

**ENNIS  
ANNUAL  
REPORT  
2021**



## ENNIS BOARD OF DIRECTORS

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**Keith S. Walters**

Chairman of the Board, CEO and President of Ennis, Inc.

**Gary S. Mozina**

Chief Executive Officer of Stevenson Holdings, Inc.

**John R. Blind**

Retired and Former Vice President of the Printing and Carbonless Division of the Specialty Papers Business Unit of Glatfelter

**Troy L. Priddy**

President of Troy Priddy Custom Homes

**Aaron Carter**

Zone Director for Ross Stores, Inc.

**Alejandro Quiroz**

Chairman of the Board, President and CEO of InveStore

**Barbara T. Clemens**

Retired and Former Vice President of Sales and Customer Service for Boise Paper, a division of Packaging Corporation of America

**Michael J. Schaefer**

Retired and Former Executive Vice President, CFO and Treasurer of Methodist Health Systems

**Godfrey M. Long, Jr.**

Former Director of Graphic Dimensions and  
Former Chairman and CEO of Short Run Companies

## ENNIS CORPORATE EXECUTIVE OFFICERS

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**Keith S. Walters**

Chairman of the Board, CEO and President

**Michael D. Magill**

Executive Vice President and Secretary

**Vera Burnett**

Interim Chief Financial Officer and Treasurer

**Ronald M. Graham**

Vice President – Administration

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# LETTER TO SHAREHOLDERS



**Keith S. Walters**  
Chairman, CEO & President

The past fiscal year required many difficult and unprecedented decisions. Those decisions were made necessary by the worst pandemic since the early 20th century. We realized immediately that the impact of our choices would be felt by all our stakeholders including shareholders, customers and employees. What was not clear to us in the early days was the duration of this crisis. We had to decide if we should prepare the Company for a short downturn or a more fundamental shift in the market and the United States economy.

The press was saturated with advice to companies to fulfill their patriotic duty by closing down facilities to stop the spread of the COVID virus. The first solid information we received was the Cyber Infrastructure Security Act monitored by Homeland Security. The Act stated that businesses, which support essential services to one or more

of eighteen critical infrastructure sectors, needed to remain open and were deemed critical to the economic health of the country. Given our product breadth and geographic span, it became quickly apparent that we provided products or services to all of those eighteen sectors. This immediately focused our management on “How” we do this safely, instead of deliberating on “Should we stay open.”

“

**WE REALIZED IMMEDIATELY  
THAT THE IMPACT OF OUR  
CHOICES WOULD BE FELT BY  
ALL OUR STAKEHOLDERS**

”

The Company and its many locations did not shut down at all during early spring and summer of 2020. In support of this decision, the U.S. Postal Service issued a statement indicating that the Printing Industry was a critical supplier and Homeland Security later affirmed that conclusion. The Company continued to take orders from customers, produce and ship products to them and their customers. This also provided the vast majority of our employees with steady and dependable work. We were appreciative of an unusually strong safety net provided by our government to sustain our employees’ income though reductions necessary to meet the lower product demands. This allowed us to meet the needs of our other two stakeholders, shareholders and customers while maintaining contact with our experienced workforce. Staying open allowed to us protect the customers’ long-term business relationships. To protect our shareholders, we still needed to protect the profitability of the Company to provide them with solid financial returns. We quickly developed

“ **THE COMPANY AND ITS MANY LOCATIONS DID NOT SHUT DOWN AT ALL DURING EARLY SPRING AND SUMMER OF 2020.** ”

new plans, which we believed could deliver results that would prevent discussions of dividend cuts or government support during the pandemic.

Many industries were forced, or elected, to conduct all of their business from home. Several internet applications became very popular as people tried to conduct business over Zoom, Go to Meeting or other applications. We looked at these options, but most manufacturing businesses cannot work that way. You cannot use Zoom to run a press or fill boxes with finished products from home. It was important that our plant employees remained at the facilities due to the essential services they provide. The Company maintained sufficient personnel to handle the reduced volume, and then brought people back to work as the economy strengthened during the year. We were one of the few companies in our sector that did not apply for and receive funds under the Payroll Protection Plan. Many larger private and public companies requested this assistance. Our balance sheet was strong enough to provide us with the liquidity we needed without using taxpayer's money.

Of course we do have offices that do not run machinery such as our corporate offices. Management and the Board discussed whether we should close or reduce the number of employees at those offices to prevent spreading the COVID virus. We have the technology available to work from remote locations as we operate a large network to connect our fifty plus facilities in real time. In our final analysis we decided to keep all locations open and not move to home offices. Our conclusions were to not ask the plants to operate by a different set of rules than our corporate locations. That would

have been inconsistent with the culture of our company. We felt it important that the corporate staff should remain on site and continue to supply managerial support to all of our fifty plus locations. All Ennis officers and employees continued to come into the office and travel, when necessary, to locations and states where it was permissible to do so. We stayed consistent in our belief corporate should lead by example and provide direct support to the remote locations. After all, the plants were also experiencing new issues on a daily basis for an unknown period of time and needed the support facilities to be readily available. The Company followed the protocols outlined by the Center for Disease Control (“CDC”) for maintaining an open office, and our critical designation allowed us to stay open through the President's closure mandate, as well as Governor Abbott's closure mandate in Texas. Through the efforts of all of our employees and managers, we continued to operate and remain profitable during the spring, summer, fall and winter of the COVID-19 pandemic.

In support of our plans, the Ennis supply chain continued to produce paper, inks, boxes and other materials necessary for us to produce our products. Our freight shippers delivered goods to us and shipped our goods as the logistics systems continued to function in a chaotic environment. They too performed at their facilities and maintained some continuity for the supply chain as a whole. The service area was the sector which changed their methods and processes more radically. During the pandemic, many of our customers from the banking, legal and accounting industries worked from home and “Zoomed-in” for meetings with mixed results. The frustration in dealing with this situation, from a personnel perspective, was the fact that our employees continued to come to work, continued to produce, continued to earn their wages and salaries, while the various service functions disappeared to their homes. Many have not returned to normal working conditions as I write this letter. It is obviously a topic of some

importance as to whether offices will survive in this post-pandemic world. In the operations culture, I believe that there are too many negatives that impact performance and efficiency.

The current political environment of government appears to support jobs for “American-based employees.” We believe the remote working environment is inconsistent with such desirable goals. If the work can be done so easily from a home-based office, certainly it can be done overseas at much more competitive wage rates. This is not a direction that Ennis intends to pursue. We find that the direct personal contact is essential to communicate company goals, company culture, and above all, training the next generation of leaders. We are pleased that our policies did not result in any “super spreader” events in our company. The number of our employees that contracted the virus was about 12%. The national number, as a whole, was between 16% and 21% by the various published reports. In support of those statements, our health costs were actually much lower than we had anticipated. Our Human Resources staff did an outstanding job on preparing health guidelines for the facilities, and, as importantly, were available immediately to advise on the many unique issues the facilities faced during these events.

We are seeing a degree of normalcy with our customers and service providers. This is the result of an increasing number of vaccinations and recovered patients. Most of whom have worked from their homes for the past year and not been able to visit their clients directly. But given our perspective noted above, we asked many of these professionals to continue to come to our offices to conduct our business. We did not believe it was efficient to mix work and home life for an extended period of time. While I am certainly a big supporter of animals and pets, barking dogs and flashing-by cats were amusing at first, but that has long passed. There are a number of documented negatives we have seen or heard about the home office.

### COMMENTS FROM OTHERS CONCERNING WORK-FROM-HOME ISSUES:

- (1) Without other coworkers around to hold you accountable, you may not be as productive when working from home.
- (2) In a normal work setting, there is likely structure in place from set office hours to set break and lunch times. But when working remotely, these may not exist.
- (3) The biggest challenge to working remotely is the lack of forced interaction you have with people on a day-to-day basis. The lack of interaction that often comes with remote work can also be a detriment to team building, which is built during meetings, lunches or even water cooler conversations at an office.

In the final analysis, is remote work truly more efficient and productive? Many managers and business owners had their doubts reinforced when Yahoo, a company that specializes in digital communication, suddenly announced the end of remote work.

We maintained the pace of normal operation so that we don't need to have people “re-engage” in a work regimen they never lost. I compare it to the well-established principal in worker's compensation injuries of “work hardening.” If an employee is away from their place of employment for an extended period of time, they need to be reconditioned to get back to their previous level of productivity. We believe we protected our profitability by not going in that direction.

**“THROUGH THE EFFORTS OF ALL OF OUR EMPLOYEES AND MANAGERS, WE CONTINUED TO OPERATE AND REMAIN PROFITABLE”**

## Operational Changes –

As I have said in previous letters to shareholders, the culture of Ennis is that of an operations-driven company. This core value defines the identity of what we do and who we are. The prime core competency of the Company is our management systems. Our systems are consistent across the facilities in both design and structure. They include a wide range of computer-driven systems with many layers of manual backups and support. We find that allows us to keep our margins high and helps us improve the profitability of our acquisitions. Since we are an acquisition-driven company, our ability to convert new companies quickly to our methods and systems is key to our continued success.

We have made some operational changes to strengthen our bench. We have taken steps to move operations directly under me to provide additional opportunities to train our operations people in the strategic reasons for our system and management methods. Wade Brewer, one of the Business Unit Directors, has assumed the duties of Director of Operations with the current Business Unit Directors, Kevin Johnston and Steve Reifel, reporting to him. We have promoted another of our General Managers, Tony Orsello, to the Business Unit Director position, reporting to Wade Brewer. Mr. Orsello ran our Northstar facility in Minneapolis and has relocated to the Midlothian area. The purpose of this is to allow me to more closely supervise and mentor these people for the future. The fact that

all of these employees are in our corporate office, allows them to work more closely with executive management and instill those core concepts into their execution and planning strategies.

Our CFO, Rick Travis, retired last year and we appointed Vera Burnett the Interim Chief Financial Officer and Treasurer. Ms. Burnett, has served as our Accounting Manager since June 1997. Ms. Burnett joined the Company in February 1997. Ms. Burnett has a Bachelor of Business Administration degree in Accounting from the University of Texas at Arlington. She also holds designations as a Certified Public Accountant (CPA) and Chartered Global Management Accountant (CGMA). Ms. Burnett reports to Michael Magill who also has experience in the financial area. As noted in the Proxy Statement, Mr. Magill is a CPA and has held several positions as a finance executive in banks and both public and private companies in his past career. We will continue to monitor this arrangement for the time being.

## Acquisitions –

Even with a pandemic going on, we continued our search for good companies that were available and that would fit our goal of expanding products, locations and synergies. That candidate for 2020 was InfoSeal, a pressure-seal printing organization, headquartered in Roanoke, Virginia. We purchased the assets of the business, leased their building and hired most of the employees at the end of December. InfoSeal is similar to our VersaSeal product, but their product line is broader and more unique. With the acquisition, the Company is the largest producer of pressure-seal products in the United States. We are happy to increase the breadth of a product that has a lot of uses and continues to grow in volume.

The pandemic has had various impacts on our acquisition program. While many prospects balance sheets would indicate a serious need to consider options, the various government support

**“WHILE I ALWAYS THANK OUR SHAREHOLDERS  
FOR THEIR SUPPORT EACH YEAR, THIS YEAR  
I BELIEVE OUR EMPLOYEES ALSO EARNED A  
SPECIAL THANK YOU FROM ALL OF US”**

programs have bought them some extra time. We do believe the deals we were considering will still occur, but the time lines have been pushed forward. We continue to see many opportunities which we believe will be in the best interest of Ennis and the selling company as well. We can confidently state that many of our acquired business would not exist today if Ennis had not acquired them. We believe that is a good thing for all our stakeholders.

### HIGHLIGHTS OF THE PAST YEAR AND FOURTH QUARTER

- Revenues were \$89.9 million for the quarter, a decrease of \$16.7 million or 15.7% for the comparative quarter and \$358.0 million for the fiscal year, a decrease of \$80.4 million, or 18.3% for the comparative fiscal year.
- Earnings per diluted share for the current quarter were \$0.20 compared to \$0.33 for the comparative quarter last year. Earnings per diluted share were \$0.93 for the fiscal year as compared to \$1.47 for the last fiscal year. Quarterly results were impacted by a pension settlement charge related to a large amount of lump-sum distributions paid to retirees. The settlement charge of \$1.6 million impacted quarterly results by \$0.05 per share.
- Our gross profit margin for the quarter increased on a comparative quarter basis from 28.1% to 29.6%. Gross profit margin was 29.0% for the fiscal year compared to 29.4% for the prior fiscal year.

## Financial Overview –

The Company's revenues for the fourth quarter ended February 28, 2021 were \$89.9 million compared to \$106.7 million for the same quarter last year, a decrease of 15.7%. Gross profit margin

was \$26.6 million, or 29.6%, as compared to \$29.9 million, or 28.1% for the same quarter last year. Net earnings for the quarter were \$5.1 million, or \$0.20 per diluted share as compared to \$8.6 million, or \$0.33 per diluted share for the same quarter last year.

The Company's revenues for the fiscal year ended February 28, 2021 were \$358.0 million compared to \$438.4 million for the prior fiscal year, a decrease of 18.3%. Gross profit margin was \$103.8 million, or 29.0%, as compared to \$128.9 million, or 29.4% for the prior fiscal year. Net earnings for the fiscal year were \$24.1 million or \$0.93 per diluted share, compared to \$38.3 million, or \$1.47 per diluted share for the prior fiscal year.

## Closing Comments

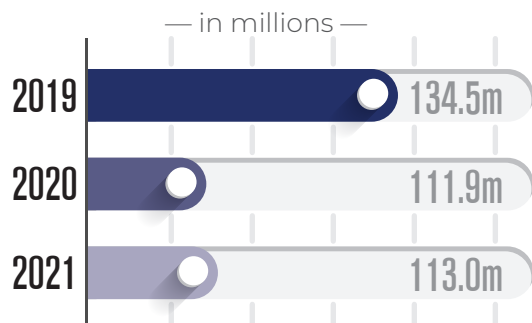
The past year brought about unprecedented challenges and decisions for business worldwide. The environment certainly tested the strength of a company's ability to manage in unexpected circumstances. I was very proud of the way our employees responded to meet those difficulties. Much of the early part of the year was filled with unknowns and even fear for the health of our employees. I believe they all stepped up to the challenge. While I always thank our shareholders for their support each year, this year I believe our employees also earned a special thank you from all of us at the corporate offices. It is all of you that made it happen!



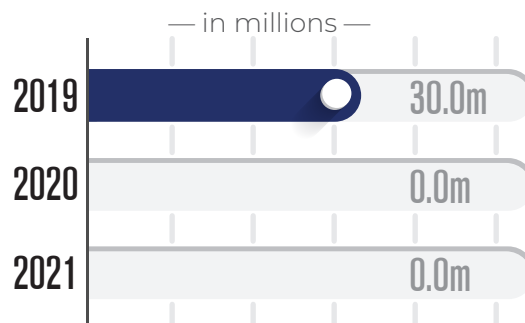
Keith S. Walters  
Chairman, President and CEO

# FINANCIAL HIGHLIGHTS

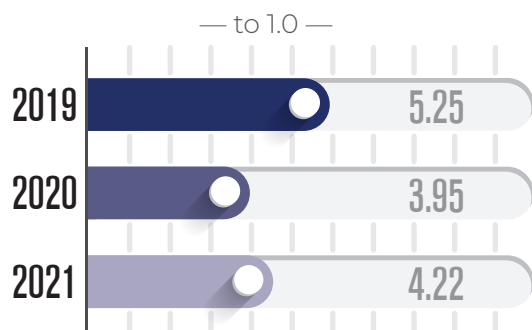
## WORKING CAPITAL



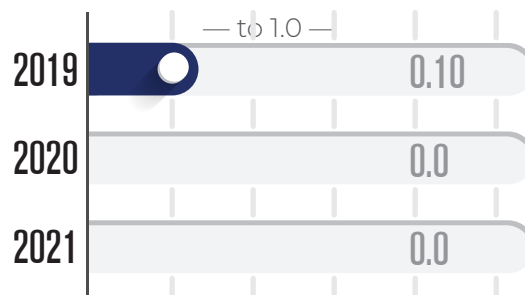
## LONG-TERM DEBT



## CURRENT RATIO



## LONG-TERM DEBT TO EQUITY RATIO



## SELECTED CONSOLIDATION FINANCIAL DATA FROM CONTINUING OPERATIONS

### Fiscal Year Ended

(Dollars and shares in thousands, except per share amounts)

	2021	2020	2019
Net Sales	\$357,973	\$438,412	\$400,782
Gross profit margin	103,766	128,924	123,360
Earnings from continuing operations before taxes	33,287	51,251	49,934
Net earnings from continuing operations	24,094	38,292	37,437
Earnings and dividends per share from continuing operations:			
Basic	0.93	1.47	1.45
Diluted	0.93	1.47	1.45
Dividends	.900	.900	.875
Weighted average common shares outstanding:			
Basic	25,995	26,036	25,830
Diluted	25,995	26,036	25,842



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

**FORM 10-K**

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended February 28, 2021

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-5807

**ENNIS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Texas	75-0256410
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2441 Presidential Pkwy., Midlothian, Texas	76065
(Address of Principal Executive Offices)	(Zip code)

(Registrant's Telephone Number, Including Area Code) (972) 775-9801

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$2.50 per share	EBF	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company.	<input type="checkbox"/>		

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of voting stock held by non-affiliates of the Registrant as of August 31, 2020 was approximately \$461 million. Shares of voting stock held by executive officers, directors and holders of more than 10% of the outstanding voting stock have been excluded from this calculation because such persons may be deemed to be affiliates. Exclusion of such shares should not be construed to indicate that any of such persons possesses the power, direct or indirect, to control the Registrant, or that any such person is controlled by or under common control with the Registrant.

The number of shares of the Registrant's Common Stock, par value \$2.50, outstanding at April 30, 2021 was 26,103,284.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement for the 2021 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

**ENNIS, INC. AND SUBSIDIARIES**  
**FORM 10-K**  
**FOR THE PERIOD ENDED FEBRUARY 28, 2021**

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## Cautionary Statements Regarding Forward-Looking Statements

All of the statements in this Annual Report on Form 10-K, other than historical facts, are forward-looking statements, including, without limitation, the statements made in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” particularly under the caption “Overview.” As a general matter, forward-looking statements are those focused upon anticipated events or trends, expectations, and beliefs relating to matters that are not historical in nature. The words “could,” “should,” “feel,” “anticipate,” “aim,” “preliminary,” “expect,” “believe,” “estimate,” “intend,” “intent,” “plan,” “will,” “foresee,” “project,” “forecast,” or the negative thereof or variations thereon, and similar expressions identify forward-looking statements.

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for these forward-looking statements. In order to comply with the terms of the safe harbor, Ennis, Inc. notes that forward-looking statements are subject to known and unknown risks, uncertainties and other factors relating to its operations and business environment, all of which are difficult to predict and many of which are beyond the control of Ennis, Inc. These known and unknown risks, uncertainties and other factors could cause actual results to differ materially from those matters expressed in, anticipated by or implied by such forward-looking statements.

These statements reflect the current views and assumptions of management with respect to future events. Ennis, Inc. does not undertake, and hereby disclaims, any duty to update these forward-looking statements, even though its situation and circumstances may change in the future. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this report. The inclusion of any statement in this report does not constitute an admission by Ennis, Inc. or any other person that the events or circumstances described in such statement are material.

We believe these forward-looking statements are based upon reasonable assumptions. All such statements involve risks and uncertainties, and as a result, actual results could differ materially from those projected, anticipated or implied by these statements. Such forward-looking statements involve known and unknown risks, including but not limited to, general economic, business and labor conditions and the potential impact on our operations; our ability to implement our strategic initiatives and control our operational costs; dependence on a limited number of key suppliers; our ability to recover the rising cost of raw materials and other costs (including energy, freight, labor, and benefit costs) in markets that are highly price competitive and volatile; uninsured losses, including those from natural disasters, catastrophes, pandemics, theft or sabotage; the impact of the novel coronavirus (COVID-19) pandemic or future pandemics on the U.S. and local economies, our business operations, our workforce, our supply chain and our customer base; our ability to timely or adequately respond to technological changes in the industry; the impact of the Internet and other electronic media on the demand for forms and printed materials; the impact of foreign competition, tariffs, trade regulations and import restrictions; customer credit risk; competitors’ pricing strategies; a decline in business volume and profitability could result in an impairment in our reported goodwill negatively impacting our operational results; our ability to retain key management personnel; our ability to identify, manage or integrate acquisitions; and changes in government regulations including measures intended to minimize the impact of COVID-19.

## PART I

### ITEM 1. BUSINESS

#### Overview

Ennis, Inc. (formerly Ennis Business Forms, Inc.) (collectively with its subsidiaries, the “Company,” “Registrant,” “Ennis,” or “we,” “us,” or “our”) was organized under the laws of Texas in 1909. We and our subsidiaries print and manufacture a broad line of business forms and other business products. We distribute business products and forms throughout the United States primarily through independent distributors. This distributor channel encompasses independent print distributors, commercial printers, direct mail, fulfillment companies, payroll and accounts payable software companies, and advertising agencies, among others. We also sell products to many of our competitors to satisfy their customers’ needs.

#### Business Overview

Our management believes we are the largest provider of business forms, pressure-seal forms, labels, tags, envelopes, and presentation folders to independent distributors in the United States.

We are in the business of manufacturing, designing and selling business forms and other printed business products primarily to distributors located in the United States. We operate 57 manufacturing plants throughout the United States in 20 strategically located states as one reportable segment. Approximately 94% of the business products we manufacture are custom and semi-custom products, constructed in a wide variety of sizes, colors, number of parts and quantities on an individual job basis, depending upon the customers’ specifications.

