the third quarter of 2022, up from $21.2 million in the third quarter of 2021. Increases in sales commissions to reps of $1.0 million and higher SG&A salaries and fringe benefits of $0.4 million were offset in part by a $0.5 million reduction in legal and professional fees as compared to the third quarter of 2021.

SG&A expenses were $67.2 million during the nine months ended September 30, 2022, up from $64.8 million during the same period of 2021. Within SG&A, increases in sales commissions to reps of $1.7 million, SG&A salaries and fringe benefits of $1.1 million, a $0.7 million increase in property insurance and $0.6 million of higher advertising costs were partially offset by a $1.6 million reduction in legal and professional fees as compared to the first nine months of 2022.

Other (Expense) Income, Net

Other (expense) income, net was expense of $0.4 million and $0.2 million for the three months ended September 30, 2022 and 2021, respectively, and expense of $2.9 million and income of $0.6 million for the nine months ended September 30, 2022 and 2021, respectively. The year-over-year movements within this line item were largely driven by market fluctuations in the Company's SERP investments which resulted in losses of $0.6 million and $0.2 million during the three months ended September 30, 2022 and 2021, respectively. During the year-to-date periods, the Company recorded a loss of $2.9 million related to its SERP investments during the nine months ended September 30, 2022 as compared to a gain of $0.8 million for the nine months ended September 30, 2021.

Provision for Income Taxes

The Company’s effective tax rate will fluctuate based on the geographic regions in which the pretax profits are earned. Of the geographic regions in which the Company operates, the U.S. and Europe’s tax rates are generally equivalent; and Asia has the lowest tax rates of the Company’s three geographical regions. See Note 11, “Income Taxes”.

The provision for income taxes for the three months ended September 30, 2022 and 2021 was $4.1 million and $1.4 million, respectively. The Company’s earnings before income taxes for the three months ended September 30, 2022, were $13.5 million higher than the same period in 2021, primarily attributable to an increase in the income from the North America and Asia regions. The Company’s effective tax rate was consistent at 20.0% and 20.2% for the three months ended September 30, 2022 and 2021, respectively.

The provision for income taxes for the nine months ended September 30, 2022 and 2021 was $3.0 million and $0.6 million, respectively. The Company’s earnings before income taxes for the nine months ended September 30, 2022, were approximately $24.2 million higher than the same period in 2021, primarily attributable to an increase in the income from the Asia region. The Company’s effective tax rate was 7.1% and 3.4% for the nine months ended September 30, 2022 and 2021, respectively. The change in the effective tax rate during the nine months ended September 30, 2022 as compared to the same period in 2021, is primarily attributable to an increase in the U.S. taxes related to income from foreign subsidiaries taxed in the U.S. as part of the Tax Cuts and Jobs Act.

Liquidity and Capital Resources

Our principal sources of liquidity include $70.9 million of cash and cash equivalents at September 30, 2022, cash provided by operating activities and borrowings available under our credit facility. We expect to use this liquidity for operating expenses, investments in working capital, capital expenditures, interest, taxes, dividends, debt obligations and other long-term liabilities. We believe that our current liquidity position and future cash flows from operations will enable us to fund our operations, both in the next twelve months and in the longer term.

Cash Flow Summary

During the nine months ended September 30, 2022, the Company's cash and cash equivalents increased by $9.1 million. This increase was primarily due to the following:

- net cash provided by operating activities of $24.1 million; and
- proceeds from the sale of property of $1.8 million; partially offset by
- purchases of property, plant and equipment of $5.6 million;
- dividend payments of $2.5 million; and
- repayments of long-term debt of $2.5 million

During the nine months ended September 30, 2022, accounts receivable increased by $17.9 million due to higher sales volume in the third quarter. Days sales outstanding (DSO) decreased slightly to 53 days at September 30, 2022 as compared to 54 days at December 31, 2021. Inventory increased by $32.6 million at September 30, 2022 compared to December 31, 2021, to accommodate the continued increase in product orders. Inventory turns were 3.1 at each of September 30, 2022 and December 31, 2021.

