

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

FORM 10-Q

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

For the quarterly period ended June 29, 2024

OR

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

For the transition period from _____ to _____

Commission File Number 001-08174

DUCOMMUN INCORPORATED

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

95-0693330

(I.R.S. Employer
Identification No.)

600 Anton Boulevard, Suite 1100, Costa Mesa, California

(Address of principal executive offices)

92626-7100

(Zip code)

Registrant's telephone number, including area code: (657) 335-3665

N/A

(Former name, former address and former fiscal year, if changed since last report)

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, \$.01 par value per share	DCO	New York Stock Exchange

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). 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2024, the registrant had 14,748,194 shares of common stock outstanding.

DUCOMMUN INCORPORATED AND SUBSIDIARIES

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FORWARD-LOOKING STATEMENTS AND RISK FACTORS

This Quarterly Report on Form 10-Q (“Form 10-Q”) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be preceded by, followed by or include words such as “could,” “may,” “believe,” “expect,” “anticipate,” “plan,” “estimate,” “expect,” “would,” or similar expressions. These statements are based on the beliefs and assumptions of our management at the time such statements are made. Generally, forward-looking statements include information concerning our possible or assumed future actions, events or results of operations. Forward-looking statements specifically include, without limitation, the information in this Form 10-Q regarding: future sales, earnings, cash flow, revenue recognition, uses of cash and other measures of financial performance, projections or expectations for future operations, including costs to complete contracts, goodwill impairment evaluations, useful life of intangible assets, unrecognized tax benefits and effective tax rate, environmental remediation costs, insurance recoveries, industry trends and expectations, including ramp up times for build rates, our plans with respect to restructuring activities, capital expenditures, completed acquisitions, future acquisitions and dispositions and expected business opportunities that may be available to us.

Although we believe that the expectations reflected in the forward-looking statements are based on reasonable assumptions, these forward-looking statements are subject to numerous factors, risks and uncertainties that could cause actual outcomes and results to be materially different from those projected. We cannot guarantee future results, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. All written and oral forward-looking statements made in connection with this Form 10-Q that are attributable to us or persons acting on our behalf are expressly qualified in their entirety by the “Risk Factors” contained within Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 (“Form 10-K”).

There can be no assurance that other factors will not affect the accuracy of these forward-looking statements or that our actual results will not differ materially from the results anticipated in such forward-looking statements. While it is impossible to identify all such factors, some factors that could cause actual results to differ materially from those estimated by us include, but are not limited to, those factors or conditions described under Risk Factors contained within Part I, Item 1A of our Form 10-K and the following:

- our level of indebtedness;
- our ability to service our indebtedness;
- the covenants in our credit facilities impose restrictions that may limit our operating and financial flexibility;
- the typical trading volume of our common stock may affect an investor’s ability to sell significant stock holdings in the future without negatively impacting our stock price;
- our amount of debt may require us to raise additional capital to fund acquisitions;
- our end use markets are cyclical and we depend upon a select base of industries and customers;
- a significant portion of our business depends on the U.S. Government defense spending;
- exports of certain of our products and our production facility in Guaymas, Mexico are subject to various export control regulations and authorizations for proposed sales to certain foreign customers;
- contracts with some of our customers give them a variety of rights that are unfavorable to us and the OEMs to whom we provide products and services, including the ability to terminate a contract at any time for convenience;
- further consolidation in the aerospace industry;
- our ability to execute our growth strategy, which includes evaluating select acquisitions;
- we may not be successful in achieving expected operating efficiencies and sustaining or improving operating expense reductions, and may experience business disruptions associated with restructuring, performance center consolidations, realignment, cost reduction, and other strategic initiatives;
- enhanced design, product development, manufacturing, supply chain project management and other skills will be required as we move up the value chain to become a more value added supplier, and we are dependent upon our ability to attract and retain key personnel;
- risks associated with operating and conducting our business outside the United States;
- customer pricing pressures could reduce the demand and/or price for our products and services;

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- our products and processes are subject to risk of obsolescence as a result of changes in technology and evolving industrial and regulatory standards;
- we may not have the ability to renew facilities leases on terms favorable to us and relocation of operations presents risks due to business interruptions;
- we are subject to a number of procurement laws with which we must comply;
- our operations are subject to numerous extensive, complex, costly and evolving laws, regulations and restrictions, including the Defense Contract Audit Agency and cybersecurity requirements;
- possible goodwill and other asset impairments;
- the risk of environmental liabilities and our environmental, social and governance, and sustainability responsibilities;
- we may be subject to litigation, other legal proceedings and indemnity claims;
- our ability to implement changes in estimates when bidding on fixed-price contracts;
- unanticipated changes in our tax provision or exposure to additional income tax liabilities;
- our ability to accurately report our financial results or prevent fraud if our internal control over financial reporting is not effective;
- labor disruptions and the ability of our suppliers to meet the quality and delivery expectations of our customers;
- cybersecurity attacks;
- assertions by third parties of violations of intellectual property rights; and
- damage or destruction of our facilities caused by natural disasters.

We caution the reader that undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this Form 10-Q. We do not undertake any duty or responsibility to update any of these forward-looking statements to reflect events or circumstances after the date of this Form 10-Q, except as required by law.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements**

Ducommun Incorporated and Subsidiaries
Condensed Consolidated Balance Sheets
(Unaudited)

(Dollars in thousands, except share and per share data)

	June 29, 2024	December 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 29,405	\$ 42,863
Accounts receivable, net of allowance for credit losses of \$2,363 and \$2,006 at June 29, 2024 and December 31, 2023, respectively	106,585	104,692
Contract assets	210,314	177,686
Inventories	201,831	199,201
Production cost of contracts	6,181	7,778
Other current assets	14,398	17,349
Total Current Assets	568,714	549,569
Property and Equipment, Net of Accumulated Depreciation of \$188,260 and \$181,412 at June 29, 2024 and December 31, 2023, respectively	111,299	111,379
Operating Lease Right-of-Use Assets	27,128	29,513
Goodwill	244,600	244,600
Intangibles, Net	157,967	166,343
Deferred Income Taxes	641	641
Other Assets	21,151	18,874
Total Assets	\$ 1,131,500	\$ 1,120,919
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	\$ 76,810	\$ 72,265
Contract liabilities	50,034	53,492
Accrued and other liabilities	40,293	42,260
Operating lease liabilities	7,943	7,873
Current portion of long-term debt	10,938	7,813
Total Current Liabilities	186,018	183,703
Long-Term Debt, Less Current Portion	250,896	256,961
Non-Current Operating Lease Liabilities	20,414	22,947
Deferred Income Taxes	2,945	4,766
Other Long-Term Liabilities	15,328	16,448
Total Liabilities	475,601	484,825
Commitments and Contingencies (Notes 10, 12)		
Shareholders' Equity		
Common Stock - \$0.01 par value; 35,000,000 shares authorized; 14,746,921 and 14,600,766 shares issued and outstanding at June 29, 2024 and December 31, 2023, respectively	147	146
Additional Paid-In Capital	208,930	206,197
Retained Earnings	436,553	421,980
Accumulated Other Comprehensive Income	10,269	7,771
Total Shareholders' Equity	655,899	636,094
Total Liabilities and Shareholders' Equity	\$ 1,131,500	\$ 1,120,919

See accompanying notes to Condensed Consolidated Financial Statements.

Ducommun Incorporated and Subsidiaries
Condensed Consolidated Statements of Income
(Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net Revenues	\$ 197,000	\$ 187,320	\$ 387,847	\$ 368,511
Cost of Sales	145,761	147,198	289,665	291,622
Gross Profit	51,239	40,122	98,182	76,889
Selling, General and Administrative Expenses	36,061	30,348	69,012	56,573
Restructuring Charges	1,254	4,769	2,624	8,939
Operating Income	13,924	5,005	26,546	11,377
Interest Expense	(3,975)	(5,735)	(7,858)	(9,954)
Other Income	—	4,059	—	7,945
Income Before Taxes	9,949	3,329	18,688	9,368
Income Tax Expense	2,225	955	4,115	1,763
Net Income	<u>\$ 7,724</u>	<u>\$ 2,374</u>	<u>\$ 14,573</u>	<u>\$ 7,605</u>
Earnings Per Share				
Basic earnings per share	\$ 0.52	\$ 0.18	\$ 0.99	\$ 0.59
Diluted earnings per share	\$ 0.52	\$ 0.17	\$ 0.97	\$ 0.58
Weighted-Average Number of Common Shares Outstanding				
Basic	14,775	13,403	14,735	12,799
Diluted	14,961	13,599	14,954	13,075

See accompanying notes to Condensed Consolidated Financial Statements.

Ducommun Incorporated and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)
(Dollars in thousands)

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net Income	\$ 7,724	\$ 2,374	\$ 14,573	\$ 7,605
Other Comprehensive Income, Net of Tax:				
Amortization of actuarial losses and prior service costs, net of tax of \$14 and \$14 for the three months ended June 29, 2024 and July 1, 2023, respectively, and \$28 and \$27 for the six months ended June 29, 2024 and July 1, 2023, respectively	44	41	86	83
Change in net unrealized gains on cash flow hedges, net of tax of \$65 and \$968 for the three months ended June 29, 2024 and July 1, 2023, respectively, and \$737 and \$306 for the six months ended June 29, 2024 and July 1, 2023, respectively	211	3,116	2,412	986
Other Comprehensive Income, Net of Tax	255	3,157	2,498	1,069
Comprehensive Income	<u>\$ 7,979</u>	<u>\$ 5,531</u>	<u>\$ 17,071</u>	<u>\$ 8,674</u>

See accompanying notes to Condensed Consolidated Financial Statements.

Ducommun Incorporated and Subsidiaries
Condensed Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)
(Dollars in thousands)

	Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance at December 31, 2022	12,106,285	\$ 121	\$ 112,042	\$ 406,052	\$ 7,745	\$ 525,960
Net income	—	—	—	5,231	—	5,231
Other comprehensive income, net of tax	—	—	—	—	(2,088)	(2,088)
Employee stock purchase plan	26,833	—	1,307	—	—	1,307
Stock options exercised	25,561	—	737	—	—	737
Stock awards vested	173,249	2	(2)	—	—	—
Stock repurchased related to the exercise of stock options and stock awards vested	(100,224)	(1)	(5,479)	—	—	(5,480)
Stock-based compensation	—	—	2,717	—	—	2,717
Balance at April 1, 2023	12,231,704	122	111,322	411,283	5,657	528,384
Net income	—	—	—	2,374	—	2,374
Other comprehensive income, net of tax	—	—	—	—	3,157	3,157
Issuance of common stock in public offering, net of issuance costs	2,300,000	23	85,084	—	—	85,107
Stock options exercised	1,771	—	70	—	—	70
Stock awards vested	54,814	1	(1)	—	—	—
Stock repurchased related to the exercise of stock options and stock awards vested	(18,700)	—	(1,142)	—	—	(1,142)
Stock-based compensation	—	—	4,193	—	—	4,193
Balance at July 1, 2023	14,569,589	\$ 146	\$ 199,526	\$ 413,657	\$ 8,814	\$ 622,143
Balance at December 31, 2023	14,600,766	\$ 146	\$ 206,197	\$ 421,980	\$ 7,771	\$ 636,094
Net income	—	—	—	6,849	—	6,849
Other comprehensive income, net of tax	—	—	—	—	2,243	2,243
Employee stock purchase plan	28,773	—	1,190	—	—	1,190
Stock options exercised	1,625	—	47	—	—	47
Stock awards vested	152,569	2	(2)	—	—	—
Stock repurchased related to the exercise of stock options and stock awards vested	(77,107)	(1)	(3,764)	—	—	(3,765)
Stock-based compensation	—	—	2,889	—	—	2,889
Balance at March 30, 2024	14,706,626	147	206,557	428,829	10,014	645,547
Net income	—	—	—	7,724	—	7,724
Other comprehensive income, net of tax	—	—	—	—	255	255
Stock options exercised	10,322	—	368	—	—	368
Stock awards vested	57,590	—	—	—	—	—
Stock repurchased related to the exercise of stock options and stock awards vested	(27,617)	—	(1,524)	—	—	(1,524)
Stock-based compensation	—	—	3,529	—	—	3,529
Balance at June 29, 2024	14,746,921	\$ 147	\$ 208,930	\$ 436,553	\$ 10,269	\$ 655,899

See accompanying notes to Condensed Consolidated Financial Statements.

Ducommun Incorporated and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

	Six Months Ended	
	June 29, 2024	July 1, 2023
Cash Flows from Operating Activities		
Net Income	\$ 14,573	\$ 7,605
Adjustments to Reconcile Net Income to		
Net Cash Provided by (Used in) Operating Activities:		
Depreciation and amortization	16,598	15,943
Non-cash operating lease cost	4,164	2,953
Inventory write down and property and equipment impairment due to restructuring	—	843
Stock-based compensation expense	8,286	8,117
Deferred income taxes	(2,586)	(2,056)
Provision for credit losses	357	473
Recognition of insurance recoveries	—	(3,886)
Other	428	444
Changes in Assets and Liabilities:		
Accounts receivable	(2,250)	12,252
Contract assets	(32,628)	1,454
Inventories	(2,630)	(21,243)
Production cost of contracts	1,429	(401)
Other assets	3,669	343
Accounts payable	4,873	(8,177)
Contract liabilities	(3,458)	(15,349)
Operating lease liabilities	(4,060)	(2,471)
Accrued and other liabilities	(4,951)	(6,591)
Net Cash Provided by (Used in) Operating Activities	1,814	(9,747)
Cash Flows from Investing Activities		
Purchases of property and equipment	(8,292)	(10,919)
Payments for acquisition of BLR Aerospace L.L.C., net of cash acquired	—	(114,353)
Net Cash Used in Investing Activities	(8,292)	(125,272)
Cash Flows from Financing Activities		
Borrowings from senior secured revolving credit facility	20,000	133,500
Repayments of senior secured revolving credit facility	(20,000)	(99,700)
Repayments of term loans	(3,125)	(3,125)
Repayments of other debt	(172)	(165)
Proceeds from issuance of common stock in public offering, net of issuance costs	—	85,107
Net cash paid upon issuance of common stock under stock plans	(3,683)	(4,038)
Net Cash (Used in) Provided by Financing Activities	(6,980)	111,579
Net Decrease in Cash and Cash Equivalents	(13,458)	(23,440)
Cash and Cash Equivalents at Beginning of Period	42,863	46,246
Cash and Cash Equivalents at End of Period	\$ 29,405	\$ 22,806

See accompanying notes to Condensed Consolidated Financial Statements.

Ducommun Incorporated and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1. Summary of Significant Accounting PoliciesDescription of Business

We are a leading global provider of innovative, value-added proprietary products and manufacturing solutions for high-performance products and high-cost-of-failure applications used primarily in the aerospace and defense (“A&D”), industrial, medical and other industries (collectively, “Industrial”). Our operations are organized into two primary businesses: the Electronic Systems segment (“Electronic Systems”) and the Structural Systems segment (“Structural Systems”), each of which is a reportable operating segment. Electronic Systems designs, engineers and manufactures high-reliability electronic and electromechanical products used in worldwide technology-driven markets including A&D and Industrial end-use markets. Electronic Systems’ product offerings primarily range from prototype development to complex assemblies. Structural Systems designs, engineers and manufactures large, complex contoured aerostructure components and assemblies and supplies composite and metal bonded structures and assemblies. Structural Systems’ products are primarily used on commercial aircraft, military fixed-wing aircraft, and military and commercial rotary-wing aircraft. Both reportable operating segments follow the same accounting principles.

Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of Ducommun Incorporated and its subsidiaries (“Ducommun,” the “Company,” “we,” “us” or “our”), after eliminating intercompany balances and transactions. The December 31, 2023 condensed consolidated balance sheet data was derived from audited financial statements, but does not contain all disclosures required by accounting principles generally accepted in the United States of America (“GAAP”).

Our significant accounting policies were described in Part IV, Item 15(a)(1), “Note 1. Summary of Significant Accounting Policies” in our Annual Report on Form 10-K for the year ended December 31, 2023 (“2023 Form 10-K”). The financial information included in this Quarterly Report on Form 10-Q (“Form 10-Q”) should be read in conjunction with the 2023 Form 10-K.

In the opinion of management, all adjustments, including recurring accruals, have been made that are necessary to fairly state our condensed consolidated financial position, statements of income, comprehensive income, changes in shareholders’ equity, and cash flows in accordance with GAAP for the periods covered by this Form 10-Q. The results of operations for the three and six months ended June 29, 2024 are not necessarily indicative of the results to be expected for the full year ending December 31, 2024.

Our fiscal quarters typically end on the Saturday closest to the end of March, June and September for the first three fiscal quarters of each year, and on December 31 for our fourth fiscal quarter. As a result of using fiscal quarters for the first three quarters combined with leap years, our first and fourth fiscal quarters can range between 12 1/2 weeks to 13 1/2 weeks while the second and third fiscal quarters remain at a constant 13 weeks per fiscal quarter.

Certain reclassifications have been made to prior period amounts to conform to the current year’s presentation.

Use of Estimates

Certain amounts and disclosures included in the unaudited condensed consolidated financial statements require management to make estimates and judgments that affect the amounts of assets, liabilities (including contract liabilities), revenues and expenses, and related disclosures of contingent assets and liabilities. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Unsolicited Non-Binding Indication of Interest

On April 8, 2024, our Board of Directors (“BOD”) confirmed receipt of the first unsolicited non-binding indication of interest dated April 1, 2024 (“First IOI”) from Albion River LLC (“Albion”), a private direct investment firm. Albion expressed interest in acquiring all the outstanding shares of Ducommun for \$60.00 per share in cash. On April 16, 2024, we issued a press release responding to the First IOI that the BOD had unanimously determined it was not in the best interests of Ducommun and Ducommun shareholders to pursue further discussions regarding the proposal.

Subsequent to our quarter ended June 29, 2024, on July 15, 2024, our BOD received an unsolicited revised non-binding indication of interest from Albion (“Second IOI”), to acquire all outstanding shares of Ducommun for \$65.00 per share in cash.

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On July 25, 2024, we issued a press release responding to the Second IOI that the BOD had unanimously determined it was not in the best interests of Ducommun and Ducommun shareholders to pursue further discussions regarding the revised proposal.

Supplemental Cash Flow Information

	(Dollars in thousands)	
	Six Months Ended	
	June 29, 2024	July 1, 2023
Interest paid, net	\$ 7,372	\$ 9,529
Taxes paid, net	\$ 4,001	\$ 10,038
Non-cash activities:		
Purchases of property and equipment not paid	\$ 479	\$ 1,291

Earnings Per Share

Basic earnings per share are computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding in each period. Diluted earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding, plus any potentially dilutive shares that could be issued if exercised or converted into common stock in each period.

The net income and weighted-average common shares outstanding used to compute earnings per share were as follows:

	(Dollars in thousands, except per share data)		(Dollars in thousands, except per share data)	
	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net income	\$ 7,724	\$ 2,374	\$ 14,573	\$ 7,605
Weighted-average number of common shares outstanding				
Basic weighted-average common shares outstanding	14,775	13,403	14,735	12,799
Dilutive potential common shares	186	196	219	276
Diluted weighted-average common shares outstanding	14,961	13,599	14,954	13,075
Earnings per share				
Basic	\$ 0.52	\$ 0.18	\$ 0.99	\$ 0.59
Diluted	\$ 0.52	\$ 0.17	\$ 0.97	\$ 0.58

Potentially dilutive stock awards, as shown below, were excluded from the computation of diluted earnings per share because their inclusion would have been anti-dilutive. However, these awards may be potentially dilutive common shares in the future.

	(In thousands)		(In thousands)	
	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Stock options and stock units	51	111	56	56

Fair Value

Assets and liabilities that are measured, recorded or disclosed at fair value on a recurring basis are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine the fair value. Level 1, the highest level, refers to the values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant observable inputs. Level 3, the lowest level, includes fair values estimated using significant unobservable inputs.

We have money market funds which are included as cash and cash equivalents. We also have forward interest rate swap agreements and the fair value of the forward interest rate swap agreements was determined using pricing models that use observable market inputs as of the balance sheet date, a Level 2 measurement.

There were no transfers between Level 1, Level 2, or Level 3 financial instruments in the three months ended June 29, 2024.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid instruments purchased with original maturities of three months or less. These assets are valued at cost, which approximates fair value, and we classify as Level 1. See Fair Value above.

Derivative Instruments

We recognize derivative instruments on our condensed consolidated balance sheets at their fair value. On the date that we enter into a derivative contract, we designate the derivative instrument as a fair value hedge, a cash flow hedge, or a derivative instrument that will not be accounted for using hedge accounting methods. In November 2021, we entered into forward interest rate swap agreements with an aggregate notional amount of \$150.0 million, all with an effective date of January 1, 2024 (“Forward Interest Rate Swaps”), to manage our exposure to interest rate movements on a portion of our debt. At the time we entered into the Forward Interest Rate Swaps, there was a high probability of forecasted interest payments on our debts occurring and the swaps were highly effective in offsetting those interest payments; therefore, we elected to apply cash flow hedge accounting. In July 2022, as a result of refinancing all our existing debt, which allowed borrowing based on a Secured Overnight Financing Rate (“SOFR”), we were required to complete an amendment of the Forward Interest Rate Swaps from One Month London Interbank Offered Rate (“LIBOR”) to One Month Term SOFR (“Amended Forward Interest Rate Swaps”), which occurred on the same day. After the transition of the Forward Interest Rate Swaps and debt to SOFR was completed, we determined the hedging relationships were still highly effective as of the amendment date. See Note 4 and Note 8. As of June 29, 2024, all of our derivative instruments were designated as cash flow hedges.

We record changes in the fair value of a derivative instrument that is highly effective and that is designated and qualifies as a cash flow hedge in other comprehensive income (loss), net of tax until our earnings are affected by the variability of cash flows of the underlying hedged item. We report changes in the fair values of derivative instruments that are not designated or do not qualify for hedge accounting in current period earnings. We classify cash flows from derivative instruments in the condensed consolidated statements of cash flows in the same category as the item being hedged or on a basis consistent with the nature of the instrument. Prior to the Amended Forward Interest Rate Swaps being effective on January 1, 2024, we only recorded the changes in fair value of the derivative instruments that were highly effective and that were designated and qualified as cash flow hedges prior to the effective date. See Note 4.

When we determine that a derivative instrument is not highly effective as a hedge, we discontinue hedge accounting prospectively. In all situations in which we discontinue hedge accounting and the derivative instrument remains outstanding, we will carry the derivative instrument at its fair value on our condensed consolidated balance sheets and recognize subsequent changes in its fair value in our current period earnings.

Inventories

Inventories are stated at the lower of cost or net realizable value with cost being determined using a moving average cost basis for raw materials and actual cost for work-in-process and finished goods. The majority of our inventory is charged to cost of sales as raw materials are placed into production. Inventoried costs include raw materials, outside processing, direct labor and allocated overhead, adjusted for any abnormal amounts of idle performance center expense, freight, handling costs, and wasted materials (spoilage) incurred. We assess the inventory carrying value and reduce it, if necessary, to its net realizable value based on customer orders on hand, and internal demand forecasts using management’s best estimates given information currently available. The majority of our revenues are recognized over time, however, for revenue contracts where revenue is recognized using the point in time method, inventory is not reduced until it is shipped or transfer of control to the customer has occurred. Our ending inventory consists of raw materials, work-in-process, and finished goods.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income, as reflected on the condensed consolidated balance sheets under the equity section, was comprised of cumulative pension and retirement liability adjustments, net of tax, and change in net unrealized gains and losses on cash flow hedges, net of tax.

Revenue Recognition

Our customers typically engage us to manufacture products based on designs and specifications provided by the end-use customer. This requires the building of tooling and manufacturing first article inspection products (prototypes) before volume manufacturing. Contracts with our customers generally include a termination for convenience clause.

We have a significant number of contracts that are started and completed within the same year, as well as contracts derived from long-term agreements and programs that can span several years. We recognize revenue under ASC 606, “Revenue from Contracts with Customers” (“ASC 606”), which utilizes a five-step model.

The definition of a contract for us is typically defined as a customer purchase order as this is when we achieve an enforceable right to payment. The majority of our contracts are firm fixed-price contracts. The deliverables within a customer purchase order are analyzed to determine the number of performance obligations. In addition, at times, in order to achieve economies of scale and based on our customer's forecasted demand, we may build in advance of receiving a purchase order from our customer. When that occurs, we would not recognize revenue until we have received the customer purchase order.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, control is transferred and the performance obligation is satisfied. The majority of our contracts have a single performance obligation as the promise to transfer the individual goods or services are highly interrelated or met the series guidance. For contracts with multiple performance obligations, we allocate the contract transaction price to each performance obligation using our best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate the standalone selling price is the expected cost plus a margin approach, under which we forecast our expected costs of satisfying a performance obligation and then add an appropriate margin for that distinct good or service.