The products we sell include snap sets, continuous forms, laser cut sheets, tags, labels, envelopes, integrated products, jumbo rolls and pressure sensitive products in short, medium and long runs under the following labels: Ennis®, Royal Business Forms®, Block Graphics®, Specialized Printed Forms®, 360° Custom Labels<sup>SM</sup>, ColorWorx®, Enfusion®, Uncompromised Check Solutions®, VersaSeal®, Ad Concepts<sup>SM</sup>, FormSource Limited<sup>SM</sup>, Star Award Ribbon Company®, Witt Printing®, B&D Litho®, Genforms®, PrintGraphics®, Calibrated Forms®, PrintXcel®, Printegra®, Falcon Business Forms<sup>SM</sup>, Forms Manufacturers<sup>SM</sup>, Mutual Graphics®, TRI-C Business Forms<sup>SM</sup>, Major Business Systems<sup>SM</sup>, Independent Printing<sup>SM</sup>, Hoosier Data Forms®, Hayes Graphics®, Wright Business Graphics<sup>SM</sup>, Wright 360<sup>SM</sup>, Integrated Print & Graphics<sup>SM</sup>, the Flesh Company<sup>SM</sup>, Impressions Direct<sup>SM</sup>, and Ace Forms<sup>SM</sup>. We also sell the Adams McClure® brand (which provides Point of Purchase advertising for large franchise and fast food chains as well as kitting and fulfillment); the Admore®, Folder Express® and Independent Folders® brands (which provide presentation folders and document folders); Ennis Tag & Label<sup>SM</sup> (which provides custom printed, high performance labels and custom and stock tags); Allen-Bailey Tag & Label<sup>SM</sup>, Atlas Tag & Label®, Kay Toledo Tag®, and Special Service Partners® (SSP) (which provides custom and stock tags and labels); Trade Envelopes®, Block Graphics®, Wisco®, and National Imprint Corporation® (which provide custom and imprinted envelopes) and Northstar® and General Financial Supply® (which provide financial and security documents); Infoseal<sup>SM</sup> and PrintXcel® (which provide custom and stock pressure seal documents). We sell predominantly through independent distributors, as well as to many of our competitors. Northstar Computer Forms, Inc., one of our wholly-owned subsidiaries, also sells direct to a small number of customers, generally large banking organizations (where a distributor is not acceptable or available to the end-user). Adams McClure, LP, a wholly-owned subsidiary, also sells direct to a small number of customers, where sales are generally through advertising agencies.

The printing industry generally sells its products either predominantly to end users, a market dominated by a few large manufacturers, such as R.R. Donnelley and Sons, Staples, Inc., Standard Register Co. (a subsidiary of Taylor Corporation), and Cenveo, Inc., or, like the Company, through a variety of independent distributors and distributor groups. While it is not possible, because of the lack of adequate public statistical information, to determine the Company’s share of the total business products market, management believes the Company is the largest producer of business forms, pressure-seal forms, labels, tags, envelopes, and presentation folders in the United States distributing primarily through independent distributors.

There are a number of competitors that operate in this segment, ranging in size from single employee-owned operations to multi-plant organizations. We believe our strategic locations and buying power permit us to compete on a favorable basis within the distributor market on competitive factors, such as service, quality, and price.

Distribution of business forms and other business products throughout the United States is primarily done through independent distributors, including business forms distributors, resellers, direct mail, commercial printers, payroll and accounts payable software companies, and advertising agencies.

Raw materials principally consist of a wide variety of weights, widths, colors, sizes, and qualities of paper for business products purchased primarily from one major supplier at favorable prices based on the volume of business.

Business products usage in the printing industry is generally not seasonal. General economic conditions and contraction of the traditional business forms industry are the predominant factors in quarterly volume fluctuations.

### **Recent Acquisitions**

We have completed a number of acquisitions in recent years. On December 31, 2020, we acquired the assets of Infoseal LLC (“Infoseal”) in Roanoke, Virginia. The acquisition of Infoseal, which prior to the acquisition generated approximately \$19.2 million in sales for its fiscal year ended December 31, 2020, creates additional capabilities and expertise to our product offering including our existing VersaSeal pressure seal product line.

On July 15, 2019, we acquired all the outstanding stock of The Flesh Company (“Flesh”). Flesh, together with its wholly owned subsidiary, Impressions Direct, Inc. (“Impressions Direct”), is a printing company with two locations, with the St. Louis location containing Flesh’s corporate office and the direct mail operations of Impressions Direct, and the Parsons, Kansas location containing Flesh’s main manufacturing facility and warehouse. The acquisition of Flesh, which prior to the acquisition generated approximately \$31.0 million in sales for its fiscal year ended September 30, 2018, expands our operations with respect to business forms, checks, direct mail services, integrated products and labels.

On March 16, 2019, we acquired the assets of Integrated Print & Graphics (“Integrated”), which is based in South Elgin, Illinois. The acquisition of Integrated, which prior to the acquisition generated approximately \$20.0 million in sales for its fiscal year ended December 31, 2018, creates additional capabilities within our high color commercial print product line.

On July 31, 2018, we acquired, by way of a merger, all of the outstanding equity interests of Wright Business Forms, Inc., d/b/a Wright Business Graphics (“Wright”), a printing company headquartered in Portland, Oregon with additional locations in Washington and California. Wright produces forms, pressure seal, packaging, direct mail, checks, statement processing and commercial printing and sells mainly through distributors and resellers. Wright, prior to the acquisition, generated approximately \$58.0 million in sales for its fiscal year ended March 31, 2018 and continues to operate under its brand names.

### **Patents, Licenses, Franchises and Concessions**

Other than the patent for our VersaSeal® product, we do not have any significant patents, licenses, franchises, or concessions.

## Intellectual Property

We market our products under a number of trademarks and trade names. The protection of our trademarks is important to our business. We believe that our registered and common law trademarks have significant value and these trademarks are important to our ability to create and sustain demand for our products. We have registered trademarks in the United States for Ennis®, EnnisOnline<sup>SM</sup>, B&D Litho of AZ®, B&D Litho®, ACR®, Block Graphics®, Enfusion®, 360° Custom Labels<sup>SM</sup>, Admore®, CashManagementSupply.com<sup>SM</sup>, Securestar®, Northstar®, MICRLink®, MICR Connection<sup>TM</sup>, Ennisstores.com<sup>TM</sup>, General Financial Supply®, Calibrated Forms®, PrintXcel®, Printegra®, Trade Envelopes®, Witt Printing®, Genforms®, Royal Business Forms®, Crabar/GBF<sup>SM</sup>, BF&S<sup>SM</sup>, Adams McClure®, Advertising Concepts<sup>TM</sup>, ColorWorx®, Allen-Bailey Tag & Label<sup>SM</sup>, Atlas Tag & Label®, Printgraphics<sup>SM</sup>, Uncompromised Check Solutions®, VersaSeal®, VersaSeal SecureX®, Folder Express®, Wisco®, National Imprint Corporation®, Star Award Ribbon®, Kay Toledo Tag®, Falcon Business Forms<sup>SM</sup>, Forms Manufacturers<sup>SM</sup>, Mutual Graphics®, TRI-C Business Forms<sup>SM</sup>, SSP®, EOSTouchpoint®, Printersmall®, Check Guard®, Envirofolder®, Independent®, Independent Checks®, Independent Folders®, Independent Large Format Solutions®, Wright Business Graphics<sup>SM</sup>, Wright 360<sup>SM</sup>, Integrated Print & Graphics<sup>SM</sup>, the Flesh Company<sup>SM</sup>, Impressions Direct<sup>SM</sup>, Ace Forms<sup>SM</sup>, Megaform<sup>SM</sup>, Safe®, Infoseal<sup>SM</sup>, and variations of these brands as well as other trademarks. We have similar trademark registrations internationally for certain trademarks.

## Customers

No single customer accounts for as much as five percent of our consolidated net sales or accounts receivable.

## Backlog

At February 28, 2021, our backlog of firm orders was approximately \$23.6 million, compared to approximately \$21.8 million at February 29, 2020.

## Research and Development

While we seek new products to sell through our distribution channel, there have been no material amounts spent on research and development in fiscal years 2021, 2020 or 2019.

## Environment

We are subject to various federal, state, and local environmental laws and regulations concerning, among other things, wastewater discharges, air emissions and solid waste disposal. Our manufacturing processes do not emit substantial foreign substances into the environment. We do not believe that our compliance with federal, state, or local statutes or regulations relating to the protection of the environment has any material effect upon capital expenditures, earnings or our competitive position. There can be no assurance, however, that future changes in federal, state, or local regulations, interpretations of existing regulations or the discovery of currently unknown problems or conditions will not require substantial additional expenditures. Similarly, the extent of our liability, if any, for past failures to comply with laws, regulations, and permits applicable to our operations cannot be determined.

### Environmental Stewardship

Ennis respects the environment and makes all attempts to protect our natural resources. We believe we comply with all laws and regulations regarding the use and preservation of our land, air, and water. This principle has been part of our Code of Conduct since 2005. Our goal of operating in an environmentally responsible manner aligns with our goals of operating a profitable and responsible business. Some examples of this would be our function of recycling waste material generated in our printing processes to generate income from selling the scrap material. We recycled 27.7 million pounds of paper, 510,000 pounds of plastic and 628,000 pounds of cardboard in 2020. Additionally the use of soy based inks allows us to avoid more harmful cleaning solutions which are environmentally dangerous. We use those soy based inks in approximately 80% of our products. We use environmentally friendly cleaning agents to insure that our waste water is not contaminated and does not require special disposal.

Many of our plants engage with local energy suppliers to ask for recommendations on lowering energy usage. Participation in these energy audits generally results in replacing old lighting with more efficient LED lighting. Additionally, newer digital technology, which we have implemented in several of our locations, relies on less energy than older web-based presses due to shorter runs and ink jet technology.

Another aspect of our business model which reduces carbon emissions is the reduction in transportation costs for our employees, as well as our customers. Approximately 80% of our facilities are located in small towns where the employees are less than 10 miles from the plant, and travel time is minimal. Our geographical dispersion reduces the amount of transportation time and distance associated with delivering our products to our customers. Likewise we use third party transportation and logistical companies to pick up and deliver our products. Partnering with larger shipping organizations that have the scale to be more resourceful and implement more energy efficient delivery methods enables us to ship our products in an efficient and effective manner.

Our primary supplier of paper is vital to our business as they supply raw materials that are minimally altered during the production process. Our primary supplier is SFI, FSC and PEFC certified. The SFI Forest Management Standard covers key values such as protection of biodiversity, species at risk and wildlife habitat; sustainable harvest levels; protection of water quality; and prompt regeneration. FSC certification ensures that products come from responsibly-managed forests that provide environmental, social and economic benefits. PEFC cares for forests globally and locally. They work to protect our forests by promoting sustainable forest management through certification. This means that all can benefit from the many products that forests provide now, while ensuring these forests will be around for generations to come. The Company's primary paper supplier insures that all of their supply chain materials are sourced with similar accredited suppliers allowing for more transparency and a more trustworthy supplier commitment to quality, safety and the protection of our natural resources.

Additionally, we use material safety sheets which outline potential hazardous materials so as to minimize the use of more hazardous materials. Given the low and de minimus use of these potentially hazardous materials, our plants generally fit in the lowest category of reporting standards to various state and local environmental agencies. The Company requires facility managers to minimize the use or site storage of any hazardous chemicals. Two thirds of our facilities are categorized as Very Small Quantity Generators and one third are considered Small Quantity Generators under the Environmental Protection Agency's ("EPA") hazardous waste regulations. Any hazardous waste generated is stored and properly disposed of in compliance with all E.P.A. regulations and permits.

Two of our largest facilities have solvent recovery systems which allows recovery of press plate washing solutions for re-use. These systems result in a substantial reduction of any hazardous waste. The Company ensures that we are in compliance with applicable state and Federal environmental laws on hazardous materials including Proposition 65 in California and Conflict Materials compliance.

Attention to choice of material suppliers, transportation partners, energy usage and avoidance of hazardous wastes that might impact waste water disposal, are part of the business model that improves or avoids damage to the environment we live and work in.

## **Employees**

At February 28, 2021, we had 2,096 employees. 190 employees are represented by labor unions under collective bargaining agreements, which are subject to periodic negotiations. We believe we have a good working relationship with all of the unions that represent our employees.

### **Social Responsibility**

*Equal Employment Opportunity:* Ennis promotes a cooperative and productive work environment by supporting the cultural and ethnic diversity of its workforce and is committed to providing equal employment opportunity to all qualified employees and applicants. Pursuant to our Code of Conduct adopted in 2005 and reviewed at least annually, we do not unlawfully discriminate on the basis of race, color, sex, sexual orientation, religion, national origin, marital status, age, disability, or veteran status in any personnel practice, including recruitment, hiring, training, promotion, and discipline. We are an Equal Opportunity Employer and we comply with all employment laws including Title VII of the Civil Rights Act of 1964, Immigration and Nationality Act, and the the IRCA. We take allegations of harassment and unlawful discrimination seriously and address all such concerns that are raised regarding our Code of Conduct.

*Safety and Health:* A safe and clean work environment is important to the well-being of all Ennis employees. Ennis complies with applicable safety and health regulations and appropriate practices. Throughout the year facilities are reviewed monthly to determine if the accidents/injuries that occurred could have been avoided. Incidents are reviewed to determine measures that can be taken to prevent reoccurrence of claims at that facility or another facility. A monthly Facility Report is sent to all facilities reminding them about safety issues and certain

claims that have occurred in other locations. Annually facilities are required to submit an Audit of compliance with mandated OSHA safety programs. Prior to COVID-19, facilities were visited and reports generated for corrections needed. Facilities that have higher than normal claims are worked with directly or visited by a business director or a representative from our workers' compensation carrier. Protocols and trainings are in place to protect the health and safety of all our employees. Safety audits are completed throughout the organization. The Company strictly monitors safety issues in all of our facilities, and each facility has someone in charge of review and training of employees on safety issues. Consistent with our culture of promoting workplace safety, our plants take pride in detailing the amount of time since the last safety incident and strive to maintain the lack of an occurrence.

Ennis is dedicated to ensuring that any business is conducted as ethically as possible. All Ennis employees must read, agree with, and sign a Code of Conduct and Ethics policy at least annually.

Each of our locations support local non-profit organizations, educational institutions and youth sport teams based on their local community needs. The majority of our locations are located in suburban or rural communities where the plant is a major employer and supporter of the local economy. Some examples include Midlothian Educational Foundation (Ennis is a founding member), Project Graduation, Toys for Tots, Angel Trees, United Way fundraisers, and youth sport team sponsorships. Additional support includes in-kind donations, volunteer hours and financial support for various local organizations.

### **Available Information**

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities and Exchange Act of 1934 are available free of charge under the Investors Relations page on our website, [www.ennis.com](http://www.ennis.com), as soon as reasonably practicable after such reports are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Information on our website is not included as a part of, or incorporated by reference into, this report. Our SEC filings are also available through the SEC's website, [www.sec.gov](http://www.sec.gov).

## **ITEM 1A. RISK FACTORS**

You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this Annual Report on Form 10-K, before making an investment in our common stock. The risks described below are not the only ones we face in our business. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations. If any of the following risks occur, our business, financial condition or operating results could be materially harmed. In such an event, our common stock could decline in price and you may lose all or part of your investment.

### ***The COVID-19 pandemic has had and may continue to have adverse effects on our results of operations, financial condition and stock price.***

The public health crisis caused by the COVID-19 pandemic prompted governments and businesses to take unprecedented measures in response. Such measures have included restrictions on travel and business operations, temporary closures of businesses, and quarantines and shelter-in-place orders. The COVID-19 pandemic has significantly curtailed global economic activity and caused significant volatility and disruption in global financial markets. The COVID-19 pandemic and the measures taken by many countries in response have adversely affected, and could in the future have a material adverse effect on our business, results of operations, financial condition and stock price. Our sales were significantly impacted by economic conditions driven by the COVID-19 pandemic and resulted in a decrease in sales volume and earnings.

The U.S. economy continues to be significantly impacted by the COVID-19 pandemic and parts of the economy have started to re-open as vaccinations become more prevalent, but remain subject to ongoing surges and local shutdowns, creating a very fluid economic environment. Certain economic indicators, such as the improvement in the job market, reflect the continued resumption of economic activity that had been curtailed due to the COVID-19 pandemic. Job growth was encouraging in March, led by gains in leisure and hospitality, public and private education, and construction. We continue to monitor incoming order volumes so that we can proactively adjust our costs accordingly.



While some restrictions have been lifted or eased in many jurisdictions, the situation remains fluid and the Company is continuing to monitor the situation and take appropriate actions in accordance with the recommendations and requirements of relevant authorities. The full extent of the impact of the COVID-19 pandemic on the Company's operational and financial performance is currently uncertain and will depend on many factors outside the Company's control, including, without limitation, the timing, extent, trajectory and duration of the pandemic and the impact of the pandemic on the global economy and demand for the Company's products. Additional future impacts on the Company may include, but are not limited to, material adverse effects on: demand for the Company's products, the Company's supply chain and sales and distribution channels; the Company's ability to execute its strategic plans; and the Company's profitability and cost structure.

To the extent COVID-19 adversely affects our business, results of operations and financial condition, it may also have the effect of heightening many of the other risks described in this section.

***Our results and financial condition are affected by global and local market conditions, and competitors' pricing strategies, which can adversely affect our sales, margins, and net income.***

Our results of operations can be affected by local, national and worldwide market conditions. The consequences of domestic and international economic uncertainty or instability, volatility in commodity markets, and domestic or international policy uncertainty, all of which we have seen in the past, can all impact economic activity. Unfavorable conditions can depress the demand for our products and thus sales in a given market and may prompt competitor's pricing strategies that adversely affect our margins or constrain our operating flexibility. Certain macroeconomic events, such as the past crisis in the financial markets, could have a more wide-ranging and prolonged impact on the general business environment, which could also adversely affect us. In particular, the ongoing COVID-19 pandemic has negatively impacted local, national and worldwide economies, and introduced market volatility. Whether we can manage these risks effectively depends on several factors, including (i) our ability to manage movements in commodity prices and the impact of government actions to manage national economic conditions such as consumer spending, inflation rates and unemployment levels, particularly given the past volatility in the global financial markets, (ii) the impact on our margins of labor costs given our labor-intensive business model, the trend toward higher wages in both mature and developing markets and the potential impact of union organizing efforts on day-to-day operations of our manufacturing facilities and (iii) other factors, which may be beyond our control.

***Digital technologies will continue to erode the demand for our printed business documents.***

The increasing sophistication of software, internet technologies, and digital equipment combined with our customers' general preference, as well as governmental influences for paperless business environments will continue to reduce the number of traditional printed documents sold. Moreover, the documents that will continue to coexist with software applications will likely contain less value-added print content.

Many of our custom-printed documents help companies control their internal business processes and facilitate the flow of information. These applications will increasingly be conducted over the internet or through other electronic payment systems. The predominant method of our customers' communication to their customers is by printed information. As their customers become more accepting of internet communications, our clients may increasingly opt for what is perceived to be a less costly electronic option, which would reduce our revenue. The pace of these trends is difficult to predict. These factors will tend to reduce the industry-wide demand for printed documents and require us to gain market share to maintain or increase our current level of print-based revenue which could place pressure on our operating margins.

In response to the gradual obsolescence of our standardized forms business, we continue to develop our capability to provide custom and full-color products. If new printing capabilities and new product introductions do not continue to offset the obsolescence of our standardized business forms products, and we are unable to increase our market share, our sales and profits will be affected. Decreases in sales of our standardized business forms and products due to obsolescence could also reduce our gross margins or impact the value of our recorded goodwill and intangible assets. This reduction could in turn adversely impact our profits, unless we are able to offset the reduction through the introduction of new high margin products and services or realize cost savings in other areas.

***We obtain our raw materials from a limited number of suppliers, and any disruption in our relationships with these suppliers, or any substantial increase in the price of raw materials or material shortages could have a material adverse effect on us.***

We currently purchase the majority of our paper products from one major supplier at favorable costs based on the volume of business, and traditionally we have purchased our paper products from a limited number of suppliers, all of which must meet stringent quality and on-time delivery standards under long-term contracts. Fluctuations in the quality of our paper, unexpected price changes or other factors that relate to our suppliers could have a material adverse effect on our operating results. In particular, the ongoing COVID-19 pandemic may make it more expensive or more difficult to source raw materials for our products, whether from our existing suppliers or new suppliers, and these challenges could negatively impact the cost or availability of our raw materials.

Paper is a commodity that is subject to frequent increases or decreases in price, and these fluctuations are sometimes significant. Domestic paper prices have increased and decreased in recent years due to global market conditions. We believe there is no effective market of derivative instruments to insulate us against unexpected changes in price of paper in a cost-effective manner, and negotiated purchase contracts provide only limited protection against price increases. Generally, when paper prices increase, we attempt to recover the higher costs by raising the prices of our products to our customers. In the price-competitive marketplaces in which we operate, however, we may not always be able to pass through any or all of the higher costs. As such, any significant increase in the price of paper or shortage in its availability, whether due to the COVID-19 pandemic, the strength of the U.S. dollar, changes in mill ownership or other factors, could have a material adverse effect on our results of operations.

***The terms and conditions of our credit facility impose certain restrictions on our operations. We may not be able to raise additional capital, if needed, for proposed expansion projects.***

The terms and conditions of our current facility impose certain restrictions on our ability to incur additional debt, make capital expenditures, acquisitions and asset dispositions, as well as impose other customary covenants, such as requiring that our fixed charge coverage ratio not be less than 1.25:1.00 and our total leverage ratio not exceed 3.00:1.00. Our ability to comply with the covenants may be affected by events beyond our control, such as distressed and volatile financial and/or consumer markets, including due to the impact of the ongoing COVID-19 pandemic. A breach of any of the covenants could result in a default under our credit facility and in the event of such a default, the bank could elect to declare outstanding principal amounts, interest thereon, and any other amounts payable under the facility to be immediately due and payable. While the Company has no borrowings outstanding under the current credit facility, it does come up for renewal in November of this year. Should events occur which provide uncertainty in the marketplace, the Company could be constrained in the amount or terms of a renewal credit facility. While the Company's cash position currently provides a liquidity cushion such that it is unlikely that the failure to obtain a replacement or extended credit facility would result in a negative impact, it could impact the Company's ability to acquire a larger company in an acquisition, among other things. As of February 28, 2021, we were in compliance with all terms and conditions of our credit facility, which matures on November 11, 2021.

***Challenging financial market conditions and continued decline in long-term interest rates could adversely impact the funded status of our pension plan.***

We maintain a noncontributory defined benefit retirement plan (the "Pension Plan") covering approximately 13% of our employees. Included in our financial results are Pension Plan costs that are measured using actuarial valuations. The actuarial assumptions used may differ from actual results. In addition, as our Pension Plan assets are invested in marketable securities, severe fluctuations in market values could potentially negatively impact our funded status, recorded pension liability, and future required minimum contribution levels. A decline in long-term debt interest rates puts downward pressure on the discount rate used by plan sponsors to determine their pension liabilities. Each 10 basis point change in the discount rate impacts our computed pension liability by approximately \$800,000. Similar to fluctuations in market values, a drop in the discount rate could potentially negatively impact our funded status, recorded pension liability and future contribution levels. Also, continued changes in the mortality tables could potentially impact our funded status. Additionally, as we experienced in recent months, the number of retirees taking lump sum distributions could be sufficiently high as to cause a settlement charge, which would impact current earnings. As of February 28, 2021, the Pension Plan was 90.5% funded on a projected benefit obligation (PBO) basis and 97.9% on an accumulated benefit obligation (ABO) basis.