Cash and cash equivalents, marketable securities and accounts receivable comprised approximately 31.4% of the Company's total assets at September 30, 2022 and 29.1% of total assets at December 31, 2021. The Company's current ratio (i.e., the ratio of current assets to current liabilities) was 2.8 to 1 at September 30, 2022 and 2.9 to 1 at December 31, 2021. At September 30, 2022 and December 31, 2021, $49.9 million and $42.0 million, respectively (or 70% and 68%, respectively), of cash and cash equivalents was held by foreign subsidiaries of the Company. During the first nine months of 2022, the Company repatriated $5.0 million of funds from outside of the U.S. We continue to analyze our global working capital and cash requirements and the potential tax liabilities attributable to further repatriation, and we have yet to make any further determination regarding repatriation of funds from outside the U.S. to fund the Company's U.S. operations in the future. In the event these funds were needed for Bel's U.S. operations, the Company would be required to accrue and pay U.S. state taxes and any applicable foreign withholding taxes to repatriate these funds.

Future Cash Requirements

The Company expects foreseeable liquidity and capital resource requirements to be met through existing cash and cash equivalents and anticipated cash flows from operations, as well as borrowings available under its revolving credit facility, if needed. The Company's material cash requirements arising in the normal course of business are outlined in Item 7A, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021. There were no material changes to the Company's future cash requirements during the nine months ended September 30, 2022.

Credit Facility

In September 2021, the Company entered into the CSA, as further described in Note 10, "Debt". The CSA contains customary representations and warranties, covenants and events of default. In addition, the CSA contains financial covenants that measure (i) the ratio of the Company's total funded indebtedness, on a consolidated basis, less the aggregate amount of all unencumbered cash and cash equivalents, to the amount of the Company's consolidated EBITDA ("Leverage Ratio") and (ii) the ratio of the amount of the Company's consolidated EBITDA to the Company's consolidated fixed charges ("Fixed Charge Coverage Ratio"). If an event of default occurs, the lenders under the CSA would be entitled to take various actions, including the acceleration of amounts due thereunder and all actions permitted to be taken by a secured creditor. At September 30, 2022, the Company was in compliance with its debt covenants, including its most restrictive covenant, the Fixed Charge Coverage Ratio. The unused credit available under the credit facility at September 30, 2022 was $65.0 million, all of which we had the ability to borrow without violating our Leverage Ratio covenant based on the Company's existing consolidated EBITDA. Subsequent to September 30, 2022, the Company made a voluntary payment of $10.0 million towards its Revolver balance, bringing the outstanding borrowings under the Revolver to $100.0 million as of October 31, 2022.

Critical Accounting Policies and Estimates

The Company's condensed consolidated financial statements include certain amounts that are based on management's best estimates and judgments. The Company bases its estimates on historical experience and on various other assumptions, including in some cases future projections, that are believed to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Different assumptions and judgments could change the estimates used in the preparation of the condensed consolidated financial statements, which, in turn, could change the results from those reported. Management evaluates its estimates, assumptions and judgments on an ongoing basis.

Based on the above, we have determined that our most critical accounting estimates are those related to business combinations, inventory valuation, goodwill and other indefinite-lived intangible assets, and those related to our pension benefit obligations. For a detailed discussion of the Company's critical accounting estimates, refer to "Critical Accounting Estimates" in Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021. There have been no material changes in the Company's critical accounting policies, judgments and estimates, including assumptions or estimation techniques utilized, as compared to those disclosed in the Company's 2021 Annual Report on Form 10-K.

Recent Accounting Pronouncements

The discussion of new financial accounting standards applicable to the Company is incorporated herein by reference to Note 1 to the Company's Financial Statements, "Basis of Presentation and Accounting Policies," included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is not required to provide the information called for by this Item as it is a "smaller reporting company," as defined in Rule 12b-2 of the Exchange Act.

Item 4. Controls and Procedures

Disclosure controls and procedures: As of the end of the period covered by this report, the Company carried out an evaluation, with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in internal controls over financial reporting: There has not been any change in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter to which this report relates that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

The information called for by this Item is incorporated herein by reference to Note 14, "Commitments and Contingencies" of the Company's Condensed Consolidated Financial Statements, under "Legal Proceedings", as set forth in Part I, Item 1 of this Quarterly Report on Form 10-Q. We are also involved in various other legal actions incidental to our business. We believe, after consulting with counsel, that the disposition of these other legal proceedings and matters will not have a material effect on our condensed consolidated financial condition or results of operations.