We manufacture most products to customer specifications, and the product cannot be easily modified for another customer. As such, these products are deemed to have no alternative use once the manufacturing process begins. In the event the customer invokes a termination for convenience clause, we would be entitled to costs incurred to date plus a reasonable profit. Contract costs typically include labor, materials, overhead, and when applicable, subcontractor costs. For most of our products, we are building assets with no alternative use and have enforceable right to payment, and thus, we recognize revenue using the over time method.

The majority of our performance obligations are satisfied over time as work progresses. Typically, revenue is recognized over time using an input measure (i.e., costs incurred to date relative to total estimated costs at completion, also known as cost-to-cost plus reasonable profit) to measure progress. Our typical revenue contract is a firm fixed price contract, and the cost of raw materials could make up a significant amount of the total costs incurred. As such, we believe using the total costs incurred input method would be the most appropriate method. While the cost of raw materials could make up a significant amount of the total costs incurred, there is a direct relationship between our inputs and the transfer of control of goods or services to the customer.

Contract estimates, known as estimates at completion, are based on various assumptions to project the outcome of future events that can span multiple months or years. These assumptions include among others, labor productivity and availability; the complexity of the work to be performed; the cost and availability of materials; overhead cost rates; and the performance of subcontractors. As a significant change in one or more of these estimates could affect the progress completed (and related profitability) on our contracts, we review and update our contract-related estimates on a regular basis. We recognize such adjustments under the cumulative catch-up method. Under this method, the impact of the adjustment is recognized in the period the adjustment is identified. In any given reporting period, we have a large number of active contracts, which we have defined as a customer purchase order, and changes in estimates may occur on a significant number of these contracts. Given the significant number of contracts that we may have at any given point in time, the varied nature of products produced under such contracts, and the different assumptions, facts and circumstances associated with each individual contract, and the fact that such changes at the contract level are typically not material, we disclose cumulative catch-up adjustments on a net basis.

Net cumulative favorable and unfavorable catch-up adjustments to contracts had the following impact on our operating results:

	(Dollars in thousands) Three Months Ended		(Dollars in thousands) Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Total net revenues	\$ 387	\$ (4,184)	\$ (1,548)	\$ (7,440)
Operating income	\$ 387	\$ (4,184)	\$ (1,548)	\$ (7,440)

Payments under long-term contracts may be received before or after revenue is recognized. When revenue is recognized before we bill our customer, a contract asset is created for the work performed but not yet billed. Similarly, when we receive payment before we ship our products to our customer and have met the shipping terms, a contract liability is created for the advance or progress payment. When a contract liability and a contract asset exist on the same contract, we report it on a net basis.

We record provisions for the total anticipated losses on contracts, considering total estimated costs to complete the contract compared to total anticipated revenues, in the period in which such losses are identified. The provisions for estimated losses on contracts require us to make certain estimates and assumptions, including those with respect to the future revenue under a contract and the future cost to complete the contract. Our estimate of the future cost to complete a contract may include assumptions as to changes in manufacturing efficiency, operating and material costs, and our ability to resolve claims and assertions with our customers. If any of these or other assumptions and estimates do not materialize in the future, we may be

required to adjust the provisions for estimated losses on contracts. The provision for estimated losses on contracts is included as part of contract liabilities on the condensed consolidated balance sheets. As of June 29, 2024 and December 31, 2023, provision for estimated losses on contracts were \$5.2 million and \$5.4 million, respectively. It is reasonably possible we may incur additional losses in the future.

Production cost of contracts includes non-recurring production costs, such as design and engineering costs, and tooling and other special-purpose machinery necessary to build parts as specified in a contract. Production costs of contracts are recorded to cost of sales using the over time revenue recognition model. We review the value of the production cost of contracts on a quarterly basis to ensure when added to the estimated cost to complete, the value is not greater than the estimated realizable value of the related contracts. As of June 29, 2024 and December 31, 2023, production cost of contracts were \$6.2 million and \$7.8 million, respectively.

Contract Assets and Contract Liabilities

Contract assets consist of our right to payment for work performed but not yet billed. Contract assets are transferred to accounts receivable when we bill our customers. We bill our customers when we ship the products and meet the shipping terms within the revenue contract. Contract liabilities consist of advance or progress payments received from our customers prior to the time transfer of control occurs plus the estimated losses on contracts. When a contract liability and a contract asset exist on the same contract, we report it on a net basis.

Contract assets and contract liabilities from revenue contracts with customers are as follows:

	(Dollars in thousands)	
	June 29, 2024	December 31, 2023
Contract assets	\$ 210,314	\$ 177,686
Contract liabilities	\$ 50,034	\$ 53,492

The increase in our contract assets as of June 29, 2024 compared to December 31, 2023 was primarily due to a net increase of products in work in process in the current period.

The decrease in our contract liabilities as of June 29, 2024 compared to December 31, 2023 was primarily due to a net decrease of advance or progress payments received from our customers in the current period. We recognized \$21.0 million of the contract liabilities as of December 31, 2023 as revenues during the six months ended June 29, 2024.

Performance obligations are defined as customer placed purchase orders (“POs”) with firm fixed price and firm delivery dates. Our remaining performance obligations as of June 29, 2024 totaled \$840.0 million. Of the remaining performance obligations as of June 29, 2024, we anticipate recognizing an estimated 65% of our remaining performance obligations as revenue during the next 12 months with the remaining performance obligations being recognized in the remainder of 2025 and beyond.

Revenue by Category

In addition to the revenue categories disclosed above, the following table reflects our revenue disaggregated by major end-use market:

	(Dollars in thousands)		(Dollars in thousands)	
	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
<u>Consolidated Ducommun</u>				
Military and space	\$ 100,538	\$ 97,370	\$ 199,467	\$ 195,040
Commercial aerospace	86,643	76,764	166,560	148,584
Industrial	9,819	13,186	21,820	24,887
Total	<u>\$ 197,000</u>	<u>\$ 187,320</u>	<u>\$ 387,847</u>	<u>\$ 368,511</u>
<u>Electronic Systems</u>				
Military and space	\$ 69,987	\$ 71,772	\$ 142,492	\$ 145,099
Commercial aerospace	21,634	22,166	44,667	42,764
Industrial	9,819	13,186	21,820	24,887
Total	<u>\$ 101,440</u>	<u>\$ 107,124</u>	<u>\$ 208,979</u>	<u>\$ 212,750</u>
<u>Structural Systems</u>				
Military and space	\$ 30,551	\$ 25,598	\$ 56,975	\$ 49,941
Commercial aerospace	65,009	54,598	121,893	105,820
Total	<u>\$ 95,560</u>	<u>\$ 80,196</u>	<u>\$ 178,868</u>	<u>\$ 155,761</u>

Recent Accounting Pronouncements*Recently Issued Accounting Standards*

In March 2024, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2024-02, “Codification Improvements - Amendments to Remove References to the Concepts Statements” (“ASU 2024-02”), which removed references to various FASB Concepts Statements and updates technical corrections such as conforming amendments, clarification to guidance, simplifications to wording or the structure of guidance, and other minor improvements. The new guidance is effective for fiscal years beginning after December 15, 2024, which is our annual period beginning January 1, 2025. Early adoption is permitted. We are evaluating the impact of this standard.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” (“ASU 2023-09”), which provides more transparency about tax information primarily related to the rate reconciliation and the income taxes paid. The new guidance is effective for fiscal years beginning after December 15, 2024, which will be our annual period beginning January 1, 2025. Early adoption is permitted. We are evaluating the impact of this standard.

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures” (“ASU 2023-07”), which expands reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The new guidance is effective for fiscal years beginning after December 15, 2023, which is our annual period beginning January 1, 2024, and interim periods within fiscal years beginning after December 15, 2024, which will be our interim period beginning January 1, 2025. Early adoption is permitted. We are evaluating the impact of this standard.

In October 2023, the FASB issued ASU 2023-06, “Disclosure Improvements: Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative” (“ASU 2023-06”), which incorporates updates to the Accounting Standards Codification to align certain SEC disclosure requirements. The amendments impact a variety of topics but are relatively narrow in nature. For entities required to comply with the SEC’s existing disclosure requirements, the effective date for each amendment will be the effective date of the removal of the disclosure requirement from SEC Regulation S-X or SEC Regulation S-K, with early adoption prohibited. The amendments should be applied prospectively. We are evaluating the impact of this standard.

Note 2. Business Combinations

BLR Aerospace, L.L.C. Acquisition

In April 2023, we acquired 100.0% of the outstanding equity interests of BLR Aerospace, L.L.C. (“BLR”), a privately-held leading provider of aerodynamic systems that enhance the productivity, performance, and safety of rotary and fixed-wing aircraft on commercial and military platforms. BLR is located in Everett, Washington. The acquisition of BLR added to our strategy to diversify and offer more customized, value-driven engineered products with aftermarket opportunities.

The initial purchase price for BLR was \$115.0 million, net of cash acquired, all payable in cash, subject to adjustments for working capital. We paid a gross aggregate of \$117.0 million in cash upon the closing of the transaction. Subsequent to the closing of the transaction, during the three months ended September 30, 2023, the working capital was finalized, resulting in an immaterial adjustment for a final purchase price of \$114.4 million, net of cash acquired. We allocated the gross purchase price of \$117.0 million to the assets acquired and liabilities assumed at their estimated fair values. The excess of the purchase price over the aggregate fair values of the net assets was recorded as goodwill.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition (in thousands):

	Estimated Fair Value
Cash	\$ 2,656
Accounts receivable	4,149
Inventories	12,011
Other current assets	891
Property and equipment	2,632
Operating lease right-of-use assets	874
Intangible assets	55,500
Goodwill	41,193
Total assets acquired	119,906
Current liabilities	(2,145)
Other non-current liabilities	(727)
Total liabilities assumed	(2,872)
Total purchase price allocation	\$ 117,034

	Useful Life (In years)	Estimated Fair Value (In thousands)
Intangible assets:		
Technology	23	\$ 35,600
Customer relationships	10-22	15,000
Trade name	18	4,900
		\$ 55,500

The intangible assets acquired of \$55.5 million were determined based on the estimated fair values using valuation techniques consistent with the income approach to measure fair value, which represented Level 3 fair value measurements. The useful lives were estimated based on the underlying agreements or the future economic benefit expected to be received from the assets. The values for technology and trade name were assessed using the relief from royalty methodology, while the value for customer relationships was estimated based on a multi-period excess earnings approach. Inputs to the income approach models and other aspects of the allocation of the purchase price require judgment. The more significant inputs used in the technology intangible asset valuation included (i) future revenues, (ii) the technology decay rate, (iii) the royalty rate, and (iv) the discount rate. The more significant inputs used in the customer relationships intangible asset valuation included (i) future revenues, (ii) the projected earnings before interest, taxes, and amortization (“EBITA”) margins, (iii) the customer attrition rates, and (iv) the discount rate.

The goodwill of \$41.2 million arising from the acquisition is attributable to the benefits we expect to derive from expected synergies from the transaction, including complementary products that will enhance our overall product portfolio, opportunities within new markets, and an acquired assembled workforce. All the goodwill was assigned to the Structural Systems segment.

The BLR acquisition, for tax purposes, is deemed an asset acquisition and thus, the goodwill recognized is deductible for income tax purposes.

Acquisition related transaction costs were not included as components of consideration transferred but have been expensed as incurred. Total acquisition-related transaction costs incurred by us were zero and \$0.5 million during the three months ended June 29, 2024 and July 1, 2023, respectively, and zero and \$1.3 million during the six months ended June 29, 2024 and July 1, 2023, respectively, and charged to selling, general and administrative expenses.

BLR's results of operations have been included in our condensed consolidated statements of income since the date of acquisition as part of the Structural Systems segment, and its revenues were less than three percent of total company revenues since the date of acquisition. Pro forma results of operations of the BLR acquisition have not been presented as the effect of the BLR acquisition was not material to our financial results.

Note 3. Restructuring Activities

Summary of 2022 Restructuring Plan

In April 2022, management approved and commenced a restructuring plan that will better position us for stronger performance. The restructuring plan will mainly reduce headcount and consolidate facilities. As a result of this restructuring plan, we analyzed the need to write-down inventory and impair long-lived assets, including operating lease right-of-use assets. During the three and six months ended June 29, 2024, we recorded total charges of \$2.1 million (\$0.9 million of which was recorded as cost of sales) and \$3.5 million (\$0.9 million of which was recorded as cost of sales), respectively. Cumulative through the six months ended June 29, 2024, we recorded aggregate total charges of \$25.0 million (\$1.7 million of which was recorded as cost of sales). As of June 29, 2024, we estimate the remaining amount of charges related to this initiative will be \$3.0 million to \$4.0 million in total pre-tax restructuring charges through early 2025 for employee separation and other facility consolidation related expenses.

In the Electronics Systems segment, we recorded no restructuring charges during the three months ended June 29, 2024. We recorded charges of \$0.3 million and \$0.2 million during the six months ended June 29, 2024, for severance and benefits that were classified as restructuring charges, and other restructuring charges, respectively. Cumulative through the six months ended June 29, 2024, we recorded total charges for severance and benefits that were classified as restructuring charges, accelerated depreciation of property and equipment that was classified as restructuring charges, charges for inventory write down that was classified as cost of sales, and other restructuring of \$9.9 million, \$0.3 million, \$0.3 million, and \$0.3 million, respectively.

In the Structural Systems segment, we recorded \$0.8 million and \$0.4 million during the three months ended June 29, 2024 for severance and benefits that were classified as restructuring charges and other restructuring charges, respectively. We recorded charges of \$1.0 million and \$1.1 million during the six months ended June 29, 2024, for severance and benefits that were classified as restructuring charges, and other restructuring charges, respectively. Cumulative through the six months ended June 29, 2024, we recorded total charges for severance and benefits that were classified as restructuring charges, accelerated depreciation of property and equipment/impairment of property and equipment that was classified as restructuring charges, charges for inventory write down that was classified as cost of sales, and other restructuring of \$6.9 million, \$2.0 million, \$1.4 million, and \$3.9 million, respectively.

Our restructuring activities during the six months ended June 29, 2024 were as follows (in thousands):

	December 31, 2023	Six Months Ended June 29, 2024				June 29, 2024
	Balance	Charges	Cash Payments	Non-Cash Payments	Change in Estimates	Balance
Severance and benefits	\$ 5,389	\$ 1,342	\$ (2,244)	\$ —	\$ —	\$ 4,487
Property and equipment accelerated depreciation due to restructuring	—	—	—	—	—	—
Inventory write down	—	857	—	(857)	—	—
Other	—	1,282	(1,282)	—	—	—
Ending balance	\$ 5,389	\$ 3,481	\$ (3,526)	\$ (857)	\$ —	\$ 4,487

The restructuring activities accrual for severance and benefits of \$4.5 million as of June 29, 2024 was included as part of accrued and other liabilities and is expected to be paid out through 2024.

Note 4. Derivative Financial Instruments

Cash Flow Hedges

Our cash flow hedges consists of forward interest rate swaps to manage our exposure to interest rate movements on a portion of our debt through January 1, 2031. Our forward interest rate swaps hedge forecasted transactions through January 1, 2031.

The notional amounts of derivative instruments are as follows:

	(Dollars in thousands)	
	June 29, 2024	December 31, 2023
Derivative instruments designated as hedging instruments:		
Interest rate contracts	\$ 150,000	\$ 150,000

The following table summarizes the fair value and presentation on the condensed consolidated balance sheets for derivative instruments:

	Balance Sheet Location	(Dollars in thousands)	
		June 29, 2024	December 31, 2023
Derivative instruments designated as hedging instruments:			
Interest rate contracts	Other assets, current	\$ 4,794	\$ 4,046
	Other assets	14,400	11,595

Unrealized gains (losses) associated with our hedging transactions recognized in other comprehensive income are presented in the following table:

	(Dollars in thousands) Three Months Ended		(Dollars in thousands) Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Recognized in other comprehensive income, net of tax:				
Interest rate contracts	\$ 211	\$ 3,116	\$ 2,412	\$ 986

We reclassified gains associated with our cash flow hedges from accumulated other comprehensive income to the condensed income statements when the Forward Interest Rate Swaps became effective as of January 1, 2024 and are presented in the following table:

	(Dollars in thousands) Three Months Ended		(Dollars in thousands) Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Interest rate contracts:				
Interest expense	\$ 1,358	\$ —	\$ 2,698	\$ —

The pre-tax deferred gains recorded in other comprehensive income that will mature in the next 12 months total \$4.7 million.

Note 5. Inventories

Inventories consisted of the following:

	(Dollars in thousands)	
	June 29, 2024	December 31, 2023
Raw materials and supplies	\$ 169,652	\$ 174,624
Work in process	28,189	22,060
Finished goods	3,990	2,517
Total	<u>\$ 201,831</u>	<u>\$ 199,201</u>

Note 6. Goodwill

We perform our annual goodwill impairment test as of the first day of the fourth quarter. If certain factors occur, including significant underperformance of our business relative to expected operating results, significant adverse economic and industry trends, a significant decline in our market capitalization for an extended period of time relative to net book value, a decision to divest individual businesses within a reporting unit, or a decision to group individual businesses differently, we may be required to perform an interim impairment test prior to the fourth quarter.

We may use either a qualitative or quantitative approach when testing a reporting unit's goodwill for impairment. The qualitative approach for potential impairment analysis to determine whether it is more likely than not that the fair value of a reporting unit was less than its carrying amount.

The quantitative approach for potential impairment analysis is performed by comparing the fair value of a reporting unit to its carrying value, including goodwill. Fair value is estimated by management using a combination of the income approach (which is based on a discounted cash flow model) and market approach. Management's cash flow projections include significant judgments and assumptions, including the amount and timing of expected cash flows, long-term growth rates, and discount rates. The cash flows used in the discounted cash flow model are based on our best estimate of future revenues, gross margins, and adjusted after-tax earnings. If any of these assumptions are incorrect, it will impact the estimated fair value of a reporting unit. The market approach also requires management judgment in selecting comparable business acquisitions and the transaction values observed and its related control premiums.

No material adverse factors/changes have occurred since the fourth quarter of 2023 that would require us to perform another qualitative or quantitative assessment. As such, for the second quarter of 2024, it was also not more likely than not that the fair values of the reporting units were less than their carrying amounts and thus, the respective goodwill amounts were not deemed to be impaired.

In April 2023, we completed the acquisition of BLR. The excess of the purchase price over the aggregate fair values of the net assets was recorded as goodwill. See Note 2 for further information.

The carrying amounts of our goodwill were as follows:

	(Dollars in thousands)		
	Electronic Systems	Structural Systems	Consolidated Ducommun
Gross goodwill	\$ 199,157	\$ 127,165	\$ 326,322
Accumulated goodwill impairment	(81,722)	—	(81,722)
Balance at December 31, 2023	<u>\$ 117,435</u>	<u>\$ 127,165</u>	<u>\$ 244,600</u>
Balance at June 29, 2024	<u>\$ 117,435</u>	<u>\$ 127,165</u>	<u>\$ 244,600</u>

Note 7. Accrued and Other Liabilities

The components of accrued and other liabilities were as follows:

	(Dollars in thousands)	
	June 29, 2024	December 31, 2023
Accrued compensation	\$ 31,318	\$ 35,574
Accrued income tax and sales tax	1,100	177
Other	7,875	6,509
Total	\$ 40,293	\$ 42,260

Note 8. Long-Term Debt

Long-term debt and the current period interest rates were as follows:

	(Dollars in thousands)	
	June 29, 2024	December 31, 2023
Term loans	\$ 239,063	\$ 242,188
Revolving credit facility	23,800	23,800
Total debt	262,863	265,988
Less current portion	(10,938)	(7,813)
Total long-term debt, less current portion	251,925	258,175
Less debt issuance costs - term loans	(1,029)	(1,214)
Total long-term debt, net of debt issuance costs - term loans	\$ 250,896	\$ 256,961
Debt issuance costs - revolving credit facility ⁽¹⁾	\$ 1,510	\$ 1,761
Weighted-average interest rate	7.36 %	7.53 %

(1) Included as part of other assets.

In July 2022, we completed a refinancing of all our existing debt by entering into a new term loan (“2022 Term Loan”) and a new revolving credit facility (“2022 Revolving Credit Facility”). The 2022 Term Loan is a \$250.0 million senior secured loan that matures on July 14, 2027. The 2022 Revolving Credit Facility is a \$200.0 million senior secured revolving credit facility that matures on July 14, 2027. The 2022 Term Loan and 2022 Revolving Credit Facility, collectively, represent our credit facilities (“2022 Credit Facilities”).

The 2022 Term Loan bears interest, at our option, at a rate equal to either (i) Term Secured Overnight Financing Rate (“Term SOFR”) plus an applicable margin ranging from 1.375% to 2.375% per year or (ii) Base Rate (defined as the highest of [a] Federal Funds Rate plus 0.50%, [b] Bank of America’s prime rate, and [c] Term SOFR plus 1.00%, and if the Base Rate is less than zero percent, it will be deemed zero percent) plus an applicable margin ranging from 0.375% to 1.375% per year, in each case based upon the consolidated total net adjusted leverage ratio. Interest payments are typically paid either on a monthly or quarterly basis, depending on the interest rate selected, on the last business day each month or quarter. In addition, the 2022 Term Loan requires quarterly amortization payments of 0.625% during year one and year two, 1.250% during year three and year four, and 1.875% during year five of the original outstanding principal balance of the 2022 Term Loan amount, on the last business day each quarter. The required quarterly amortization payments began in the fourth quarter of 2022.

The 2022 Revolving Credit Facility bears interest, at our option, at a rate equal to either (i) Term SOFR plus an applicable margin ranging from 1.375% to 2.375% per year or (ii) Base Rate (defined as the highest of [a] Federal Funds Rate plus 0.50%, [b] Bank of America’s prime rate, and [c] Term SOFR plus 1.00%, and if the Base Rate is less than zero percent, it will be deemed zero percent) plus an applicable margin ranging from 0.375% to 1.375% per year, in each case based upon the consolidated total net adjusted leverage ratio. Interest payments are typically paid on a monthly or quarterly basis, depending on the interest rate selected, on the last business day each month or quarter. The undrawn portion of the commitment of the 2022 Revolving Credit Facility is subject to a commitment fee ranging from 0.175% to 0.275%, based upon the consolidated total net adjusted leverage ratio, typically paid on a quarterly basis, on the last business day each quarter. However, the 2022 Revolving Credit Facility does not require any principal installment payments.

In conjunction with the closing of the 2022 Credit Facilities, we utilized the entire \$250.0 million of proceeds from the 2022 Term Loan plus our existing cash on hand to pay off our entire debt balance outstanding of \$254.2 million under our prior credit facilities.

For each of the three months ended June 29, 2024 and July 1, 2023, we made the required quarterly amortization payments on the 2022 Term Loan of \$1.6 million. For each of the six months ended June 29, 2024 and July 1, 2023, we made the required amortization payments on the 2022 Term Loan totaling \$3.1 million.

As of June 29, 2024, we had \$176.0 million of unused borrowing capacity under the 2022 Revolving Credit Facility, after deducting \$0.2 million for standby letters of credit.

As of June 29, 2024, we were in compliance with all covenants required under the 2022 Credit Facilities.

The 2022 Term Loan was considered a modification of debt for some lenders and an extinguishment of debt for other lenders, and thus, a loss of \$0.2 million was recorded related to the extinguishment. In addition, the new fees incurred of \$0.8 million were capitalized and will be amortized over the life of the 2022 Term Loan. Further, the remaining debt issuance costs related to the prior term loans of \$1.0 million as of the modification date will be amortized over the life of the 2022 Term Loan, using the effective interest method.

The 2022 Revolving Credit Facility that replaced the prior revolving credit facility was considered a modification of debt except for the portion related to the creditor that is no longer a part of the 2022 Revolving Credit Facility and, in which case, it was considered an extinguishment of debt. As a result, we expensed the portion of the unamortized debt issuance costs related to the prior revolving credit facility that was considered an extinguishment of debt of \$0.1 million. In addition, the new fees incurred of \$1.7 million as part of the 2022 Revolving Credit Facility were capitalized and will be amortized over the life of the 2022 Revolving Credit Facility. Further, the remaining debt issuance costs related to the prior revolving credit facility of \$0.8 million as of the modification date will also be amortized over the life of the 2022 Revolving Credit Facility.

The 2022 Credit Facilities were entered into by us (“Parent Company”) and guaranteed by all of our domestic subsidiaries, other than two subsidiaries that were considered minor (“Subsidiary Guarantors”). The Subsidiary Guarantors jointly and severally guarantee the 2022 Credit Facilities. The Parent Company has no independent assets or operations, and therefore, no consolidating financial information for the Parent Company and its subsidiaries is presented.