***We may be unable to identify or to complete acquisitions or to successfully integrate the businesses we acquire.***

We have evaluated, and may continue to evaluate, potential acquisition transactions. We attempt to address the potential risks inherent in assessing the attractiveness of acquisition candidates, as well as other challenges such as

retaining the employees and integrating the operations of the businesses we acquire. Integrating acquired operations involves significant risks and uncertainties, including maintenance of uniform standards, controls, policies and procedures; diversion of management's attention from normal business operations during the integration process; unplanned expenses associated with integration efforts; and unidentified issues not discovered in due diligence, including legal contingencies. Due to these risks and others, there can be no guarantee that the businesses we acquire will lead to the cost savings or increases in net sales that we expect or desire. Additionally, there can be no assurance that suitable acquisition opportunities will be available in the future, which could harm our strategic business plan as acquisitions are part of our strategy to offset normal print attrition.

***We may be required to write down goodwill and other intangible assets, which could cause our financial condition and results of operations to be negatively affected in the future.***

When we acquire a business, a portion of the purchase price may be allocated to goodwill and other identifiable intangible assets. The amount of the purchase price which is allocated to goodwill and other intangible assets is the excess of the purchase price over the net identifiable tangible assets acquired. The annual impairment test is based on several factors requiring judgment. An impairment may be caused by any number of factors outside our control, such as a decline in market conditions, including due to the COVID-19 pandemic, another pandemic or some other event, protracted recovery from poor market conditions, or other factors that may be tied to such negative economic events, including changes to a competitor's pricing strategies. To date, we have not been required to take an impairment charge relating to our existing business, but continued sale-side pressures due to technology transference, competitor pricing pressures, and economic uncertainties could result in a determination that a portion of the recorded value of goodwill and intangible assets may be required to be written down. Although an impairment charge relating to our existing business, but continued sale-side pressures due to technology would be a noncash expense, it would impact our reported operating results and financial position. The Company has mitigated some of this risk by changing from indefinite lives to definite lives accounting for all intangibles assets.

Under definite lives accounting, the value of intangible assets is gradually amortized over time, instead of being left on the Company's books in full and only being written down when an impairment event is deemed to have occurred. At February 28, 2021, our consolidated goodwill and other intangible assets were approximately \$88.6 million and \$52.7 million, respectively.

***Our distributor customers may be acquired by other manufacturers who redirect business within their plants.***

Some of our customers are being absorbed by the distribution channels of some of our manufacturing competitors. However, we do not believe this will significantly impact our business model. We have continued to sell to some of these customers even after they were absorbed by our competition because of the breadth of our product line and our geographic diversity.

***Our distributors face increased competition from various sources, such as office supply superstores. Increased competition may require us to reduce prices or to offer other incentives in order to enable our distributors to attract new customers and retain existing customers.***

Low price, high value office supply chain stores offer standardized business forms, checks and related products. Because of their size, these superstores have the buying power to offer many of these products at competitive prices. These superstores also offer the convenience of "one-stop" shopping for a broad array of office supplies that our distributors do not offer. In addition, superstores have the financial strength to reduce prices or increase promotional discounts to expand market share. This could result in us reducing our prices or offering incentives in order to enable our distributors to attract new customers and retain existing customers, which could reduce our profits.

***We could experience labor disputes that could disrupt our business in the future.***

As of February 28, 2021, approximately 9% of our employees are represented by labor unions under collective bargaining agreements, which are subject to periodic negotiations. While we believe we have a good working relationship with all of the unions, there can be no assurance that any future labor negotiations will prove successful, which may result in a significant increase in the cost of labor, or may break down and result in the disruption of our business or operations.

***We face intense competition to gain market share, which may lead some competitors to sell substantial amounts of goods at prices against which we cannot profitably compete.***

Our marketing strategy is to differentiate ourselves by providing quality service and quality products to our customers. Even if this strategy is successful, the results may be offset by reductions in demand or price declines due to competitors' pricing strategies or other micro or macro-economic factors. We face the risk of our competition following a strategy of selling its products at or below cost in order to cover some amount of fixed costs, especially in stressed economic times.

***Environmental regulations may impact our future operating results.***

We are subject to extensive and changing federal, state and foreign laws and regulations establishing health and environmental quality standards, concerning, among other things, wastewater discharges, air emissions and solid waste disposal, and may be subject to liability or penalties for violations of those standards. We are also subject to laws and regulations governing remediation of contamination at facilities currently or formerly owned or operated by us or to which we have sent hazardous substances or wastes for treatment, recycling or disposal. We may be subject to future liabilities or obligations as a result of new or more stringent interpretations of existing laws and regulations. In addition, we may have liabilities or obligations in the future if we discover any environmental contamination or liability at any of our facilities, or at facilities we may acquire.

***We are subject to taxation related risks.***

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are applied. The Tax Cuts and Jobs Act enacted on December 22, 2017 resulted in changes in our federal corporate tax rate, our deferred income taxes and limitations on the deductibility of interest expense and executive compensation and the transition of U.S. international taxation from a worldwide tax system to a modified territorial tax system. There may be changes in tax legislation, including a repeal or modification of the Tax Cuts and Jobs Act of 2017, changes in tax rates and tax base such as limiting, phasing-out or eliminating deductions, revising tax law interpretations in jurisdictions, and changes in other tax laws. There are currently proposals in Congress to increase the tax rates on corporations. All of these factors and uncertainties may adversely affect our results of operations, financial position and cash flows.

***We are exposed to the risk of non-payment by our customers on a significant amount of our sales.***

Our extension of credit involves considerable judgment and is based on an evaluation of each customer's financial condition and payment history. We monitor our credit risk exposure by periodically obtaining credit reports and updated financials on our customers. We generally see a heightened amount of bankruptcies by our customers during economic downturns. In particular, the COVID-19 pandemic, and its impact on our customers, could have a negative impact on our collection efforts. While we maintain an allowance for doubtful receivables for potential credit losses based upon our historical trends and other available information, in times of economic turmoil, there is heightened risk that our historical indicators may prove to be inaccurate. The inability to collect on sales to significant customers or a group of customers could have a material adverse effect on our results of operations.

***Our business incurs significant freight and transportation costs.***

We incur transportation expenses to ship our products to our customers. Significant increases in the costs of freight and transportation could have a material adverse effect on our results of operations, as there can be no assurance that we could pass on these increased costs to our customers. Government regulations can and have impacted the availability of drivers, which will be a significant challenge to the transportation industry. Costs to employ drivers have increased and transportation shortages have become more prevalent. Additionally, the challenge of employing new drivers for the increasingly larger web-based economy could create shortages in trucks and drivers which could impact our sales.

***A natural disaster, catastrophe, pandemic or other unexpected events could adversely affect our operations.***

The occurrence of one or more unexpected events, including war, acts of terrorism or violence, civil unrest, epidemics or pandemics, fires, tornadoes, hurricanes, earthquakes, floods and other forms of severe weather in the

United States could adversely affect our operations and financial performance. Although we maintain third party insurance against various liability risks and risks of property loss for items we believe are economically reasonable to insure, we could incur uninsured losses and liabilities arising from such events which would adversely affect our results of operations and financial condition.

***If our internal controls are found to be ineffective, our financial results or our stock price could be adversely affected.***

We believe that we currently have adequate internal control procedures in place. However, increased risk of internal control breakdowns generally exists in a business environment that is decentralized. In addition, if our internal control over financial reporting is found to be ineffective, investors may lose confidence in the reliability of our financial statements, which may adversely affect our stock price.

***We depend on the reliability of our IT and network infrastructure as well as those of third parties. If these systems fail, our operations may be adversely affected.***

We depend on information technology and data processing systems to operate our business, and a significant malfunction or disruption in the operation of our systems may disrupt our business and adversely affect our ability to operate and compete in the markets we serve. This could take various forms, including through the injection of Ransomware on our IT infrastructure rendering it inoperable without the payment of some form of cyber currency. These systems include systems that we own and operate, as well as systems of our vendors or other third parties. Such systems are susceptible to Ransomware attacks, malfunctions, interruptions and phishing scams, for example. We also periodically upgrade and install new systems, which if installed or programmed incorrectly, may cause significant disruptions. These disruptions could interrupt our operations and adversely affect our results of operations, financial condition and cash flows.

***Increasing global cybersecurity attacks and regulatory focus on privacy and security issues could impact our business, expose us to increased liability, subject us to lawsuits, investigations and other liabilities and restrictions on our operations that could significantly and adversely affect our business.***

Along with our own data and information in the normal course of our business, we and our customers and partners collect and retain significant volumes of certain types of data, some of which are subject to specific laws and regulations. Complying with varying jurisdictional requirements is becoming increasingly complex and could increase the costs and difficulty of compliance, and violations of applicable data protection laws. Many of our clients provide us with information they consider confidential or sensitive, and many of our client's industries have established standards for safeguarding the confidentiality, integrity and availability of information relating to their businesses and customers. Data stored in our systems or available through web portals is susceptible to cybercrime or intentional disruption, which have increased globally across all industries in terms of sophistication and frequency. Disclosure of data maintained on our network, a security breach of our systems or other similar events may damage our reputation, subject us to regulatory enforcement action, third party litigation and cause significant reputational or financial harm for our clients and partners. Any of these outcomes may adversely affect our results of operations, financial condition and cash flows.

***Increases in the cost of employee benefits could impact our financial results and cash flow.***

Our expenses relating to employee health benefits are significant. Unfavorable changes in the cost of such benefits could impact our financial results and cash flow. Healthcare costs have risen significantly in recent years, and recent legislative and private sector initiatives regarding healthcare reform could result in significant changes to the U.S. healthcare system. Additionally, the ongoing COVID-19 pandemic may result in temporary or permanent healthcare reform measures, would could result in significant cost increases and other negative impacts to our business. While the Company has various cost control measures in place and employs an outside oversight review on larger claims, employee health benefits have been and are expected to continue to be a significant cost to the us and may increase due to factors outside the Company's control.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved SEC staff comments.

## ITEM 2. PROPERTIES

Our corporate headquarters are located in Midlothian, Texas, and we operate manufacturing facilities throughout the United States. See the table below for additional information regarding our locations.

All of our properties are used for the production, warehousing and shipping of business products, including the following: business forms, flexographic printing, advertising specialties and Post-it® Notes (Wolfe City, Texas); presentation products (Macomb, Michigan; De Pere, Wisconsin and Columbus, Kansas); printed and electronic promotional media (Denver, Colorado); envelopes (Portland, Oregon; Columbus, Kansas; Tullahoma, Tennessee and Claysburg, Pennsylvania); financial forms (Minneapolis/St. Paul, Minnesota; Nevada, Iowa and Bridgewater, Virginia); and pressure seal products (Visalia, California; Chino, California; Roanoke, Virginia and Clarksville, Tennessee).

Our plants are operated at production levels required to meet our forecasted customer demands. Production levels fluctuate with market demands and depend upon the product mix at any given point in time. Equipment is added as existing machinery becomes obsolete or not repairable, and as new equipment becomes necessary to meet market demands; however, at any given time, these additions and replacements are not considered to be material additions to property, plant and equipment, although such additions or replacements may increase a plant's efficiency or capacity.

All of our facilities are believed to be in good condition. We do not anticipate that substantial expansion, refurbishing, or re-equipping of our facilities will be required in the near future.

All of our rented property is held under leases with original terms of one or more years, expiring at various times through December 2026. Presently, we believe we will be able to maintain or renew leases as they expire without significant difficulty.

Location	General Use	Approximate Square Footage	
		Ow ned	Leased
Ennis, Texas	Three Manufacturing Facilities *	325,118	—
Chatham, Virginia	Two Manufacturing Facilities	127,956	—
Paso Robles, California	Manufacturing	94,120	—
DeWitt, Iowa	Two Manufacturing Facilities	95,000	—
Ft. Scott, Kansas	Manufacturing	86,660	—
Portland, Oregon	Two Manufacturing Facilities	—	261,765
Wolfe City, Texas	Two Manufacturing Facilities	119,259	—
Coshocton, Ohio	Manufacturing	24,750	—
Macomb, Michigan	Manufacturing	56,350	—
Denver, Colorado	Two Manufacturing Facilities	60,000	45,800
Brooklyn Park, Minnesota	Manufacturing	94,800	—
Coon Rapids, Minnesota	Warehouse	—	4,800
Nevada, Iowa	Two Manufacturing Facilities	232,000	—
Bridgewater, Virginia	Manufacturing	—	27,000
Columbus, Kansas	Two Manufacturing Facilities and Warehouse	174,089	—
El Dorado Springs, Missouri	Manufacturing	70,894	—
Princeton, Illinois	Manufacturing	—	44,190
Arlington, Texas	Two Manufacturing Facilities	69,935	—
Tullahoma, Tennessee	Two Manufacturing Facilities	142,061	—
Caledonia, New York	Manufacturing and one vacant	191,730	—
Sun City, California	Two Manufacturing Facilities	52,617	—
Chino, California	Manufacturing	—	63,016
Neenah, Wisconsin	Two Manufacturing Facilities & One Warehouse	72,354	97,161
Claysburg, Pennsylvania	Manufacturing	—	69,000
Fairport, New York	Two Manufacturing Facilities	—	40,800
Indianapolis, Indiana	Two Manufacturing Facilities	—	38,000
Smyrna, Georgia	Manufacturing	—	65,000
Clarksville, Tennessee	Manufacturing	51,900	—
Fairhope, Alabama	Manufacturing	65,000	—

Location	General Use	Approximate Square Footage	
		Owned	Leased
Toledo, Ohio	Three Manufacturing Facilities	120,947	—
Visalia, California	Manufacturing	—	56,000
Corsicana, Texas	Held for Sale	39,685	—
Girard, Kansas	Manufacturing	69,474	—
Powell, Tennessee	Manufacturing	43,968	—
Houston, Texas	Manufacturing	—	29,668
DePere, Wisconsin	Manufacturing & One Warehouse	—	142,347
Mosinee, Wisconsin	Manufacturing	—	5,400
Kent, Washington	Manufacturing	—	48,789
South Elgin, Illinois	Manufacturing	—	70,500
Parsons, Kansas	Manufacturing & One Warehouse	122,740	40,000
Fenton, Missouri	Manufacturing	—	26,847
Roanoke, Virginia	Manufacturing	—	110,000
		<u>2,603,407</u>	<u>1,286,083</u>
<b>Corporate Offices</b>			
Ennis, Texas	Administrative Offices	9,300	—
Midlothian, Texas	Executive and Administrative Offices	28,000	—
		<u>37,300</u>	<u>—</u>
	<b>Totals</b>	<u><b>2,640,707</b></u>	<u><b>1,286,083</b></u>

\* 22,000 square feet of Ennis, Texas location leased

### ITEM 3. LEGAL PROCEEDINGS

From time to time we are involved in various litigation matters arising in the ordinary course of our business. We do not believe the disposition of any current matter will have a material adverse effect on our consolidated financial position or results of operations.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange ("NYSE") under the trading symbol "EBF". The following table sets forth the high and low sales prices, the common stock trading volume as reported by the NYSE and dividends per share paid by the Company for the periods indicated:

	Common Stock Price Range		Common Stock Trading Volume (number of shares in thousands)	Dividends per share of Common Stock
	High	Low		
Fiscal Year Ended February 28, 2021				
First Quarter	\$ 21.11	\$ 13.99	3,772	\$ 0.225
Second Quarter	19.56	16.00	2,915	\$ 0.225
Third Quarter	18.46	15.19	2,526	\$ 0.225
Fourth Quarter	20.50	16.35	2,954	\$ 0.225
Fiscal Year Ended February 29, 2020				
First Quarter	\$ 21.99	\$ 18.30	1,989	\$ 0.225
Second Quarter	21.10	18.48	2,220	\$ 0.225
Third Quarter	21.49	18.66	2,135	\$ 0.225
Fourth Quarter	22.20	19.83	2,655	\$ 0.225

On April 30, 2021, the last reported sale price of our common stock on the NYSE was \$20.73, and there were approximately 706 shareholders of record. Cash dividends may be paid, or repurchases of our common stock may be made, from time to time as our Board of Directors (“Board”) deems appropriate, after considering our growth rate, operating results, financial condition, cash requirements, restrictive lending covenants, and such other factors as the Board may deem appropriate.

A dividend of \$0.225 per share of our common stock was paid in each quarter of fiscal year 2020. A dividend of \$0.20 per share of our common stock was paid in the first quarter of fiscal year 2019, and a dividend of \$0.225 per share of our common stock was paid in each subsequent quarter of fiscal year 2019.

Our Board has authorized the repurchase of the Company’s outstanding common stock through a stock repurchase program, which authorized amount is currently up to \$40.0 million in the aggregate. Under the repurchase program, purchases may be made from time to time in the open market or through privately-negotiated transactions, depending on market conditions, share price, trading volume and other factors. Repurchases may be commenced or suspended at any time or from time to time without prior notice, provided that any purchases must be made in accordance with applicable insider trading rules and securities laws and regulations. Since the program’s inception in October 2008, we have repurchased 1,894,350 common shares under the program at an average price of \$15.91 per share. During our fiscal year 2021, we repurchased 77,996 shares of common stock at an average price of \$15.84 per share. As of February 28, 2021, \$9.9 million remained available to repurchase shares of common stock under the program. No additional shares of common stock were repurchased under the program in the three months ended February 28, 2021.

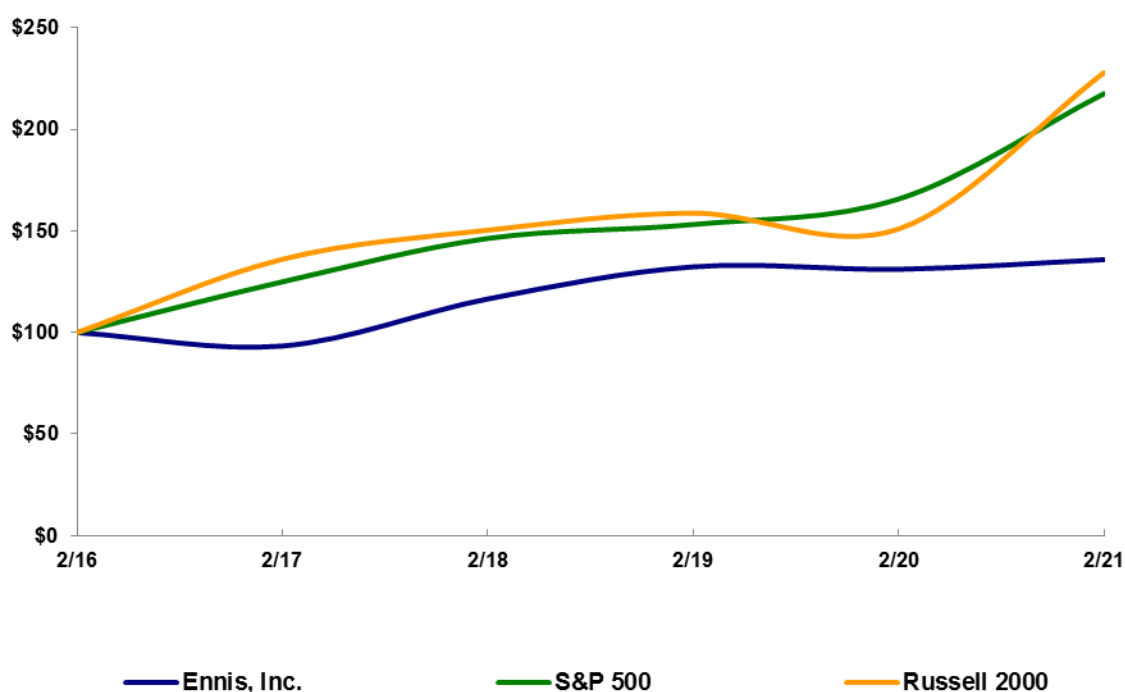


## Stock Performance Graph

The graph below matches our cumulative 5-year total shareholder return on common stock with the cumulative total returns of the S&P 500 Index and the Russell 2000 Index. The graph tracks the performance of a \$100 investment in our common stock and in each of the indexes (with the reinvestment of all dividends) from February 29, 2016 to February 28, 2021.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among Ennis, Inc., the S&P 500 Index  
and the Russell 2000 Index



\*\$100 invested on 2/29/16 in stock or index, including reinvestment of dividends.  
Fiscal year ending February 28.

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	2016	2017	2018	2019	2020	2021
Ennis, Inc.	\$ 100.00	\$ 93.36	\$ 116.57	\$ 132.37	\$ 131.16	\$ 135.90
S&P 500	100.00	124.98	146.35	153.20	165.75	217.61
Russell 2000	100.00	136.11	150.42	158.81	150.99	227.99

*The stock price performance included in this graph is not necessarily indicative of future stock price performance.*

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis provides material historical and prospective disclosures intended to enable investors and other users to assess our financial condition and results of operations. Statements that are not historical are forward-looking and involve risk and uncertainties, including those discussed under the caption "Risk Factors" in Item 1A of this Annual Report on Form 10-K and elsewhere in this Report. You should read this discussion and analysis in conjunction with our Consolidated Financial Statements and the related notes appearing elsewhere in this Report. The words "anticipate," "preliminary," "expect," "believe," "intend" and similar expressions identify forward-looking statements. We believe these forward-looking statements are based upon reasonable assumptions. All such statements involve risks and uncertainties, and as a result, actual results could differ materially from those projected, anticipated, or implied by these statements.

In view of such uncertainties, investors should not place undue reliance on our forward-looking statements since such statements may prove to be inaccurate and speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

This Management's Discussion and Analysis covers the continuing operations of the Company, which are comprised of the production and sale of business forms and other business products. This Management's Discussion and Analysis includes the following sections:

- *Overview* – An overall discussion regarding our Company, the business challenges and opportunities we believe are key to our success, and our plans for facing these challenges relating to our continuing operations.
- *Critical Accounting Policies and Estimates* – A discussion of the accounting policies that require our most critical judgments and estimates relating to our continuing operations. This discussion provides insight into the level of subjectivity, quality, and variability involved in these judgments and estimates. This section also provides a summary of recently adopted and recently issued accounting pronouncements that have or may materially affect our business.
- *Results of Operations* – An analysis of our consolidated results of operations and segment results for the three years presented in our consolidated financial statements. This analysis discusses material trends within our continuing business and provides important information necessary for an understanding of our continuing operating results.
- *Liquidity and Capital Resources* - An analysis of our cash flows and a discussion of our financial condition and contractual obligations. This section provides information necessary to evaluate our ability to generate cash and to meet existing and known future cash requirements over both the short and long term.

References to 2021, 2020 and 2019 refer to the fiscal years ended February 28, 2021, February 29, 2020 and February 28, 2019, respectively.

### Overview

**The Company** – Our management believes we are the largest provider of business forms, pressure-seal forms, labels, tags, envelopes, and presentation folders to independent distributors in the United States.