Item 1A. Risk Factors

The risk factors described in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 should be carefully considered before making an investment decision. These are the risk factors that we consider to be the most significant risk factors, but they are not the only risk factors that should be considered in making an investment decision. This Quarterly Report on Form 10-Q also contains Forward-Looking Statements that involve risks and uncertainties. See the "Cautionary Notice Regarding Forward-Looking Information," above. Our business, consolidated financial condition and consolidated results of operations could be materially adversely affected by any of the risk factors described, under "Cautionary Notice Regarding Forward-Looking Information" or with respect to specific Forward-Looking Statements presented herein. The trading price of our securities could decline due to any of these risks, and investors in our securities may lose all or part of their investment. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also materially adversely affect our business in the future. Except as required by the federal securities law, we undertake no obligation to update or revise any risk factor, whether as a result of new information, future events or otherwise.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

The discussion captioned "Overview – Other Key Factors Affecting our Business – Restructuring," as set forth in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," above, is hereby incorporated by reference into this Part II, Item 5, of this Quarterly Report on Form 10-Q.

Item 6. Exhibits

Exhibits:

10.1*†	Offer Letter, dated July 27, 2022, between Bel Fuse Inc. and Kenneth Lai
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibits 101)

* Filed herewith.
** Submitted herewith.
† Management contract or compensatory plan or arrangement.

SIGNATURES

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

November 4, 2022

BEL FUSE INC.

By: /s/ Daniel Bernstein
Daniel Bernstein
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Farouq Tuweiq
Farouq Tuweiq
Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.1

July 27, 2022

To: Kenneth Lai

Fr: Dan Bernstein

Cc: Dennis Ackerman

Re: Bel Corporate Position / Vice President Asia Operations

Dear Kenneth,

The purpose of this letter is to provide you with a preliminary offer of employment for the corporate position of Vice President Asia Operations located in Gongming, China. This position is a corporate position, and may need final approval by the Bel Board of Directors. As a corporate officer you will be responsible for abiding by all required rules and regulations as required by Bel Fuse Inc. Please note as a public company, all the officer's compensation is reported in the annual proxy statement.

As the senior Bel manager in Asia, your primary function will be to manage the Bel Asia operations and those direct report managers responsible for manufacturing, engineering, sales, purchasing, logistics, and other areas. This position, as a corporate officer, is also responsible for the legal aspects of the Bel Asia operations.

All terms and conditions are based on local Hong Kong employment law.

Title: Vice President Asia Operations
Start date: anticipated January 1, 2023 (following a 5-month transition period)
Location: Gongming, China Bel facility
Reporting to: Dan Bernstein, CEO & President Bel Fuse Inc.
Salary: $225,000 USD annual salary
Additional Compensation: company provided auto, housing allowance, tax consideration PRC, medical insurance, HK Pfund contribution and PRC SSF. (this compensation is same as 2021/2022 and will be adjusted as a percentage of 2023 new salary level). Specific amounts provided by Bel Finance total an estimated $126,795 of additional compensation.
Restricted Stock Award: To be nominated to Board of Directors for a 10,000 share RSA in November 2022.
Year End Bonus: To be determined by performance of the company as a whole.

We would appreciate your consideration of this offer and please do not hesitate to contact me should you have any questions.

By: /s/ Daniel Bernstein
Daniel Bernstein, President & CEO

Accepted By: /s/ Kenneth Lai
Kenneth Lai

Exhibit 31.1

CERTIFICATION

I, Daniel Bernstein, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bel Fuse Inc.;

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

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

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

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

/s/ Daniel Bernstein
Daniel Bernstein
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Farouq Tuweiq, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bel Fuse Inc.;

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

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

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

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

/s/ Farouq Tuweiq
Farouq Tuweiq
Chief Financial Officer
(Principal Financial 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 Bel Fuse Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2022 filed with the Securities and Exchange Commission (the “Report”), I, Daniel Bernstein, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and consolidated results of operations of the Company for the periods presented.

Date: November 4, 2022

/s/ Daniel Bernstein
Daniel Bernstein
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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 Bel Fuse Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2022 filed with the Securities and Exchange Commission (the "Report"), I, Farouq Tuweiq, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and consolidated results of operations of the Company for the periods presented.

Date: November 4, 2022

/s/ Farouq Tuweiq
Farouq Tuweiq
Chief Financial Officer
(Principal Financial Officer)