In April 2023, we completed the acquisition of BLR. The initial purchase price for BLR was \$115.0 million, net of cash acquired, all payable in cash. We paid a gross aggregate of \$117.0 million in cash upon the closing of the transaction. We utilized the 2022 Revolving Credit Facility to complete the acquisition. See Note 2 for further information.

In May 2023, we completed a public offering of our common stock resulting in net proceeds of \$85.1 million. We utilized the net proceeds plus cash on hand to pay down \$85.2 million on the 2022 Revolving Credit Facility. See Note 9 for further information.

In November 2021, we entered into derivative contracts, U.S. dollar-one month LIBOR forward interest rate swaps designated as cash flow hedges, all with an effective date of January 1, 2024, for an aggregate total notional amount of \$150.0 million, weighted average fixed rate of 1.8%, and all terminating on January 1, 2031 (“Forward Interest Rate Swaps”). The Forward Interest Rate Swaps mature on a monthly basis, with fixed amount payer payment dates on the first day of each calendar month, commencing on February 1, 2024 through January 1, 2031. The Forward Interest Rate Swaps were deemed to be highly effective upon entering into the derivative contracts, and thus, hedge accounting treatment was utilized. Since the Amended Forward Interest Rate Swaps (as defined below) were not effective until January 1, 2024, we only recorded the changes in fair value of the derivative instruments that were highly effective and that were designated and qualified as cash flow hedges in other comprehensive income through December 31, 2023. See Note 1 and Note 4 for further information.

In July 2022, as a result of completing a refinancing of our existing debt, we were required to complete an amendment of the Forward Interest Rate Swaps (“Amended Forward Interest Rate Swaps”). The Forward Interest Rate Swaps were based on U.S. dollar-one month LIBOR and were amended to be based on one month Term SOFR as borrowings using LIBOR were no longer available under the 2022 Credit Facilities. Since this was an amendment of just the reference rate as a result of the cessation of LIBOR, utilizing the guidance under ASU 2020-04, we determined the Amended Forward Interest Rate Swaps as of the amendment date to continue to be highly effective. The Amended Forward Interest Rate Swaps weighted average fixed rate is 1.7%, as a result of the difference between U.S. dollar-one month LIBOR and one month Term SOFR.

Note 9. Shareholders’ Equity

In May 2023, we completed a public offering of 2.3 million shares of our common stock at \$40.00 per share, for gross proceeds of \$92.0 million. The common stock offering was made under our effective shelf registration statement. We incurred aggregate total out of pocket stock offering related fees of \$6.9 million, resulting in net proceeds of \$85.1 million. As such, we recorded an increase to common stock at par value of less than \$0.1 million with the remaining amount as an increase to additional paid-in capital of \$85.1 million. The net proceeds of the public stock offering along with cash on hand were used to pay down \$85.2 million on the 2022 Revolving Credit Facility that was drawn on and utilized to complete the acquisition of BLR. See Note 2 and Note 8 for further information.

Note 10. Indemnifications

We have made guarantees and indemnities under which we may be required to make payments to a guaranteed or indemnified party, in relation to certain transactions, including revenue transactions in the ordinary course of business. Additionally, we indemnify our directors and officers to the maximum extent permitted under the laws of the State of Delaware and have a directors and officers insurance policy that may reduce our exposure in certain circumstances and may enable us to recover a portion of future amounts that may be payable, if any. Moreover, in connection with certain performance center leases, we have indemnified our lessors for certain claims arising from the performance center or the lease.

The duration of the guarantees and indemnities varies and, in many cases, is indefinite but subject to applicable statutes of limitations. The majority of guarantees and indemnities do not provide any limitations on the maximum potential future payments we could be obligated to make. Historically, payments related to these guarantees and indemnities have been immaterial. We estimate the fair value of our indemnification obligations as insignificant based on this history and insurance coverage and have, therefore, not recorded any liability for these guarantees and indemnities in the accompanying condensed consolidated balance sheets.

Note 11. Income Taxes

The provision for income taxes is determined using an estimated annual effective tax rate, which is generally less than the U.S. Federal statutory rate, primarily due to research and development (“R&D”) tax credits. Our effective tax rate may be subject to fluctuations during the year as new information is obtained, which may affect the assumptions used to estimate the annual effective tax rate, including factors such as expected utilization of R&D tax credits, valuation allowances against deferred tax assets, recognition or derecognition of tax benefits related to uncertain tax positions, and changes in or the interpretation of tax laws in jurisdictions where we conduct business. Also, excess tax benefits and tax detriments related to our equity compensation recognized in the condensed consolidated income statement could result in fluctuations in our effective tax rate period-over-period depending on the volatility of our stock price, number of restricted or performance stock units that vests, and stock options exercised during the period. We recognize deferred tax assets and liabilities, using enacted tax rates, for temporary differences between the financial reporting basis and the tax basis of our assets and liabilities along with net operating loss and tax credit carryovers.

We record a valuation allowance against our deferred tax assets to reduce the net carrying value to an amount that we believe is more likely than not to be realized. When we establish or reduce our valuation allowances against our deferred tax assets, the provision for income taxes will increase or decrease, respectively, in the period when that determination is made.

We recorded income tax expense of \$2.2 million for the three months ended June 29, 2024 compared to \$1.0 million for the three months ended July 1, 2023. The increase in income tax expense for the second quarter of 2024 compared to the second quarter of 2023 was primarily due to higher pre-tax income and higher income tax expense related to non-deductible book compensation expenses in the second quarter of 2024 compared to the second quarter of 2023. The increase in income tax expense was partially offset by higher income tax benefits related to the U.S. Federal research and development credit recognized in the second quarter of 2024 compared to the second quarter of 2023.

We recorded income tax expense of \$4.1 million for the six months ended June 29, 2024 compared to \$1.8 million for the six months ended July 1, 2023. The increase in income tax expense for the six months ended June 29, 2024 compared to the six months ended July 1, 2023 was primarily due to higher pre-tax income and higher income tax expense related to non-deductible book compensation expenses in the six months ended June 29, 2024 compared to the six months ended July 1, 2023. The increase in income tax expense was partially offset by higher income tax benefits related to the U.S. Federal research and development credit recognized in the six months ended June 29, 2024 compared to the six months ended July 1, 2023.

Our total amount of unrecognized tax benefits was \$4.8 million and \$4.5 million as of June 29, 2024 and December 31, 2023, respectively. If recognized, \$3.0 million would affect the effective tax rate. We record interest and penalty charges, if any, related to uncertain tax positions as a component of tax expense and unrecognized tax benefits. The amounts accrued for interest and penalty charges as of June 29, 2024 and December 31, 2023 were not significant. As a result of statute of limitations set to expire in the fourth quarter of 2024, we expect decreases to our unrecognized tax benefits of approximately \$1.0 million in the next twelve months.

We file U.S. Federal and state income tax returns. We are subject to examination by the Internal Revenue Service (“IRS”) for tax years after 2019 and by state taxing authorities for tax years after 2018. While we are no longer subject to examination prior to those periods, carryforwards generated prior to those periods may still be adjusted upon examination by the IRS or state taxing authorities if they either have been or will be used in a subsequent period. We believe we have adequately accrued for tax deficiencies or reductions in tax benefits, if any, that could result from the examination and all open audit years.

Note 12. Commitments and Contingencies*California's Wage and Hour Laws Complaint*

In December 2020, a representative action under California's Private Attorneys General Act was filed against us in the Superior Court for the State of California, County of San Bernardino. We received service of process of this complaint in January 2021. The complaint alleged violations of California's wage and hour laws relating to our current and former employees and sought attorney's fees and penalties. We vigorously refuted and defended against these claims and reached a tentative settlement of \$0.8 million during the fourth quarter 2021, which was subject to court approval. Thus, we recorded accrued liabilities of \$0.8 million as of December 31, 2021. During the second quarter of 2022, additional factual information was identified resulting in an increase in the amount of the tentative settlement to \$0.9 million. Therefore, we recorded an additional accrued liabilities of \$0.1 million for a total accrued liabilities amount of \$0.9 million as of the end of the second quarter of 2022 which remained unchanged as of December 31, 2022 as we were awaiting final court approval of this settlement. Subsequent to final court approval and paying of the \$0.9 million in January 2023, during the third quarter of 2023 and upon plaintiff's motion, the court re-opened the settlement agreement to determine whether the class list captured all affected employees. We are appealing this decision and intend to defend our position vigorously. Any amount of additional liability is still undetermined pending the appeal and as such, there is no amount of loss that is probable and reasonably estimable at this time. Thus, no additional accrual was recorded during the three and six months ended June 29, 2024.

Groundwater

Structural Systems has been directed by California environmental agencies to investigate and take corrective action for groundwater contamination at our facilities located in El Mirage and Monrovia, California. Based on currently available information, we have established an accrual for its estimated liability for such investigation and corrective action of \$1.5 million at both June 29, 2024 and December 31, 2023, which is reflected in other long-term liabilities on our condensed consolidated balance sheets.

Waste Disposal

Structural Systems also faces liability as a potentially responsible party for hazardous waste disposed at landfills located in Casmalia and West Covina, California. Structural Systems and other companies and government entities have entered into consent decrees with respect to these landfills with the United States Environmental Protection Agency and/or California environmental agencies under which certain investigation, remediation and maintenance activities are being performed. Based on currently available information, we preliminarily estimate that the range of our future liabilities in connection with the landfill located in West Covina, California is between \$0.4 million and \$3.1 million. We have established an accrual for the estimated liability in connection with the West Covina landfill of \$0.4 million as of both June 29, 2024 and December 31, 2023, which is reflected in other long-term liabilities on our condensed consolidated balance sheets. Our ultimate liability in connection with these matters will depend upon a number of factors, including changes in existing laws and regulations, the design and cost of construction, operation and maintenance activities, and the allocation of liability among potentially responsible parties.

Guaymas Performance Center Fire

In June 2020, a fire severely damaged our performance center in Guaymas, Mexico, which is part of our Structural Systems segment. There were no injuries; however, property and equipment, inventories, and tooling in this leased facility were damaged. Our Guaymas performance center, comprised of two buildings with an aggregate total of 62,000 square feet, was severely damaged. The loss of production from the Guaymas performance center was absorbed by our other existing performance centers; however, we have reestablished our operations and are in the process of certification with various customers and ramping up our manufacturing capabilities in a different leased facility with 117,000 square feet in Guaymas. A neighboring, non-related manufacturing facility, also suffered fire damage during the same time as the fire that severely damaged our Guaymas performance center, and in November 2023, the occupant of the neighboring facility filed suit against us in U.S. District Court for the Central District of California seeking unspecified amounts for damages relating to the fire. In addition, subsequent to the quarter end, we received a subrogation demand from our landlord's insurer, which we are currently evaluating. We intend to defend these matters vigorously and believe we have substantial defenses in relation to these claims. As responsibility for the fire is still undetermined, there is no amount of loss that is probable and reasonably estimable at this time. If we are ultimately deemed to be responsible or party responsible, it is possible we could incur a loss in excess of our insurance coverage limits, which could be material to our cash flow, liquidity, or financial results.

Our insurance covers damage, up to a capped amount, to the facility, equipment, unfinished inventory, and other assets at replacement cost, finished goods inventory at selling price, as well as business interruption, third party property damage, and recovery related expenses caused by the fire, less our per claim deductible. The anticipated insurance recoveries related to losses and incremental costs incurred are recognized when receipt is probable. The anticipated insurance recoveries in excess of net book value of the damaged operating assets and business interruption are not recorded until all contingencies related to our

claim have been resolved.

The insurance claim for damages to our operating assets and business interruption was deemed final and closed by our insurance company during the three months ended July 1, 2023. Thus, the final \$3.8 million of insurance recoveries were also received and recorded as other income during the three months ended July 1, 2023. In addition, the remaining general insurance recoveries that were received in 2020 of \$3.9 million, but recognition was deferred until all the gain contingencies were resolved, such gain contingencies were deemed resolved and thus, recorded as other income during the three months ended July 1, 2023. Cumulatively, as of July 1, 2023, we received insurance recoveries in aggregate total of \$23.7 million, with \$7.5 million for business interruption and \$16.2 million for damages to property and equipment, inventories, and tooling. Further, all insurance recovery amounts received related to this claim have been recognized up to the amount of net book value loss and presented within the same financial statement line item in the condensed consolidated statements of income resulting in no net impact, with the remaining amounts recognized as other income in our condensed consolidated statements of income when the contingencies were deemed resolved.

Other Structural Systems Performance Center Fire

In April 2023, a fire damaged a relatively small portion of one of our performance centers in our Structural Systems reporting segment. There were no injuries; however, subsequent to the fire, we determined that some property and equipment in this company-owned facility were damaged. Our insurance covers damage, up to a capped amount, to the property and equipment at replacement cost, as well as business interruption and recovery related expenses caused by the fire, less our per claim deductible. There was a loss of production in this damaged portion of the performance center for a short period of time, but the incident did not otherwise result in significant disruption to customer delivery schedules. Production in this damaged portion resumed later that same quarter. As such, during the three months ended July 1, 2023, we wrote off property and equipment with an aggregate total net book value of \$0.2 million. Also during the three months ended July 1, 2023, we received insurance recoveries of \$0.3 million (which was net of our deductible of \$0.1 million) and thus, such insurance recoveries were also presented within the same financial statement line item in the condensed consolidated statements of income resulting in no net impact. The amount of the insurance recoveries received in excess of the loss on operating assets was deemed a contingent gain, and since the gain contingencies were deemed resolved, the \$0.1 million was also recorded as other income during the three months ended July 1, 2023. Finally, during the three months ended December 31, 2023, the insurance claim was deemed final and closed by our insurance company and we received a final payment of \$0.3 million, which was recorded as other income.

Real Estate Obligations

Real estate obligations, which include legally binding minimum lease payments for an executed lease that had not yet commenced, were \$5.8 million as of June 29, 2024, and will be paid over the lease term of 10 years.

In the normal course of business, Ducommun and its subsidiaries are defendants in certain other litigation, claims and inquiries, including matters relating to environmental laws. In addition, Ducommun makes various commitments and incurs contingent liabilities in the ordinary course of business. While it is not feasible to predict the outcome of these matters, Ducommun does not presently expect that any sum it may be required to pay in connection with these matters would have a material adverse effect on its condensed consolidated financial position, results of operations or cash flows.

Note 13. Business Segment Information

We supply products and services primarily to the aerospace and defense industries. Our subsidiaries are organized into two strategic businesses, Electronic Systems and Structural Systems, each of which is a reportable operating segment.

Financial information by reportable operating segment was as follows:

	(Dollars in thousands) Three Months Ended		(Dollars in thousands) Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net Revenues				
Electronic Systems	\$ 101,440	\$ 107,124	\$ 208,979	\$ 212,750
Structural Systems	95,560	80,196	178,868	155,761
Total Net Revenues	<u>\$ 197,000</u>	<u>\$ 187,320</u>	<u>\$ 387,847</u>	<u>\$ 368,511</u>
Segment Operating Income ⁽¹⁾				
Electronic Systems	\$ 16,806	\$ 9,528	\$ 35,775	\$ 19,539
Structural Systems	10,559	5,385	13,427	10,130
	27,365	14,913	49,202	29,669
Corporate General and Administrative Expenses ⁽²⁾	(13,441)	(9,908)	(22,656)	(18,292)
Total Operating Income	<u>\$ 13,924</u>	<u>\$ 5,005</u>	<u>\$ 26,546</u>	<u>\$ 11,377</u>
Depreciation and Amortization Expenses				
Electronic Systems	\$ 3,662	\$ 3,561	\$ 7,294	\$ 7,059
Structural Systems	4,547	4,335	9,209	8,767
Corporate Administration	36	58	95	117
Total Depreciation and Amortization Expenses	<u>\$ 8,245</u>	<u>\$ 7,954</u>	<u>\$ 16,598</u>	<u>\$ 15,943</u>
Capital Expenditures				
Electronic Systems	\$ 1,143	\$ 1,923	\$ 1,939	\$ 3,774
Structural Systems	1,353	4,111	2,877	7,241
Corporate Administration	723	—	3,148	—
Total Capital Expenditures	<u>\$ 3,219</u>	<u>\$ 6,034</u>	<u>\$ 7,964</u>	<u>\$ 11,015</u>

(1) The results for the three months and six months ended June 29, 2024 include BLR's results of operations, which have been included in our condensed consolidated statements of income since the date of acquisition as part of the Structural Systems segment. See Note 2.

(2) Includes costs not allocated to either the Electronic Systems or Structural Systems operating segments.

Segment assets include assets directly identifiable to or allocated to each segment. Our segment assets are as follows:

	(Dollars in thousands)	
	June 29, 2024	December 31, 2023
Total Assets		
Electronic Systems	\$ 522,378	\$ 505,371
Structural Systems ⁽¹⁾	553,049	552,641
Corporate Administration ⁽²⁾	56,073	62,907
Total Assets	<u>\$ 1,131,500</u>	<u>\$ 1,120,919</u>
Goodwill and Intangibles		
Electronic Systems	\$ 168,569	\$ 173,214
Structural Systems ⁽¹⁾	233,998	237,729
Total Goodwill and Intangibles	<u>\$ 402,567</u>	<u>\$ 410,943</u>

- (1) In April 2023, we acquired 100.0% of the outstanding equity interests of BLR for an initial purchase price of \$115.0 million, net of cash acquired. We allocated the gross purchase price of \$117.0 million to the assets acquired and liabilities assumed at their estimated fair values. The excess of the purchase price over the aggregate fair values of the net assets was recorded as goodwill. See Note 2.
- (2) Includes assets not specifically identified to or allocated to either the Electronic Systems or Structural Systems operating segments, including cash and cash equivalents.

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

Overview

Ducommun Incorporated (“Ducommun,” “the Company,” “we,” “us” or “our”) is a leading global provider of engineering and manufacturing services for high-performance products and high-cost-of failure applications used primarily in the aerospace and defense (“A&D”), industrial, medical and other industries (collectively, “Industrial”). We differentiate ourselves as a full-service solution-based provider, offering a wide range of value-added products and services in our primary businesses of electronics, structures and integrated solutions. We operate through two primary business segments: Electronic Systems and Structural Systems, each of which is a reportable segment.

In its 2023 Annual Report on Form 10-K, The Boeing Company (“Boeing”) indicated that in 2023, global air traffic largely recovered to 2019 levels with domestic travel continuing to be the most robust and international travel has mostly recovered. For 2024, while both major large aircraft manufacturers, Boeing and Airbus SE, have announced either similar or increases in build rates compared to 2023, the ramp up to date has been slower than initially expected and below pre-pandemic levels. In addition, Boeing, one of our largest customers, was notified by the Federal Aviation Administration (“FAA”) in early January 2024 that the FAA had initiated an investigation into Boeing’s quality control system. This notification was followed by the FAA announcing actions to increase its oversight of Boeing as well as not approving production rate increases or additional production lines for the 737 MAX until it is satisfied that Boeing is in full compliance with required quality control procedures. In July 2024, Boeing also pleaded guilty to conspiracy fraud charges, which may result in additional external oversight on its manufacturing and quality control process. Since Boeing is one of our largest customers, if Boeing is unable to meet the full compliance of the FAA’s required quality control procedures, it could have a material adverse impact on our business, results of operations and financial condition.

Second quarter 2024 recap:

- Net revenues of \$197.0 million
- Net income of \$7.7 million, or 3.9% of net revenues, or \$0.52 per diluted share
- Adjusted EBITDA of \$30.0 million, or 15.2% of net revenues

Results of Operations
Second Quarter of 2024 Compared to Second Quarter of 2023

The following table sets forth net revenues, selected financial data, the effective tax rate and diluted earnings per share:

	(Dollars in thousands, except per share data) Three Months Ended				(Dollars in thousands, except per share data) Six Months Ended			
	June 29, 2024	% of Net Revenues	July 1, 2023	% of Net Revenues	June 29, 2024	% of Net Revenues	July 1, 2023	% of Net Revenues
Net Revenues	\$ 197,000	100.0 %	\$ 187,320	100.0 %	\$ 387,847	100.0 %	\$ 368,511	100.0 %
Cost of Sales	145,761	74.0 %	147,198	78.6 %	289,665	74.7 %	291,622	79.1 %
Gross Profit	51,239	26.0 %	40,122	21.4 %	98,182	25.3 %	76,889	20.9 %
Selling, General and Administrative Expenses	36,061	18.3 %	30,348	16.2 %	69,012	17.8 %	56,573	15.4 %
Restructuring Charges	1,254	0.6 %	4,769	2.5 %	2,624	0.7 %	8,939	2.4 %
Operating Income	13,924	7.1 %	5,005	2.7 %	26,546	6.8 %	11,377	3.1 %
Interest Expense	(3,975)	(2.0)%	(5,735)	(3.1)%	(7,858)	(2.0)%	(9,954)	(2.7)%
Other Income	—	— %	4,059	2.2 %	—	— %	7,945	2.1 %
Income Before Taxes	9,949	5.1 %	3,329	1.8 %	18,688	4.8 %	9,368	2.5 %
Income Tax Expense	2,225	nm	955	nm	4,115	nm	1,763	nm
Net Income	\$ 7,724	3.9 %	\$ 2,374	1.3 %	\$ 14,573	3.8 %	\$ 7,605	2.1 %
Effective Tax Rate	22.4 %	nm	28.7 %	nm	22.0 %	nm	18.8 %	nm
Diluted Earnings Per Share	\$ 0.52	nm	\$ 0.17	nm	\$ 0.97	nm	\$ 0.58	nm

nm = not meaningful

Net Revenues by End-Use Market and Operating Segment

Net revenues by end-use market and operating segment during the fiscal three and six months ended June 29, 2024 and July 1, 2023, respectively, were as follows:

	Three Months Ended					Six Months Ended				
	Change	(Dollars in thousands)		% of Net Revenues		Change	(Dollars in thousands)		% of Net Revenues	
		June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023		June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Consolidated Ducommun										
Military and space	\$ 3,168	\$ 100,538	\$ 97,370	51.0 %	52.0 %	\$ 4,427	\$ 199,467	\$ 195,040	51.4 %	52.9 %
Commercial aerospace	9,879	86,643	76,764	44.0 %	41.0 %	17,976	166,560	148,584	43.0 %	40.3 %
Industrial	(3,367)	9,819	13,186	5.0 %	7.0 %	(3,067)	21,820	24,887	5.6 %	6.8 %
Total	\$ 9,680	\$ 197,000	\$ 187,320	100.0 %	100.0 %	\$ 19,336	\$ 387,847	\$ 368,511	100.0 %	100.0 %
Electronic Systems										
Military and space	\$ (1,785)	\$ 69,987	\$ 71,772	69.0 %	67.0 %	\$ (2,607)	\$ 142,492	\$ 145,099	68.2 %	68.2 %
Commercial aerospace	(532)	21,634	22,166	21.3 %	20.7 %	1,903	44,667	42,764	21.4 %	20.1 %
Industrial	(3,367)	9,819	13,186	9.7 %	12.3 %	(3,067)	21,820	24,887	10.4 %	11.7 %
Total	\$ (5,684)	\$ 101,440	\$ 107,124	100.0 %	100.0 %	\$ (3,771)	\$ 208,979	\$ 212,750	100.0 %	100.0 %
Structural Systems										
Military and space	\$ 4,953	\$ 30,551	\$ 25,598	32.0 %	31.9 %	\$ 7,034	\$ 56,975	\$ 49,941	31.9 %	32.1 %
Commercial aerospace	10,411	65,009	54,598	68.0 %	68.1 %	16,073	121,893	105,820	68.1 %	67.9 %
Total	\$ 15,364	\$ 95,560	\$ 80,196	100.0 %	100.0 %	\$ 23,107	\$ 178,868	\$ 155,761	100.0 %	100.0 %

Net revenues for the three months ended June 29, 2024 were \$197.0 million, compared to \$187.3 million for the three months ended July 1, 2023. The year-over-year increase in our key end-use markets were primarily due to the following:

- \$9.9 million higher revenues in our commercial aerospace end-use markets due to higher production on selected single-aisle and twin-aisle aircraft, buffer stock build for the Monrovia performance center closure, and growth in regional and business aircraft platforms, partially offset by lower revenues from in-flight entertainment; and
- \$3.2 million higher revenues in our military and space end-use markets due to higher rates on rotary-wing aircraft and naval platforms, partially offset by lower rates on fixed-wing aircraft platforms.

In addition, revenues for our industrial end-use markets for the three months ended June 29, 2024 decreased \$3.4 million compared to the three months ended July 1, 2023 mainly due to our selectively pruning non-core business.