**Our Business Challenges** – Our industry is currently experiencing consolidation of traditional supply channels, product obsolescence, paper supplier capacity adjustments, and increased pricing and potential supply allocations due to demand/supply curve imbalance. Technology advances have made electronic distribution of documents, internet hosting, digital printing and print-on-demand valid, cost-effective alternatives to traditional custom-printed documents and customer communications. Improved equipment has become more accessible to our competitors due to the continued low interest rate environment. We face highly competitive conditions throughout our supply chain in an already over-supplied, price-competitive print industry. In addition to the risk factors discussed under the caption "Risk Factors" in Item 1A of this Annual Report, some of the key challenges of our business include the following:

**COVID-19 Pandemic** – The global spread of the novel strain of COVID-19 has significantly impacted health and economic conditions throughout the United States and the world, including the markets in which we operate. In

response to COVID-19, federal, state and local authorities have recommended social distancing and have imposed various restrictions, including quarantine and isolation measures, mandatory closures of businesses deemed “non-essential” in certain jurisdictions. As of the date of this report, our plants continue to be deemed “essential,” largely due to our business’s support of many important sectors of the economy, including healthcare, government, food and beverage and banking. The U.S. economy continues to be significantly impacted by the COVID-19 pandemic and parts of the economy have started to re-open as vaccinations become more prevalent, but remain subject to ongoing surges and local shutdowns, creating a very fluid economic environment. Current governmental statistics have indicated an increase in economic activity that had previously been curtailed due to the COVID-19 pandemic and efforts to contain it. These statistics provide evidence that various sectors continue to improve, while others have not, which we believe was reflected in our sequential sales increase and improvements in our gross profit margin and operational margin during the third quarter. Even so, we expect the pandemic to continue to have a negative impact on our financial condition and operational results, on a comparative basis, until at least the end of this fiscal year based on the information currently available. While the impacts of the pandemic have been significant, our results of operations were within our forecasted parameters for the period ended February 28, 2021.

The following is a summary of our recent and anticipated actions in response to COVID-19 and its impact on our business.

➤ *Cash/Liquidity:*

We believe our strong liquidity position will help us mitigate the ongoing adverse impacts of COVID-19. On February 28, 2021 we had \$75.2 million in cash, in addition to \$99.4 million available under our credit facility, if needed. During the period, our cash position increased by \$6.9 million and our working capital position increased by \$1.1 million from February 29, 2020. In addition, our liquidity and debt ratios have all improved since the start of the pandemic, with our current ratio (calculated by dividing our current assets by our current liabilities) increasing from 3.95 to 4.22, our quick ratio (calculated by dividing our current assets less inventories by our current liabilities) increasing from 3.03 to 3.29, and our net debt to equity ratio (after application of cash) decreasing from .01 to -.04.

➤ *Receivable and Inventory Management:*

We continue to closely monitor and manage our outstanding trade receivables and inventories. During the period, our days’ sales in our receivables increased slightly to 39 days from 36 days (February 29, 2020), and our days’ sales of inventory increased slightly to 34 days from February 29, 2020 (29 days). The Company continues to monitor incoming orders and is adjusting its raw material purchases accordingly.

➤ *Supply Chain:*

To date, COVID-19 has not materially impacted, nor do we currently expect it to materially impact, the supply chain for the products we sell. Most of our products are sourced domestically from suppliers deemed “essential” by the government, and therefore currently remain in operation, and we have been able to switch from impacted suppliers to non-impacted suppliers in several instances since the outbreak. However, if one or more of our major suppliers are negatively impacted by the COVID-19 pandemic, through plant closures, deteriorating financial condition, or otherwise, it could adversely affect our operational results and financial condition.

➤ *Cost Savings:*

COVID-19 has severely impacted global economic activity, including the printing industry in the United States. To date, our traditional tag and folder operations have been impacted more severely than our specialty products operations, including those that service the medical, banking and other related industries. We will continue to monitor incoming order volume so that we can proactively adjust our costs accordingly. While economic activity remains depressed due to the pandemic, we will continue to monitor projected sales and our cost structure. We believe the modifications to our cost structure in response to the sales impact of the COVID-19 pandemic will not impact our ability to service increased customer demand when

economic conditions improve. During the fourth quarter, our gross profit margin improved to 29.6% from the prior year's fourth quarter of 28.1% and our operating margin improved to 10.6% from the prior year's fourth quarter of 10.3%.

➤ *Capital Expenditures:*

We continue to make capital expenditures for operational maintenance purposes, as may be required. Additionally, we will carefully review and make new capital expenditures for equipment to the extent such expenditures make economic sense by improving our operations and not jeopardizing our strong liquidity position.

There continue to be many uncertainties regarding the impact of the COVID-19 pandemic, including the scope of scientific and health issues. The recent approval and distribution of three vaccines in the U.S. have improved the likelihood that the pandemic conditions can be improved or resolved in a more timely fashion, but the logistics of immunizing the U.S. population appear to be challenging. It is likely that the anticipated duration of the pandemic may not be as long as previously feared with the arrival of viable vaccines, but that benefit might be delayed due to the extent of local, regional and economic, social, and political disruption.

The ultimate impact of COVID-19 is difficult to predict, including due to factors discussed under the caption "Risk Factors" in Item 1A of this Annual Report on Form 10-K.

**Transformation of our portfolio of products** – While traditional business documents are essential in order to conduct business, many are being replaced through the use of cheaper paper grades or imported paper, or devalued with advances in digital technologies, causing steady declines in demand for a portion of our current product line. In addition, the impact of COVID-19 on the speed of this transformation is unknown, but it is expected to accelerate the decline for some of our products. Transforming our product offerings in order to continue to provide innovative, valuable solutions through lower labor and fixed charges to our customers on a proactive basis will require us to make investments in new and existing technology and to develop key strategic business relationships, such as print-on-demand services and product offerings that assist customers in their transition to digital business environments. In addition, we will continue to look for new market opportunities and niches through acquisitions, such as the addition of our envelope offerings, tag offerings, folder offerings, healthcare wristbands, specialty packaging, direct mail, pressure seal products, secure document solutions, innovative in-mold label offerings and long-run integrated products with high color web printing, which provide us with an opportunity for growth and differentiate us from our competition. The ability to make investments in new and existing technology and/or to acquire new market opportunities through acquisitions is dependent on the Company's liquidity and operational results. While currently the pandemic has not materially impacted our liquidity and it is not currently expected to, a protracted delay in the economy recovering could have a negative impact on our continued ability to make the aforementioned investments or to consummate acquisitions.

**Production capacity and price competition within our industry** – Changes in the value of the U.S. dollar can have a significant impact on the pricing and supply of paper. The weakening of the U.S. dollar will usually result in the dissipation of any pricing advantage that foreign imports have over domestic suppliers, which typically results in lower levels of imported papers and an increase in domestic exports. With increased pricing power, domestic paper producers can better control the supply of paper by eliminating capacity or changing the products produced on their large paper machines. The strengthening of the U.S. dollar usually has the opposite effect: more cheap imported paper; less domestic exports; and lower pricing power in the hands of domestic paper producers. Domestic paper suppliers typically seek to balance supply and demand, including by (if possible) taking capacity out of the market, whether by taking production off-line or switching production to alternative paper products. Generally, if mills are running at high capacity, suppliers are able to raise prices. For the latter part of fiscal year 2020, with the strengthening of the U.S. dollar, imports began to flow back into the domestic marketplace. This development, along with continued slowing of domestic demand, resulted in renewed marketing of certain paper grades that previously had been placed on allocation. Consequently, spot pricing became very competitive earlier this year. The uncoated paper market tightened this quarter as overall capacity reductions improved operating rates, and inventories declined, allowing domestic mills to begin price increases. U.S. mills have moved back to higher operating levels and pulp pricing has increased which will justify such increases. Coated paper has shown some improvement due to several major closures, causing

operating rates to climb. As such, pricing during the second half of fiscal 2021 and into the beginning of fiscal 2022 is currently expected to increase.

The COVID-19 pandemic has reduced the demand for both coated and uncoated papers faster than previously expected in the first quarter of fiscal 2021 and paper companies idled some of their mills or converted to linerboard products to adjust supply and reduce inventory levels. As the economy has improved, demand has increased in the third quarter for coated and uncoated freesheet papers which has reduced the excess inventory in the market. It is unclear whether this is a temporary situation or if conditions could stretch for a more extended amount of time. Regardless of these factors, many of which are cyclical, we continue to believe paper pricing will remain in a range which will not unfavorably impact our margins. Additionally, the possibility of paper shortages in the market is not a major concern due to our primary material supplier's commitment to the Company. Consistent with our historical practice, we intend to continue to focus on effectively managing and controlling our product costs through the use of forecasting, production and costing models, as well as working closely with our domestic suppliers to reduce our procurement costs, in order to minimize effects on our operational results. In addition, we will continue to look for ways to reduce and leverage our fixed costs.

**Continued consolidation of our customers** – Our customers are distributors, many of which are consolidating or are being acquired by competitors. We continue to maintain a majority of the business we have had with our customers historically, but it is possible that these consolidations and acquisitions, which we expect to continue in the future, ultimately will impact our margins and sales.

### **Critical Accounting Policies and Estimates**

In preparing our consolidated financial statements, we are required to make estimates and assumptions that affect the disclosures and reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates and judgments on an ongoing basis, including those related to allowance for doubtful receivables, inventory valuations, property, plant and equipment, intangible assets, pension plan obligations, accrued liabilities and income taxes. We base our estimates and judgments on historical experience and on various other factors that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We believe the following accounting policies are the most critical due to their effect on our more significant estimates and judgments used in preparation of our consolidated financial statements.

**Pension Plan** – We maintain the Pension Plan for employees. Included in our financial results are Pension Plan costs that are measured using actuarial valuations and requires the use of a number of assumptions. Changes in these assumptions can result in different expense and liability amounts and future actual experience may differ significantly from current expectations.

As our Pension Plan assets are invested in marketable securities, fluctuations in market values could potentially impact our funding status and associated liability recorded. The expected rate of return on assets was reduced from 7.00% to 6.50%. The 50 basis point reduction increased the fiscal year ending February 28, 2022 pension expense by approximately \$0.3 million

Similar to fluctuations in market values, a drop in the discount rate could potentially negatively impact our funded status, recorded pension liability and future contribution levels. During fiscal year 2021 the discount rate used to determine the net pension obligations for purposes of our Consolidated Financial Statements remained at 2.65%, the same rate used in fiscal year 2020. A drop in the discount rate could potentially negatively impact our funded status, recorded pension liability and future contribution levels. Each 10 basis point change in the discount rate impacts our computed pension liability by about \$0.8 million.

Also, continued changes in the mortality tables could potentially impact our funded status. While no change was made to the base mortality table, Pre-2012, we adopted the new MP-2020 mortality improvement scale. The updated mortality improvement scale reflects slightly lower projected mortality improvement in the future compared to the previous assumption resulting in a reduction in the February 28, 2021 pension liability of \$0.35 million. Also, continued changes in the mortality tables could potentially impact our funded status.

**Goodwill and Other Intangible Assets** – Amounts allocated to intangibles and goodwill are determined based on valuation analysis for our acquisitions. Amortizable intangibles are amortized over their expected useful lives. We evaluate these amounts periodically (at least once a year) to determine whether a triggering event has occurred during the year that would indicate potential impairment.

We assess goodwill for impairment annually as of December 1, or more frequently if impairment indicators are present. The Company uses qualitative factors to determine whether it is more likely than not (likelihood of more than 50%) that the fair value of a reporting unit exceeds its carrying amount, including goodwill. Some of the qualitative factors considered in applying this test include consideration of macroeconomic conditions, industry and market conditions, cost factors affecting the business, overall financial performance of the business, and performance of the share price of the Company. If qualitative factors are not deemed sufficient to conclude that it is more likely than not that the fair value of the reporting unit exceeds its carrying value, then a one-step approach is applied in making an evaluation. The evaluation utilizes multiple valuation methodologies, including a market approach (market price multiples of comparable companies) and an income approach (discounted cash flow analysis). The computations require management to make significant estimates and assumptions, including, among other things, selection of comparable publicly traded companies, the discount rate applied to future earnings reflecting a weighted average cost of capital, and earnings growth assumptions. A discounted cash flow analysis requires management to make various assumptions about future sales, operating margins, capital expenditures, working capital and growth rates. If the evaluation results in the fair value of the reporting unit being lower than the carrying value, an impairment charge is recorded. A goodwill impairment charge was not required for the fiscal years ended February 28, 2021 or February 29, 2020.

**Revenue Recognition** – We recognize revenues from product sales upon shipment to the customer if the terms of the sale are freight on board (“FOB”) shipping point (and therefore title and all risks of ownership, including risk of loss, passes to the customer upon shipping) or, to a lesser extent, upon delivery to the customer if the terms of the sale are FOB destination (and therefore title and all risks of ownership, including risk of loss, passes to the customer upon delivery). Net sales consist of gross sales invoiced to customers, less certain related charges, including discounts, returns and other allowances. Returns, discounts and other allowances have historically been insignificant. In some cases and upon customer request, we print and store custom print product for customer specified future delivery, generally within twelve months. In this case, risk of loss from obsolescence passes to the customer, the customer is invoiced under normal credit terms and revenue is recognized when manufacturing is complete. Approximately \$12.5 million, \$11.0 million, and \$10.3 million of revenue were recognized under these agreements during fiscal years ended 2021, 2020 and 2019, respectively.

We maintain an allowance for doubtful receivables to reflect estimated losses resulting from the inability of customers to make required payments. On an on-going basis, we evaluate the collectability of accounts receivable based upon historical collection trends, current economic factors, and the assessment of the collectability of specific accounts. We evaluate the collectability of specific accounts using a combination of factors, including the age of the outstanding balances, evaluation of customers' current and past financial condition and credit scores, recent payment history, current economic environment, discussions with our sales managers, and discussions with the customers directly.

**Inventories** – Our inventories are valued at the lower of cost or net realizable value. We regularly review inventory values on hand, using specific aging categories, and write down inventory deemed obsolete and/or slow-moving based on historical usage and estimated future usage to its estimated net realizable value. As actual future demand or market conditions may vary from those projected by management, adjustments to inventory valuations may be required.

**Income Taxes** – As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each jurisdiction in which we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from different treatment of items for tax and financial reporting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheets. We must then assess the likelihood that our deferred tax assets will be recovered based on our history of earnings expectations for future taxable income including taxable income in prior carry-back years, as well as future taxable income. To the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance, we must include an expense within the tax provision in the consolidated statements of operations. In the event that actual results differ from these estimates, our provision for income taxes could be materially impacted.

The outbreak of the COVID-19 pandemic presents various global risks. The full impact of the COVID-19 pandemic continues to evolve as of the date of this report, particularly given the large increases of cases in India and South America. Management is actively monitoring the situation as pertains to the Company's financial condition, liquidity, operations, suppliers, industry and workforce. Given the ongoing evolution of the pandemic and the global responses to control its spread, the Company is not able to estimate the ultimate effects of the COVID-19 pandemic on its results of operation, financial condition, or liquidity for fiscal year 2022.

**Accrued Medical and Workers Compensation Liabilities** – In addition to the assessments described above, we also have to make assessments as to the adequacy of our accrued liabilities, more specifically our liabilities recorded in connection with our workers compensation and health insurance, as these plans are self-funded. To help us in this evaluation process, we routinely get outside third-party assessments of our potential liabilities under each plan.

## **Results of Operations**

The following discussion provides information which we believe is relevant to understanding our results of operations and financial condition. The discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which are incorporated herein by reference. Unless otherwise indicated, this financial overview is for the continuing operations of the Company, which are comprised of the production and sales of business forms and other business products. The operating results of the Company for fiscal year 2021 and the comparative fiscal years 2020 and 2019 are included in the tables below.

## Consolidated Summary

Consolidated Statements of Operations - Data (in thousands, <u>except per share amounts</u> )	Fiscal years ended					
	2021		2020		2019	
Net sales	\$357,973	100.0%	\$438,412	100.0%	\$400,782	100.0%
Cost of goods sold	254,207	71.0	309,488	70.6	277,422	69.2
Gross profit margin	103,766	29.0	128,924	29.4	123,360	30.8
Selling, general and administrative	68,270	19.1	78,173	17.8	73,490	18.3
Gain from disposal of assets	(405)	(0.1)	(87)	—	(217)	(0.1)
Income from operations	35,901	10.0	50,838	11.6	50,087	12.4
Other income (expense), net	(2,614)	(0.7)	413	0.1	(153)	—
Earnings before income taxes	33,287	9.3	51,251	11.7	49,934	12.4
Provision for income taxes	9,193	2.6	12,959	3.0	12,497	3.1
Net earnings	<u>\$ 24,094</u>	<u>6.7%</u>	<u>\$ 38,292</u>	<u>8.7%</u>	<u>\$ 37,437</u>	<u>9.3%</u>

*Net Sales.* Our net sales decreased from \$438.4 million for fiscal year 2020 to \$358.0 million for fiscal year 2021, a decrease of 18.3%. Our sales for the period were significantly impacted by economic conditions driven by the COVID-19 pandemic and resulted in a decrease in sales volume. The acquisition of Infoseal, which was completed in December 2020, is an integral part of our strategy to offset normal industry revenue declines due to print attrition and other changes. Our acquisitions during fiscal years 2020 and 2021 positively impacted our net sales by approximately \$12.5 million during fiscal year 2021.

Our net sales increased from \$400.8 million for fiscal year 2019 to \$438.4 million for fiscal year 2020, an increase of 9.4%. The increase in supply of cheaper foreign paper imports, due to the strengthening of the U.S. dollar, unseasonal weather conditions in parts of the country and domestic pricing levels, continued to provide the elements for a challenging marketplace. Each of these factors negatively impacted sales. In particular, our competition was able to be more price-competitive due to the availability of cheaper materials, and some of our sales were negatively impacted by weather conditions. The acquisitions of Integrated, which was completed in March 2019, and Flesh, which was completed in July 2019, were integral parts of our strategy to offset normal industry revenue declines due to print attrition and other changes. Our acquisitions during fiscal years 2020 and 2019 positively impacted our net sales by approximately \$55.3 million during fiscal year 2020.

*Cost of Goods Sold.* Our manufacturing costs decreased from \$309.5 million for fiscal year 2020 to \$254.2 million for fiscal year 2021, or 17.9%. Our gross profit margin (“margin”) decreased slightly from 29.4% for fiscal year 2020 to 29.0% for fiscal year 2021. While our plants have been deemed “essential” and as such have generally remained open, our sales for the fiscal year 2021 were significantly impacted by reduced economic activity due to COVID-19. As such, our reduced production levels adversely impacted our factory utilization and efficiency during the first and second quarters of this fiscal year. Our modification to our cost structure in response to the sales impact of the COVID-19 pandemic and the integration of our acquisitions last fiscal year resulted in improvements in our margin as a percentage of sales during the fourth quarter.

Our manufacturing costs increased from \$277.4 million for fiscal year 2019 to \$309.5 million for fiscal year 2020, or 11.6%. Our margin decreased from 30.8% for fiscal year 2019 to 29.4% for fiscal year 2020. Our margin during the period continued to be impacted for the most part by the dilutive impact of the acquisitions completed in the last year and to a lesser extent to the numerous raw material price increases taken last fiscal year, some of which could not be completely passed through to the customer. During the previous fiscal year, tight supply conditions allowed for multiple price increases on raw materials which could be passed through to the customer due to apportionment of paper, as well as other items in the manufacturing process. Historically price increases have been less frequent, which allowed manufacturers the ability to pass the required pricing adjustments through to the marketplace in a timely manner. However, the size and number of increases impacted manufacturers’ abilities to timely pass these price adjustments to the end-users. Due to pricing levels and the strengthening U.S. dollar, imports had increased and created an excess supply condition domestically. This historically has led to some normalization/stability in the marketplace which started to be seen as material prices became softer. Our acquisitions completed during the previous



year had a dilutive impact on our margins as we transitioned them into our enterprise resource planning system. Without the impact of the acquisitions completed over the previous 18 months, the margins from our other plants continued to be above 30.8% during the period, comparable to historical levels.

*Selling, general, and administrative expenses.* Our selling, general, and administrative (“SG&A”) expenses decreased approximately 12.7%, from \$78.2 million for fiscal year 2020 to \$68.3 million for fiscal year 2021. As a percentage of sales, SG&A expenses increased from 17.8% in fiscal year 2020 to 19.1% for fiscal year 2021. We continue to seek ways to more fully leverage our SG&A expenses, and to reduce SG&A expenses following acquisitions through the implementation of our systems and processes, which allows us to integrate many of our acquired companies’ back-office processes.

Our SG&A expenses increased approximately 6.4%, from \$73.5 million for fiscal year 2019 to \$78.2 million for fiscal year 2020. As a percentage of sales, SG&A expenses declined from 18.3% in fiscal year 2019 to 17.8% for fiscal year 2020. Our acquisitions negatively impacted our SG&A expenses by approximately \$6.6 million during fiscal year 2020.

*(Gain) loss from disposal of assets.* The \$0.4 million gain from disposal of assets for fiscal year 2021 is primarily attributed to the \$0.5 million gain on the sale of land and manufacturing facilities offset by approximately a \$0.1 million loss in the sale of manufacturing equipment. The \$0.1 million gain from disposal of assets for fiscal year 2020 is primarily attributed to the sale of a manufacturing facility and manufacturing equipment. The \$0.2 million gain from disposal of assets for fiscal year 2019 is primarily related to the sale of an unused manufacturing facility and manufacturing equipment.

*Income from operations.* Primarily due to factors described above, our income from continuing operations for fiscal year 2021 was \$35.9 million, or 10.0% of net sales, compared to \$50.8 million, or 11.6% of net sales, for fiscal year 2020. Our acquisitions contributed approximately \$2.0 million to our operational income during fiscal year 2021.

Our income from continuing operations for fiscal year 2020 was \$50.8 million, or 11.6% of net sales, compared to \$50.1 million, or 12.5% of net sales, for fiscal year 2019. Our acquisitions contributed approximately \$6.2 million to our operational income during fiscal year 2020.

*Other income (expense).* Other expense was \$2.6 million for fiscal year 2021 compared to income of \$0.4 million for fiscal year 2020. The increase in expense was primarily the result of an increase in our pension expense of \$2.7 million, of which \$1.6 million was a settlement charge as a result of the lump sums paid out from our Pension Plan in fiscal year 2021 that were greater than the service cost and interest cost for the fiscal year. Other income was \$0.4 million for fiscal year 2020 compared to \$0.2 million expense for fiscal year 2019. The decrease in expense related primarily to approximately \$0.5 million less in interest expense due to the payoff of the Credit Facility at the end of the second quarter of fiscal year 2020.

*Provision for income taxes.* Our effective tax rates for fiscal years 2021, 2020 and 2019 were 27.6%, 25.3%, and 25.0%, respectively. The higher effective tax rate for fiscal year 2021 was primarily impacted by permanent nondeductible expenses and settlement of certain state and local tax matters. The slightly higher effective tax rate for fiscal year 2020 was primarily due to the establishment of a reserve against our foreign tax credits.

*Net earnings.* Our net earnings was significantly impacted by COVID-19 pandemic. The increase in pension expense from fiscal year 2020 to 2021 included in other expense impacted our results by \$0.07 per diluted share. Net earnings were \$24.1 million, or \$0.93 per diluted share for fiscal year 2021. Net earnings for fiscal year 2020 was \$38.3 million, or \$1.47 per diluted share, and \$37.4 million, or \$1.45 per diluted share for fiscal year 2019.