Net revenues for the six months ended June 29, 2024 were \$387.8 million, compared to \$368.5 million for the six months ended July 1, 2023. The year-over-year increase in our key end-use markets were primarily due to the following:

- \$18.0 million higher revenues in our commercial aerospace end-use markets due to higher rates on select single-aisle and twin-aisle aircraft, buffer stock for the Monrovia performance center closure, growth in regional and business aircraft platforms, partially offset by lower revenues from in-flight entertainment; and
- \$4.4 million higher revenues in our military and space end-use markets due to higher rates on naval and submarine platforms, naval and rotary-wing aircraft platforms, and various radar platforms, partially offset by lower rates on fixed-wing aircraft platforms and various missile platforms.

In addition, revenues for our industrial end-use markets for the six months ended June 29, 2024 decreased \$3.1 million compared to the six months ended July 1, 2023 mainly due to our selectively pruning non-core business.

Net Revenues by Major Customers

A significant portion of our net revenues are from our top ten customers as follows:

	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Boeing Company	9.1 %	8.0 %	8.6 %	7.8 %
Lockheed Martin Corporation	5.6 %	4.2 %	5.2 %	4.2 %
Northrop Grumman Corporation	5.2 %	6.4 %	5.1 %	5.8 %
RTX Corporation	16.4 %	14.3 %	15.6 %	15.3 %
Spirit AeroSystems Holdings, Inc.	6.6 %	5.7 %	6.3 %	6.4 %
Viasat, Inc.	3.2 %	4.9 %	3.5 %	5.2 %
Total top ten customers ⁽¹⁾	56.8 %	56.5 %	55.6 %	57.4 %

(1) Includes The Boeing Company (“Boeing”), Lockheed Martin Corporation (“Lockheed”), Northrop Grumman Corporation (“Northrop”), RTX Corporation (“RTX”), Spirit AeroSystems Holdings, Inc. (“Spirit”), and Viasat, Inc. (“Viasat”) for the three and six months ended June 29, 2024 and July 1, 2023.

Boeing, Lockheed, Northrop, RTX, Spirit, and Viasat represented the following percentages of total accounts receivable:

	June 29, 2024	December 31, 2023
Boeing	12.4 %	7.5 %
Lockheed	3.2 %	1.3 %
Northrop	4.6 %	2.5 %
RTX	14.4 %	16.4 %
Spirit	3.1 %	4.2 %
Viasat	3.5 %	8.3 %

The net revenues and accounts receivable from Boeing, Lockheed, Northrop, RTX, Spirit, and Viasat are diversified over a number of commercial, military and space programs and were generated by both operating segments.

Gross Profit

Gross profit consists of net revenues less cost of sales. Cost of sales includes the cost of production of finished products and other expenses related to inventory management, manufacturing quality, and order fulfillment. Gross profit as a percentage of net revenues increased year-over-year with the three months ended June 29, 2024 of 26.0%, compared to the three months ended July 1, 2023 of 21.4% primarily due to higher manufacturing volume and favorable product mix, partially offset by higher other manufacturing costs.

Gross profit as a percentage of net revenues increased year-over-year with the six months ended June 29, 2024 of 25.3%, compared to the six months ended July 1, 2023 of 20.9% primarily due to higher manufacturing volume and favorable product mix, partially offset by higher other manufacturing costs.

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

SG&A expenses increased \$5.7 million year-over-year in the three months ended June 29, 2024 compared to the three months ended July 1, 2023 primarily due to higher professional services fees of \$2.9 million, of which \$1.4 million was related to the unsolicited non-binding offer to acquire all common stock outstanding of Ducommun Incorporated, and BLR SG&A expenses of \$1.3 million which did not exist until the acquisition of BLR was completed at the end of April 2023.

SG&A expenses increased \$12.4 million year-over-year in the six months ended June 29, 2024 compared to the six months ended July 1, 2023 primarily due to BLR SG&A expenses of \$6.8 million which did not exist until the acquisition of BLR was completed at the end of April 2023, higher professional services fees of \$2.2 million, of which \$1.4 million was related to the unsolicited non-binding offer to acquire all common stock outstanding of Ducommun Incorporated, and higher compensation and benefits expense of \$1.8 million.

Restructuring Charges

Restructuring charges decreased \$2.7 million and \$5.5 million (including \$0.9 million recorded as cost of sales in both periods) year-over-year in the three and six months ended June 29, 2024, compared to the three and six months ended July 1, 2023, respectively,

primarily due to the winding down of the previously disclosed restructuring plan that was approved and commenced in April 2022. See Note 3 for further information.

Interest Expense

Interest expense decreased \$1.8 million and \$2.1 million year-over-year in the three and six months ended June 29, 2024, compared to the three and six months ended July 1, 2023, respectively, primarily due to the interest rate swaps that became effective as of January 1, 2024, along with a lower debt balance.

Income Tax Expense

We recorded income tax expense of \$2.2 million for the three months ended June 29, 2024 compared to \$1.0 million for the three months ended July 1, 2023. The increase in income tax expense for the second quarter of 2024 compared to the second quarter of 2023 was primarily due to higher pre-tax income and higher income tax expense related to non-deductible book compensation expenses in the second quarter of 2024 compared to the second quarter of 2023. The increase in income tax expense was partially offset by higher income tax benefits related to the U.S. Federal research and development credit recognized in the second quarter of 2024 compared to the second quarter of 2023.

We recorded income tax expense of \$4.1 million for the six months ended June 29, 2024 compared to \$1.8 million for the six months ended July 1, 2023. The increase in income tax expense for the six months ended June 29, 2024 compared to the six months ended July 1, 2023 was primarily due to higher pre-tax income and higher income tax expense related to non-deductible book compensation expenses in the six months ended June 29, 2024 compared to the six months ended July 1, 2023. The increase in income tax expense was partially offset by higher income tax benefits related to the U.S. Federal research and development credit recognized in the six months ended June 29, 2024 compared to the six months ended July 1, 2023.

Our total amount of unrecognized tax benefits was \$4.8 million and \$4.5 million as of June 29, 2024 and December 31, 2023, respectively. If recognized, \$3.0 million would affect the effective tax rate. We record interest and penalty charges, if any, related to uncertain tax positions as a component of tax expense and unrecognized tax benefits. The amounts accrued for interest and penalty charges as of June 29, 2024 and December 31, 2023 were not significant. As a result of statute of limitations set to expire in the fourth quarter of 2024, we expect decreases to our unrecognized tax benefits of approximately \$1.0 million in the next twelve months.

We file U.S. Federal and state income tax returns. We are subject to examination by the Internal Revenue Service (“IRS”) for tax years after 2019 and by state taxing authorities for tax years after 2018. While we are no longer subject to examination prior to those periods, carryforwards generated prior to those periods may still be adjusted upon examination by the IRS or state taxing authorities if they either have been or will be used in a subsequent period. We believe we have adequately accrued for tax deficiencies or reductions in tax benefits, if any, that could result from the examination and all open audit years.

Net Income and Earnings per Share

Net income and earnings per share for the three months ended June 29, 2024 were \$7.7 million, or 3.9% of revenues, or \$0.52 per diluted share, compared to \$2.4 million, or 1.3% of revenues, or \$0.17 per diluted share, for the three months ended July 1, 2023. The increase in net income for the three months ended June 29, 2024 compared to the three months ended July 1, 2023 was primarily due to higher gross profit of \$11.1 million and lower restructuring charges of \$2.7 million (\$0.9 million was recorded as cost of sales), partially offset by higher SG&A expenses of \$5.7 million and lower other income of \$4.1 million. A portion of the higher SG&A expenses were due to BLR SG&A expenses of \$1.3 million which did not exist until the end of April 2023.

Net income and earnings per share for the six months ended June 29, 2024 were \$14.6 million, or 3.8% of revenues, or \$0.97 per diluted share, compared to \$7.6 million, or 2.1% of revenues, or \$0.58 per diluted share, for the six months ended July 1, 2023. The increase in net income for the six months ended June 29, 2024 compared to the six months ended July 1, 2023 was primarily due to higher gross profit of \$21.3 million and lower restructuring charges of \$5.5 million (\$0.9 million was recorded as cost of sales), partially offset by higher SG&A expenses of \$12.4 million and lower other income of \$7.9 million. A portion of the higher SG&A expenses were due to BLR SG&A expenses of \$6.8 million which did not exist until the end of April 2023.

Business Segment Performance

We report our financial performance based upon the two reportable operating segments: Electronic Systems and Structural Systems. The results of operations differ between our reportable operating segments due to differences in competitors, customers, extent of proprietary deliverables and performance. The following table summarizes our business segment performance for the three and six months ended June 29, 2024 and July 1, 2023:

	Three Months Ended					Six Months Ended				
	% Change	(Dollars in thousands)		% of Net Revenues		% Change	(Dollars in thousands)		% of Net Revenues	
		June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023		June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net Revenues										
Electronic Systems	(5.3)%	\$ 101,440	\$ 107,124	51.5 %	57.2 %	(1.8)%	\$ 208,979	\$ 212,750	53.9 %	57.7 %
Structural Systems	19.2 %	95,560	80,196	48.5 %	42.8 %	14.8 %	178,868	155,761	46.1 %	42.3 %
Total Net Revenues	5.2 %	\$ 197,000	\$ 187,320	100.0 %	100.0 %	5.2 %	\$ 387,847	\$ 368,511	100.0 %	100.0 %
Segment Operating Income										
Electronic Systems		\$ 16,806	\$ 9,528	16.6 %	8.9 %		\$ 35,775	\$ 19,539	17.1 %	9.2 %
Structural Systems		10,559	5,385	11.0 %	6.7 %		13,427	10,130	7.5 %	6.5 %
		27,365	14,913				49,202	29,669		
Corporate General and Administrative Expenses ⁽¹⁾		(13,441)	(9,908)	(6.8)%	(5.3)%		(22,656)	(18,292)	(5.8)%	(5.0)%
Total Operating Income		\$ 13,924	\$ 5,005	7.1 %	2.7 %		\$ 26,546	\$ 11,377	6.8 %	3.1 %
Adjusted EBITDA										
Electronic Systems										
Operating Income		\$ 16,806	\$ 9,528				\$ 35,775	\$ 19,539		
Other Income		—	222				—	222		
Depreciation and Amortization		3,662	3,561				7,294	7,059		
Stock-Based Compensation Expense ⁽²⁾		91	119				171	251		
Restructuring Charges		—	2,071				459	3,945		
		20,559	15,501	20.3 %	14.5 %		43,699	31,016	20.9 %	14.6 %
Structural Systems										
Operating Income		10,559	5,385				13,427	10,130		
Depreciation and Amortization		4,547	4,335				9,209	8,767		
Stock-Based Compensation Expense ⁽³⁾		70	101				156	203		
Restructuring Charges		2,111	2,612				3,022	4,908		
Guaymas Fire Related Expenses		—	1,880				—	3,348		
Other Fire Related Expenses		—	477				—	477		
Inventory Purchase Accounting Adjustments		291	766				1,082	766		
		17,578	15,556	18.4 %	19.4 %		26,896	28,599	15.0 %	18.4 %
Corporate General and Administrative Expenses ⁽¹⁾										
Operating Loss		(13,441)	(9,908)				(22,656)	(18,292)		
Depreciation and Amortization		36	58				95	117		
Stock-Based Compensation Expense ⁽⁴⁾		3,867	4,816				7,959	7,663		
Restructuring Charges		—	86				—	86		
Professional Fees Related to Unsolicited Non-Binding Acquisition Offer		1,374	—				1,374	—		
		(8,164)	(4,948)				(13,228)	(10,426)		
Adjusted EBITDA		\$ 29,973	\$ 26,109	15.2 %	13.9 %		\$ 57,367	\$ 49,189	14.8 %	13.3 %
Capital Expenditures										
Electronic Systems		\$ 1,143	\$ 1,923				\$ 1,939	\$ 3,774		
Structural Systems		1,353	4,111				2,877	7,241		
Corporate Administration		723	—				3,148	—		
Total Capital Expenditures		\$ 3,219	\$ 6,034				\$ 7,964	\$ 11,015		

- (1) Includes costs not allocated to either the Electronic Systems or Structural Systems operating segments.
- (2) The three and six months ended June 29, 2024 each included less than \$0.1 million of stock-based compensation expense recorded as cost of sales. The three and six months ended July 1, 2023 included less than \$0.1 million and \$0.1 million, respectively, of stock-based compensation expense recorded as cost of sales.
- (3) The three and six months ended June 29, 2024 included less than \$0.1 million and \$0.1 million, respectively, of stock-based compensation expense recorded as cost of sales. The three and six months ended July 1, 2023 each included less than \$0.1 million of stock-based compensation expense recorded as cost of sales.
- (4) The three and six months ended June 29, 2024 included \$0.5 million and \$1.9 million, respectively, of stock-based compensation expense for awards with both performance and market conditions that will be settled in cash. The three and six months ended July 1, 2023 included \$0.8 million and \$1.2 million, respectively, of stock-based compensation expense for awards with both performance and market conditions that will be settled in cash.

Electronic Systems

Electronic Systems net revenues in the three months ended June 29, 2024 compared to the three months ended July 1, 2023 decreased \$5.7 million primarily due to the following in our key end-use markets:

- \$1.8 million lower revenues in our military and space end-use markets due to lower rates on fixed-wing aircraft platforms, partially offset by higher rates on naval and submarine platforms and rotary-wing aircraft platforms; and
- \$0.5 million lower revenues in our commercial aerospace end-use markets due to lower in-flight entertainment revenues, partially offset by higher rates on regional and business aircraft and selected single-aisle and twin-aisle aircraft platforms.

In addition, revenues for our industrial end-use markets for the three months ended June 29, 2024 decreased \$3.4 million compared to the three months ended July 1, 2023 mainly due to our selectively pruning non-core business.

Electronic Systems net revenues in the six months ended June 29, 2024 compared to the six months ended July 1, 2023 decreased \$3.8 million primarily due to the following in our key end-use markets:

- \$2.6 million lower revenues in our military and space end-use markets due to lower rates on fixed-wing aircraft platforms, partially offset by higher rates on naval and submarine platforms, various radar platforms, and rotary-wing platforms; partially offset by
- \$1.9 million higher revenues in our commercial aerospace end-use markets due to higher rates on select single-aisle and twin-aisle aircraft and growth in regional and business aircraft platforms, partially offset by lower revenues from in-flight entertainment.

In addition, revenues for our industrial end-use markets for the six months ended June 29, 2024 decreased \$3.1 million compared to the six months ended July 1, 2023 mainly due to our selectively pruning non-core business.

Electronic Systems segment operating income in the three months ended June 29, 2024 compared to the three months ended July 1, 2023 increased \$7.3 million primarily due to higher manufacturing volume, favorable product mix, and lower restructuring charges.

Electronic Systems segment operating income in the six months ended June 29, 2024 compared to the six months ended July 1, 2023 increased \$16.2 million primarily due to favorable product mix, higher manufacturing volume, and lower restructuring charges.

Structural Systems

Structural Systems net revenues in the three months ended June 29, 2024 compared to the three months ended July 1, 2023 increased \$15.4 million primarily due to the following:

- \$10.4 million higher revenues in our commercial aerospace end-use markets due to higher production on selected single-aisle and twin-aisle aircraft, buffer stock build for the Monrovia performance center closure, and growth in various business jet platforms; and
- \$5.0 million higher revenues in our military and space end-use markets due to higher rates on fixed-wing and rotary-wing aircraft platforms.

Structural Systems net revenues in the six months ended June 29, 2024 compared to the six months ended July 1, 2023 increased \$23.1 million primarily due to the following:

- \$16.1 million higher revenues in our commercial aerospace end-use markets due to higher rates on selected single-aisle and twin-aisle aircraft, buffer stock build, partially offset by lower rates on in-flight entertainment; and
- \$7.0 million higher revenues in our military and space end-use markets due to higher rates on fixed-wing and rotary-wing aircraft platforms, and naval and submarine platforms, partially offset by lower rates on missile platforms.

The Structural Systems segment operating income in the three months ended June 29, 2024 compared to the three months ended July 1, 2023 increased \$5.2 million primarily due to higher manufacturing volume, favorable product mix, and lower Guaymas fire related expenses.

The Structural Systems segment operating income in the six months ended June 29, 2024 compared to the six months ended July 1, 2023 increased \$3.3 million primarily due to higher manufacturing volume, favorable product mix, lower Guaymas fire related expenses, and lower restructuring charges, partially offset by higher costs associated with the wind down of our Monrovia performance center.

In April 2023, we acquired 100.0% of BLR Aerospace L.L.C. (“BLR”). The initial purchase price for BLR was \$115.0 million, net of cash acquired, all payable in cash. We paid a gross aggregate of \$117.0 million in cash upon the closing of the transaction. BLR’s results of operations have been included in our condensed consolidated statements of income since the date of acquisition and is a part of the Structural Systems segment. See Note 2 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information.

In June 2020, a fire severely damaged our performance center in Guaymas, Mexico. We have insurance coverage and up to a capped amount, expect these items will be covered, less our deductible. The full financial impact cannot be estimated at this time as we are currently working with our insurance carriers to determine the cause of the fire. The loss of production from the Guaymas performance center was absorbed by our other existing performance centers, however, we have reestablished and are in the process of certification with various customers and ramping up our manufacturing capabilities in a different leased facility in Guaymas. A neighboring, non-related manufacturing facility, also suffered fire damage during the same time as the fire that severely damaged our Guaymas performance center. In addition, subsequent to the quarter end, we received a subrogation demand from our landlord’s insurer, which we are currently evaluating. As responsibility for the fire is still undetermined, there is no amount of loss that is probable and reasonably estimable at this time. If we are ultimately deemed to be responsible or partly responsible, it is possible we could incur a loss in excess of our insurance coverage limits, which could be material to our cash flow, liquidity, or financial results. See Note 12 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

In April 2023, a fire damaged a relatively small portion of one of our performance centers in our Structural Systems reporting segment. Our insurance covers damage, up to a capped amount, to the property and equipment at replacement cost, as well as business interruption and recovery related expenses caused by the fire, less our per claim deductible. There was a loss of production in this damaged portion of the performance center for a short period of time, but the incident did not otherwise result in significant disruption to customer delivery schedules. Production in this damaged portion resumed during the three months ended July 1, 2023. See Note 12 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q.

Corporate General and Administrative (“CG&A”) Expenses

CG&A expenses increased \$3.5 million for the three months ended June 29, 2024 compared to the three months ended July 1, 2023 primarily due to higher professional services fees of \$2.9 million, of which \$1.4 million was related to the unsolicited non-binding offer to acquire all common stock outstanding of Ducommun Incorporated.

CG&A expenses increased \$4.4 million for the six months ended June 29, 2024 compared to the six months ended July 1, 2023 primarily due to higher professional services fees of \$2.1 million, of which \$1.4 million was related to the unsolicited non-binding offer to acquire all common stock outstanding of Ducommun Incorporated, and higher compensation and benefits expense of \$1.5 million.

Non-GAAP Financial Measures

Adjusted earnings before interest, taxes, depreciation, amortization, stock-based compensation expense, restructuring charges, professional fees related to unsolicited non-binding acquisition offer, Guaymas fire related expenses, insurance recoveries related to loss on operating assets, and inventory purchase accounting adjustments (“Adjusted EBITDA”) were \$30.0 million and \$26.1 million for the three months ended June 29, 2024 and July 1, 2023, respectively.

When viewed with our financial results prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and accompanying reconciliations, we believe Adjusted EBITDA provides additional useful information that clarifies and enhances the understanding of the factors and trends affecting our past performance and future prospects. We define this measure, explain how it is calculated and provide a reconciliation of this measure to the most comparable GAAP measure in the table below. Adjusted EBITDA and the related financial ratios, as presented in this Quarterly Report on Form 10-Q (“Form 10-Q”), are supplemental measures of our performance that are not required by, or presented in accordance with, GAAP. They are not a measurement of our financial performance under GAAP and should not be considered as alternatives to net income or any other performance measures derived in accordance with GAAP, or as an alternative to net cash provided by operating activities as measures of our liquidity. The presentation of these measures should not be interpreted to mean that our future results will be unaffected by unusual or nonrecurring items.

We use Adjusted EBITDA as a non-GAAP operating performance measure internally as a complementary financial measure to evaluate the performance and trends of our businesses. We present Adjusted EBITDA and the related financial ratios, as applicable, because we believe that measures such as these provide useful information with respect to our ability to meet our operating commitments.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations include:

- It does not reflect our cash expenditures, future requirements for capital expenditures or contractual commitments;
- It does not reflect changes in, or cash requirements for, our working capital needs;
- It does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- It is not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows;
- It does not reflect the impact on earnings of charges resulting from matters unrelated to our ongoing operations; and
- Other companies in our industry may calculate Adjusted EBITDA differently from us, limiting its usefulness as a comparative measure.

As a result of these limitations, Adjusted EBITDA and the related financial ratios should not be considered as measures of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. You should compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only as supplemental information. See our condensed consolidated financial statements contained in this Form 10-Q.

Even with the limitations above, we believe that Adjusted EBITDA is useful to an investor in evaluating our results of operations as this measure:

- Is widely used by investors to measure a company’s operating performance without regard to items excluded from the calculation of such terms, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure and the method by which assets were acquired, among other factors;
- Helps investors to evaluate and compare the results of our operations from period to period by removing the effect of our capital structure from our operating performance; and
- Is used by our management team for various other purposes in presentations to our Board of Directors as a basis for strategic planning and forecasting.

The following financial items have been added back to or subtracted from our net income when calculating Adjusted EBITDA:

- Interest expense may be useful to investors for determining current cash flow;
- Income tax expense may be useful to investors because it represents the taxes which may be payable for the period and the change in deferred taxes during the period, and may reduce cash flow available for use in our business;

- Depreciation may be useful to investors because it generally represents the wear and tear on our property and equipment used in our operations;
- Amortization expense may be useful to investors because it represents the estimated attrition of our acquired customer base and the diminishing value of product rights;
- Stock-based compensation may be useful to our investors for determining current cash flow;
- Restructuring charges may be useful to our investors in evaluating our core operating performance;
- Professional fees related to unsolicited non-binding acquisition offer may be useful to our investors in evaluating our core operating performance;
- Guaymas fire related expenses may be useful to our investors in evaluating our core operating performance;
- Other fire related expenses may be useful to our investors in evaluating our core operating performance;
- Insurance recoveries related to loss on operating assets (property and equipment, inventories, and other assets) may be useful to our investors in evaluating our core operating performance;
- Insurance recoveries related to business interruption may be useful to our investors in evaluating our core operating performance; and
- Purchase accounting inventory step-ups may be useful to our investors as they do not necessarily reflect the current or on-going cash charges related to our core operating performance.

Reconciliations of net income to Adjusted EBITDA and the presentation of Adjusted EBITDA as a percentage of net revenues were as follows:

	(Dollars in thousands)		(Dollars in thousands)	
	Three Months Ended		Six Months Ended	
	June 29, 2024	July 1, 2023	June 29, 2024	July 1, 2023
Net income	\$ 7,724	\$ 2,374	\$ 14,573	\$ 7,605
Interest expense	3,975	5,735	7,858	9,954
Income tax expense	2,225	955	4,115	1,763
Depreciation	4,038	3,932	8,054	7,672
Amortization	4,207	4,022	8,544	8,271
Stock-based compensation expense ⁽¹⁾	4,028	5,036	8,286	8,117
Restructuring charges ⁽²⁾	2,111	4,769	3,481	8,939
Professional fees related to unsolicited non-binding acquisition offer	1,374	—	1,374	—
Guaymas fire related expenses	—	1,880	—	3,348
Other fire related expenses	—	477	—	477
Insurance recoveries related to loss on operating assets	—	(1,677)	—	(5,563)
Insurance recoveries related to business interruption	—	(2,160)	—	(2,160)
Inventory purchase accounting adjustments	291	766	1,082	766
Adjusted EBITDA	\$ 29,973	\$ 26,109	\$ 57,367	\$ 49,189
Net income as a % of net revenues	3.9 %	1.3 %	3.8 %	2.1 %
Adjusted EBITDA as a % of net revenues	15.2 %	13.9 %	14.8 %	13.3 %

(1) The three and six months ended June 29, 2024 included \$0.5 million and \$1.9 million, respectively, of stock-based compensation expense for awards with both performance and market conditions that will be settled in cash. The three and six months ended July 1, 2023 included \$0.8 million and \$1.2 million, respectively, of stock-based compensation expense for awards with both performance and market conditions that will be settled in cash. The three and six months ended June 29, 2024 each included \$0.1 million of stock-based compensation expense recorded as cost of sales. The three and six months ended July 1, 2023 each included \$0.2 million of stock-based compensation expense recorded as cost of sales.