## Liquidity and Capital Resources

<u>(Dollars in thousands)</u>	Fiscal Years Ended		
	2021	2020	2019
Working Capital	\$113,022	\$111,915	\$134,542
Cash	\$ 75,190	\$ 68,258	\$ 88,442

**Working Capital.** Our working capital increased by approximately \$1.1 million, or 1.0%, from \$111.9 million at February 29, 2020 to \$113.0 million at February 28, 2021. Our current ratio, calculated by dividing our current assets by our current liabilities, increased from 4.0-to-1.0 for fiscal year 2020 to 4.2-to-1.0 for fiscal year 2021. Our working capital and current ratio were positively impacted by a \$6.9 million increase in cash and a \$3.9 million decrease in accounts payable and employee compensation and benefits. These positive increases were offset by a \$5.2 million decrease in accounts receivable, a \$2.2 million decrease in prepaid income taxes and a \$1.9 million decrease in our inventories.

Our working capital decreased by approximately \$22.6 million, or 16.8%, from \$134.5 million at February 28, 2019 to \$111.9 million at February 29, 2020. Our current ratio, calculated by dividing our current assets by our current liabilities, decreased from 5.3-to-1.0 for fiscal year 2019 to 4.0-to-1.0 for fiscal year 2020. Our working capital and current ratio were negatively impacted by the repayment of long-term debt of \$30.0 million and the adoption of Accounting Standards Update No. 2018-11, *Leases (ASC 842): Targeted Improvements*, which increased our current liabilities by \$5.7 million.

Our operations continue to be affected by the ongoing COVID-19 pandemic. The ultimate disruption that may result from the virus is uncertain, but it may result in a material adverse impact on our financial position, operations and cash flows. Possible areas that may be affected include, but are not limited to, disruption to our customers and revenue, labor workforce, and an impairment in the value of our long-lived assets, including property, plant and equipment, goodwill and other intangible assets.

## Cash Flow Components

(Dollars in thousands)	Fiscal years ended		
	2021	2020	2019
Net cash provided by operating activities	\$ 52,817	\$ 57,219	\$ 51,335
Net cash used in investing activities	\$(21,183)	\$(21,446)	\$(31,770)
Net cash used in financing activities	\$(24,702)	\$(55,957)	\$(27,353)

**Cash flows from operating activities.** Cash provided by operating activities was \$52.8 million for fiscal year 2021 (a decrease of \$4.4 million compared to fiscal year 2020), \$57.2 million for fiscal year 2020 (an increase of \$5.9 million compared to fiscal year 2019) and \$51.3 million for fiscal year 2019.

Our decreased operational cash flows in fiscal year 2021 compared to fiscal year 2020 was primarily the result of two factors: (i) a 14.2 million decrease in net earnings and (ii) a \$0.7 million increase in our accounts payable and accrued expenses. These decreases were offset by a \$4.3 million increase in our accounts receivable and a \$3.6 million increase in our prepaid expenses and prepaid income taxes.

Our increased operational cash flows in fiscal year 2020 compared to fiscal year 2019 was primarily the result of three factors: (i) a \$0.9 million increase in net earnings; (ii) a \$0.3 million decrease in our accounts receivable; and (iii) a \$6.8 million decrease in our inventories. These three positive factors were offset by an increase in our prepaid expenses and prepaid income taxes of \$4.9 million.

**Cash flows from investing activities.** Cash used in investing activities was \$21.2 million in fiscal year 2021 compared to 21.4 million in fiscal year 2020 and \$31.8 million in fiscal year 2019. Cash used in investing activities remained level for both fiscal year 2021 and 2020. Capital expenditures increased by \$0.3 million and the cost to acquire businesses increased by \$0.5 million in fiscal year 2021. Both of these increases were offset by a \$1.0 million increase in the proceeds from disposal of property. The \$10.3 million decrease in cash used in fiscal year 2020 compared to fiscal year 2019 was primarily due to a \$1.4 million decrease in capital expenditures and an \$8.7 million decrease in costs to acquire businesses.

**Cash flows from financing activities.** Cash used in financing activities was \$24.7 million in fiscal year 2021 compared to \$56.0 million used in fiscal year 2020 and \$27.4 million used in fiscal year 2019.

The decrease in our cash used in fiscal year 2021 compared to fiscal year 2020 resulted from two factors: (i) \$30.0 million in long-term debt was paid in fiscal year 2020, compared to no long-term debt outstanding and paid in fiscal

year 2021 and (ii) \$1.2 million less used to purchase our common stock under our repurchase program in fiscal year 2021 compared to fiscal year 2020.

The increase in our cash used in fiscal year 2020 compared to fiscal year 2019 resulted from two factors: (i) the payment of \$30.0 million in long-term debt in fiscal year 2020, compared to the payment of no long-term debt in fiscal year 2019; and (ii) the payment of \$0.9 million more in dividends in fiscal year 2020 compared to fiscal year 2019.

**Stock Repurchase** – The Board has authorized the repurchase of the Company’s outstanding common stock through a stock repurchase program, which authorized amount is currently up to \$40.0 million in the aggregate. Under the repurchase program, purchases may be made from time to time in the open market or through privately-negotiated transactions, depending on market conditions, share price, trading volume and other factors. Repurchases may be commenced or suspended at any time or from time to time without prior notice, provided that any purchases must be made in accordance with applicable insider trading rules and securities laws and regulations. Since the program’s inception in October 2008, we have repurchased 1,894,350 common shares under the program at an average price of \$15.91 per share. During our fiscal year 2021, we repurchased 77,996 shares of common stock at an average price of \$15.84 per share. As of February 28, 2021, \$9.9 million remained available to repurchase shares of the Company’s common stock under the program. The Company expects to continue to repurchase its shares under the repurchase program during fiscal year 2022 provided that the Board determines such repurchases to be in the best interests of the Company and its shareholders.

**Credit Facility** – The Company’s Credit Facility, which has been extended to the Company until November 11, 2021, provides the Company and its subsidiaries with up to \$100.0 million in revolving credit, as well as a \$20.0 million sublimit for the issuance of letters of credit and a \$15.0 million sublimit for swing-line loans. Under the Credit Facility, the Company or any of its subsidiaries can request up to three increases in the aggregate commitments in an aggregate amount not to exceed \$50.0 million. The terms and conditions of the Credit Facility impose certain restrictions on our ability to incur additional debt, make capital expenditures, acquisitions and asset dispositions, as well as impose other customary covenants, such as requiring that our fixed charge coverage ratio not be less than 1.25:1.00 and our total leverage ratio not exceed 3.00:1.00. The Company may make dividends or distributions to shareholders so long as (i) no event of default has occurred and is continuing and (ii) the Company’s net leverage ratio both before and after giving effect to any such dividend or distribution is equal to or less than 2.50:1.00. All calculations are made based on U.S. Generally Accepted Accounting Principles existing at the time the Credit Facility was entered into. As of February 28, 2021, the Company was in compliance with all terms and conditions of the Credit Facility.

The Credit Facility bears interest at the LIBOR rate plus a spread ranging from 1.85% to 2.5%. The rate is determined by our fixed charge coverage ratio of total funded debt to earnings before interest, taxes, depreciation and amortization (“EBITDA”). As of February 28, 2021, the Company had no outstanding debt, and the Company had \$0.6 million outstanding under standby letters of credit arrangements, leaving approximately \$99.4 million available in borrowing capacity under the Credit Facility. The Credit Facility is secured by substantially all of our assets (other than real property), as well as all capital securities of each of our subsidiaries.

It is anticipated that, should it be required, the line of credit available under the Credit Facility will be sufficient to cover our working capital needs for the foreseeable future.

**Pension Plan** – The funded status of our pension plan is dependent on many factors, including returns on invested assets, the level of market interest rates and the level of funding. The assumptions used to calculate the pension funding deficit are different from the assumption used to determine the net pension obligations for purposes of our Consolidated Financial Statements. The funding of our pension plan is governed by the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended, and the Internal Revenue Code and is also subject to the Moving Ahead for Progress in the 21<sup>st</sup> Century Act, the Highway and Transportation Funding Act of 2014, and the Bipartisan Budget Act of 2015. Under these regulations, the liabilities are discounted using 25-year average corporate bond rates within a specified corridor. For the period ended February 28, 2021, the specified corridor around the 25-year average was 10%. We made contributions of \$3.0 million to our Pension Plan in fiscal years 2020 and 2019. There was no contribution required or made in fiscal year 2021. Given our funding status as of February 28, 2021 and absent any significant negative event, we anticipate that our future contributions will be between \$1.5 million and \$3.0 million per year, depending on our Pension Plan’s funding.

**Inventories** – We believe our current inventory levels are sufficient to satisfy our customer demands and we anticipate having adequate sources of raw materials to meet future business requirements. We have long-term

contracts in effect with paper suppliers that govern prices, but do not require minimum purchase commitments. Certain of our rebate programs do, however, require minimum purchase volumes. Management anticipates meeting the required volumes.

**Capital Expenditures** – We expect our capital expenditure requirements for fiscal year 2022, exclusive of capital required for possible acquisitions, will be in line with our historical levels of between \$3.0 million and \$5.0 million. We expect to fund these expenditures through existing cash flows. We expect to generate sufficient cash flows from our operating activities to cover our operating and other normal capital requirements for the foreseeable future.

**Contractual Obligations**– There have been no significant changes in our contractual obligations since February 28, 2021 that have, or that are reasonably likely to have, a material impact on our results of operations or financial condition. The following table represents our contractual commitments as of February 28, 2021 (in thousands).

	Total	Due in less than 1 year	Due in 1-3 years	Due in 4-5 years	Due in more than 5 years
Estimated pension benefit payments to Pension Plan participants	37,500	3,600	6,500	8,500	18,900
Letters of credit	583	583	—	—	—
Operating leases	20,351	5,439	9,051	5,157	704
Total	<u>\$ 58,434</u>	<u>\$ 9,622</u>	<u>\$ 15,551</u>	<u>\$ 13,657</u>	<u>\$ 19,604</u>

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Market Risk

#### Interest Rates

From time to time, we are exposed to interest rate risk on short-term and long-term financial instruments carrying variable interest rates. We may from time to time utilize interest rate swaps to manage overall borrowing costs and reduce exposure to adverse fluctuations in interest rates. We do not use derivative instruments for trading purposes. We had no variable rate financial instruments outstanding at February 28, 2021 due to the pay-down of our Credit Facility, but we will be exposed to interest rate risk if we borrow under the Credit Facility in the future.

## ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements and Supplementary Data required by this Item 8 are set forth following the signature page of this report and are incorporated herein by reference.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

A review and evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our “disclosure controls and procedures” (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act of 1934, as amended (the “Exchange Act”)) as of February 28, 2021. Based upon that review and evaluation, we have concluded that our disclosure controls and procedures were effective as of February 28, 2021.

### Management’s Report on Internal Control over Financial Reporting

The financial statements, financial analysis and all other information in this Annual Report on Form 10-K were prepared by management, who is responsible for their integrity and objectivity and for establishing and maintaining adequate internal controls over financial reporting.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that:

- i. Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company;
- ii. Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- iii. Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or dispositions of the Company's assets that could have a material effect on the financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

Management assessed the design and effectiveness of the Company's internal control over financial reporting as of February 28, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the 2013 *Internal Control—Integrated Framework* ("2013 COSO framework"). Based on management's assessment using those criteria, we believe that, as of February 28, 2021, the Company's internal control over financial reporting is effective.

In conducting our evaluation, we excluded the assets and liabilities and results of operations of Infoseal, which we acquired on December 31, 2020, in accordance with the SEC's guidance concerning the reporting of internal controls over financial reporting in connection with a material acquisition. The assets and revenues resulting from this acquisition constituted approximately 7 and 1 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended February 28, 2021.

### **Changes in Internal Controls**

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Grant Thornton LLP, an independent registered public accounting firm, has audited the consolidated financial statements of the Company for the fiscal year ended February 28, 2021 and has attested to the effectiveness of the Company's internal control over financial reporting as of February 28, 2021. Their report on the effectiveness of internal control over financial reporting is presented on page F-3 of this Annual Report on Form 10-K.

### **ITEM 9B. OTHER INFORMATION**

None.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Except as set forth below, the information required by Item 10 is incorporated herein by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Shareholders, including “Election of Directors”, “Corporate Governance”, “Executive Officers” and “Delinquent Section 16(a) Reports.”

The SEC and the NYSE have issued multiple regulations requiring policies and procedures in the corporate governance area. In complying with these regulations, it has been the goal of the Company’s Board and senior leadership to do so in a way which does not inhibit or constrain the Company’s unique culture, and which does not unduly impose a bureaucracy of forms and checklists. Accordingly, formal, written policies and procedures have been adopted in the simplest possible way, consistent with legal requirements, including a Code of Ethics applicable to the Company’s principal executive officer, principal financial officer, and principal accounting officer or controller. The Company’s Corporate Governance Guidelines, its charters for each of its Audit, Compensation, Nominating and Corporate Governance Committees and its Code of Ethics covering all Employees are available on the Company’s website, [www.ennis.com](http://www.ennis.com), and a copy will be mailed upon request to Investor Relations at 2441 Presidential Parkway, Midlothian, TX 76065. If we make any substantive amendments to the Code, or grant any waivers to the Code for any of our senior officers or directors, we will disclose such amendment or waiver on our website and in a report on Form 8-K.

#### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by Item 11 is hereby incorporated herein by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Shareholders.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by Item 12, as to certain beneficial owners and management, is hereby incorporated by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Shareholders.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by Item 13 is hereby incorporated herein by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Shareholders.

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by Item 14 is hereby incorporated herein by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Shareholders.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report.

#### 1. Index to Consolidated Financial Statements of the Company

An “Index to Consolidated Financial Statements” has been filed as a part of this Report beginning on page F-1 hereof.

2. All schedules for which provision is made in the applicable accounting regulation of the SEC have been omitted because of the absence of the conditions under which they would be required or because the information required is included in the consolidated financial statements of the Registrant or the notes thereto.

#### 3. Exhibits

Exhibit Number	Description
Exhibit 3.1(a)	<u>Restated Articles of Incorporation, as amended through June 23, 1983 with attached amendments dated June 20, 1985, July 31, 1985, June 16, 1988 and November 4, 1998, incorporated herein by reference to Exhibit 3.1(a) to the Registrant’s Form 10-Q filed on October 6, 2017 (File No. 001-05807).</u>
Exhibit 3.1(b)	<u>Amendment to Articles of Incorporation, dated June 17, 2004, incorporated herein by reference to Exhibit 3.1(b) to the Registrant’s Annual Report on Form 10-K for the fiscal year ended February 28, 2007 filed on May 9, 2007 (File No. 001-05807).</u>
Exhibit 3.2	<u>Fourth Amended and Restated Bylaws of Ennis, Inc., dated July 10, 2017, incorporated herein by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed on July 10, 2017 (File No. 001-05807).</u>
Exhibit 4.1	<u>Description of Ennis, Inc. Securities Registered under Section 12 of the Exchange Act of 1934.*</u>
Exhibit 10.1	<u>Fourth Amendment and Consent to Second Amended and Restated Credit Agreement, effective as of May 25, 2016, by and among Ennis, Inc., each of the co-borrowers party thereto, each of the lenders party thereto, and Bank of America, N.A., in its capacity as administrative agent for the Lenders incorporated herein by reference to Exhibit 10.1 to the Registrant’s Form 8-K filed on June 24, 2016 (File No. 001-05807).</u>
Exhibit 10.2	<u>Fifth Amendment to Second Amended and Restated Credit Agreement, dated June 20, 2016, by and among Ennis, Inc., each of the co-borrowers party thereto, each of the lenders party thereto, and Bank of America, N.A., in its capacity as administrative agent for the Lenders incorporated herein by reference to Exhibit 10.2 to the Registrant’s Form 8-K filed on June 24, 2016 (File No. 001-05807).</u>
Exhibit 10.3	<u>Sixth Amendment to Second Amended and Restated Credit Agreement, dated August 11, 2016, by and among Ennis, Inc., each of the co-borrowers party thereto, each of the lenders party thereto, and Bank of America, N.A., in its capacity as administrative agent for the Lenders incorporated herein by reference to Exhibit 10.1 to the Registrant’s Form 8-K filed on August 17, 2016 (File No. 001-05807).</u>
Exhibit 10.4	<u>Seventh Amendment to Second Amended and Restated Credit Agreement, dated April 13, 2020, by and among Ennis, Inc., each of the co-borrowers party thereto, each of the lenders party thereto, and Bank of America, N.A., in its capacity as administrative agent for the Lenders incorporated herein by reference to Exhibit 10.1 to the Registrant’s Form 8-K filed on April 15, 2020 (File No. 001-05807).</u>
Exhibit 10.5	<u>2004 Long-Term Incentive Plan, as amended and restated effective June 30, 2011, incorporated herein by reference to Appendix A of the Registrant’s Form DEF 14A filed on May 26, 2011.+</u>
Exhibit 10.6	<u>Amended and Restated Chief Executive Officer Employment Agreement between Ennis, Inc. and Keith S. Walters, effective as of December 19, 2008, herein incorporated by reference to Exhibit 10.1 to the Registrant’s Form 8-K filed on January 20, 2009 (File No. 001-05807).+</u>

<b>Exhibit Number</b>	<b>Description</b>
Exhibit 10.7	<u>Amended and Restated Executive Employment Agreement between Ennis, Inc. and Michael D. Magill, effective as of May 15, 2019, herein incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed on May 16, 2019 (File No. 001-05807).</u> <sup>+</sup>
Exhibit 10.8	<u>Amended and Restated Executive Employment Agreement between Ennis, Inc. and Ronald M. Graham, effective as of May 15, 2019, herein incorporated by reference to Exhibit 10.2 to the Registrant's Form 8-K filed on May 16, 2019 (File No. 001-05807).</u> <sup>+</sup>
Exhibit 21	<u>Subsidiaries of Registrant*</u>
Exhibit 23	<u>Consent of Independent Registered Public Accounting Firm*</u>
Exhibit 31.1	<u>Certification Pursuant to Rule 13a-14(a) of Chief Executive Officer.*</u>
Exhibit 31.2	<u>Certification Pursuant to Rule 13a-14(a) of Interim Chief Financial Officer.*</u>
Exhibit 32.1	<u>Section 1350 Certification of Chief Executive Officer.**</u>
Exhibit 32.2	<u>Section 1350 Certification of Interim Chief Financial Officer.**</u>
Exhibit 101	The following information from Ennis, Inc.'s Annual Report on Form 10-K for the year ended February 28, 2021, filed on May 7, 2021, formatted as Inline XBRL: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements, tagged as blocks of text and in detail.
Exhibit 104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith.

\*\* Furnished herewith.

+ Represents a management contract or a compensatory plan or arrangement.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

### ENNIS, INC.

Date: May 7, 2021

/s/ KEITH S. WALTERS

Keith S. Walters, Chairman of the Board,  
Chief Executive Officer and President

Date: May 7, 2021

/s/ VERA BURNETT

Vera Burnett  
Interim CFO, Treasurer and Principal Financial and  
Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: May 7, 2021

/s/ KEITH S. WALTERS

Keith S. Walters, Chairman of the Board,  
Chief Executive Officer and President

Date: May 7, 2021

/s/ JOHN R. BLIND

John R. Blind, Director

Date: May 7, 2021

/s/ AARON CARTER

Aaron Carter, Director

Date: May 7, 2021

/s/ BARBARA T. CLEMENS

Barbara T. Clemens, Director

Date: May 7, 2021

/s/ GODFREY M. LONG, JR.

Godfrey M. Long, Jr., Director

Date: May 7, 2021

/s/ GARY S. MOZINA

Gary S. Mozina, Director

Date: May 7, 2021

/s/ TROY L. PRIDDY

Troy L. Priddy, Director

Date: May 7, 2021

/s/ ALEJANDRO QUIROZ

Alejandro Quiroz, Director

Date: May 7, 2021

/s/ MICHAEL J. SCHAEFER

Michael J. Schaefer, Director

Date: May 7, 2021

/s/ VERA BURNETT

Vera Burnett, Principal Financial and Accounting  
Officer

**ENNIS, INC. AND SUBSIDIARIES**  
**Index to Consolidated Financial Statements**

<u>Report of Independent Registered Public Accounting Firm</u> .....	F-2
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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
Ennis, Inc.

### **Opinion on the financial statements**

We have audited the accompanying consolidated balance sheets of Ennis, Inc. (a Texas corporation) and subsidiaries (the “Company”) as of February 28, 2021 and February 29, 2020, the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended February 28, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2021 and February 29, 2020, and the results of its operations and its cash flows for each of the three years in the period ended February 28, 2021, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of February 28, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated May 7, 2021 expressed an unqualified opinion.

### **Basis for opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical audit matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that is material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Valuation of acquired customer relationships and equipment*

As described further in Note 5 to the financial statements, on December 31, 2020, the Company completed an acquisition. The Company’s accounting for the acquisition included estimating the fair value of the acquired tangible and intangible assets, including equipment and customer relationships. We identified the Company’s methods and assumptions used in estimating the fair value of equipment and customer relationships a critical audit matter.

The principal considerations for our determination that the Company’s methods and assumptions used in estimating the fair value of the equipment and customer relationships is a critical audit matter include the significant auditor judgment required in evaluating the inputs and assumptions used by management when estimating the fair value of

these assets. The estimation was significant primarily due to the sensitivity of the respective fair values to the underlying assumptions, including discount rate, projected revenue growth rates, projected gross margins, customer attrition rate, and application of the methodology used. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Our audit procedures related to the Company's methods and assumptions used in the estimation of the fair value of the acquired equipment and customer relationships included the following, among others.

- We tested the design and operating effectiveness of controls relating to management's review of the assumptions used to develop the future revenues and cash flows and the valuation methodologies applied by the third party valuation specialists.
- We evaluated whether the assumptions used including, revenue growth rate, gross margin percentage, and customer attrition rate were reasonable.
- For equipment acquired, we tested the reasonableness of management's methodology and use of external market data.
- We utilized a valuation specialist to assist in evaluating the methodologies and other underlying assumptions used including the application of the discount rate by the Company.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2005.

Dallas, Texas  
May 7, 2021

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
Ennis, Inc.

### **Opinion on internal control over financial reporting**

We have audited the internal control over financial reporting of Ennis, Inc. (a Texas corporation) and subsidiaries (the “Company”) as of February 28, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 28, 2021, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated financial statements of the Company as of and for the year ended February 28, 2021, and our report dated May 7, 2021 expressed an unqualified opinion on those financial statements.

### **Basis for opinion**

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting (“Management’s Report”). Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our audit of, and opinion on, the Company’s internal control over financial reporting does not include the internal control over financial reporting of Infoseal, whose financial statements reflect total assets and revenues constituting 7 and 1 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended February 28, 2021. As indicated in Management’s Report, Infoseal was acquired during the year ended 2021. Management’s assertion on the effectiveness of the Company’s internal control over financial reporting excluded internal control over financial reporting of Infoseal.

### **Definition and limitations of internal control over financial reporting**

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ GRANT THORNTON LLP

Dallas, Texas

May 7, 2021

**ENNIS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
*(in thousands)*

	February 28, 2021	February 29, 2020
<b>Assets</b>		
Current assets		
Cash	\$ 75,190	\$ 68,258
Accounts receivable, net of allowance for doubtful receivables of \$961 at February 28, 2021 and \$715 at February 29, 2020	37,891	43,086
Prepaid expenses	1,605	1,541
Prepaid income taxes	—	2,164
Inventories	32,906	34,835
Assets held for sale	482	—
Total current assets	148,074	149,884
Property, plant and equipment		
Plant, machinery and equipment	157,737	155,744
Land and buildings	56,185	57,887
Computer equipment and software	19,336	19,312
Other	4,808	4,873
Total property, plant and equipment	238,066	237,816
Less accumulated depreciation	182,682	181,414
Net property, plant and equipment	55,384	56,402
Operating lease right-of-use assets	19,187	20,068
Goodwill	88,647	82,527
Intangible assets, net	52,712	56,557
Other assets	384	261
Total assets	<u>\$ 364,388</u>	<u>\$ 365,699</u>

See accompanying notes to consolidated financial statements.

**ENNIS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS-continued**  
*(in thousands, except for par value and share amounts)*

	February 28, 2021	February 29, 2020
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 14,759	\$ 17,235
Accrued expenses	14,955	15,069
Current portion of operating lease liabilities	5,338	5,665
Total current liabilities	35,052	37,969
Liability for pension benefits	6,299	8,936
Deferred income taxes	7,677	8,749
Operating lease liabilities, net of current portion	13,567	14,200
Other liabilities	1,244	1,516
Total liabilities	<u>63,839</u>	<u>71,370</u>
Commitments and contingencies		
Shareholders' equity		
Preferred stock \$10 par value, authorized 1,000,000 shares; none issued	—	—
Common stock \$2.50 par value, authorized 40,000,000 shares; issued 30,053,443 shares at February 28, 2021 and February 29, 2020	75,134	75,134
Additional paid-in capital	123,017	123,052
Retained earnings	194,436	193,809
Accumulated other comprehensive loss:		
Minimum pension liability, net of taxes	(20,282)	(25,206)
Treasury stock	(71,756)	(72,460)
Total shareholders' equity	<u>300,549</u>	<u>294,329</u>
Total liabilities and shareholders' equity	<u>\$ 364,388</u>	<u>\$ 365,699</u>

See accompanying notes to consolidated financial statements.



**ENNIS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
*(in thousands, except share and per share amounts)*

	Fiscal Years Ended		
	2021	2020	2019
Net sales	\$ 357,973	\$ 438,412	\$ 400,782
Cost of goods sold	254,207	309,488	277,422
Gross profit margin	103,766	128,924	123,360
Selling, general and administrative	68,270	78,173	73,490
Gain from disposal of assets	(405)	(87)	(217)
Income from operations	35,901	50,838	50,087
Other income (expense)			
Interest expense	(11)	(606)	(1,154)
Other, net	(2,603)	1,019	1,001
Total other income (expense)	(2,614)	413	(153)
Earnings from continuing operations before income taxes	33,287	51,251	49,934
Income tax expense	9,193	12,959	12,497
Net earnings	<u>\$ 24,094</u>	<u>\$ 38,292</u>	<u>\$ 37,437</u>
Weighted average common shares outstanding			
Basic	25,995,127	26,036,393	25,829,804
Diluted	25,995,127	26,036,393	25,842,179
Earnings per share			
Basic	\$ 0.93	\$ 1.47	\$ 1.45
Diluted	\$ 0.93	\$ 1.47	\$ 1.45
Cash dividends per share	\$ 0.900	\$ 0.900	\$ 0.875

See accompanying notes to consolidated financial statements.

**ENNIS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(in thousands)*

	<b>Fiscal Years Ended</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Net earnings	\$ 24,094	\$ 38,292	\$ 37,437
Adjustment to pension, net of taxes	4,924	(8,502)	(276)
Comprehensive income	<u>\$ 29,018</u>	<u>\$ 29,790</u>	<u>\$ 37,161</u>

See accompanying notes to consolidated financial statements.

**ENNIS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE FISCAL YEARS ENDED 2019, 2020, AND 2021**  
*(in thousands, except share and per share amounts)*

	<b>Common Stock</b>		<b>Additional</b>	<b>Retained</b>	<b>Accumulated</b>	<b>Treasury Stock</b>		
	<b>Shares</b>	<b>Amount</b>	<b>Paid-in</b>	<b>Earnings</b>	<b>Other</b>	<b>Shares</b>	<b>Amount</b>	<b>Total</b>
			<b>Capital</b>		<b>Income (Loss)</b>			
<b>Balance March 1, 2018</b>	30,053,443	\$ 75,134	\$ 121,333	\$ 164,177	\$ (16,428)	(4,789,228)	\$ (82,512)	\$261,704
Net earnings	—	—	—	37,437	—	—	—	37,437
Adjustment to pension, net of deferred tax of \$92	—	—	—	—	(276)	—	—	(276)
Dividends paid (\$0.875 per share)	—	—	—	(22,611)	—	—	—	(22,611)
Stock based compensation	—	—	1,397	—	—	—	—	1,397
Exercise of stock options and restricted stock	—	—	(1,539)	—	—	110,806	1,608	69
Common stock issued for acquisition of business	—	—	1,874	—	—	829,126	14,344	16,218
Common stock repurchases	—	—	—	—	—	(247,803)	(4,811)	(4,811)
<b>Balance February 28, 2019</b>	30,053,443	\$ 75,134	\$ 123,065	\$ 179,003	\$ (16,704)	(4,097,099)	\$ (71,371)	\$289,127
Net earnings	—	—	—	38,292	—	—	—	38,292
Adjustment to pension, net of deferred tax of \$2,834	—	—	—	—	(8,502)	—	—	(8,502)
Dividends paid (\$0.90 per share)	—	—	—	(23,486)	—	—	—	(23,486)
Stock based compensation	—	—	1,369	—	—	—	—	1,369
Exercise of stock options and restricted stock	—	—	(1,382)	—	—	87,143	1,382	—
Common stock repurchases	—	—	—	—	—	(126,330)	(2,471)	(2,471)
<b>Balance February 29, 2020</b>	30,053,443	\$ 75,134	\$ 123,052	\$ 193,809	\$ (25,206)	(4,136,286)	\$ (72,460)	\$294,329
Net earnings	—	—	—	24,094	—	—	—	24,094
Adjustment to pension, net of deferred tax of \$1,641	—	—	—	—	4,924	—	—	4,924
Dividends paid (\$0.90 per share)	—	—	—	(23,467)	—	—	—	(23,467)
Stock based compensation	—	—	1,243	—	—	—	—	1,243
Exercise of stock options and restricted stock	—	—	(1,278)	—	—	110,652	1,939	661
Common stock repurchases	—	—	—	—	—	(77,996)	(1,235)	(1,235)
<b>Balance February 28, 2021</b>	<u>30,053,443</u>	<u>\$ 75,134</u>	<u>\$ 123,017</u>	<u>\$ 194,436</u>	<u>\$ (20,282)</u>	<u>(4,103,630)</u>	<u>\$ (71,756)</u>	<u>\$300,549</u>

See accompanying notes to consolidated financial statements.

**ENNIS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(in thousands)*

	Fiscal Years Ended		
	2021	2020	2019
Cash flows from operating activities:			
Net earnings	\$ 24,094	\$ 38,292	\$ 37,437
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation	9,922	10,425	9,071
Amortization of deferred finance charges	—	47	114
Amortization of intangible assets	8,115	7,769	7,118
Gain from disposal of assets	(405)	(87)	(217)
Bad debt expense, net of recoveries	1,044	(59)	212
Stock based compensation	1,243	1,369	1,397
Deferred income taxes	(2,713)	478	(742)
Net pension expense	3,928	(1,819)	(1,683)
Changes in operating assets and liabilities, net of the effects of acquisitions:			
Accounts receivable	6,117	1,781	1,480
Prepaid expenses and income taxes	2,100	(1,538)	3,408
Inventories	3,187	3,241	(3,580)
Other assets	(124)	43	5
Accounts payable and accrued expenses	(3,340)	(2,614)	(2,383)
Other liabilities	(351)	(109)	(302)
Net cash provided by operating activities	52,817	57,219	51,335
Cash flows from investing activities:			
Capital expenditures	(3,679)	(3,394)	(4,824)
Purchase of businesses, net of cash acquired	(19,202)	(18,733)	(27,389)
Proceeds from disposal of plant and property	1,698	681	443
Net cash used in investing activities	(21,183)	(21,446)	(31,770)
Cash flows from financing activities:			
Repayment of debt	—	(30,000)	—
Dividends paid	(23,467)	(23,486)	(22,611)
Common stock repurchases	(1,235)	(2,471)	(4,811)
Proceeds from exercise of stock options	—	—	69
Net cash used in financing activities	(24,702)	(55,957)	(27,353)
Net change in cash	6,932	(20,184)	(7,788)
Cash at beginning of period	68,258	88,442	96,230
Cash at end of period	<u>\$ 75,190</u>	<u>\$ 68,258</u>	<u>\$ 88,442</u>

See accompanying notes to consolidated financial statements.

**ENNIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Significant Accounting Policies and General Matters**

**Nature of Operations.** Ennis, Inc. and its wholly owned subsidiaries (collectively, the “Company”) are principally engaged in the production of and sale of business forms and other business products to customers primarily located in the United States.

**Basis of Consolidation.** The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. The Company’s last three fiscal years ended on the following days: February 28, 2021, February 29, 2020 and February 28, 2019 (fiscal years ended 2021, 2020 and 2019, respectively).

**Accounts Receivable.** Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment generally within 30 days from the invoice date. The Company’s allowance for doubtful receivables reserve is based on an analysis that estimates the amount of its total customer receivable balance that is not collectible. This analysis includes assessing a default probability to customers’ receivable balances, which is influenced by several factors including (i) current market conditions, (ii) periodic review of customer credit worthiness, and (iii) review of customer receivable aging and payment trends.

**Inventories.** With the exception of approximately 12.6% and 9.4% of its inventories valued at the lower of last-in, first-out (LIFO) for fiscal years 2021 and 2020, respectively, the Company values its inventories at the lower of first-in, first-out (FIFO) cost or net realizable value. The Company regularly reviews inventories on hand, using specific aging categories, and writes down the carrying value of its inventories for excess and potentially obsolete inventories based on historical usage and estimated future usage. In assessing the ultimate realization of its inventories, the Company is required to make judgments as to future demand requirements. As actual future demand or market conditions may vary from those projected by the Company, adjustments to inventories may be required. The Company provides reserves for excess and obsolete inventory when necessary based upon analysis of quantities on hand, recent sales volumes and reference to market prices. Reserves for excess and obsolete inventory at fiscal years ended 2021 and 2020 were \$1.2 million and \$1.1 million, respectively.

**Property, Plant and Equipment.** Depreciation and amortization of property, plant and equipment is calculated using the straight-line method over a period considered adequate to amortize the total cost over the useful lives of the assets, which range from 3 to 11 years for machinery and equipment and 10 to 33 years for buildings and improvements. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful life of the improvements. Repairs and maintenance are expensed as incurred. Renewals and betterments are capitalized and depreciated over the remaining life of the specific property unit. The Company capitalizes all leases that are in substance acquisitions of property.

**Goodwill and Other Intangible Assets.** Goodwill is the excess of the purchase price paid over the value of net assets of businesses acquired and is not amortized. Intangible assets are amortized on a straight-line basis over their estimated useful lives. Goodwill is evaluated for impairment on an annual basis, or more frequently if impairment indicators arise, using a quantitative or qualitative fair-value-based test that compares the fair value of the related business unit to its carrying value.

**Long-Lived Assets.** Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is based upon the fair value of assets.

**ENNIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Fair Value of Financial Instruments.** Certain assets and liabilities are required to be recorded at fair value on a recurring basis. Fair value is determined based on the exchange price that would be received for an asset or transferred for a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The carrying amounts of cash, accounts receivables, and accounts payable approximate fair value because of the short maturity and/or variable rates associated with these instruments. The Company categorizes each of its fair value measurements in one of these three levels based on the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

- Level 1 - Inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.
- Level 2 - Inputs utilize data points that are observable such as quoted prices, interest rates and yield curves.
- Level 3 - Inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

**Treasury Stock.** The Company accounts for repurchases of common stock using the cost method with common stock in treasury classified in the Consolidated Balance Sheets as a reduction of shareholders' equity.

**Deferred Finance Charges.** Deferred finance charges in connection with the Company's revolving credit facility are amortized to interest expense over the term of the facility using the straight-line method. If the facility is extinguished before the end of the term, the remaining balance of the deferred finance charges will be amortized fully in such year.

**Revenue Recognition.** We recognize revenues from product sales upon shipment to the customer if the terms of the sale are freight on board ("FOB") shipping point (and therefore title and all risks of ownership, including risk of loss, passes to the customer upon shipping) or, to a lesser extent, upon delivery to the customer if the terms of the sale are FOB destination (and therefore title and all risks of ownership, including risk of loss, passes to the customer upon delivery). Net sales represent gross sales invoiced to customers, less certain related charges, including sales tax, discounts, returns and other allowances. Returns, discounts and other allowances have historically been insignificant. In some cases and upon customer request, the Company prints and stores custom print product for customer specified future delivery, generally within twelve months. In this case, risk of loss passes to the customer, the customer is invoiced under normal credit terms, and revenue is recognized when manufacturing is complete. Approximately \$12.5 million, \$11.0 million and \$10.3 million of revenue was recognized under these arrangements during fiscal years 2021, 2020 and 2019, respectively.

**Advertising Expenses.** The Company expenses advertising costs as incurred. Catalog and brochure preparation and printing costs, which are considered direct response advertising, are amortized to expense over the life of the catalog, which typically ranges from three to twelve months. Advertising expense was approximately \$0.8 million, \$1.0 million and \$0.8 million during the fiscal years ended 2021, 2020 and 2019, respectively, and is included in selling, general and administrative expenses in the Consolidated Statements of Operations.

**Income Taxes.** Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company established a valuation allowance related to its foreign tax credit of \$0.4 million as a result of continued focus on domestic opportunities and no current plans to enter foreign markets.

**Earnings Per Share.** Basic earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net earnings by the weighted average number of common shares outstanding, and then adding the number of additional shares that would have been outstanding if potentially dilutive securities had been issued. This is calculated using the treasury stock method. For fiscal year 2019, all options were included in the diluted earnings per share computation because the average fair market value of the Company's stock exceeded the exercise price of the options. No options were outstanding at the end of fiscal years 2021 and 2020. The dilutive shares for restricted stock grants are included in the computation for basic and diluted earnings per share.

**ENNIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Accumulated Other Comprehensive Loss.** Accumulated other comprehensive loss is defined as the change in equity resulting from transactions from non-owner sources. Other comprehensive income consisted of changes in the funded status of the Company's pension plan.

**Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

**Shipping and Handling Costs.** The Company records amounts billed to customers for shipping and handling costs in net sales and related costs are included in cost of goods sold.

**Stock Based Compensation.** The Company recognizes stock based compensation expense over the requisite service period of the individual grants, which generally equals the vesting period. Actual forfeitures are recorded when they occur. The fair value of all share based awards is estimated on the date of grant.

**Recent Accounting Pronouncements**

Recently Adopted Accounting Updates

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement (Topic 820)* ("ASU 2018-13"). The standard is effective for public business entities in fiscal years beginning after December 15, 2019, and for interim periods within those fiscal years. Early adoption is permitted, including during an interim period. This new standard requires changes to disclosure requirements for fair value measurements for certain Level 3 items, and specifies that some of the changes must be applied prospectively, while others should be applied retrospectively. The Company adopted ASU 2018-13 as of March 1, 2020 and the adoption of this standard had no impact on the Company's financial statement disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"), which changes the impairment model for most financial assets and certain other instruments. Unlike the new guidance, entities will be required to measure expected credit losses for financial instruments, including trade receivables, based on historical experience, current conditions and reasonable forecasts. The Company adopted ASU 2016-13 as of March 1, 2020 and the adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans* ("ASU 2018-14"), which removes certain disclosures that are no longer cost beneficial and also includes additional disclosures to improve the overall usefulness of the disclosure requirements to financial statement users. The guidance requires disclosure changes to be presented on a retrospective basis. The Company adopted the guidance as of March 1, 2020 and did not have a material impact on the Company's financial statement disclosures.

Recently Issued Accounting Updates

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), which provides companies with optional guidance, including expedients and exceptions for applying generally accepted accounting principles to contracts and other transaction affected by reference rate reform, such as the London Interbank Offered Rate ("LIBOR"). This new standard was effective upon issuance and generally can be applied to applicable contract modifications through December 31, 2022. The Company is currently evaluating ASU 2020-04, but does not expect it to have a significant impact on its consolidated financial statements.

In December 2019, the FASB issued Accounting Standards Update ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of financial statements. Amendments include removal of certain exceptions to the

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general principles of Topic 740, *Income Taxes*, and simplification in several other areas. ASU 2019-12 is effective for annual reporting periods beginning after December 15, 2020, and interim periods therein. The Company is currently evaluating ASU 2019-12, but does not expect it to have a significant impact on the consolidated financial statements.

**(2) Revenue**

*Nature of Revenues*

Substantially all of the Company's revenue from contracts with customers consist of the sale of commercial printing products in the continental United States and is primarily recognized at a point in time in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods. Revenue from the sale of commercial printing products, including shipping and handling fees billed to customers, is recognized upon the transfer of control to the customer, which is generally upon shipment to the customer when the terms of the sale are FOB shipping point, or, to a lesser extent, upon delivery to the customer if the terms of the sale are FOB destination.

In a small number of cases and upon customer request, the Company prints and stores commercial printing product for customer specified future delivery, generally within the same year as the product is manufactured. In this case, revenue is recognized upon the transfer of control when manufacturing is complete and title and risk of ownership is passed to the customer. Storage revenue for certain customers may be recognized over time rather than at a point in time. The amount of storage revenue is immaterial to the financial statements. As the output method for measure of progress is determined to be appropriate, the Company recognizes revenue in the amount for which it has the right to invoice for revenue that is recognized over time and for which it demonstrates that the invoiced amount corresponds directly with the value to the customer for the performance completed to date.

The Company does not disaggregate revenue and operates in one sales category consisting of commercial printed product revenue, which is reported as net sales on the consolidated statements of operations. The Company does not have material contract assets and contract liabilities as of February 28, 2021.

*Significant Judgments*

Generally, the Company's contracts with customers are comprised of a written quote and customer purchase order or statement of work, and governed by the Company's trade terms and conditions. In certain instances, it may be further supplemented by separate pricing agreements and customer incentive arrangements, which typically only affect the contract's transaction price. Contracts do not contain a significant financing component as payment terms on invoiced amounts are typically between 30 to 90 days, based on the Company's credit assessment of individual customers, as well as industry expectations. Product returns are not significant.

From time to time, the Company may offer incentives to its customers considered to be variable consideration including volume-based rebates or early payment discounts. Customer incentives considered to be variable consideration are recorded as a reduction to revenue as part of the transaction price at contract inception when there is a basis to reasonably estimate the amount of the incentive and only to the extent that it is probable that a significant reversal of any incremental revenue will not occur. Customer incentives are allocated entirely to the single performance obligation of transferring printed product to the customer and are not considered material.

For customers with terms of FOB shipping point, the Company accounts for shipping and handling activities performed after the control of the printed product has been transferred to the customer as a fulfillment cost. The Company accrues for the costs of shipping and handling activities if revenue is recognized before contractually agreed shipping and handling activities occur.

The Company's contracts with customers are generally short-term in nature. Accordingly, the Company does not disclose the value of unsatisfied performance obligations nor the timing of revenue recognition.



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**(3) Accounts Receivable and Allowance for Doubtful Receivables**

Accounts receivable are reduced by an allowance for an estimate of amounts that are uncollectible. Substantially all of the Company's receivables are due from customers in North America. The Company extends credit to its customers based upon its evaluation of the following factors: (i) the customer's financial condition, (ii) the amount of credit the customer requests, and (iii) the customer's actual payment history (which includes disputed invoice resolution). The Company does not typically require its customers to post a deposit or supply collateral. The Company's allowance for doubtful receivables is based on an analysis that estimates the amount of its total customer receivable balance that is not collectible. This analysis includes assessing a default probability to customers' receivable balances, which is influenced by several factors including (i) current market conditions, (ii) periodic review of customer credit worthiness, and (iii) review of customer receivable aging and payment trends.

The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance in the period the payment is received. Credit losses from continuing operations have consistently been within management's expectations.

The following table represents the activity in the Company's allowance for doubtful receivables for the fiscal years ended (in thousands):

	2021	2020	2019
Balance at beginning of period	\$ 715	\$ 1,020	\$ 1,194
Bad debt expense, net of recoveries	1,044	(59)	212
Accounts written off	(798)	(246)	(386)
Balance at end of period	<u>\$ 961</u>	<u>\$ 715</u>	<u>\$ 1,020</u>

**(4) Inventories**

The following table summarizes the components of inventories at the different stages of production as of February 28, 2021 and February 29, 2020 (in thousands):

	2021	2020
Raw material	\$ 19,699	\$ 20,267
Work-in-process	3,762	4,557
Finished goods	9,445	10,011
	<u>\$ 32,906</u>	<u>\$ 34,835</u>

The excess of current costs at FIFO over LIFO stated values was approximately \$4.6 million and \$4.9 million as of fiscal years ended 2021 and 2020, respectively. During both fiscal year 2021 and 2020, as inventory quantities were reduced, this resulted in a liquidation of LIFO inventory quantities carried at lower costs prevailing in prior years compared with the cost of fiscal year 2020 and 2019, as applicable. The effect decreased cost of sales by approximately \$0.1 million, \$0.1 million and \$0.1 million for fiscal years 2021, 2020 and 2019, respectively. Cost includes materials, labor and overhead related to the purchase and production of inventories.

**(5) Acquisitions**

The Company applies the acquisition method of accounting for business combinations. Under the acquisition method, the acquiring entity in a business combination recognizes 100% of the assets acquired and liabilities assumed at their acquisition date fair values. Management utilizes valuation techniques appropriate for the asset or liability being measured in determining these fair values. Any excess of the purchase price over amounts allocated to assets acquired, including identifiable intangible assets, and liabilities assumed is recorded as goodwill. Where amounts allocated to assets acquired and liabilities assumed is greater than the purchase price, a bargain purchase gain is recognized. Acquisition-related costs are expensed as incurred.