(2) The three and six months ended June 29, 2024 each included \$0.9 million of restructuring charges that were recorded as cost of sales.

Backlog

We define backlog as customer placed purchase orders (“POs”) and long-term agreements (“LTAs”) with firm fixed price and expected delivery dates of 24 months or less. The majority of the LTAs do not meet the definition of a contract under ASC 606, and thus, the backlog amount disclosed below is greater than the remaining performance obligations amount disclosed in Note 1 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q. Backlog is subject to delivery delays or program cancellations, which are beyond our control. Backlog is affected by timing differences in the placement of customer orders and tends to be concentrated in several programs to a greater extent than our net revenues. Backlog in industrial markets tends to be of a shorter duration and is generally fulfilled within a three month period. As a result of these factors, trends in our overall level of backlog may not be indicative of trends in our future net revenues.

The increase in backlog was primarily in the military and space end-use markets and commercial aerospace end-use markets. \$668.0 million of total backlog is expected to be delivered over the next 12 months. The following table summarizes our backlog as of June 29, 2024 and December 31, 2023:

		(Dollars in thousands)	
	Change	June 29, 2024	December 31, 2023
Consolidated Ducommun			
Military and space	\$ 65,333	\$ 592,476	\$ 527,143
Commercial aerospace	21,576	451,070	429,494
Industrial	(12,462)	24,469	36,931
Total	<u>\$ 74,447</u>	<u>\$ 1,068,015</u>	<u>\$ 993,568</u>
Electronic Systems			
Military and space	\$ 49,760	\$ 447,441	\$ 397,681
Commercial aerospace	(2,393)	85,601	87,994
Industrial	(12,462)	24,469	36,931
Total	<u>\$ 34,905</u>	<u>\$ 557,511</u>	<u>\$ 522,606</u>
Structural Systems			
Military and space	\$ 15,573	\$ 145,035	\$ 129,462
Commercial aerospace	23,969	365,469	341,500
Total	<u>\$ 39,542</u>	<u>\$ 510,504</u>	<u>\$ 470,962</u>

Liquidity and Capital Resources**Available Liquidity**

Total debt, the weighted-average interest rate, cash and cash equivalents and available credit facilities were as follows:

	(Dollars in millions)	
	June 29, 2024	December 31, 2023
Total debt, including long-term portion	\$ 262.9	\$ 266.0
Weighted-average interest rate on debt	7.36 %	7.53 %
Term Loans interest rate	7.12 %	6.93 %
Cash and cash equivalents	\$ 29.4	\$ 42.9
Unused Revolving Credit Facility	\$ 176.0	\$ 176.0

In July 2022, we completed a refinancing of all our existing debt by entering into a new term loan (“2022 Term Loan”) and a new revolving credit facility (“2022 Revolving Credit Facility”). The 2022 Term Loan is a \$250.0 million senior secured loan that matures on July 14, 2027. The 2022 Revolving Credit Facility is a \$200.0 million senior secured revolving credit facility that matures on July 14, 2027. The 2022 Term Loan and 2022 Revolving Credit Facility, collectively, represent our new credit facilities (“2022 Credit Facilities”). In conjunction with the closing of the 2022 Credit Facilities, we utilized the entire \$250.0 million of proceeds from the 2022 Term Loan plus our existing cash on hand to pay off our entire debt balance outstanding of \$254.2 million under our prior credit facilities. At the same leverage ratio, the interest rate spread in the 2022 Credit Facilities is lower than the interest rate spread under our prior credit facilities. Interest payments are typically paid either on a monthly or quarterly basis, depending on the interest rate selected, on the last business day each month or quarter. In addition, the 2022 Term Loan requires quarterly amortization payments of 0.625% during year one and year two, 1.250% during year three and year four, and 1.875% during year five of the original outstanding principal balance of the 2022 Term Loan amount, on the last business day each quarter. Further, the undrawn portion of the commitment of the 2022 Revolving Credit Facility is subject to a commitment fee ranging from 0.175% to 0.275%, based upon the consolidated total net adjusted leverage ratio, typically paid on a quarterly basis, on the last business day each quarter. However, the 2022 Revolving Credit Facility does not require any principal installment payments. As of June 29, 2024, we were in compliance with all covenants required under the 2022 Credit Facilities. See Note 8 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information.

For each of the three months ended June 29, 2024 and July 1, 2023, we made the required quarterly amortization payments on the 2022 Term Loan of \$1.6 million. For each of the six months ended June 29, 2024 and July 1, 2023, we made the required amortization payments on the 2022 Term Loan of \$3.1 million. We made no voluntary prepayments on our term loans during each of the three and six months ended June 29, 2024 and July 1, 2023.

In April 2022, management approved and commenced a restructuring plan that will position us for stronger performance. The restructuring plan will mainly reduce headcount and consolidate facilities. As a result of this restructuring plan, we analyzed the need to write-down inventory and impair long-lived assets, including operating lease right-of-use assets. As of June 29, 2024, we estimate the remaining amount of charges related to this initiative will be \$3.0 million to \$4.0 million in total pre-tax restructuring charges through early 2025 for employee separation and other facility consolidation related expense. The restructuring accrual for severance and benefits of \$4.5 million as of June 29, 2024 are expected to be paid out through 2024. On an annualized basis, we anticipate these restructuring actions will result in total cost savings of \$11.0 million to \$13.0 million. See Note 3 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information.

In November 2021, we entered into derivative contracts, U.S. dollar-one month LIBOR forward interest rate swaps designated as cash flow hedges, all with an effective date of January 1, 2024, for an aggregate total notional amount of \$150.0 million, weighted average fixed rate of 1.8%, and all terminating on January 1, 2031 (“Forward Interest Rate Swaps”). The Forward Interest Rate Swaps mature on a monthly basis, with fixed amount payer payment dates on the first day of each calendar month, commencing on February 1, 2024 through January 1, 2031. See Note 1, Note 4, and Note 8 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information.

In July 2022, as a result of completing a refinancing of our existing debt, we were required to complete an amendment of the Forward Interest Rate Swaps (“Amended Forward Interest Rate Swaps”). The Forward Interest Rate Swaps were based on U.S. dollar-one month LIBOR and were amended to be based on one month Term SOFR as borrowings using LIBOR are no longer available under the 2022 Credit Facilities. The Amended Forward Interest Rate Swaps weighted average fixed rate is 1.7%, as a result of the difference between U.S. dollar-one month LIBOR and one month Term SOFR. See Note 1, Note 4, and Note 8 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information.

In April 2023, we completed the acquisition of BLR. The initial purchase price for BLR was \$115.0 million, net of cash acquired, all payable in cash. We paid a gross aggregate of \$117.0 million in cash upon the closing of the transaction. We utilized the 2022 Revolving Credit Facility to complete the acquisition. See Note 2 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information.

In May 2023, we completed a public offering of our common stock resulting in net proceeds of \$85.1 million. The net proceeds of the public stock offering along with cash on hand were used to pay down \$85.2 million on the 2022 Revolving Credit Facility that was drawn on and utilized to complete the acquisition of BLR. See Note 2, Note 8, and Note 9 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for further information.

We expect to spend a total of \$23.0 million to \$25.0 million for capital expenditures in 2024 financed by cash generated from operations, principally to support new contract awards in Electronic Systems and Structural Systems. As part of our strategic plan to become a supplier of higher-level assemblies and win new contract awards, additional up-front investment in tooling will be required for newer programs which have higher engineering content and higher levels of complexity in assemblies.

We believe the ongoing aerospace and defense subcontractor consolidation makes acquisitions an increasingly important component of our future growth. We will continue to make prudent acquisitions and capital expenditures for manufacturing equipment and facilities to support long-term contracts for commercial and military aircraft and defense programs.

We monitor our asset base, including the market dynamics of the properties we own, and we may sell such properties and/or enter into sale-leaseback transactions. Such transactions would provide cash for various capital deployment options.

We continue to depend on operating cash flow and the availability of our 2022 Credit Facilities to provide short-term liquidity. Cash generated from operations and bank borrowing capacity is expected to provide sufficient liquidity to meet our obligations during the next twelve months from the date of issuance of these financial statements.

Cash Flow Summary

Net cash provided by operating activities for the six months ended June 29, 2024 was \$1.8 million, compared to a net cash used of \$9.7 million for the six months ended July 1, 2023. The higher net cash provided by operating activities during the first six months of 2024 was mainly due to higher net income and higher accounts payable, partially offset by higher contract assets.

Net cash used in investing activities was \$8.3 million for the six months ended June 29, 2024, compared to \$125.3 million in the six months ended July 1, 2023. The lower net cash used in investing activities during the first six months of 2024 compared to the prior year period was mainly due to no acquisitions in the first six months of 2024.

Net cash used in financing activities was \$7.0 million for the six months ended June 29, 2024, compared to a net cash provided by financing activities of \$111.6 million for the six months ended July 1, 2023. The higher net cash used in financing activities during the first six months of 2024 was mainly due to the issuance of common stock in a public offering in the first six months of 2023 that did not recur in 2024 and lower net borrowings in the first six months of 2024.

Off-Balance Sheet Arrangements

Our off-balance sheet arrangements consist of operating and finance leases not recorded as a result of the practical expedients utilized, right of offset of industrial revenue bonds and associated failed sales-leasebacks on property and equipment, and indemnities, none of which we believe may have a material current or future effect on our financial condition, liquidity, capital resources, or results of operations.

Critical Accounting Policies

The preparation of our condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States requires estimation and judgment that affect the reported amounts of net revenues, expenses, assets and liabilities. For a description of our critical accounting policies, please refer to “Critical Accounting Policies” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2023 Annual Report on Form 10-K. There have been no material changes in any of our critical accounting policies during the three months ended June 29, 2024.

Recent Accounting Pronouncements

See “Part I, Item 1. Ducommun Incorporated and Subsidiaries—Notes to Condensed Consolidated Financial Statements—Note 1. Summary of Significant Accounting Policies—Recent Accounting Pronouncements” for further information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our main market risk exposure relates to changes in U.S. interest rates on our outstanding long-term debt. At June 29, 2024, we had total borrowings of \$262.9 million under our 2022 Credit Facilities.

The 2022 Term Loan bears interest, at our option, at a rate equal to either (i) Term Secured Overnight Financing Rate (“Term SOFR”) plus an applicable margin ranging from 1.375% to 2.375% per year or (ii) Base Rate (defined as the highest of [a] Federal Funds Rate plus 0.50%, [b] Bank of America’s prime rate, and [c] Term SOFR plus 1.00%, and if the Base Rate is less than zero percent, it will be deemed zero percent) plus an applicable margin ranging from 0.375% to 1.375% per year, in each case based upon the consolidated total net adjusted leverage ratio.

The 2022 Revolving Credit Facility bears interest, at our option, at a rate equal to either (i) Term SOFR plus an applicable margin ranging from 1.375% to 2.375% per year or (ii) Base Rate (defined as the highest of [a] Federal Funds Rate plus 0.50%, [b] Bank of America’s prime rate, and [c] Term SOFR plus 1.00%, and if the Base Rate is less than zero percent, it will be deemed zero percent) plus an applicable margin ranging from 0.375% to 1.375% per year, in each case based upon the consolidated total net adjusted leverage ratio.

A hypothetical 10% increase or decrease in the interest rate would have an immaterial impact on our financial condition and results of operations.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

The Company’s chief executive officer (“CEO”) and chief financial officer (“CFO”) have conducted an evaluation of the Company’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) as of June 29, 2024. The Company had previously reported a material weakness in internal control over financial reporting related to not designing and maintaining effective controls over the accuracy of contract terms and the reasonableness of gross margin assumptions used to recognize revenue. Specifically, the Company did not verify that amendments to purchase orders and gross margin percentage assumptions used in the Company’s revenue recognition analysis were properly reviewed at a sufficient level of precision, which was described in Item 9A in the Management’s Report on Internal Control Over Financial Reporting in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023. As a result of the material weakness in the Company’s internal control over financial reporting, which was not remediated as of June 29, 2024, the CEO and CFO concluded the Company’s disclosure controls and procedures were not effective as of June 29, 2024.

Remediation of Material Weakness

We have implemented remediation steps to address the material weakness described above to improve our internal control over verification of amendments to purchase orders and the gross margin percentage assumptions used to recognize revenue.

Actions taken:

- We have redesigned our existing controls to expand the selection criteria for contracts requiring an estimate at completion (“EAC”) analysis to support the gross margin percentage used for revenue recognition.
- We have increased the rigor and review of the EAC process, including standardization of the analysis and related documentation and verification of the contract value utilized to the underlying customer purchase order.
- We have implemented additional analytical procedures to ensure the accuracy of gross margin assumptions.

While significant progress has been made to enhance our internal control over financial reporting relating to the material weakness, additional time will be required to assess and ensure the sustainability of these processes and procedures. We expect to complete the assessment and ensure sustainability of these processes and procedures during 2024; however, we cannot make any assurances that such actions will be completed during 2024. Until the remediation steps set forth above are fully implemented and concluded to be operating effectively, the material weakness described above will continue to exist.

Changes in Internal Control over Financial Reporting

Except as otherwise discussed above under “Remediation of Material Weakness,” there were no other changes in our internal control over financial reporting during the three months ended June 29, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 12 to our condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q for a description of our legal proceedings.

Item 1A. Risk Factors

See Part I, Item 1A of our Annual Report on Form 10-K (“Form 10-K”) for the year ended December 31, 2023 for a discussion of our risk factors. Other than the risk factor below, there have been no material changes during the three months ended June 29, 2024 to the risk factors disclosed in our Form 10-K for the year ended December 31, 2023.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit

No. Description

3.1 Restated Certificate of Incorporation filed with the Delaware Secretary of State on May 29, 1990. Incorporated by reference to Exhibit 3.1 to Form 10-K for the year ended December 31, 1990.

[3.2 Certificate of Amendment of Certificate of Incorporation filed with the Delaware Secretary of State on May 27, 1998. Incorporated by reference to Exhibit 3.2 to Form 10-K for the year ended December 31, 1998.](#)

[3.3 Amended and Restated Bylaws of Ducommun Incorporated, dated as of June 28, 2024.](#)

[*10.1 2024 Employee Stock Incentive Plan. Incorporated by reference to Exhibit 10.1 to Form 8-K filed on April 25, 2024.](#)

[*10.2 Key Executive Severance Agreement, dated May 9, 2024, between Ducommun Incorporated and Stephen G. Oswald. Incorporated by reference to Exhibit 99.1 to Form 8-K filed on May 10, 2024.](#)

[*10.3 Form of Key Executive Severance Agreement between Ducommun Incorporated and each of its executive officers \(except Stephen G. Oswald\). Incorporated by reference to Exhibit 99.2 to Form 8-K filed on May 10, 2024.](#)

[*10.4 Form of Performance Stock Unit Agreement for 2024 and after.](#)

[*10.5 Form of Cash-Based Long-Term Incentive Award Agreement for 2024 and after.](#)

[*10.6 Form of Revenue Performance Stock Unit Agreement for 2024 and after.](#)

[*10.7 Form of Revenue Performance Cash-Based Long-Term Incentive Award Agreement for 2024 and after.](#)

[*10.8 Form of Restricted Stock Unit Agreement \(for NQDCP Participants\) for 2024 and after.](#)

[*10.9 Form of Stock Option Agreement for 2024 and after.](#)

[31.1 Certification of Principal Executive Officer.](#)

[31.2 Certification of Principal Financial Officer.](#)

[32 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101.INS Inline XBRL Instance Document with Embedded Linkbase Documents - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL

104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Indicates an executive compensation plan or arrangement.

SIGNATURES

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

Date: August 8, 2024

DUCOMMUN INCORPORATED

(Registrant)
By: /s/ Stephen G. Oswald

Stephen G. Oswald
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Date: August 8, 2024

By: /s/ Suman B. Mookerji

Suman B. Mookerji
Senior Vice President, Chief Financial Officer
(Principal Financial and Principal Accounting Officer)

AMENDED AND RESTATED BYLAWS OF

DUCOMMUN INCORPORATED

Ducommun Incorporated (the “Corporation”), pursuant to the provisions of Section 109 of the Delaware General Corporation Law, hereby adopts these Amended and Restated Bylaws, which restate, amend and supersede the Bylaws of the Corporation, as previously amended, in their entirety as described below:

ARTICLE I

OFFICES

Section 1. Registered Office. The Registered Office of the Corporation in the State of Delaware shall be at 2711 Centerville Road, Suite 400, in the City of Wilmington 19808, County of New Castle, and the name of the Registered Agent in charge thereof shall be Corporation Service Company.

Section 2. Principal Office. The principal office for the transaction of business of the Corporation shall be 600 Anton Blvd., Suite 1100, in the City of Costa Mesa, County of Orange, State of California. The Board of Directors has full power and authority to change said principal office from one location to another, whether within or outside said City, County or State, by amendment of this Section 2.

Section 3. Other Offices. The Corporation may also have an office or offices at such other place or places, either within or without the State of Delaware, as the Board of Directors may from time to time determine as the business of the Corporation may require.

ARTICLE II

STOCKHOLDERS

Section 1. Annual Meetings. The Annual Meeting of Stockholders shall be held each year on such day, other than a legal holiday, and at such time and place, or by virtual platform, as may be designated by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof, for the purpose of electing Directors and for the transaction of such other business as may be brought before the meeting. If such annual meeting is not held, or the Directors are not elected thereat, Directors may be elected at a special meeting held for that purpose, and it shall be the duty of the Chairman of the Board of Directors, the Chief Executive Officer, the President, any Executive Vice President, any Senior Vice President, any Vice President or the Secretary, upon the demand of any stockholder entitled to vote, to call such special meeting.

Section 2. Special Meetings. Special meetings of the stockholders for any purpose or purposes may be called at any time by the Board of Directors or by a majority of the members of the Board of Directors.

Section 3. Notice of Meetings. Except as otherwise required by law, notice of meetings of stockholders, annual or special, shall be given to stockholders entitled to vote thereat by the Secretary or an Assistant Secretary or other person charged with that duty not less than ten (10) nor more than sixty (60) days before the date of any such meeting. Such notice may be printed, typewritten, or in handwriting, and may be given to any stockholder either personally or by sending a copy of the notice through the mail, or by telegram, charges prepaid, to his address appearing on the books of the Corporation or supplied by him to the Corporation for the purpose of notice. Except as otherwise expressly required by law, no publication of any notice of a meeting of the stockholders shall be required. Every notice of a meeting of the stockholders shall state the place, date and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called.

Section 4. Place of Meetings. All meetings of the stockholders shall be held at the principal office of the Corporation in the State of California or at such other place within or without the State of Delaware as the Board of Directors may from time to time designate.

Section 5. Quorum. A quorum at any meeting of the stockholders shall consist of stockholders holding a majority of the voting power of the shares of this Corporation outstanding and entitled to vote thereat, represented either in person or by proxy, except as otherwise specifically provided by law or in the Certificate of Incorporation. In the absence of a quorum, any meeting of stockholders may be adjourned from time to time by the vote of a majority of the voting stock, the holders of which are either present in person or represented by proxy thereat. The stockholders present at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 6. Adjournments. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of the original meeting, but when a meeting is adjourned for less than thirty (30) days it is not necessary to give any notice of the time and place of the adjourned meeting or of the business to be transacted thereat other than by announcement at the meeting at which the adjournment is taken. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally noticed.

Section 7. Organization. The Chairman of the Board of Directors, or, in his absence, the Chief Executive Officer, or in the absence of the Chairman of the Board of Directors and the Chief Executive Officer, the President, the Executive Vice President, a Senior Vice President or a Vice President shall call meetings of stockholders to order, and shall act as Chairman of such meetings. In the absence of the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Executive Vice President, any Senior Vice President and the Vice Presidents, the stockholders shall appoint a Chairman for such meeting. The Secretary of the Corporation shall act as Secretary at all meetings of the stockholders, but in the absence of the Secretary at

any meeting of the stockholders, the presiding officer may appoint any person to act as Secretary of the meeting.

Section 8. Voting.

(a) Each stockholder shall, at each meeting of the stockholders, be entitled to vote in person or by proxy each share or fractional share of the stock of the Corporation having voting rights on the matter in question and which shall have been held by him and registered in his name on the books of the Corporation:

(i) on the date fixed pursuant to Article II, Section 11 of these Bylaws as the record date for the determination of stockholders entitled to notice of and to vote at such meeting, or

(ii) if no such record date shall have been so fixed, then (a) at the close of business on the day next preceding the day on which notice of the meeting shall be given, or (b) if notice of the meeting shall be waived, at the close of business on the day next preceding the day on which the meeting shall be held.

(b) Shares of its own stock belonging to the Corporation shall not be entitled to vote. Persons holding in a fiduciary capacity stock of the Corporation shall be entitled to vote such stock so held. A person whose stock is pledged shall be entitled to vote such stock, unless in the transfer by the pledger on the books of the Corporation he shall have expressly empowered the pledgee to vote thereon, in which case only the pledgee, or his proxy, may represent such stock and vote thereon. Stock having voting power standing of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or otherwise, or with respect to which two or more persons have the same fiduciary relationship, shall be voted in accordance with the provisions of the General Corporation Law of the State of Delaware.

(c) Any such voting rights may be exercised by the stockholder entitled thereto in person or by his proxy appointed by an instrument in writing or by a transmission permitted by law, including Rule 14a-19 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), subscribed by such stockholder or by his attorney thereunto authorized and delivered to the Secretary of the meeting; provided, however, that no proxy shall be voted or acted upon after three years from its date unless said proxy shall provide for a longer period. The attendance at any meeting of a stockholder who may theretofore have given a proxy shall not have the effect of revoking the same unless he shall in writing so notify the Secretary of the meeting prior to the voting of the proxy. At any meeting of the stockholders all matters other than the election of Directors, except as otherwise provided in the Certificate of Incorporation, these Bylaws or by law, shall be decided by the vote of majority in voting interest of the stockholders present in person or by proxy and entitled to vote thereat and thereon, a quorum being present. The vote at any meeting of the stockholders on any question need not be by ballot, unless so directed by the Chairman of the meeting. On a

vote by ballot each ballot shall be signed by the stockholder voting, or by his proxy, if there be such proxy, and it shall state the number of shares voted. Except as otherwise provided in the Certificate of Incorporation, Directors shall be elected by a plurality of the votes cast by the holders of the shares present in person or represented by proxy at the meeting and entitled to vote for the election of such Directors.

Section 9. Inspectors of Election. In advance of any meeting of stockholders, the Board of Directors may appoint inspectors of election to act at such meeting or any adjournment thereof. If inspectors of election be not so appointed, the Chairman of any such meeting may make such appointment at the meeting. The number of inspectors shall be either one or three.

Section 10. Consent of Absentees. The transactions of any meeting of stockholders, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the stockholders entitled to vote, not present in person or by proxy, signs a written waiver of notice. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting. Attendance of a person at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 11. Record Date and Closing Stock Books. The Board of Directors may fix a record date for the determination of the stockholders entitled to notice of and to vote at any meeting of stockholders, or for the determination of the stockholders entitled to receive any dividend or distribution or any allotment of rights, or to exercise rights in respect to any change, conversion or exchange of shares. The record date so fixed shall not be more than sixty (60) nor less than ten (10) days before the date of any such meeting, nor more than sixty (60) days prior to any other action. When a record date is so fixed, only stockholders who are such of record on that date are entitled to notice of and to vote at the meeting or to receive the dividend, distribution, or allotment of rights, or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date. The Board of Directors may close the books of the Corporation against transfers of shares during the whole or any part of a period not more than sixty (60) days prior to the date of a stockholders' meeting, the date when the right to any dividend, distribution, or allotment of rights vests, or the effective date of any change, conversion or exchange of shares. A determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of such meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 12. Conduct of Meetings. The Chairman of the Board of Directors shall have complete authority to establish rules of conduct governing all meetings of stockholders. These rules may include, but shall not be limited to, rules related to attendance, questions from the audience and similar matters. Notwithstanding the above, the nomination at any meeting of stockholders of any person to serve as a Director shall not be valid unless (i) the nomination of such person has been approved by resolution of the Board of Directors of the Corporation, or (ii)

notice of the nomination of such person has been delivered to the Secretary of the Corporation in full compliance with the procedures set forth in Article II, Section 13 hereof.

Section 13. Notice of Stockholder Business and Nominations.

(a) To be properly brought before the annual meeting of stockholders, business must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors, (ii) otherwise brought before the annual meeting by or at the direction of the Board of Directors, (iii) brought before the meeting in accordance with Rule 14a-8 under the Exchange Act, or (iv) otherwise properly brought before the annual meeting by a stockholder of record of the Corporation at the time the notice provided for in this Section 13(b) is delivered to the Secretary of the Corporation, who is entitled to vote at the annual meeting and who complies with the notice procedures set forth in this Section 13(b). No business (including nominations) shall be conducted at the annual meeting except in accordance with the procedures set forth in this Article II, Section 13. The officer of the Corporation presiding at an annual meeting shall, if the facts warrant, determine and declare to the annual meeting that business (including nominations) was not properly brought before the annual meeting in accordance with the provisions of this Article II, Section 13, and if he should so determine, he shall so declare to the annual meeting and any such business (including nominations) not properly brought before the meeting shall not be transacted.