On December 31, 2020, the Company acquired the assets of Infoseal LLC ("Infoseal"), which is based in Roanoke, Virginia, for \$19.2 million in cash plus the assumption of trade payables, subject to certain adjustments. Since the acquisition, the Company has incurred approximately \$0.3 million of costs (including legal and accounting fees)

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related to the acquisition. Goodwill of \$6.1 million recognized as a part of the acquisition is deductible for tax purposes. The Company also recorded intangible assets with definite lives of approximately \$4.3 million in connection with the transaction. The acquisition of Infoseal, which prior to the acquisition generated approximately \$19.2 million in sales for its fiscal year ended December 31, 2020, creates additional capabilities within in our pressure seal and tax form products.

The following is a summary of the preliminary purchase price allocation for Infoseal (in thousands):

Accounts receivable	\$ 1,966
Inventories	1,257
Right-of-use asset	3,865
Property, plant & equipment	7,000
Goodwill and intangibles	10,390
Accounts payable and accrued liabilities	(1,411)
Operating lease liability	(3,865)
	<u>\$ 19,202</u>

On July 15, 2019, the Company acquired all the outstanding stock of The Flesh Company (“Flesh”) for approximately \$9.9 million (which includes potential earn-out consideration of up to \$500,000) plus the assumption of trade payables, subject to final working capital and certain other adjustments. The earn-out consideration is capped at \$500,000 and is payable over the four years following the closing if certain minimum operating income levels are achieved. Since the acquisition, the Company has incurred approximately \$0.3 million of costs (including legal and accounting fees) related to the acquisition. The Company recorded intangible assets with definite lives of approximately \$1.2 million in connection with the transaction. Flesh, together with its wholly owned subsidiary, Impressions Direct, Inc. (“Impressions Direct”), is a printing company with two locations, with the St. Louis location containing Flesh’s corporate office and the direct mail operations of Impressions Direct, and the Parsons, Kansas location containing Flesh’s main manufacturing facility and warehouse. The acquisition of Flesh expands the Company’s operations with respect to business forms, checks, direct mail services, integrated products and labels.

The following is a summary of the purchase price allocation for Flesh (in thousands):

Accounts receivable	\$ 2,480
Inventories	1,343
Other assets	191
Right-of-use asset	715
Property, plant & equipment	7,065
Customer lists	337
Trademarks	880
Non-compete	20
Accounts payable and accrued liabilities	(2,251)
Operating lease liability	(700)
Deferred income taxes	(206)
	<u>\$ 9,874</u>

On March 16, 2019, the Company acquired the assets of Integrated Print & Graphics (“Integrated”), which is based in South Elgin, Illinois, for \$8.9 million in cash plus the assumption of trade payables, subject to certain adjustments. Since the acquisition, the Company has incurred approximately \$29,000 of costs (including legal and accounting fees) related to the acquisition. Goodwill of \$893,000 recognized as a part of the acquisition is deductible for tax purposes. The Company also recorded intangible assets with definite lives of approximately \$1.8 million in connection with the transaction. The acquisition of Integrated, which prior to the acquisition generated approximately \$20.0 million in sales for its fiscal year ended December 31, 2018, creates additional capabilities within our high color commercial print product line.

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The following is a summary of the purchase price allocation for Integrated (in thousands):

Accounts receivable	\$ 1,971
Inventories	1,322
Other assets	72
Property, plant & equipment	3,828
Right-of-use asset	2,041
Customer lists	896
Trademarks	896
Non-compete	25
Goodwill	893
Accounts payable and accrued liabilities	(1,044)
Operating lease liability	(2,041)
	<u>\$ 8,859</u>

On July 31, 2018, the Company acquired, by way of a merger, all of the outstanding equity interests of Wright Business Forms, Inc., d/b/a Wright Business Graphics (“Wright”), a printing company headquartered in Portland, Oregon with additional locations in Washington and California. As partial consideration for the acquisition, the Company issued an aggregate of 829,126 shares of its common stock to the stockholders of Wright, valued at approximately \$16.2 million at the time of issuance under the merger agreement. An additional \$19.7 million in cash was paid to the stockholders of Wright, subject to a final working capital adjustment, and \$2.6 million was paid to extinguish outstanding debt. The goodwill recognized as a part of the transaction is not deductible for tax purposes. Since the acquisition, the Company has incurred approximately \$0.2 million of costs (including legal and accounting fees) related to the acquisition. These costs were recorded in selling, general and administrative expenses. Wright produces forms, pressure seal, packaging, direct mail, checks, statement processing and commercial printing and sells mainly through distributors and resellers.

The purchase price of Wright was as follows (in thousands):

Ennis shares of common stock	\$16,218
Cash	22,653
Purchase price of Wright Business Graphics	<u>\$38,871</u>

The following is a summary of the purchase price allocation for Wright (in thousands):

Accounts receivable	\$ 5,220
Prepaid expenses	427
Inventories	4,365
Other assets	88
Property, plant & equipment	10,331
Non-compete	447
Customer lists	12,900
Trade names	3,830
Goodwill	11,031
Accounts payable and accrued liabilities	(4,226)
Deferred income taxes	(5,542)
	<u>\$38,871</u>

On April 30, 2018, the Company acquired the assets of Allen-Bailey Tag & Label, a tag and label operation located in New York for \$4.7 million in cash plus the assumption of trade payables, subject to a working capital adjustment. In addition, contingent consideration of up to \$500,000 is payable to the sellers if certain sales levels are maintained over the next three years following the closing. Prior to the acquisition, ABTL generated approximately \$12.0 million in sales for the twelve months ended December 31, 2017. On July 7, 2017, the Company acquired the assets of a separate tag operation located in Ohio for \$1.4 million in cash plus the assumption of certain accrued liabilities. Management considers both of these acquisitions immaterial.

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The results of operations for Wright, Integrated, Flesh and Infoseal are included in the Company's consolidated financial statements from the respective dates of acquisition. The following table sets forth certain operating information on a pro forma basis as though the respective acquisition had occurred as of the beginning of the comparable prior period. The following pro forma information for fiscal year 2021 includes Infoseal, fiscal year 2020 includes Infoseal, Flesh and Integrated, and fiscal year 2019 includes Flesh, Integrated and Wright. The pro forma information includes the estimated impact of adjustments such as amortization of intangible assets, depreciation expense and interest expense and related tax effects (in thousands, except per share amounts).

	Unaudited 2021	Unaudited 2020	Unaudited 2019
Pro forma net sales	\$373,959	\$470,132	\$474,124
Pro forma net earnings	24,659	38,261	38,474
Pro forma earnings per share - diluted	0.95	1.47	1.49

The pro forma results are not necessarily indicative of what would have occurred if the acquisition had been in effect for the period presented.

**(6) Leases**

The Company leases certain of its facilities and equipment under operating leases, which are recorded as right-of-use assets and lease liabilities. The Company's leases generally have terms of 1 - 5 years, with certain leases including renewal options to extend the leases for additional periods at the Company's discretion. At lease inception, all renewal options reasonably certain to be exercised are considered when determining the lease term. The Company currently does not have leases that include options to purchase or provisions that would automatically transfer ownership of the leased property to the Company.

Operating lease expense is recognized on a straight-line basis over the lease term, and variable lease payments are expensed as incurred. The Company had no variable lease costs for the fiscal years ended 2020 and 2021.

The Company determines whether a contract is or contains a lease at the inception of the contract. A contract will be deemed to be or contain a lease if the contract conveys the right to control and direct the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Company generally must also have the right to obtain substantially all of the economic benefits from the use of the property, plant, and equipment.

Operating lease assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. To determine the present value of lease payments not yet paid, the Company estimates incremental borrowing rates based on the information available at lease commencement date as rates are not implicitly stated in most leases.

Components of lease expense for the three fiscal years ended (in thousands):

	2021	2020	2019
Operating lease cost	\$ 6,461	\$ 6,523	\$ —
Supplemental cash flow information related to leases was as follows:			
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	\$ 6,432	\$ 6,483	\$ —
Right-of-use assets obtained in exchange for lease obligations			
Operating leases	\$ 5,367	\$ 5,009	\$ —

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Under the previous accounting standard, ASC Topic 840, *Leases*, which was effective though February 28, 2019, the rent expense under operating leases for the years ended February 28, 2019 and 2018, was \$5.9 million and \$5.3 million, respectively.

<b>Weighted Average Remaining Lease Terms</b>	
Operating leases	4 Years
<b>Weighted Average Discount Rate</b>	
Operating leases	3.74%

Future minimum lease commitments under non-cancelable operating leases for each of the fiscal years ending are as follows (in thousands):

	<b>Operating Lease Commitments</b>
2022	\$ 5,439
2023	5,031
2024	4,020
2025	3,276
2026	1,881
Thereafter	704
Total future minimum lease payments	\$ 20,351
Less imputed interest	1,446
Present values of lease liabilities	\$ 18,905

**(7) Goodwill and Intangible Assets**

Goodwill represents the excess of the purchase price over the fair value of net assets of acquired businesses and is not amortized. Goodwill and other intangible assets are tested for impairment at a reporting unit level. The annual impairment test of goodwill and intangible assets is performed as of December 1 of each fiscal year.

The Company uses qualitative factors to determine whether it is more likely than not (likelihood of more than 50%) that the fair value of a reporting unit exceeds its carrying amount, including goodwill. Some of the qualitative factors considered in applying this test include consideration of macroeconomic conditions, industry and market conditions, cost factors affecting the business, overall financial performance of the business, and performance of the share price of the Company.

If qualitative factors are not deemed sufficient to conclude that the fair value of the reporting unit more likely than not exceeds its carrying value, then a one-step approach is applied in making an evaluation. The evaluation utilizes multiple valuation methodologies, including a market approach (market price multiples of comparable companies) and an income approach (discounted cash flow analysis). The computations require management to make significant estimates and assumptions, including, among other things, selection of comparable publicly traded companies, the discount rate applied to future earnings reflecting a weighted average cost of capital, and earnings growth assumptions. A discounted cash flow analysis requires management to make various assumptions about future sales, operating margins, capital expenditures, working capital, and growth rates. If the evaluation results in the fair value of the goodwill for the reporting unit being lower than the carrying value, an impairment charge is recorded. A goodwill impairment charge was not required for fiscal year 2021 or fiscal year 2020.

Definite-lived intangible assets are amortized over their estimated useful lives and tested for impairment if events or changes in circumstances indicate that the asset may be impaired.

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The carrying amount and accumulated amortization of the Company's intangible assets at each balance sheet date are as follows (in thousands):

<u>As of February 28, 2021</u>	<u>Weighted Average Remaining Life (in years)</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
<b>Amortized intangible assets</b>				
Trademarks and trade names	11.9	\$ 27,561	\$ 8,194	\$ 19,367
Customer lists	6.8	75,862	42,727	33,135
Non-compete	3.1	877	667	210
Patent	—	783	783	—
Total	8.7	<u>\$ 105,083</u>	<u>\$ 52,371</u>	<u>\$ 52,712</u>
 <b>As of February 29, 2020</b>				
<b>Amortized intangible assets</b>				
Trademarks and trade names	12.6	\$ 26,161	\$ 5,811	\$ 20,350
Customer lists	7.4	73,102	37,161	35,941
Non-compete	1.8	767	501	266
Patent	—	783	783	—
Total	9.2	<u>\$ 100,813</u>	<u>\$ 44,256</u>	<u>\$ 56,557</u>

Aggregate amortization expense for each of the fiscal years 2021, 2020 and 2019 was approximately \$8.1 million, \$7.8 million and \$7.1 million, respectively.

The Company's estimated amortization expense for the next five fiscal years is as follows (in thousands):

2022	\$ 7,979
2023	6,933
2024	6,895
2025	6,720
2026	6,106

Changes in the net carrying amount of goodwill for fiscal years 2019 and 2020 are as follows (in thousands):

Balance as of March 1, 2019	\$ 81,634
Goodwill acquired	893
Balance as of February 29, 2020	82,527
Goodwill acquired	6,120
Balance as of February 28, 2021	<u>\$ 88,647</u>

During fiscal year 2021, \$6.1 million was added to goodwill related to the acquisition of Infoseal. During fiscal year 2020, \$0.9 million was added to goodwill related to the acquisition of Integrated.

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**(8) Accrued Expenses**

The following table summarizes the components of other accrued expenses for the fiscal years ended (in thousands):

	February 28, 2021	February 29, 2020
Employee compensation and benefits	\$ 11,742	\$ 13,171
Taxes other than income	467	464
Accrued legal and professional fees	272	190
Accrued interest	79	78
Accrued utilities	90	90
Accrued acquisition related obligations	164	240
Accrued credit card fees	—	195
Income taxes payable	1,528	—
Other accrued expenses	613	641
	<u>\$ 14,955</u>	<u>\$ 15,069</u>

**(9) Long-Term Debt**

The Company is party to a Second Amended and Restated Credit Agreement, which has been amended from time to time, pursuant to which a credit facility has been extended to the Company until November 11, 2021 (the “Credit Facility”). The Credit Facility provides the Company and its subsidiaries with up to \$100.0 million in revolving credit, as well as a \$20.0 million sublimit for the issuance of letters of credit and a \$15.0 million sublimit for swing-line loans. Under the Credit Facility, the Company or any of its subsidiaries can request up to three increases in the aggregate commitments in an aggregate amount not to exceed \$50.0 million. The terms and conditions of the Credit Facility impose certain restrictions on our ability to incur additional debt, make capital expenditures, acquisitions and asset dispositions, as well as impose other customary covenants, such as requiring that: (i) the Company’s net leverage ratio may not exceed 3.00:1.00, (ii) the Company’s fixed charge coverage ratio may not be less than 1.25:1.00, and (iii) the Company may make dividends or distributions to shareholders so long as (A) no event of default has occurred and is continuing and (B) the Company’s net leverage ratio both before and after giving effect to any such dividend or distribution is equal to or less than 2.50:1.00. All calculations are made based on U.S. Generally Accepted Accounting Principles existing at the time the Credit Facility was entered into. As of February 28, 2021, the Company was in compliance with all terms and conditions of the Credit Facility.

The Credit Facility bears interest at LIBOR plus a spread ranging from 1.85% to 2.5%. The rate is determined by the Company’s fixed charge coverage ratio of total funded debt to earnings before interest, taxes, depreciation and amortization (“EBITDA”). As of February 28, 2021, the Company had \$0.6 million outstanding under standby letters of credit arrangements, leaving approximately \$99.4 million in available borrowing capacity under the Credit Facility. The Credit Facility is secured by substantially all of the Company’s assets (other than real property), as well as all capital securities of each of the Company’s subsidiaries.

**(10) Shareholders’ Equity**

The Board has authorized the repurchase of the Company’s outstanding common stock through a stock repurchase program, which authorized amount is currently up to \$40.0 million in the aggregate. Under the repurchase program, purchases may be made from time to time in the open market or through privately negotiated transactions depending on market conditions, share price, trading volume and other factors. Such purchases, if any, will be made in accordance with applicable insider trading and other securities laws and regulations. These repurchases may be commenced or suspended at any time or from time to time without prior notice.

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During the fiscal year ended February 28, 2021 the Company repurchased 77,996 shares of common stock under the program at an average price of \$15.84 per share. Since the program's inception in October 2008, there have been 1,894,350 common shares repurchased at an average price of \$15.91 per share. As of February 28, 2021 there was \$9.9 million available to repurchase shares of the Company's common stock under the program.

The Company's revolving credit facility maintains certain restrictions on the amount of treasury shares that may be purchased and distributions to its shareholders.

**(11) Stock Option Plan and Stock Based Compensation**

The Company grants stock options and restricted stock to key executives and managerial employees and non-employee directors. At fiscal year ended February 28, 2021, the Company has one stock option plan: the 2004 Long-Term Incentive Plan of Ennis, Inc., as amended and restated as of June 30, 2011, formerly the 1998 Option and Restricted Stock Plan amended and restated as of May 14, 2008 (the "Plan"). The Company has 433,648 shares of unissued common stock reserved under the Plan for issuance. The exercise price of each stock option granted under the Plan equals a referenced price of the Company's common stock as reported on the New York Stock Exchange ("NYSE") on the date of grant, and an option's maximum term is ten years. Stock options and restricted stock may be granted at different times during the year and vest ratably over various periods, from grant date up to five years. The Company uses treasury stock to satisfy option exercises and restricted stock awards.

The Company recognizes compensation expense for stock options and restricted stock grants on a straight-line basis over the requisite service period. For the years ended 2021, 2020 and 2019, the Company included in selling, general and administrative expenses, compensation expense related to share based compensation of \$1.2 million, \$1.4 million and \$1.4 million, respectively.

**Stock Options**

The following occurred with respect to the Company's stock options for each of the three years ended February 28, 2021:

	Number of Shares ( <i>exact quantity</i> )	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life ( <i>in years</i> )	Aggregate Intrinsic Value(a) ( <i>in thousands</i> )
Outstanding at March 1, 2018	172,496	\$ 15.95	3.2	\$ 612
Granted	—	—		
Terminated	—	—		
Exercised	(110,906 )	15.99		
Outstanding at February 28, 2019	61,590	\$ 15.88	1.8	\$ 327
Granted	—	—		
Terminated	—	—		
Exercised	(61,590 )	15.88		
Outstanding at February 29, 2020	—	\$ —	—	\$ —
Granted	—	—		
Terminated	—	—		
Exercised	—	\$ —		
Outstanding at February 28, 2021	—	—	—	—
Exercisable at February 28, 2021	—	—	—	—

- (a) Intrinsic value is measured as the excess fair market value of the Company's common stock as reported on the NYSE over the applicable exercise price.

No stock options were granted during fiscal years 2021, 2020 or 2019.



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A summary of the stock options exercised and tax benefits realized from stock based compensation is presented below for the three fiscal years ended (in thousands):

	<b>Fiscal years ended</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
Total cash received	\$ —	\$ —	\$ 69
Total grant-date fair value	—	201	345
Intrinsic value	—	267	534

The Company had no unvested stock options outstanding at any time during the fiscal year ended February 28, 2021.

**Restricted Stock**

The following occurred with respect to the Company's restricted stock awards for each of the three fiscal years ended February 28, 2021:

	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding at March 1, 2018	152,675	\$ 16.59
Granted	83,789	20.54
Terminated	—	—
Vested	(81,359)	16.01
Outstanding at February 28, 2019	155,105	\$ 19.03
Granted	66,669	20.41
Terminated	(3,920)	17.02
Vested	(73,928)	18.90
Outstanding at February 29, 2020	143,926	\$ 19.79
Granted	59,315	17.09
Terminated	(10,098)	19.16
Vested	(73,414)	19.16
Outstanding at February 28, 2021	<u>119,729</u>	<u>\$ 18.90</u>

As of February 28, 2021, the total remaining unrecognized compensation cost related to unvested restricted stock was approximately \$1.3 million. The weighted average remaining requisite service period of the unvested restricted stock awards was 1.5 years. As of February 28, 2021, the Company's outstanding restricted stock had an underlying fair value of \$2.3 million at date of grant.

**(12) Pension Plan**

The Company and certain subsidiaries have a noncontributory defined benefit retirement plan (the "Pension Plan"), covering approximately 13% of aggregate employees. Benefits are based on years of service and the employee's average compensation for the highest five compensation years preceding retirement or termination. Effective January 1, 2009, the Company amended the Pension Plan to exclude any new employees from participation in the Pension Plan. Eligible employees who were hired before January 1, 2009 are still eligible to participate and participating employees continue to accrue benefit service. The Company's funding policy is to contribute annually an amount in accordance with the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA").

The Company's Pension Plan asset allocation, by asset category, is as follows for the fiscal years ended:

	<b>2021</b>	<b>2020</b>
Equity securities	57%	47%
Debt securities	40%	44%
Cash and cash equivalents	3%	9%
Total	<u>100%</u>	<u>100%</u>

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The current asset allocation is being managed to meet the Company's stated objective of asset growth and capital preservation. The factor is based upon the combined judgments of the Company's Administrative Committee and its investment advisors to meet the Company's investment needs, objectives, and risk tolerance. The Company's target asset allocation percentage, by asset class, for the year ended February 28, 2021 is as follows:

<b>Asset Class</b>	<b>Target Allocation Percentage</b>
Cash	1 – 5%
Fixed Income	35 – 55%
Equity	45 – 60%

The Company estimates the long-term rate of return on Pension Plan assets will be 6.5% based upon target asset allocation. Expected returns are developed based upon the information obtained from the Company's investment advisors. The advisors provide ten-year historical and five-year expected returns on the fund in the target asset allocation. The return information is weighted based upon the asset allocation at the end of the fiscal year. The expected rate of return at the beginning of fiscal year ended 2021 was 7.0%. The rate used in the calculation of fiscal year 2020 pension expense was 7.0%.

The following tables present the Pension Plan's fair value hierarchy for those assets measured at fair value as of February 28, 2021 and February 29, 2020 (in thousands):

<b>Description</b>	<b>February 28, 2021</b>			
	<b>Total</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
Cash and cash equivalents	\$ 1,545	\$ 1,545	\$ —	\$ —
Government bonds	8,592	—	8,592	—
Corporate bonds	15,593	—	15,593	—
Domestic equities	20,935	20,935	—	—
Foreign equities	13,054	13,054	—	—
	<u>\$ 59,719</u>	<u>\$ 35,534</u>	<u>\$ 24,185</u>	<u>\$ —</u>

<b>Description</b>	<b>February 29, 2020</b>			
	<b>Total</b>	<b>(Level 1)</b>	<b>(Level 2)</b>	<b>(Level 3)</b>
Cash and cash equivalents	\$ 5,615	\$ 5,615	\$ —	\$ —
Government bonds	9,836	—	9,836	—
Corporate bonds	16,879	—	16,879	—
Domestic equities	15,791	15,791	—	—
Foreign equities	12,479	12,479	—	—
	<u>\$ 60,600</u>	<u>\$ 33,885</u>	<u>\$ 26,715</u>	<u>\$ —</u>

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. The disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

**ENNIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Pension expense is composed of the following components included in cost of goods sold and selling, general and administrative expenses in the Company's consolidated statements of operations for fiscal years ended (in thousands):

	2021	2020	2019
<b>Components of net periodic benefit cost</b>			
Service cost	\$ 1,271	\$ 1,088	\$ 1,106
Interest cost	1,754	2,254	2,274
Expected return on plan assets	(4,074)	(4,198)	(4,109)
Amortization of:			
Unrecognized net loss	3,358	2,036	2,047
Settlement charge	1,619	—	—
Net periodic benefit cost	3,928	1,180	1,318
<b>Other changes in Plan Assets and Projected Benefit Obligation</b>			
<b>Recognized in Other comprehensive Income</b>			
Net actuarial loss (gain)	(1,588)	13,371	2,414
Amortization of net actuarial loss	(4,977)	(2,036)	(2,047)
	(6,565)	11,335	367
<b>Total recognized in net periodic pension cost and other comprehensive income</b>	<u>\$ (2,637)</u>	<u>\$ 12,515</u>	<u>\$ 1,685</u>

The following table represents the assumptions used to determine benefit obligations and net periodic pension cost for fiscal years ended:

	2021	2020	2019
Weighted average discount rate (net periodic pension cost)	2.65%	4.10%	4.05%
Earnings progression (net periodic pension cost)	3.00%	3.00%	3.00%
Expected long-term rate of return on plan assets (net periodic pension cost)	6.50%	7.00%	7.50%
Weighted average discount rate (benefit obligations)	2.65%	2.65%	4.10%
Earnings progression (benefit obligations)	3.00%	3.00%	3.00%

During fiscal year 2021, the Company adopted the new MP-2020 improvement scale to determine their benefit obligations under the Pension Plan. The accumulated benefit obligation ("ABO"), change in projected benefit

**ENNIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

obligation (“PBO”), change in Pension Plan assets, funded status, and reconciliation to amounts recognized in the consolidated balance sheets are as follows (in thousands):

	2021	2020
Change in benefit obligation		
Projected benefit obligation at beginning of year	\$ 69,536	\$ 57,141
Service cost	1,271	1,088
Interest cost	1,754	2,254
Actuarial (gain) loss	(638)	12,853
Other assumption change	(347)	(549)
Benefits paid	(5,126)	(3,251)
Settlement	(432)	—
Projected benefit obligation at end of year	\$ 66,018	\$ 69,536
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 60,600	\$ 57,721
Company contributions	—	3,000
Gain on plan assets	4,245	3,130
Benefits paid	(5,126)	(3,251)
Fair value of plan assets at end of year	\$ 59,719	\$ 60,600
Unfunded status	\$ (6,299)	\$ (8,936)
Accumulated benefit obligation at end of year	\$ 60,981	\$ 63,340

The measurement dates used to determine pension and other postretirement benefits is the Company’s fiscal year end. The Company was not required and did not make a contribution to the Pension Plan during fiscal year 2021. Depending on the Pension Plan’s projected funding status, the Company expects to contribute between \$1.0 million and \$3.0 million to the Pension Plan during fiscal year 2022.