(b) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iv) of Section 13(a), the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such nominations or proposed business must constitute a proper matter for stockholder action. To be timely, a stockholder's notice must be delivered to, or mailed to and received by, the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting (provided, however, that in the event that the date of the annual meeting is more than thirty five (35) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to the date of such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to the date of such annual meeting or, if the first public announcement of the date of such advanced or delayed annual meeting is less than one hundred (100) days prior to the date of such annual meeting, the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation). In no event shall the adjournment or postponement of an annual meeting or the announcement thereof commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. Such stockholder's notice shall: (i) as to each person whom the stockholder proposes to nominate for election as a director, set forth (1) all information relating to such person that is required to be disclosed in solicitations of

proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (and such person's written consent to being named in the proxy statement and accompanying proxy card as a nominee and affirmation of such person's intent to serve as a director for the full term if elected) and (2) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among such stockholder or beneficial owner, if any, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the stockholder making the nomination and any beneficial owner, if any, were the "registrant" for purposes of such rule and the nominee were a director or executive officer of such registrant; (ii) as to any other business that the stockholder proposes to bring before the meeting, set forth (1) a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the Bylaws of the Corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made and (2) a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such stockholder; (iii) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made, set forth (1) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (2) the class and number of shares of capital stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner, (3) a representation (I) that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination and (II) whether the stockholder or such beneficial owner, if any, intends or is part of a group which intends (x) to deliver a proxy statement and/or form of proxy to holders of at least the percentage of the Corporation's outstanding capital stock required to approve or adopt the proposal or elect the nominee and/or (y) otherwise to solicit proxies from stockholders in support of such proposal or nomination, (4) any derivative positions held or beneficially held, directly or indirectly, by or on behalf of such stockholder or beneficial owner and whether and the extent to which any hedging or other transaction or series of transactions has been entered into or any other agreement, arrangement or understanding (including any short position, profit interest, option or any borrowing or lending of shares) has been made, directly or indirectly, by or on behalf of such stockholder or beneficial owner, the effect or intent of which is to mitigate loss to or manage or share risk or benefit of changes in the value or price of shares of the capital stock of the Corporation for, or to increase or decrease the voting power or economic interest of, such stockholder or any such beneficial owner with respect to any share of capital stock of the Corporation, (5) a description of any proxy, contract, arrangement, understanding or relationship pursuant to

which such stockholder or any such beneficial owner has a right to vote any shares of capital stock of the Corporation or influence the voting over any such shares; (6) any rights to dividends on the shares of the Corporation owned beneficially, directly or indirectly, by such stockholder or any such beneficial owner that are separated or separable from the underlying shares of capital stock of the Corporation; (7) any performance-related fees (other than an asset-based fee) that such stockholder or any such beneficial owner is entitled to based on any increase or decrease in the value of shares of capital stock of the Corporation or any derivative position; and (8) to the extent known by such stockholder or beneficial owner giving the notice, the name and address of any other stockholder or beneficial owner supporting the nomination or proposal of other business on the date of such stockholder's or beneficial owner's notice, if any, as of the date of such notice, including without limitation any such interests referred to in the foregoing clauses (1) through (8) held by members of such stockholder's or any such beneficial owner's immediate family sharing the same household; and (iv) with respect to each nominee for election as a director, include a completed and signed questionnaire, representation and agreement required by Section 13 of Article III of these Bylaws. The Corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of the Corporation, including any information that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

(c) A stockholder providing notice of business proposed to be brought before a meeting, including with respect to nominations of directors, shall, in order for such notice to be considered timely, further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice under this Section 13 shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to the date of the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered in writing to the Secretary at the principal executive offices of the Corporation not later than ten (10) days after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than eight (8) business days prior to the date for the meeting or any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(d) In addition to the requirements of this Section 13 with respect to any nomination proposed to be made at a meeting, each stockholder providing notice as to nominations pursuant to this Section 13 shall comply with all applicable requirements of the Exchange Act with respect to any such nominations. Notwithstanding the foregoing provisions of this Section 13, unless otherwise required by law, (i) no such stockholder shall solicit proxies in support of director nominees other than the Corporation's nominees unless such stockholder has complied with Rule 14a-19 promulgated under the Exchange Act in connection with the solicitation of such proxies, including the provision to the Corporation of notices required thereunder in a timely manner and (ii) if such

stockholder (1) provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act and (2) subsequently fails to comply with the requirements of Rule 14a-19(a)(2) and Rule 14a-19(a)(3) promulgated under the Exchange Act, including the provision to the Corporation of notices required thereunder in a timely manner, then the Corporation shall disregard any proxies or votes solicited for such stockholder's director nominees. Upon request by the Corporation, if any such stockholder provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act, such stockholder shall deliver to the Corporation, no later than five (5) business days prior to the applicable meeting, reasonable evidence that it has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act.

(e) For purposes of these Bylaws, (i) "public announcement" shall include disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act, (ii) "beneficial owner" shall mean, when used with respect to securities of the Corporation owned by any stockholder, (1) any beneficial owner of any securities of the Corporation owned of record or beneficially by such stockholder, including any of such person's associates or affiliates, (2) any person acting in concert (pursuant to any agreement, arrangement, understanding or otherwise, whether written or oral) with such stockholder or (3) any person directly or indirectly controlling, controlled by or under common control with such stockholder and (iii) "derivative position" shall mean any option, warrant, convertible security, stock appreciation right, swap or similar right or agreement, arrangement or understanding with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of capital stock of the Corporation or with a value derived in whole or in part from the value of any class or series of capital stock of the Corporation, or which is intended to increase or decrease (or has the effect of increasing or decreasing) the voting power of any person with respect to the shares of any class or series of capital stock of the Corporation, whether or not such instrument or right or agreement shall be subject to settlement in the underlying class or series of capital stock of the Corporation or otherwise.

ARTICLE III

BOARD OF DIRECTORS

Section 1(a). Powers. The corporate powers, business and property of this Corporation shall be exercised, conducted and controlled by a Board of Directors. In addition to the powers and authorities expressly conferred upon it by these Bylaws, the Board may exercise all such powers and do all such lawful acts and things as are not by statute or by these Bylaws directed or required to be exercised or done by the stockholders.

Section 1(b). Minimum and Maximum Number. The authorized number of Directors of this Corporation shall not be less than six (6) nor more than nine (9) until changed by an amendment of this Bylaw; the exact number of Directors shall be fixed, within the limits

specified in this Section 1(b), from time to time solely by resolution adopted by the affirmative vote of a majority of the total number of Directors then authorized.

Section 2. Vacancies. In case of a vacancy in the Directors through death, resignation, disqualification, or other cause, the remaining Directors, though less than a quorum, by affirmative vote of a majority thereof, or the sole remaining Director, may elect a successor or successors to hold office for the unexpired portion of the term of the Director whose place shall be vacant, and until the election of his successor.

Section 3. Place of Meeting. The Directors may hold their meetings and have an office and keep the books of the Corporation in such place or places within or without the State of Delaware as the Board may from time to time determine.

Section 4(a). Regular Meetings. By resolution and notice thereof to all the Directors at the time in office, the Board of Directors may provide that regular meetings of said Board shall be held at stated intervals and at a place to be fixed in such resolution. In case such regular meetings are provided for, it shall not be necessary to give notice of any such meetings, or of the business to be transacted. A meeting of the Board of Directors may be held without notice immediately after the Annual Meeting of Stockholders.

Section 4(b). Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the Chief Executive Officer, any two Vice Presidents, any two Directors, or by the sole remaining Director. Written notice of the time and place of special meetings shall be delivered personally to each Director or sent to each Director by email, mail or other form of written communication, charges prepaid, addressed at his business address or his residence address, as either may be shown upon the records of the Corporation, or if not so shown, or not readily ascertainable, at the principal office of the Corporation. In case such notice is delivered personally it shall be delivered at least twenty-four hours prior to the time of the holding of the meeting. In case such notice is sent by telegram, facsimile or e-mail, it shall be transmitted at least twenty-four hours prior to the time of the holding of the meeting. In case such notice is mailed, it shall be deposited in the United States mail at least sixty hours prior to the time of the holding of the meeting. Except where otherwise required by law or by these Bylaws, notice of the purpose of a special meeting need not be given. Notice of any meeting of the Board of Directors shall not be required to be given to any Director who shall have waived such notice and such notice shall be deemed to have been waived by any Director who is present at such meeting.

Section 5. Quorum. A majority of the authorized number of Directors shall constitute a quorum for the transaction of business, but if at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. Every act or decision done or made by a majority of the Directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors, unless a greater number be required by law or by the Certificate of Incorporation.

Section 6. Action Without Meeting. Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board shall

individually or collectively consent in writing to such action and such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of the Directors.

Section 7. Compensation of Directors. Unless otherwise provided by the Certificate of Incorporation, the Board of Directors shall have authority to fix the compensation of Directors. Directors may be paid a fixed sum for attendance at each meeting of the Board of Directors and may be paid a stated compensation for serving as Directors. Directors may also be paid their expenses, if any, for attending each meeting of the Board of Directors. No payments to Directors shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 8. Lead Director. The Board of Directors may elect a Lead Director to preside at all meetings of the Board of Directors at which the Chairman of the Board is not present and to perform such other duties and responsibilities as the Board of Directors may determine.

Section 9. Presiding Officers. At all meetings of the Board of Directors, the Chairman of the Board of Directors, or, in his absence, the Lead Director of the Corporation, or in the absence of the Chairman of the Board of Directors and the Lead Director, a Chairman chosen by the Directors present shall preside.

Section 10. Election of Officers. At the first meeting of the Board of Directors each year (at which a quorum shall be present) held next after the Annual Meeting of Stockholders, the Board of Directors shall proceed to the election of the Officers of the Corporation.

Section 11. Committees of the Board of Directors. The Board of Directors may by resolution appoint an Executive Committee and other committees. Such Executive Committee and other committees shall be composed of two or more members of this Board of Directors and shall have such powers as may be expressly delegated to them by resolution of the Board of Directors, except that no such committee shall have the power to amend the Certificate of Incorporation, to adopt an agreement of merger or consolidation, to recommend to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, to recommend to the stockholders the dissolution of the Corporation or a revocation of a dissolution, or to adopt, amend or repeal Bylaws. The Executive Committee, if there shall be one, shall have the right and authority to declare dividends. The Board of Directors shall have the authority to fix the compensation of members of the committees for attending committee meetings.

Section 12. Advisory Directors. The Board of Directors may elect one or more Advisory Directors who shall have such powers and perform such duties as the Directors shall assign to them. Advisory Directors shall, upon election, serve until the next Annual Meeting of Stockholders. Advisory Directors shall receive notice of all meetings of the Board of Directors in the same manner and at the same time as the Directors. They shall attend such meetings in an advisory capacity, but shall not cast a vote or be counted to determine a quorum. Any Advisory Director may be removed, either with or without cause, by a majority of the Directors. The

Advisory Directors shall not receive any stated compensation for their services as Advisory Directors, but by resolution of the Board of Directors a fixed fee and expenses of attendance may be allowed for attendance at each meeting. Nothing herein shall be construed to preclude any Advisory Director from serving the Corporation in any other capacity as an officer, agent or otherwise, and receiving compensation therefor.

Section 13. Director Qualifications. To be eligible to be a nominee for election or reelection as a Director of the Corporation, the prospective nominee (whether nominated by or at the direction of the Board of Directors or by a stockholder), or someone acting on such prospective nominee's behalf, must deliver (in the case of nominees proposed by a stockholder, in accordance with any applicable time periods prescribed for delivery of notice under Section 13 of Article II of these Bylaws) to the Secretary at the principal executive offices of the Corporation, a written questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be in the form provided by the Corporation, which form shall be provided by the Secretary upon written request). The prospective nominee must also provide a written representation and agreement (which written representation and agreement shall be in the form provided by the Corporation, which form shall be provided by the Secretary upon written request) that such prospective nominee: (i) is not and will not become a party to (1) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such prospective nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (2) any Voting Commitment that could limit or interfere with such prospective nominee's ability to comply, if elected as a director of the Corporation, with such prospective nominee's fiduciary duties under applicable law; (ii) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a Director that has not been disclosed therein; and (iii) in such person's individual capacity and on behalf of any beneficial owner on whose behalf the nomination is being made, would be in compliance if elected as a Director of the Corporation, and will comply with all applicable corporate governance, code of business conduct and ethics, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the Corporation. Directors need not be stockholders. For purposes of this Section 13, a "nominee" shall include any person being considered to fill a vacancy on the Board of Directors.

ARTICLE IV

OFFICERS

Section 1. Officers. The Officers of the Corporation shall be a Chief Executive Officer, a President, a Secretary and a Treasurer, who shall be elected by the Directors at their first meeting after the Annual Meeting of Stockholders, and who shall hold office until their successors are elected and qualify. The Board of Directors may also elect at its discretion a Chairman of the Board (who may or may not be an officer), one or more Executive Vice

Presidents, one or more Senior Vice Presidents, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other Officers as the business of the Corporation may require. The Chairman of the Board, if there shall be such an officer, and the Chief Executive Officer must be members of the Board of Directors. So far as is permitted by law any two or more offices may be held by the same person.

Section 2(a) Chairman of the Board. The Chairman of the Board of Directors, if there shall be such an officer, shall preside at meetings of the stockholders and of the Board of Directors, and shall perform such other duties, in major policy areas or otherwise, consistent with his office, as may be assigned to him by the Board of Directors.

Section 2(b). Vice Chairman of the Board. The Vice Chairman of the Board of Directors, if there shall be such an officer, shall, during any period when so requested by the Chairman of the Board of Directors or during the absence of the Chairman of the Board of Directors or his inability to act, have the powers and perform the duties of the Chairman. The Vice Chairman shall perform such other duties consistent with his office as from time to time may be assigned to him by the Board of Directors.

Section 3. Chief Executive Officer. The Chief Executive Officer shall be the chief executive officer of the Corporation. Subject to the control of the Board of Directors, he shall have general executive powers concerning, and active management and supervision over, the property, business and affairs of the Corporation and its several officers. He shall have the powers and shall perform the duties usually incident to the office of Chief Executive Officer and, during any period when so requested by the Chairman of the Board of Directors, or during the absence of the Chairman and the Vice Chairman of the Board of Directors or the inability of both to act, shall also have the powers and perform the duties of the Chairman of the Board of Directors. The Chief Executive Officer shall perform such other duties consistent with his office as from time to time may be assigned to him by the Board of Directors.

Section 4. President. The President shall be the chief operating officer of the Corporation. The President shall exercise general supervision over and have executive control of the operations of the Corporation's business and shall have such powers as may be assigned to him from time to time by the Board of Directors. He shall exercise the functions of the Chief Executive Officer during the absence or disability of the Chief Executive Officer.

Section 5(a) Executive Vice President. The Executive Vice President(s), if there shall be such an officer, shall, subject to such powers as shall be assigned to him from time to time by the Board of Directors or by the President, have such managerial responsibility and authority and shall exercise such supervisory powers as shall be assigned to him from time to time by the Board of Directors or by the President. He shall exercise the functions of the President during the absence or disability of the President.

Section 5(b). Senior Vice President. The Senior Vice President(s) shall exercise general supervision over and have executive control of such departments of the Corporation's business and shall have such powers and discharge such duties as may be assigned to him from time to time by the Board of Directors. The Senior Vice President, as designated by the Board of

Directors, shall exercise the functions of the President during the absence or disability of the President and the Executive Vice President.

Section 5(c). Vice Presidents. The Vice Presidents shall exercise general supervision over and have executive control of such departments of the Corporation's business and shall have such powers and discharge such duties as may be assigned to each of them from time to time by the Board of Directors. The Vice Presidents in order of their rank, or if not ranked, as designated by the Board of Directors, shall exercise the functions of the President during the absence or disability of the President, the Executive Vice President and the Senior Vice President.

Section 6. Secretary. The Secretary shall issue due notice to stockholders and Directors in accordance with these Bylaws and as required by law, shall record all the proceedings of the meetings of the stockholders and Directors in a book to be kept for that purpose, shall have charge of the corporate seal, shall keep or cause to be kept a share register of stockholders of the Corporation, and shall make such reports and perform such other duties as are incident to his office, or assigned to him by the Board of Directors.

Section 7. Assistant Secretary. The Assistant Secretaries shall, in the absence or disability of the Secretary, perform the duties and exercise the power of the Secretary.

Section 8. Treasurer. The Treasurer shall have the custody of all monies and securities of the Corporation and shall keep regular books of account. He shall disburse the funds of the Corporation in payment of the just demands against the Corporation, or as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Board of Directors from time to time, as may be required of him, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

Section 9. Assistant Treasurer. The Assistant Treasurer shall, in the absence or disability of the Treasurer, perform the duties and exercise the powers of the Treasurer.

Section 10. General Counsel. The General Counsel shall provide legal advice to the Corporation, render legal opinions as necessary in connection with the business of the Corporation, exercise general supervision over the legal affairs of the Corporation and perform such other duties as assigned to him by the Board of Directors.

Section 11. Duties. Except as otherwise provided in this Section, the said Officers shall have all the usual powers and shall perform all the usual duties incident to their respective offices and shall, in addition, perform such other duties as shall be assigned to them from time to time by the Board of Directors.

Section 12. Delegation of Duties. In the absence or disability of any Officer of the Corporation, the Board of Directors may, subject to the provisions of this Section, delegate his powers and duties to any other Executive Officer, or to any Director, during such absence or disability, and the person so delegated shall, for the time being, be the Officer whose powers and duties he so assumes.

Section 13. Vacancies. A vacancy in any office existing at any time may be filled by the Directors at any regular or special meeting.

Section 14. Other Officers. The Board of Directors may appoint such other Officers and agents as it shall deem necessary or expedient, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

Section 15. Salaries. The salaries of all Officers of the Corporation shall be approved by the Board of Directors.

Section 16. Bonds. The Board of Directors may require any and all Officers, respectively, to give a bond for the faithful performance of their respective duties in such sum as said Board of Directors may determine, such bond to be executed by a reliable surety company, but the expense of obtaining the same shall be borne by the Corporation.

Section 17. Representation of Shares of Other Corporations. The Chief Executive Officer, the President or any Vice President and the Secretary or any Assistant Secretary of this Corporation are authorized to vote, represent and exercise on behalf of this Corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of this Corporation. The authority herein granted to said Officers to vote or represent on behalf of this Corporation any and all shares held by this Corporation in any other corporation or corporations may be exercised either by such Officers in person or by any person authorized so to do by proxy or power of attorney duly executed by said Officers.

Section 18. Removal of Officers. Any Officer may be removed at any time by the affirmative vote of a majority of the Board of Directors.

ARTICLE V

CERTIFICATES OF STOCK

Section 1. Form and Execution of Certificate. The certificates of shares of stock of the Corporation shall be in such form as shall be approved by the Board of Directors. All certificates shall be signed by the Chief Executive Officer, the President or a Vice President, and by the Secretary or an Assistant Secretary or by the Treasurer or an Assistant Treasurer; provided, however, that if any such certificate is countersigned by a transfer agent other than the Corporation or its employee, or by a registrar other than the Corporation or its employee, the signatures of such Chief Executive Officer, President or Vice President and of such Secretary or Assistant Secretary or Treasurer or Assistant Treasurer may be facsimiles.

Section 2. Certificates to be Entered. All certificates shall be consecutively numbered and the names in which they are issued, the number of shares and the date of issue shall be entered in the Corporation's books.

Section 3. Transfer of Shares. Shares shall be transferred only on the books of the Corporation by the holder thereof, in person or by his attorney, upon the surrender and cancellation of certificates for a like number of shares.

Section 4. Regulations. The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue, transfer and registration of certificates of stock, and may appoint a transfer agent or transfer agents and a registrar or registrars of transfers, and may require all stock certificates to bear the signature of any such transfer agent and registrar of transfers.

ARTICLE VI

SEAL

The Board of Directors shall provide a corporate seal, which shall be in the form of a circle and shall bear the name of the Corporation in words and figures showing that it was incorporated in the State of Delaware in the year 1970.

ARTICLE VII

INDEMNIFICATION

Section 1. Indemnification of Directors and Officers. The Corporation shall, to the fullest extent permitted by law, indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (including without limitation any action by or in the right of the Corporation) by reason of the fact that he is or was a Director or Officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, that he had reasonable cause to believe that his conduct was unlawful. The right of indemnity provided herein shall not be exclusive, and the Corporation may provide indemnification to any person, by agreement or otherwise, on such terms and conditions as the Board of Directors may approve. Any agreement for indemnification of any Director, Officer, employee or other person may provide indemnification rights which are broader or otherwise different from those set forth herein.

Section 2. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee or agent of the Corporation, or

is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of this Article VII.

ARTICLE VIII

FISCAL YEAR

The fiscal year of the Corporation shall commence on January 1, and end on December 31 of each year.

ARTICLE IX

AMENDMENTS

These Bylaws may be adopted, amended or repealed by the vote of stockholders as set forth in the Certificate of Incorporation. Subject to the right of stockholders to adopt, amend or repeal Bylaws, Bylaws may be adopted, amended or repealed by the Board of Directors.

DUCOMMUN INCORPORATED
PERFORMANCE STOCK UNIT AGREEMENT

This performance stock unit agreement is made as of May __, 2024 (the “Effective Date”), between Ducommun Incorporated, a Delaware corporation (the “Corporation”), and _____ (“Award Holder”).

RECITALS

This performance stock unit agreement is pursuant to the 2024 Stock Incentive Plan (the “Plan”).

AGREEMENTS

1. Grant. The Corporation hereby grants to the Award Holder an award (the “Award”) with a target (if the Corporation achieves the target level performance goals described in Exhibit A) of **x,xxx** performance stock units (the “Target Units”), and a maximum of up to two hundred fifty percent (250%) of the Target Units (if Corporation achieves the maximum level performance goals described in Exhibit A), in each case subject to certain adjustments as described herein. Each performance stock unit represents the right to receive one share of Common Stock, subject to the conditions set forth in this performance stock unit agreement and the Plan.

2. Definitions. Unless the context clearly indicates otherwise, and subject to the terms and conditions of the Plan as the same may be amended from time to time, the following terms, when used in this performance stock unit agreement, shall have the meanings set forth in this Section 2.

“Common Stock” shall mean the Common Stock, \$.01 par value, of the Corporation or such other class of shares or other securities as may be applicable pursuant to the provisions of Section 6 of this performance stock unit agreement.

“Subsidiary” shall mean a corporation or other form of business entity more than 50% of the voting shares of which is owned or controlled, directly or indirectly, by the Corporation and which is designated by the Committee for participation in the Plan by the key employees thereof.

“Committee” shall mean the Compensation Committee of the Board of Directors of the Corporation, or if there is no such committee acting, the Board of Directors of the Corporation.

3. Vesting. The Award shall vest at the end of the 3-year performance period, beginning as of January 1, 202_ and ending on December 31, 202_ (the "Performance Period"). The vesting of the Award shall be subject to the Corporation achieving during the Performance Period the Diluted Earnings Per Share and Relative Total Shareholder Return, as provided in Exhibit A attached hereto. Following the end of each fiscal year of the Performance Period and the collection of relevant data necessary to determine the extent to which the performance goals set forth in Exhibit A have been satisfied, the Committee will determine: (a) the amount of Diluted Earnings Per Share that was achieved by the Corporation for each fiscal year of the Performance Period, and (b) the percentage and number of the Target Units for each fiscal year (for each such fiscal year, the "Earned Units") that will become Vested Units (as defined in Exhibit A) as of the last day of the Performance Period or earlier as provided in Section 5(b). Following the end of the Performance Period and collection of relevant data necessary to determine the extent to which the performance goals set forth in Exhibit A have been satisfied, the Committee will determine: (a) the Relative Total Shareholder Return that was achieved by the Corporation over the Performance Period, and (b) the multiplier that will be applied to the Earned Units to calculate the total number of Vested Units as of the last day of the Performance Period, as provided in Exhibit A attached hereto. The Committee shall make these determinations in its sole discretion. The level of achievement of Diluted Earnings Per Share and Relative Total Shareholder Return shall be evidenced by the Committee's written certification. For the avoidance of doubt, any performance stock units subject to this Award that do not vest in accordance with the forgoing shall expire without consideration at the end of the Performance Period.

4. Settlement of Vested Units. Upon the Committee's written certification as set forth in Section 3, of the vesting of all or a portion of the Award, one share of Common Stock shall be issuable for each Vested Unit (as defined in Exhibit A) (the "PSU Shares"). Thereafter, the Corporation will transfer such PSU Shares to the Award Holder no later than March 15th of the calendar year after the end of the Performance Period subject to the satisfaction of any required tax withholding obligations, securities law registration or other requirements, and applicable stock exchange listing. No fractional shares shall be issued with respect to the Award. The Award Holder shall not acquire or have any rights as a shareholder of the Corporation by virtue of this performance stock unit agreement (or the Award evidenced hereby) until the certificates representing shares of Common Stock issuable pursuant to this Award are actually issued and delivered to the Award Holder in accordance with the terms of the Plan and this performance stock unit agreement. Notwithstanding the foregoing, the Award Holder may elect, on a form and in a manner prescribed by the Corporation, to defer any payment of Vested Units, provided that any such deferral of payment must comply with any applicable requirements of Section 409A of the Code.

5. Termination.

(a) If the Award Holder's employment with the Corporation or a Subsidiary terminates before the end of the Performance Period for any reason, except as provided in this Section 5, then the Award will be forfeited and cancelled and surrendered to the Corporation without payment of any consideration, effective on the date of the Award Holder's termination of

employment. Upon the termination of the Award Holder's employment with the Corporation or a Subsidiary as a result of (i) death or "permanent disability" (as defined herein) or (ii) "retirement" (as defined herein), the number of Vested Units and the vesting of such Vested Units shall be determined in accordance with Section 5(b) below. As used herein, the term "retirement" shall mean the Award Holder's termination of employment with the Corporation or a Subsidiary, when either (x) the Award Holder is sixty-five (65) or more years of age, or (y) the Award Holder is sixty (60) or more years of age and has completed at least five (5) years of service with the Corporation or a Subsidiary. As used herein, the term "permanent disability" shall mean the date on which the Award Holder has not worked or been able to work due to physical or mental incapacity for a period of one hundred eighty (180) consecutive days.

(b) Upon the termination of the Award Holder's employment with the Corporation or a Subsidiary as a result of death or permanent disability as provided in Section 5(a), (i) for each full fiscal year that the Award Holder was employed by the Corporation or a Subsidiary, the Earned Units (as defined in Section 3) shall vest immediately (and such Earned Units shall be settled into shares of Common Stock as soon as practicable following the Award Holder's termination of employment but in no event later than 60 days after such termination), and (ii) for the remaining fiscal years of the Performance Period, the Target Units shall vest at such time as they become Earned Units (based on actual performance and subject to Committee certification in accordance with, Section 3) and such Earned Units shall be settled into shares of Common Stock as soon as practicable following the Committee's certification of the Earned Units but in no event later than sixty (60) days after such certification. For the avoidance of doubt, the Total Vested Units Modifier (as defined in Exhibit A) shall not be applied in determining the Vested Units for any Award covered by this Section 5(b)(i)-(ii). Upon the termination of the Award Holder's employment with the Corporation or a Subsidiary as a result of retirement as provided in Section 5(a), (iii) for each full fiscal year that the Award Holder was employed by the Corporation or a Subsidiary, the Earned Units (as defined in Section 3) shall continue to be subject to the vesting provisions of Section 3 based on the actual amount of Diluted Earnings Per Share that was achieved by the Corporation for each such full fiscal year that the Award Holder was employed by the Corporation or a Subsidiary, and (iv) for the remaining fiscal years of the Performance Period, the Target Units shall vest at such time as they become Earned Units (based on actual performance and subject to Committee certification in accordance with Section 3) and such Earned Units shall be settled into shares of Common Stock as soon as practicable following the Committee's certification of the Earned Units but in no event later than 60 days after such certification. For the avoidance of doubt, the Total Vested Units Modifier (as defined in Exhibit A) shall be applied in determining the Vested Units for any Award covered by this Section 5(b)(iii)-(iv). To the extent any payment hereunder is considered nonqualified deferred compensation subject to Section 409A of the Code, all such payments and settlements shall be made in compliance with Section 409A of the Code and a termination of employment shall not be deemed to have occurred for purposes of any payments contingent thereon unless such termination is also a "separation from service" within the meaning of Section 409A of the Code. In addition, if the Award Holder is deemed at the time of such separation from service to be a specified employee (within the meaning of Section 409A of the Code) and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Section 409A(a)(2) of the Code, any payment or benefit hereunder that is deemed to

constitute nonqualified deferred compensation shall be delayed and paid, without interest, on the earlier of (i) the first day of the seventh month following the date of such Award Holder's separation from service or (ii) the date of the Award Holder's death.

6. Adjustments

(a) If the outstanding shares of Common Stock of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through recapitalization (other than the conversion of convertible securities according to their terms), reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment shall be made, or if the Corporation shall spin-off, spin-out or otherwise distribute assets with respect to the outstanding shares of Common Stock of the Corporation, an appropriate and proportionate adjustment shall be made, in the number of performance stock units subject to this Award.

(b) In the event of the dissolution or liquidation of the Corporation, or upon any merger, consolidation or reorganization of the Corporation with any other corporations or entities as a result of which the Corporation is not the surviving corporation, or upon the sale of all or substantially all of the assets of the Corporation or the acquisition of more than 80% of the stock of the Corporation by another corporation or entity, there shall be substituted for each of the shares of Common Stock then subject to this Award the number and kind of shares of stock, securities or other assets which would have been issuable or payable in respect of or in exchange for such Common Stock then subject to the Award, as if the Award Holder had been the owner of such shares as of the transaction date. Any securities so substituted shall be subject to similar successive adjustments.

7. No Right to Continued Employment. Nothing in the Plan, in this performance stock unit agreement or in any other instrument executed pursuant thereto shall confer upon the Award Holder any right to continue in the employ of the Corporation or any Subsidiary of the Corporation or shall interfere in any way with the right of the Corporation or any such Subsidiary to at any time terminate the employment of the Award Holder with or without cause.

8. Legal Requirements. No shares issuable under this Award shall be issued or delivered unless and until, in the opinion of counsel for the Corporation, all applicable requirements of federal and state law and of the Securities and Exchange Commission pertaining to the issuance and sale of such shares and any applicable listing requirements of any national securities exchange on which shares of the same class are then listed, shall have been fully complied with. In connection with any such issuance or transfer, the person acquiring the shares shall, if requested by the Corporation, give assurances satisfactory to counsel to the Corporation in respect of such matters as the Corporation or any Subsidiary of the Corporation may deem desirable to assure compliance with all applicable legal requirements.

9. No Rights as a Shareholder. Neither the Award Holder nor any beneficiary or other person claiming under or through the Award Holder shall have any right, title or interest in or to any shares of Common Stock allocated or reserved for the purpose of the Plan or subject to

this Agreement except as to such shares of Common Stock, if any, as shall have been issued or transferred to such person.

10. Withholding. The Corporation or any Subsidiary of the Corporation may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or such Subsidiary determines it is required to withhold in connection with this performance stock unit agreement and the transactions contemplated hereby, and the Corporation or any such Subsidiary may require the Award Holder to pay to the Corporation or such Subsidiary in cash any amount or amounts which may be required to be paid as withheld taxes in connection with any issuance of Common Stock pursuant to this Award or any other transaction contemplated hereby as a condition to the issuance of shares of the Common Stock, provided, however, that any amount withheld for taxes in connection with this Award may, at the election of the Award Holder, be paid with previously issued shares of Common Stock or the deduction of shares of Common Stock to be issued in connection with this Award.

11. No Assignments. Neither this performance stock unit agreement, nor this Award nor any other rights and privileges granted hereby shall be transferred, assigned, pledged or hypothecated in any way, whether by operation of law of descent and distribution. Upon any attempt to so transfer, assign, pledge, hypothecate or otherwise dispose of this performance stock unit agreement, this Award or any other right or privilege granted hereby contrary to the provisions hereof, this performance stock unit agreement, this Award and all of such rights and privileges shall immediately become null and void, provided however, that the Award Holder may transfer an Award to any “family member” (as such term is defined in Section A.1(a)(5) of the General Instructions to Form S-8 under the Securities Act of 1933, as amended (“Form S-8”)), to trusts solely for the benefit of such family members and to partnerships in which such family members and/or trusts are the only partners; provided that the transfer is pursuant to a gift or a domestic relations order to the extent permitted under the General Instructions to Form S-8 and provided further, that such transferee acknowledges and agrees that the Award remains subject to all of the terms and conditions of this Agreement and the Plan.

12. Other Programs. Nothing contained in this performance stock unit agreement shall affect the right of the Award Holder to participate in and receive benefits under and in accordance with the then current provisions of any pension, insurance, profit-sharing or other employee benefit plan or program of the Corporation or of any Subsidiary of the Corporation.

13. The Plan. The Award hereby granted is subject to, and the Corporation and Award Holder agree to be bound by all of the terms and conditions of the Plan as the same may be amended from time to time in accordance with the terms thereof, but no such amendment may adversely affect the Award Holder’s rights under this performance stock unit agreement. Award Holder acknowledges receipt of a complete copy of the Plan.

14. Clawback. Notwithstanding any other provisions in the Plan, the Corporation may cancel any Award, require reimbursement of any Award by the Award Holder, and effect any other right of recoupment of equity or other compensation provided under the Plan (including under this performance stock unit agreement) or otherwise in accordance with the Corporation’s clawback policy as the same may be adopted and/or modified from time to time

(the "Clawback Policy"). The Award Holder acknowledges that any PSU Shares awarded pursuant to the Plan and this performance stock unit agreement may be subject to repayment to the Corporation in accordance with the Clawback Policy. By accepting the Award, Award Holder is agreeing to be bound by the Clawback Policy, as in effect on the Effective Date or as may be adopted and/or modified from time to time by the Corporation in its sole discretion (including, without limitation, to comply with applicable law or stock exchange listing requirements). The Award Holder hereby expressly agrees that in connection with the enforcement of the Clawback Policy, the Corporation shall have the right to reduce, cancel, or withhold against outstanding, unvested, vested, or future cash or equity-based compensation owed or due to the Award Holder that is subject to such policy, to the maximum extent permitted under applicable law.

15. Committee Authority. All questions arising under the Plan or under this performance stock unit agreement shall be decided by the Committee in its total and absolute discretion. It is expressly understood that the Committee is authorized to administer, construe and make all determinations necessary or appropriate to the administration of the Plan and this performance stock unit agreement, all of which shall be binding upon the Award Holder to the maximum extent permitted by the Plan.

16. Consideration. The consideration for the rights and benefits conferred on Award Holder by this Award are the services rendered by the Award Holder after and not before the grant of this Award.

17. Applicable Law. This Award has been granted as of the effective date set forth above at Los Angeles, California, and the interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California.

DUCOMMUN INCORPORATED

By: _____
Chief Executive Officer

By: _____
Secretary

Award Holder

PERFORMANCE STOCK UNIT AGREEMENT

Exhibit A

For purposes of this performance stock unit agreement, the “Diluted Earnings Per Share” means the diluted earnings per share of the Corporation for each of the Corporation’s fiscal years ending December 31, 202_, December 31, 202_ and December 31, 202_ as included in the Corporation’s audited financial statements, subject to adjustment as provided herein. The Diluted Earnings Per Share shall be adjusted (as determined by the Committee) (i) for changes in accounting, (ii) for discontinued operations (including businesses and product lines that are sold), (iii) to exclude gain or loss on the sale of any business or product line, including but not limited to post-closing adjustments to the purchase price, any indemnity or similar payments, and any costs or expenses in connection therewith, (iv) to exclude any asset impairment write-offs or charges (whether of goodwill, intangible or tangible assets), (v) to exclude any transaction-related costs or expenses arising in connection with the purchase or sale of any business or product line, including but not limited to the effects of Financial Accounting Standards Board Accounting Standards Codification Topic 805, (vi) to exclude any costs or expenses arising in connection with the refinancing, restructuring or prepayment of any Debt, including but not limited to the unamortized portion of any original issue discount, the unamortized portion of any original issue costs and expenses, and any prepayment or make-whole payments, costs or expenses and (vii) any restructuring, reorganization or other costs, expenses or charges that the Compensation Committee determines should be adjusted to fairly reflect the operating performance of the Company. An appropriate adjustment in the Diluted Earnings Per Share amounts in the table below also shall be made for any of the events described in Section 6(a) above.

For purposes of this performance stock unit agreement, the “Relative Total Shareholder Return” means the percentile ranking over the Performance Period of the Corporation’s total shareholder return as compared to the total shareholder return of the companies in the Russell 2000 Index at the beginning of the Performance Period. The determination of the total shareholder return for the Corporation and the companies in the Russell 2000 Index shall include the appreciation or depreciation of stock prices plus dividends paid as if reinvested, and shall be determined based on the average closing price of the Corporation’s common stock and the average closing price of the companies in the Russell 2000 Index over the first thirty (30) trading days of the Performance Period compared to the last thirty (30) trading days of the Performance Period. If the Russell 2000 Index ceases to be published, the Committee shall, in its discretion, substitute another broad-based stock index that it determines is appropriate.

After the end of the Corporation’s fiscal year ending December 31, 202_, the Committee shall determine the Corporation’s Diluted Earnings Per Share for such fiscal year and the applicable percentage of Target Units earned with respect to such performance measure for such fiscal year. After the end of the Corporation’s fiscal year ending December 31, 202_, the Committee shall determine the Corporation’s Diluted Earnings Per Share for such fiscal year and the applicable percentage of Target Units earned with respect to such performance measure for such fiscal year. After the end of the Corporation’s fiscal year ending December 31, 202_, the Committee shall determine the Corporation’s Diluted Earnings Per Share for such fiscal year and

the applicable percentage of Target Units earned with respect to such performance measure for such fiscal year. If the Diluted Earnings Per Share does not equal or exceed the thresholds in the table below, the Award shall expire without consideration.

Diluted Earnings Per Share	<u>202_</u>	<u>202_</u>	<u>202_</u>	Total
Threshold	\$x.xx	\$x.xx	\$x.xx	
Vesting % of Target Units	10%	10%	10%	30%
Target	\$x.xx	\$x.xx	\$x.xx	
Vesting % of Target Units	33%	33%	34%	100%
Maximum	\$x.xx	\$x.xx	\$x.xx	
Vesting % of Target Units	66%	66%	68%	200%

In the event that the Corporation’s Diluted Earnings Per Share for any fiscal year of the Performance Period falls between two of the percentages listed in the table above, the applicable percentage of Target Units earned based on such achievement shall be determined by linear interpolation. The total number of performance stock units subject to the Award that are earned based upon the Corporation’s achievement over the Performance Period (as determined by the Committee) will be equal to the sum of (i) the percentage determined by reference to the table above with respect to the Corporation’s Diluted Earnings Per Share for the fiscal year ending December 31, 202_ multiplied by the number of Target Units set forth in Section 1 above, plus (ii) the percentage determined by reference to the table above with respect to the Corporation’s Diluted Earnings Per Share for the fiscal year ending December 31, 202_ multiplied by the number of Target Units set forth in Section 1 above, plus (iii) the percentage determined by reference to the table above with respect to the Corporation’s Diluted Earnings Per Share for the fiscal year ending December 31, 202_ multiplied by the number of Target Units set forth in Section 1 above (such units collectively, the “Earned Units”).

After the end of the Performance Period, the Committee shall determine the Corporation’s Relative Total Shareholder Return (compared to the companies in the Russell 2000 Index at the beginning of the Performance Period) over the Performance Period. The Committee, in its discretion, shall establish such procedures as it deems appropriate to determine the Corporation’s percentile rank in Relative Total Shareholder Return. The total “Vested Units” will then be determined by multiplying the Earned Units by the Total Vested Units Modifier in the table below.

Notwithstanding the foregoing, the Total Vested Units Modifier shall not be greater than 1.0 unless the Corporation's total shareholder return over the Performance Period is greater than zero.

Relative Total Shareholder Return v. Russell 2000 Index	
Total Shareholder Return Percentile Rank	Total Vested Units Modifier
81% - 100%	1.25
71% - 80%	1.15
61% - 70%	1.10
41% - 60%	1.00
31% - 40%	.90
21% - 30%	.85
0% - 20%	.75

Notwithstanding anything herein to the contrary, in no event will more than two hundred fifty percent (250%) of the number of Target Units become vested hereunder. Performance stock units granted under this Award that are not vested and remain subject to forfeiture are referred to herein as "Unvested Units."

DUCOMMUN INCORPORATED

CASH-BASED LONG-TERM INCENTIVE AWARD AGREEMENT

This cash-based long-time incentive award agreement (the “Agreement”) is made as of May __, 2024 (the “Effective Date”), between Ducommun Incorporated, a Delaware corporation (the “Corporation”), and _____ (“Award Holder”).

RECITALS

This Agreement is subject to and governed by the terms of the 2024 Stock Incentive Plan (the “Plan”).

AGREEMENTS

1. Grant. The Corporation hereby grants to the Award Holder an award (the “Award”) with a target value (if the Corporation achieves the target level performance goals described in Exhibit A attached hereto) of _____ **Dollars (\$xxx,xxx.00)** (the “Target Award”), and a maximum of up to two hundred fifty percent (250%) of the Target Award (if Corporation achieves the maximum level performance goals described in Exhibit A), in each case subject to certain adjustments as described herein. The Award granted hereunder represents the right to receive a payment in cash based upon the percentage of the Target Award earned, subject to the conditions set forth in this Agreement and the Plan.

2. Definitions. Unless the context clearly indicates otherwise, and subject to the terms and conditions of the Plan as the same may be amended from time to time, the following terms, when used in this Agreement, shall have the meanings set forth in this Section 2.

“Common Stock” shall mean the Common Stock, \$.01 par value, of the Corporation or such other class of shares or other securities as may be applicable pursuant to the provisions of Sections 4 or 9 of this cash-based long-time incentive award agreement.

“Subsidiary” shall mean a corporation or other form of business entity more than 50% of the voting shares of which is owned or controlled, directly or indirectly, by the Corporation and which is designated by the Committee for participation in the Plan by the key employees thereof.

“Committee” shall mean the Compensation Committee of the Board of Directors of the Corporation, or if there is no such committee acting, the Board of Directors of the Corporation.

3. Vesting. The Award shall vest at the end of the 3-year performance period, beginning as of January 1, 202_ and ending on December 31, 202_ (the “Performance Period”).

The vesting of the Award shall be subject to the Corporation achieving during the Performance Period the Diluted Earnings Per Share and Relative Total Shareholder Return, as provided in Exhibit A. Following the end of each fiscal year of the Performance Period and the collection of relevant data necessary to determine the extent to which the performance goals set forth in Exhibit A have been satisfied, the Committee will determine: (a) the amount of Diluted Earnings Per Share that was achieved by the Corporation for each fiscal year of the Performance Period, and (b) the percentage of the Target Award for each fiscal year (for each such fiscal year, the “Earned Award”) that will become the Vested Award (as defined in Exhibit A) as of the last day of the Performance Period or earlier as provided in Section 5(b). Following the end of the Performance Period and collection of relevant data necessary to determine the extent to which the performance goals set forth in Exhibit A have been satisfied, the Committee will determine: (a) the Relative Total Shareholder Return that was achieved by the Corporation over the Performance Period, and (b) the multiplier that will be applied to the Earned Award to calculate the amount of the Vested Award as of the last day of the Performance Period, as provided in Exhibit A attached hereto. The Committee shall make these determinations in its sole discretion. The level of achievement of Diluted Earnings Per Share and Relative Total Shareholder Return shall be evidenced by the Committee’s written certification. For the avoidance of doubt, any portion of the Target Award that does not vest in accordance with the forgoing shall expire without consideration at the end of the Performance Period.

4. Settlement of Vested Award. Upon the vesting of all or a portion of the Award, the Vested Award (as defined in Exhibit A) shall be paid to the Award Holder in cash, subject to any required tax withholding obligations, upon the Committee’s written certification as set forth in Section 3 (and paid no later than March 15th of the calendar year after the end of the Performance Period). No shares of Common Stock shall be issued with respect to the Award. The Award Holder shall not acquire or have any rights as a shareholder of the Corporation by virtue of this cash-based long-time incentive award agreement (or the Award evidenced hereby). Notwithstanding the foregoing, the Award Holder may elect, on a form and in a manner prescribed by the Corporation, to defer any payment of the Vested Award, provided that any such deferral of payment must comply with any applicable requirements of Section 409A of the Code.

5. Termination.

(a) If the Award Holder’s employment with the Corporation or a Subsidiary terminates before the end of the Performance Period for any reason, except as provided in this Section 5, then the Award will be forfeited and cancelled and surrendered to the Corporation without payment of any consideration, effective on the date of the Award Holder’s termination of employment. Upon the termination of the Award Holder’s employment with the Corporation or a Subsidiary as a result of (i) death or “permanent disability” (as defined herein) or (ii) “retirement” (as defined herein), the amount of the Vested Award and the vesting of such Vested Award shall be determined in accordance with Section 5(b) below. As used herein, the term “retirement” shall mean the Award Holder’s termination of employment with the Corporation or a Subsidiary, when either (x) the Award Holder is sixty-five (65) or more years of age, or (y) the Award Holder is sixty (60) or more years of age and has completed at least five

(5) years of service with the Corporation or a Subsidiary. As used herein, the term “permanent disability” shall mean the date on which the Award Holder has not worked or been able to work due to physical or mental incapacity for a period of one hundred eighty (180) consecutive days.

(b) Upon the termination of the Award Holder’s employment with the Corporation or a Subsidiary as a result of death or permanent disability as provided in Section 5(a), (i) for each full fiscal year that the Award Holder was employed by the Corporation or a Subsidiary, the Earned Award (as defined in Section 3) shall vest immediately (and such Earned Award shall be paid in cash as soon as practicable following the Award Holder’s termination of employment but in no event later than sixty (60) days after such termination), and (ii) for the remaining fiscal years of the Performance Period, the Target Award shall vest at such time as it becomes an Earned Award (based on actual performance and subject to Committee certifications in accordance with Section 3) and such Earned Award shall be paid in cash as soon as practicable following the Committee’s certification of the Earned Award but in no event later than sixty (60) days after such certification. For the avoidance of doubt, the Total Vested Award Modifier (as described in Exhibit A) shall not be applied in determining the Vested Award for any Award covered by this Section 5(b). Upon the termination of the Award Holder’s employment with the Corporation or a Subsidiary as a result of retirement as provided in Section 5(a), (iii) for each full fiscal year that the Award Holder was employed by the Corporation or a Subsidiary, the Earned Units (as defined in Section 3) shall continue to be subject to the vesting provisions of Section 3 based on the actual amount of Diluted Earnings Per Share that was achieved by the Corporation for each such full fiscal year that the Award Holder was employed by the Corporation or a Subsidiary, and (iv) for the remaining fiscal years of the Performance Period, the Target Units shall vest at such time as they become Earned Units (based on actual performance and subject to Committee certification in accordance with Section 3) and such Earned Units shall be settled into shares of Common Stock as soon as practicable following the Committee’s certification of the Earned Units but in no event later than 60 days after such certification. For the avoidance of doubt, the Total Vested Units Modifier (as defined in Exhibit A) shall be applied in determining the Vested Units for any Award covered by this Section 5(b)(iii)-(iv). To the extent any payment hereunder is considered nonqualified deferred compensation subject to Section 409A of the Code, all such payments and settlements shall be made in compliance with Section 409A of the Code and a termination of employment shall not be deemed to have occurred for purposes of any payments contingent thereon unless such termination is also a “separation from service” within the meaning of Section 409A of the Code. In addition, if the Award Holder is deemed at the time of such separation from service to be a specified employee (within the meaning of Section 409A of the Code) and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Section 409A(a)(2) of the Code, any payment or benefit hereunder that is deemed to constitute nonqualified deferred compensation shall be delayed and paid, without interest, on the earlier of (i) the first day of the seventh month following the date of such Award Holder’s separation from service or (ii) the date of the Award Holder’s death.

6. Reserved.

7. No Right to Continued Employment. Nothing in the Plan, in this Agreement or in any other instrument executed pursuant thereto shall confer upon the Award Holder any right

to continue in the employ of the Corporation or any Subsidiary of the Corporation or shall interfere in any way with the right of the Corporation or any such Subsidiary to at any time terminate the employment of the Award Holder with or without cause.

8. Reserved.

9. No Rights as a Shareholder. Neither the Award Holder nor any beneficiary or other person claiming under or through the Award Holder shall have any right, title or interest in or to any shares of Common Stock as a result of the Award or this Agreement.

10. Withholding. The Corporation or any Subsidiary of the Corporation may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or such Subsidiary determines it is required to withhold in connection with this cash-based long-time incentive award agreement and the transactions contemplated hereby.