Estimated future benefit payments which reflect expected future service, as appropriate, are expected to be paid to the Pension Plan participants in the fiscal years ended (in thousands):

Year	Projected Payments
2022	\$ 3,600
2023	2,600
2024	3,900
2025	4,500
2026	4,000
2027 – 2031	18,900

Effective February 1, 1994, the Company adopted a Defined Contribution 401(k) Plan (the “401(k) Plan”) for its United States employees. The 401(k) Plan covers substantially all full-time employees who have completed sixty days of service and attained the age of eighteen. United States employees can contribute up to 100 percent of their annual compensation, but are limited to the maximum annual dollar amount allowable under the Internal Revenue Code. The 401(k) Plan provides for employer matching contributions or discretionary employer contributions for certain employees not enrolled in the Pension Plan for employees of the Company. Eligibility for employer contributions, matching percentage, and limitations depends on the participant’s employment location and whether the employees are covered by the Pension Plan, among other factors. The Company’s matching contributions are immediately vested. The Company made matching 401(k) contributions in the amount of \$1.7 million, \$2.1 million and \$1.7 million in fiscal years ended 2021, 2020 and 2019, respectively.

In addition, the Northstar Computer Forms, Inc. 401(k) Profit Sharing Plan was merged into the 401(k) Plan on February 1, 2001. The Company declared profit sharing contributions on behalf of the former employees of Northstar Computer Forms, Inc. in accordance with its original plan in the amounts of \$176,000, \$194,000, and \$206,000, in fiscal years ended 2021, 2020 and 2019, respectively.

**ENNIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(13) Income Taxes**

The following table represents components of the provision for income taxes for fiscal years ended (in thousands):

	2021	2020	2019
Current:			
Federal	\$ 9,627	\$ 10,838	\$ 11,381
State and local	2,279	1,642	1,858
Total current	11,906	12,480	13,239
Deferred:			
Federal	(2,217)	526	(651)
State and local	(496)	(47)	(91)
Total deferred	(2,713)	479	(742)
Total provision for income taxes	<u>\$ 9,193</u>	<u>\$ 12,959</u>	<u>\$ 12,497</u>

The Company's effective tax rate on earnings from operations for the year ended February 28, 2021, was 27.6%, compared to 25.3% and 25.0% in 2020 and 2019, respectively. The following summary reconciles the statutory U.S. federal income tax rate to the Company's effective tax rate for the fiscal years ended:

	2021	2020	2019
Statutory rate	21.0 %	21.0 %	21.0 %
Provision for state income taxes, net of federal income tax benefit	4.4	2.5	2.8
Change in valuation allowance	—	0.8	—
Federal true-up	0.8	0.4	0.1
Stock compensation and Section 162(m) limitation	1.4	0.5	1.1
Other	—	0.1	—
	<u>27.6 %</u>	<u>25.3 %</u>	<u>25.0 %</u>

Deferred taxes are recorded to give recognition to temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements. The tax effects of these temporary differences are recorded as deferred tax assets and deferred tax liabilities. Deferred tax assets generally represent items that can be used as a tax deduction or credit in future years. Deferred tax liabilities generally represent items that have been deducted for tax purposes, but have not yet been recorded in the consolidated statements of operations. To the extent there are deferred tax assets that are more likely than not to be realized, a valuation allowance would be recorded. Management does not expect to be able to utilize the foreign tax credit before it expires in 2026. Therefore, a full valuation allowance was established in fiscal year 2020. IRS code Section 162(m) limits the amount of deductible compensation for tax purposes paid to certain covered employees. The components of deferred income tax assets and liabilities are summarized as follows (in thousands) for fiscal years ended:

**ENNIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

<b>Deferred tax assets</b>	<b>2021</b>	<b>2020</b>
Allowance for doubtful receivables	\$ 198	\$ 164
Inventories	1,047	925
Employee compensation and benefits	725	883
Pension and noncurrent employee compensation benefits	4,246	5,011
Operating lease liabilities	4,700	4,868
Net operating loss and foreign tax credits	1,067	1,097
Stock options	—	233
Other	291	60
Total deferred tax assets	\$ 12,274	\$ 13,241
Less: valuation allowance	(408)	(408)
Total deferred tax assets, net	\$ 11,866	\$ 12,833
<b>Deferred tax liabilities</b>		
Property, plant and equipment	\$ 4,517	\$ 6,060
Goodwill and other intangible assets	10,240	10,547
Right-of-use assets	4,631	4,804
Property tax	131	95
Other	24	76
Total deferred tax liabilities	\$ 19,543	\$ 21,582
<b>Net deferred income tax liabilities</b>	<u>\$ 7,677</u>	<u>\$ 8,749</u>

At fiscal year-end 2021, the Company had federal net operating loss (“NOL”) carry forwards of approximately \$2.7 million. This NOL is related to the acquisitions of Flesh and Impressions Direct. The NOL is subject to a Section 382 limitation of \$0.2 million per year and expiring in 2040. Based on historical earnings and expected sufficient future taxable income, management believes it will be able to fully utilize the NOL.

Accounting standards require a two-step approach to determine how to recognize tax benefits in the financial statements where recognition and measurement of a tax benefit must be evaluated separately. A tax benefit will be recognized only if it meets a “more-likely-than-not” recognition threshold. For tax positions that meet this threshold, the tax benefit recognized is based on the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with the taxing authority.

At fiscal year-end 2021 and 2020, unrecognized tax benefits related to uncertain tax positions, including accrued interest and penalties of \$0.1 million and \$0.1 million, respectively, are included in other liabilities on the consolidated balance sheets and would impact the effective rate if recognized. The interest expense associated with the unrecognized tax benefit is not material. A reconciliation of the change in the unrecognized tax benefits for fiscal years ended 2021 and 2020 is as follows (in thousands):

	<b>2021</b>	<b>2020</b>
Balance at March 1, 2020	\$ 100	\$ 120
Additions based on tax positions	63	—
Reductions due to lapses of statutes of limitations	(33)	(20)
Balance at February 28, 2021	<u>\$ 130</u>	<u>\$ 100</u>

The Company is subject to U.S. federal income tax as well as income tax of multiple state jurisdictions. The Company has concluded all U.S. federal income tax matters for years through 2015. All material state and local income tax matters have been concluded for years through 2015 and foreign tax jurisdictions through 2015.

**ENNIS, INC. AND SUBSIDIARIES**  
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The Company recognizes interest expense on underpayments of income taxes and accrued penalties related to unrecognized non-current tax benefits as part of the income tax provision. Other than amounts included in the unrecognized tax benefits, the Company did not recognize any interest or penalties for the fiscal years ended 2021, 2020 and 2019.

The outbreak of the COVID-19 pandemic presents various global risks. The full impact of the COVID-19 pandemic continues to evolve as of the date of this report. Management is actively monitoring the situation as pertains to the Company's financial condition, liquidity, operations, suppliers, industry and workforce. Given the ongoing evolution of the pandemic and the global responses to control its spread, the Company is not able to estimate the ultimate effects of the COVID-19 pandemic on its results of operation, financial condition, or liquidity for fiscal year 2022.

**(14) Earnings per Share**

Basic earnings (loss) per share have been computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the applicable period. Diluted earnings (loss) per share reflect the potential dilution that could occur if stock options or other contracts to issue common shares were exercised or converted into common stock.

The following table sets forth the computation for basic and diluted earnings (loss) per share for the fiscal years ended:

	2021	2020	2019
Basic weighted average common shares outstanding	25,995,127	26,036,393	25,829,804
Effect of dilutive options	—	—	12,375
Diluted weighted average common shares outstanding	<u>25,995,127</u>	<u>26,036,393</u>	<u>25,842,179</u>
Earnings per share			
Basic	\$ 0.93	\$ 1.47	\$ 1.45
Diluted	\$ 0.93	\$ 1.47	\$ 1.45
Cash dividends	<u>\$ 0.900</u>	<u>\$ 0.900</u>	<u>\$ 0.875</u>

The Company treats unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) as participating securities, which are included in the computation of earnings per share. Our unvested restricted shares participate on an equal basis with common shares; therefore, there is no difference in undistributed earnings allocated to each participating security. Accordingly, the presentation above is prepared on a combined basis. For fiscal year 2019, all options were included in the diluted earnings per share computation because the average fair market value of the Company's stock exceeded the exercise price of the options. No options were outstanding at the end of fiscal years 2021 and 2020.

**(15) Commitments and Contingencies**

In the ordinary course of business, the Company also enters into real property leases, which require the Company as lessee to indemnify the lessor from liabilities arising out of the Company's occupancy of the properties. The Company's indemnification obligations are generally covered under the Company's general insurance policies.

**ENNIS, INC. AND SUBSIDIARIES**  
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From time to time, the Company is involved in various litigation matters arising in the ordinary course of business. The Company does not believe the disposition of any current matter will have a material adverse effect on its consolidated financial position or results of operations.

**(16) Supplemental Cash Flow Information**

Net cash flows from operating activities that reflect cash payments for interest and income taxes, are as follows for the three fiscal years ended (in thousands):

	2021	2020	2019
<b>Supplemental disclosure of cash flow information</b>			
Interest paid, net	\$ 10	\$ 715	\$ 1,109
Income taxes paid, net	\$ 9,498	\$ 14,470	\$ 9,866

**(17) Related Party Transactions**

The Company leases a facility and sells product to an entity controlled by a board member who was the former owner of Integrated Print and Graphics, a business that the Company acquired. The total right-of-use asset and related lease liability as of February 28, 2021 was \$1.4 million and \$1.5 million, respectively. During fiscal year 2021, total lease payments made to, and sales made to, the related party were approximately \$0.4 million and \$2.4 million, respectively.

**(18) Concentrations of Risk**

Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and trade receivables. Cash is placed with high-credit quality financial institutions. The Company believes its credit risk with respect to trade receivables is limited due to industry and geographic diversification. As disclosed on the Consolidated Balance Sheets, the Company maintains an allowance for doubtful receivables to cover the Company's estimate of credit losses associated with accounts receivable.

No single customer accounts for as much as five percent of the Company's consolidated net sales or accounts receivable.

The Company, for quality and pricing reasons, purchases its paper products from a limited number of suppliers. For fiscal years 2021, 2020 and 2019, the Company purchased 43%, 41% and 45%, respectively, of its materials from one third party vendor. As of February 28, 2021 and February 29, 2020, the net amount due to the vendor was \$3.8 million and \$4.7 million, respectively. While other sources may be available to the Company to purchase these products, they may not be available at the cost or at the quality the Company has come to expect.

For the purposes of the Consolidated Statements of Cash Flows, the Company considers cash to include cash on hand and in bank accounts. The Federal Deposit Insurance Corporation ("FDIC") insures accounts up to \$250,000. At February 28, 2021, cash balances included \$73.9 million that was not federally insured because it represented amounts in individual accounts above the federally insured limit for each such account. This at-risk amount is subject to fluctuation on a daily basis. While management does not believe there is significant risk with respect to such deposits, we cannot be assured that we will not experience losses on our deposits.



**Exhibit 4.1**

**DESCRIPTION OF ENNIS, INC. CAPITAL STOCK**

The following description of the terms of Ennis' capital stock is a summary only and is qualified by reference to the relevant provisions of Texas law and the Ennis restated certificate of incorporation and by-laws.

**Authorized Capital Stock**

Under the Ennis restated certificate of incorporation, Ennis' authorized capital stock consists of forty million (40,000,000) shares of common stock, with \$2.50 par value, and one million (1,000,000) shares of preferred stock, with \$10 par value.

**Description of Common Stock**

***Voting Rights.*** Each holder of Ennis common stock is entitled to one vote for each share of Ennis common stock held of record on the applicable record date on all matters submitted to a vote of shareholders. Shareholders of common stock can use cumulative voting to aggregate director votes.

***Dividend Rights.*** Holders of Ennis common stock are entitled to receive such dividends as may be declared from time to time by Ennis' board of directors out of funds legally available therefor, subject to any preferential dividend rights granted to the holders of any outstanding Ennis' preferred stock.

***Rights upon Liquidation.*** Holders of Ennis common stock are entitled to share pro rata, upon any liquidation, dissolution or winding up of Ennis, in all remaining assets available for distribution to shareholders after payment of or provision for Ennis' liabilities and the liquidation preference of any outstanding Ennis preferred stock.

***Preemptive Rights.*** Holders of Ennis common stock have no preemptive rights to purchase, subscribe for or otherwise acquire any unissued or treasury shares or other securities.

**Description of Preferred Stock**

***Preferred Stock Outstanding.*** As of the date of this filing, no shares of Ennis preferred stock were issued and outstanding.

***Designation and Amount.*** Shares of Preferred Stock may be issued from time to time in one or more series, each such series to have such designations as may be fixed by the Board of Directors prior to the issuance of any shares thereof. In November of 1998 the board created a new series of Preferred Stock pursuant to the adoption of a Shareholder Rights Plan. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 25,000. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Company's Preferred Stock. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Company convertible into Series A Preferred Stock. This Shareholders Rights Plan expired on November 8, 2008.

***Dividend Rights.*** Holders of Ennis Series A Preferred Stock shall be entitled to receive dividends (which may be cumulative or noncumulative) as may be declared from time to time by Ennis' board of directors out of funds legally available therefor.

**ENNIS, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Transfer Agent and Registrar**

Computershare Trust Company, N.A. is the transfer agent and registrar for Ennis common stock.

Subsidiaries of the Registrant

The Registrant directly or indirectly owns 100 percent of the outstanding voting securities of the following subsidiary companies.

<b>Name of Company</b>	<b>Jurisdiction</b>
Ennis, Inc.	Texas
Ennis Business Forms of Kansas, Inc.	Kansas
Calibrated Forms Co., Inc.	Kansas
Print Your Marketing, Inc.	Delaware
Admore, Inc.	Texas
PFC Products, Inc.(1)	Delaware
Ennis Acquisitions, Inc.	Nevada
Texas EBF, LP	Texas
Ennis Sales, LP	Texas
Ennis Management, LP	Texas
Adams McClure, LP	Texas
American Forms I, LP	Texas
Northstar Computer Forms, Inc.	Minnesota
General Financial Supply, Inc. (2)	Iowa
Crabar/GBF, Inc.	Delaware
Royal Business Forms, Inc.	Texas
Tennessee Business Forms Company	Tennessee
TBF Realty, LLC (3)	Delaware
Specialized Printed Forms, Inc.	New York
SPF Realty, LLC (4)	Delaware
Block Graphics, Inc.	Oregon
B&D Litho of Arizona, Inc.	Delaware
Skyline Business Forms, Inc.	Delaware
Skyline Business Properties, LLC (5)	Delaware
Kay Toledo Tag	Ohio
Specialized Service Partners	Wisconsin
American Paper Converting LLC	Ohio
Independent Printing Company, Inc.	Delaware
Wright Business Graphics LLC	Oregon
Integrated Print and Graphics	Delaware
The Flesh Company	Missouri
Impressions Direct, Inc. (6)	Missouri

(1) A wholly-owned subsidiary of Admore, Inc.

(2) A wholly-owned subsidiary of Northstar Computer Forms, Inc.

(3) A wholly-owned subsidiary of Tennessee Business Forms, Inc.

(4) A wholly-owned subsidiary of Specialized Printed Forms, Inc.

(5) A wholly-owned subsidiary of Skyline Business Forms, Inc.

(6) A wholly-owned subsidiary of The Flesh Company

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our reports dated May 7, 2021, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Ennis, Inc. on Form 10-K for the year ended February 28, 2021. We consent to the incorporation by reference of said reports in the Registration Statements of Ennis, Inc. on Forms S-8 (File No. 333-38100, File No. 333-44624 and File No. 333-175261).

/s/ GRANT THORNTON LLP

Dallas, Texas  
May 7, 2021

**RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Keith S. Walters, certify that:

1. I have reviewed this annual report on Form 10-K of Ennis, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The Registrant's other certifying officers 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 13-15(f) and 15d-15(f) for the Registrant and we 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 annual 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 annual report based on such evaluation; and
  - d) Disclosed in this annual report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/S/ KEITH S. WALTERS

Keith S. Walters

Chairman of the Board, Chief Executive Officer and President

May 7, 2021

**RULE 13a-14(a)/15d-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Vera Burnett, certify that:

- 1) I have reviewed this annual report on Form 10-K of Ennis, Inc.;
- 2) Based on my knowledge, this annual 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 annual report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
- 4) The Registrant's other certifying officers 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 13-15(f) and 15d-15(f) for the Registrant and we 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 annual 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 annual report based on such evaluation; and
  - d) Disclosed in this annual report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
- 5) The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

/S/ VERA BURNETT

Vera Burnett

Interim Chief Financial Officer

May 7, 2021

**SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Keith S. Walters, Chairman of the Board and Chief Executive Officer of Ennis, Inc. (the “Company”), certify, that pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code:

- (1) The Company’s Annual Report on Form 10-K for the year ended February 28, 2021, as filed with the Securities Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) Information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of the dates and for the periods expressed in the Report.

/S/ KEITH S. WALTERS

Keith S. Walters

Chairman of the Board, Chief Executive Officer and President

May 7, 2021

*The foregoing Certification is being furnished solely pursuant to 18 U.S.C. Section 1350; it is not being filed for purposes of Section 18 of the Securities Exchange Act, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation languages in such filing.*

**SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Vera Burnett, Interim Chief Financial Officer of Ennis, Inc. (the “Company”), certify, that pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code:

- (1) The Company’s Annual Report on Form 10-K for the year ended February 28, 2021, as filed with the Securities Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) Information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of the dates and for the periods expressed in the Report.

/S/ VERA BURNETT

Vera Burnett

Interim Chief Financial Officer

May 7, 2021

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## Financial & Other Company Information

Copies of our financial information, such as this Annual Report on Form 10-K and our Proxy Statement to our shareholders, as filed with the Securities and Exchange Commission (SEC), Quarterly Reports on Form 10-Q, and other filings with the SEC may be viewed or downloaded from the Company's website: [www.ennis.com](http://www.ennis.com)

Alternatively, you can order copies, free of charge, by contacting Ms. Sharlene Reagan – Executive Assistant to our Chief Financial Officer at: [sharlene\\_reagan@ennis.com](mailto:sharlene_reagan@ennis.com)

## Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held on July 15, 2021, beginning at 10:00 a.m., local time. The meeting will take place at the Midlothian Conference Center located at One Community Circle, Midlothian, Texas 76065.

## Common Stock

Ennis, Inc. common stock is listed on the New York Stock Exchange under the ticker symbol "EBF."

As of April 30, 2021, there were approximately 26.1 million shares outstanding and approximately 706 shareholders of record.

## FISCAL YEAR 2021

### STOCK PRICE PERFORMANCE

High:	\$21.11
Low:	\$13.99
Close (2/28/21)	\$19.82

## Number of Employees

More than 2,096 worldwide at February 28, 2021

## Corporate Address

2441 Presidential Parkway  
Midlothian, Texas 76065

## Investor Relations

Keith S. Walters  
Chairman of the Board, CEO and President  
2441 Presidential Parkway  
Midlothian, Texas 76065  
(800) 752-5386  
[keith\\_walters@ennis.com](mailto:keith_walters@ennis.com)

## Independent Accountants

Grant Thornton, LLP

## Outside Corporate Counsel

Baker Botts L.L.P.

## Shareholder Services

Computershare Investor Services, LLC

## Certifications

Ennis has filed with the SEC as exhibits to its Annual Report on Form 10-K for the year ended February 28, 2021, the certification of each of its Chief Executive Officer and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act. In addition, Ennis has submitted to the New York Stock Exchange the required certification of the Chief Executive Officer with respect to Ennis' compliance with the New York Stock Exchange's corporate governance listing standards.

## Caution Concerning Forward-Looking Statements

This document includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectation and are subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein due to changes in economic, business, competitive, technology, strategic and or regulatory factors. More detailed information about these factors is set forth in our Quarterly Reports on Form 10-Q, as filed with the SEC, and in this Annual Report on Form 10-K under the caption "Certain Risk Factors." Ennis is under no obligation to [and expressly disclaims any such obligation to] update or alter its forward-looking statements, whether as a result of new information, subsequent events or otherwise.

## Corporate Publications

Copies of Ennis, Inc.'s Annual Report on Form 10-K (excluding exhibits) and other filings with the SEC are available without charge upon written request to Ennis, Inc., 2441 Presidential Parkway, Midlothian, Texas 76065, Attn: Investor Relations, or by email: [investor@ennis.com](mailto:investor@ennis.com). All such filings are also available on our website: [www.ennis.com/about/investor-relations/](http://www.ennis.com/about/investor-relations/)

## Trademark Information

All trademark and service marks referenced herein are owned by the respective trademark or service mark owners.



**ENNIS, INC.**

Corporate Headquarters  
2441 Presidential Pkwy • Midlothian, TX 76065

**[ennis.com](http://ennis.com)**

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