11. No Assignments. Neither this Agreement, nor this Award nor any other rights and privileges granted hereby shall be transferred, assigned, pledged or hypothecated in any way, whether by operation of law of descent and distribution. Upon any attempt to so transfer, assign, pledge, hypothecate or otherwise dispose of this Agreement, this Award or any other right or privilege granted hereby contrary to the provisions hereof, this Agreement, this Award and all of such rights and privileges shall immediately become null and void, provided however, that the Award Holder may transfer an Award to any "family member" (as such term is defined in Section A.1(a)(5) of the General Instructions to Form S-8 under the Securities Act of 1933, as amended ("Form S-8")), to trusts solely for the benefit of such family members and to partnerships in which such family members and/or trusts are the only partners; provided that the transfer is pursuant to a gift or a domestic relations order to the extent permitted under the General Instructions to Form S-8 and provided further, that such transferee acknowledges and agrees that the Award remains subject to all of the terms and conditions of this Agreement and the Plan.

12. Other Programs. Nothing contained in this cash-based long-time incentive award agreement shall affect the right of the Award Holder to participate in and receive benefits under and in accordance with the then current provisions of any pension, insurance, profit-sharing or other employee benefit plan or program of the Corporation or of any Subsidiary of the Corporation.

13. The Plan. The Award hereby granted is subject to, and the Corporation and Award Holder agree to be bound by all of the terms and conditions of the Plan as the same may be amended from time to time in accordance with the terms thereof, but no such amendment may adversely affect the Award Holder's rights under this Agreement. Award Holder acknowledges receipt of a complete copy of the Plan.

14. Clawback. Notwithstanding any other provisions in the Plan, the Corporation may cancel any Award, require reimbursement of any Award by the Award Holder, and effect

any other right of recoupment of compensation provided under the Plan (including under this Agreement) or otherwise in accordance with the Corporation's clawback policy as the same may be adopted and/or modified from time to time (the "Clawback Policy"). The Award Holder acknowledges that the Award granted pursuant to the Plan and this Agreement may be subject to repayment to the Corporation in accordance with the Clawback Policy. By accepting the Award, Award Holder is agreeing to be bound by the Clawback Policy, as in effect on the Effective Date or as may be adopted and/or modified from time to time by the Corporation in its sole discretion (including, without limitation, to comply with applicable law or stock exchange listing requirements). The Award Holder hereby expressly agrees that in connection with the enforcement of the Clawback Policy, the Corporation shall have the right to reduce, cancel, or withhold against outstanding, unvested, vested, or future cash or equity-based compensation owed or due to the Award Holder that is subject to such policy, to the maximum extent permitted under applicable law.

15. Committee Authority. All questions arising under the Plan or under this Agreement shall be decided by the Committee in its total and absolute discretion. It is expressly understood that the Committee is authorized to administer, construe and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Award Holder to the maximum extent permitted by the Plan.

16. Consideration. The consideration for the rights and benefits conferred on Award Holder by this Award are the services rendered by the Award Holder after and not before the grant of this Award.

17. Applicable Law. This Award has been granted as of the effective date set forth above at Los Angeles, California, and the interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California.

DUCOMMUN INCORPORATED

By: _____
Chief Executive Officer

By: _____
Assistant Secretary

Award Holder

CASH-BASED LONG-TIME INCENTIVE AWARD AGREEMENT

Exhibit A

For purposes of this Agreement, the “Diluted Earnings Per Share” means the diluted earnings per share of the Corporation for each of the Corporation’s fiscal years ending December 31, 202_, December 31, 202_ and December 31, 202_ as included in the Corporation’s audited financial statements, subject to adjustment as provided herein. The Diluted Earnings Per Share shall be adjusted (as determined by the Committee) (i) for changes in accounting, (ii) for discontinued operations (including businesses and product lines that are sold), (iii) to exclude gain or loss on the sale of any business or product line, including but not limited to post-closing adjustments to the purchase price, any indemnity or similar payments, and any costs or expenses in connection therewith, (iv) to exclude any asset impairment write-offs or charges (whether of goodwill, intangible or tangible assets), (v) to exclude any transaction-related costs or expenses arising in connection with the purchase or sale of any business or product line, including but not limited to the effects of Financial Accounting Standards Board Accounting Standards Codification Topic 805, (vi) to exclude any costs or expenses arising in connection with the refinancing, restructuring or prepayment of any Debt, including but not limited to the unamortized portion of any original issue discount, the unamortized portion of any original issue costs and expenses, and any prepayment or make-whole payments, costs or expenses and (vii) any restructuring, reorganization or other costs, expenses or charges that the Compensation Committee determines should be adjusted to fairly reflect the operating performance of the Company. An appropriate adjustment in the Diluted Earnings Per Share amounts in the table below also shall be made for any change in capitalization as described in the Plan.

For purposes of this Agreement, the “Relative Total Shareholder Return” means the percentile ranking over the Performance Period of the Corporation’s total shareholder return as compared to the total shareholder return of the companies in the Russell 2000 Index at the beginning of the Performance Period. The determination of the total shareholder return for the Corporation and the companies in the Russell 2000 Index shall include the appreciation or depreciation of stock prices plus dividends paid as if reinvested, and shall be determined based on the average closing price of the Corporation’s common stock and the average closing price of the companies in the Russell 2000 Index over the first thirty (30) trading days of the Performance Period compared to the last thirty (30) trading days of the Performance Period. If the Russell 2000 Index ceases to be published, the Committee shall, in its discretion, substitute another broad-based stock index that it determines is appropriate.

After the end of the Corporation’s fiscal year ending December 31, 202_, the Committee shall determine the Corporation’s Diluted Earnings Per Share for such fiscal year and the applicable percentage of Target Award earned with respect to such performance measure for such fiscal year. After the end of the Corporation’s fiscal year ending December 31, 202_, the Committee shall determine the Corporation’s Diluted Earnings Per Share for such fiscal year and the applicable percentage of Target Award earned with respect to such performance measure for such fiscal year. After the end of the Corporation’s fiscal year ending December 31, 202_, the

Committee shall determine the Corporation’s Diluted Earnings Per Share for such fiscal year and the applicable percentage of Target Award earned with respect to such performance measure for such fiscal year. If the Diluted Earnings Per Share does not equal or exceed the thresholds in the table below, the Award shall expire without consideration.

Diluted Earnings Per Share	<u>202_</u>	<u>202_</u>	<u>202^</u>	<u>Total</u>
Threshold	\$x.xx	\$x.xx	\$x.xx	
Vesting % of Target Award	10%	10%	10%	30%
Target	\$x.xx	\$x.xx	\$x.xx	
Vesting % of Target Award	33%	33%	34%	100%
Maximum	\$x.xx	\$x.xx	\$x.xx	
Vesting % of Target Award	66%	66%	68%	200%

In the event that the Corporation’s Diluted Earnings Per Share for any fiscal year of the Performance Period falls between two of the percentages listed in the table above, the applicable percentage of Target Award earned based on such achievement shall be determined by linear interpolation. The total value of the Award earned based upon the Corporation’s achievement over the Performance Period (as determined by the Committee) will be equal to the sum of (i) the percentage determined by reference to the table above with respect to the Corporation’s Diluted Earnings Per Share for the fiscal year ending December 31, 202_ multiplied by the amount of the Target Award set forth in Section 1 above, plus (ii) the percentage determined by reference to the table above with respect to the Corporation’s Diluted Earnings Per Share for the fiscal year ending December 31, 202_ multiplied by the amount of the Target Award set forth in Section 1 above, plus (iii) the percentage determined by reference to the table above with respect to the Corporation’s Diluted Earnings Per Share for the fiscal year ending December 31, 202_ multiplied by the amount of the Target Award set forth in Section 1 above (collectively, the “Earned Award”).

After the end of the Performance Period, the Committee shall determine the Corporation’s Relative Total Shareholder Return (compared to the companies in the Russell 2000 Index at the beginning of the Performance Period) over the Performance Period. The Committee, in its discretion, shall establish such procedures as it deems appropriate to determine the Corporation’s percentile rank in Relative Total Shareholder Return. The total Vested Award will then be determined by multiplying the Earned Award by the Total Vested Award Modifier in the table below. Notwithstanding the foregoing, the Total Vested Award Modifier shall not be greater

than 1.0 unless the Corporation's total shareholder return over the Performance Period is greater than zero.

DUCOMMUN INCORPORATED

REVENUE PERFORMANCE STOCK UNIT AGREEMENT

This performance restricted stock unit agreement is made as of May __, 2024 (the "Effective Date"), between Ducommun Incorporated, a Delaware corporation (the "Corporation"), and _____ ("Award Holder").

RECITALS

This performance restricted stock unit agreement is pursuant to the 2024 Stock Incentive Plan (the "Plan").

AGREEMENTS

1. Grant. The Corporation hereby grants to the Award Holder an award (the "Award") with a target (if the Corporation achieves the target level performance goals described in Exhibit A) of ~~x,xxx~~ revenue performance stock units (the "Revenue Performance Stock Units"), subject to certain adjustments as described herein. Each Revenue Performance Stock Unit represents the right to receive one share of Common Stock, subject to the conditions set forth in this performance restricted stock unit agreement and the Plan.

2. Definitions. Unless the context clearly indicates otherwise, and subject to the terms and conditions of the Plan as the same may be amended from time to time, the following terms, when used in this performance restricted stock unit agreement, shall have the meanings set forth in this Section 2.

"Common Stock" shall mean the Common Stock, \$.01 par value, of the Corporation or such other class of shares or other securities as may be applicable pursuant to the provisions of Section 6 of this performance restricted stock unit agreement.

"Subsidiary" shall mean a corporation or other form of business entity more than 50% of the voting shares of which is owned or controlled, directly or indirectly, by the Corporation and which is designated by the Committee for participation in the Plan by the key employees thereof.

"Committee" shall mean the Compensation Committee of the Board of Directors of the Corporation, or if there is no such committee acting, the Board of Directors of the Corporation.

3. Vesting. The Award shall vest at the end of the 3-year performance period, beginning as of January 1, 202_ and ending on December 31, 202_ (the "Performance Period"). The vesting of the Award shall be based upon the Corporation achieving during the last year of

the Performance Period, that level of revenue as set forth in Exhibit A as approved by the Committee at the commencement of the Performance Period. Following the end of the Performance Period and the collection of relevant data necessary to determine the extent to which the performance goal has been satisfied, the Committee will determine: (a) the amount of revenue that was achieved by the Corporation during the last year of the Performance Period relative to the level of revenue approved by the Committee, and (b) the percentage and number of the Revenue Performance Stock Units earned as a result thereof for the Performance Period (the number earned shall be referred to as the “Earned Units”). The Earned Units shall vest (and become “Vested Units”) as of the last day of the Performance Period, subject to the continued employment of the Award Holder by the Corporation through such date. The Committee shall make the determination set forth herein in its sole discretion. The level of achievement of revenue shall be evidenced by the Committee’s written certification. For the avoidance of doubt, any Revenue Performance Stock Units subject to this Award that do not become Earned Units in accordance with the forgoing shall expire without consideration at the end of the Performance Period.

4. Settlement of Vested Units. Upon certification by the Committee pursuant to Section 3 hereof of the total number of Earned Units earned hereunder for the Performance Period, one share of Common Stock shall be issuable for each Vested Unit (the “RPSU Shares”). Thereafter, the Corporation will transfer such RPSU Shares to the Award Holder no later than March 15th of the calendar year after the end of the Performance Period, subject to the satisfaction of any required tax withholding obligations, securities law registration or other requirements, and applicable stock exchange listing. No fractional shares shall be issued with respect to the Award. The Award Holder shall not acquire or have any rights as a shareholder of the Corporation by virtue of this performance restricted stock unit agreement (or the Award evidenced hereby) until the certificates representing shares of Common Stock issuable pursuant to this Award are actually issued and delivered to the Award Holder in accordance with the terms of the Plan and this performance restricted stock unit agreement. Notwithstanding the foregoing, the Award Holder may elect, on a form and in a manner prescribed by the Corporation, to defer any payment of Vested Units, provided that any such deferral of payment must comply with any applicable requirements of Section 409A of the Code.

5. Termination. If the Award Holder’s employment with the Corporation or a Subsidiary terminates at any time for any reason prior to the expiration of the Performance Period, except as provided in this Section 5 or as determined by the Committee in its sole and absolute discretion, any Revenue Performance Stock Units that have not become Vested Units will be forfeited and cancelled and surrendered to the Corporation without payment of any additional consideration, effective on the date of the Award Holder’s termination of employment. As used herein, the term “permanent disability” shall mean the date on which the Award Holder has not worked or been able to work due to physical or mental incapacity for a period of one hundred eighty (180) consecutive days. Upon the termination of the Award Holder’s employment with the Corporation or a Subsidiary as a result of death or permanent disability all outstanding Revenue Performance Stock Units shall remain eligible to vest and become Earned Units based on the amount of revenue that was achieved by the Corporation during the last year of the Performance Period relative to the level of revenue approved by the Committee for each

and every annual outstanding grant in accordance with Section 3 hereof (and any Earned Units shall be settled into shares of Common Stock following the Committee's certification in accordance with Section 4 hereof). As used herein, the term "retirement" shall mean the Award Holder's termination of employment with the Corporation or a Subsidiary, when either (x) the Award Holder is sixty-five (65) or more years of age, or (y) the Award Holder is sixty (60) or more years of age and has completed at least five (5) years of service with the Corporation or a Subsidiary. Upon the termination of the Award Holder's employment with the Corporation or a Subsidiary as a result of retirement all outstanding Revenue Performance Stock Units shall remain eligible to vest and become Earned Units based on the amount of revenue that was achieved by the Corporation during the last year of the Performance Period relative to the level of revenue approved by the Committee for each and every annual outstanding grant in accordance with Section 3 hereof (and any Earned Units shall be settled into shares of Common Stock following the Committee's certification in accordance with Section 4 hereof). To the extent any payment hereunder is considered nonqualified deferred compensation subject to Section 409A of the Code, all such payments and settlements shall be made in compliance with Section 409A of the Code and a termination of employment shall not be deemed to have occurred for purposes of any payments contingent thereon unless such termination is also a "separation from service" within the meaning of Section 409A of the Code.

6. Adjustments

(a) If the outstanding shares of Common Stock of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through recapitalization (other than the conversion of convertible securities according to their terms), reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment shall be made, or if the Corporation shall spin-off, spin-out or otherwise distribute assets with respect to the outstanding shares of Common Stock of the Corporation, an appropriate and proportionate adjustment shall be made, in the number of Revenue Performance Stock Units subject to this Award.

(b) In the event of the dissolution or liquidation of the Corporation, or upon any merger, consolidation or reorganization of the Corporation with any other corporations or entities as a result of which the Corporation is not the surviving corporation, or upon the sale of all or substantially all of the assets of the Corporation or the acquisition of more than 80% of the stock of the Corporation by another corporation or entity, there shall be substituted for each of the shares of Common Stock then subject to this Award the number and kind of shares of stock, securities or other assets which would have been issuable or payable in respect of or in exchange for such Common Stock then subject to the Award, as if the Award Holder had been the owner of such shares as of the transaction date. Any securities so substituted shall be subject to similar successive adjustments.

7. No Right to Continued Employment. Nothing in the Plan, in this performance restricted stock unit agreement or in any other instrument executed pursuant thereto shall confer upon the Award Holder any right to continue in the employ of the Corporation or any Subsidiary

of the Corporation or shall interfere in any way with the right of the Corporation or any such Subsidiary to at any time terminate the employment of the Award Holder with or without cause.

8. Legal Requirements. No shares issuable under this Award shall be issued or delivered unless and until, in the opinion of counsel for the Corporation, all applicable requirements of federal and state law and of the Securities and Exchange Commission pertaining to the issuance and sale of such shares and any applicable listing requirements of any national securities exchange on which shares of the same class are then listed, shall have been fully complied with. In connection with any such issuance or transfer, the person acquiring the shares shall, if requested by the Corporation, give assurances satisfactory to counsel to the Corporation in respect of such matters as the Corporation or any Subsidiary of the Corporation may deem desirable to assure compliance with all applicable legal requirements.

9. No Rights as a Shareholder. Neither the Award Holder nor any beneficiary or other person claiming under or through the Award Holder shall have any right, title or interest in or to any shares of Common Stock allocated or reserved for the purpose of the Plan or subject to this Agreement except as to such shares of Common Stock, if any, as shall have been issued or transferred to such person.

10. Withholding. The Corporation or any Subsidiary of the Corporation may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or such Subsidiary determines it is required to withhold in connection with this performance restricted stock unit agreement and the transactions contemplated hereby, and the Corporation or any such Subsidiary may require the Award Holder to pay to the Corporation or such Subsidiary in cash any amount or amounts which may be required to be paid as withheld taxes in connection with any issuance of Common Stock pursuant to this Award or any other transaction contemplated hereby as a condition to the issuance of shares of the Common Stock, provided, however, that any amount withheld for taxes in connection with this Award may, at the election of the Award Holder, be paid with previously issued shares of Common Stock or the deduction of shares of Common Stock to be issued in connection with this Award.

11. No Assignments. Neither this performance restricted stock unit agreement, nor this Award nor any other rights and privileges granted hereby shall be transferred, assigned, pledged or hypothecated in any way, whether by operation of law of descent and distribution. Upon any attempt to so transfer, assign, pledge, hypothecate or otherwise dispose of this performance restricted stock unit agreement, this Award or any other right or privilege granted hereby contrary to the provisions hereof, this performance restricted stock unit agreement, this Award and all of such rights and privileges shall immediately become null and void, provided however, that the Award Holder may transfer an Award to any "family member" (as such term is defined in Section A.1(a)(5) of the General Instructions to Form S-8 under the Securities Act of 1933, as amended ("Form S-8")), to trusts solely for the benefit of such family members and to partnerships in which such family members and/or trusts are the only partners; provided that the transfer is pursuant to a gift or a domestic relations order to the extent permitted under the General Instructions to Form S-8 and provided further, that such transferee acknowledges and

agrees that the Award remains subject to all of the terms and conditions of this Agreement and the Plan..

12. Other Programs. Nothing contained in this performance restricted stock unit agreement shall affect the right of the Award Holder to participate in and receive benefits under and in accordance with the then current provisions of any pension, insurance, profit-sharing or other employee benefit plan or program of the Corporation or of any Subsidiary of the Corporation.

13. The Plan. The Award hereby granted is subject to, and the Corporation and Award Holder agree to be bound by, all of the terms and conditions of the Plan as the same may be amended from time to time in accordance with the terms thereof, but no such amendment may adversely affect the Award Holder's rights under this performance restricted stock unit agreement. Award Holder acknowledges receipt of a complete copy of the Plan.

14. Clawback. Notwithstanding any other provisions in the Plan, the Corporation may cancel any Award, require reimbursement of any Award by the Award Holder, and effect any other right of recoupment of equity or other compensation provided under the Plan (including under this revenue performance stock unit agreement) or otherwise in accordance with the Corporation's clawback policy as the same may be adopted and/or modified from time to time (the "Clawback Policy"). The Award Holder acknowledges that any RPSU Shares awarded pursuant to the Plan and this performance restricted stock unit agreement may be subject to repayment to the Corporation in accordance with the Clawback Policy. By accepting the Award, Award Holder is agreeing to be bound by the Clawback Policy, as in effect on the Effective Date or as may be adopted and/or modified from time to time by the Corporation in its sole discretion (including, without limitation, to comply with applicable law or stock exchange listing requirements). The Award Holder hereby expressly agrees that in connection with the enforcement of the Clawback Policy, the Corporation shall have the right to reduce, cancel, or withhold against outstanding, unvested, vested, or future cash or equity-based compensation owed or due to the Award Holder that is subject to such policy, to the maximum extent permitted under applicable law.

15. Committee Authority. All questions arising under the Plan or under this performance restricted stock unit agreement shall be decided by the Committee in its total and absolute discretion. It is expressly understood that the Committee is authorized to administer, construe and make all determinations necessary or appropriate to the administration of the Plan and this performance restricted stock unit agreement, all of which shall be binding upon the Award Holder to the maximum extent permitted by the Plan.

16. Consideration. The consideration for the rights and benefits conferred on Award Holder by this Award are the services rendered by the Award Holder after and not before the grant of this Award.

17. Applicable Law. This Award has been granted as of the effective date set forth above at Los Angeles, California, and the interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California.

DUCOMMUN INCORPORATED

By: _____
Secretary

By: _____
Assistant Secretary

Award Holder

EXHIBIT A

FY 202_ Revenue*			
	Performance		Vesting
	%	\$M	
Maximum	xxx.x%	\$xxx	200%
Target	xxx.x%	\$xxx	100%
Threshold	xxx.x%	\$xxx	50%
<Threshold	<xxx.x%	<\$xxx	0%

*Interpolation between levels

DUCOMMUN INCORPORATED

REVENUE PERFORMANCE CASH-BASED LONG-TERM INCENTIVE AWARD AGREEMENT

This cash-based long-time incentive award agreement (the “**Agreement**”) is made as of May ___, 2024 (the “**Effective Date**”), between Ducommun Incorporated, a Delaware corporation (the “**Corporation**”), and _____ (“**Award Holder**”).

RECITALS

This Agreement is subject to and governed by the terms of the 2024 Stock Incentive Plan (the “**Plan**”).

AGREEMENTS

1. Grant. The Corporation hereby grants to the Award Holder an award (the “**Award**”) with a target value (if the Corporation achieves the target level performance goals described in Exhibit A attached hereto) of _____ Dollars (\$xxx,xxx.00) (the “**Target Award**”), subject to certain adjustments as described herein. The Award granted hereunder represents the right to receive a payment in cash based upon the percentage of the Target Award earned, subject to the conditions set forth in this Agreement and the Plan.

2. Definitions. Unless the context clearly indicates otherwise, and subject to the terms and conditions of the Plan as the same may be amended from time to time, the following terms, when used in this Agreement, shall have the meanings set forth in this Section 2.

“Common Stock” shall mean the Common Stock, \$.01 par value, of the Corporation or such other class of shares or other securities as may be applicable pursuant to the provisions of Sections 4 and 9 of this Agreement.

“Subsidiary” shall mean a corporation or other form of business entity more than 50% of the voting shares of which is owned or controlled, directly or indirectly, by the Corporation and which is designated by the Committee for participation in the Plan by the key employees thereof.

“Committee” shall mean the Compensation Committee of the Board of Directors of the Corporation, or if there is no such committee acting, the Board of Directors of the Corporation.

3. Vesting. The Award shall vest at the end of the 3-year performance period, beginning as of January 1, 202_ and ending on December 31, 202_ (the “**Performance Period**”). The vesting of the Award shall be based upon the Corporation achieving during the last year of the Performance Period, that level of revenue as set forth in Exhibit A as approved by the

Committee at the commencement of the Performance Period. Following the end of the Performance Period and the collection of relevant data necessary to determine the extent to which the performance goals set forth in Exhibit A have been satisfied, the Committee will determine: (a) the amount of revenue that was achieved by the Corporation during the last year of the Performance Period relative to the level of revenue approved by the Committee, and (b) the percentage of the Target Award earned as a result thereof for the Performance Period (the “**Earned Award**”). The Earned Award shall vest (and become the “**Vested Award**”) as of the last day of the Performance Period, subject to the continued employment of the Award Holder by the Corporation through such date. The Committee shall make the determination set forth herein in its sole discretion. The level of achievement of revenue shall be evidenced by the Committee’s written certification. For the avoidance of doubt, any portion of the Target Award that does not vest in accordance with the forgoing shall expire without consideration at the end of the Performance Period.

4. Settlement of Vested Award. Upon the vesting of all or a portion of the Award, the Vested Award shall be paid to the Award Holder in cash, subject to any required tax withholding obligations, upon the Committee’s written certification as set forth in Section 3 (and paid no later than March 15th of the calendar year after the end of the Performance Period). No shares of Common Stock shall be issued with respect to the Award. The Award Holder shall not acquire or have any rights as a shareholder of the Corporation by virtue of this Agreement (or the Award evidenced hereby). Notwithstanding the foregoing, the Award Holder may elect, on a form and in a manner prescribed by the Corporation, to defer any payment of Vested Award, provided that any such deferral of payment must comply with any applicable requirements of Section 409A of the Code.

5. Termination. If the Award Holder’s employment with the Corporation or a Subsidiary terminates before the end of the Performance Period for any reason, except as provided in this Section 5 or as determined by the Committee in its sole and absolute discretion, then the Award will be forfeited and cancelled and surrendered to the Corporation without payment of any consideration, effective on the date of the Award Holder’s termination of employment. As used herein, the term “permanent disability” shall mean the date on which the Award Holder has not worked or been able to work due to physical or mental incapacity for a period of one hundred eighty (180) consecutive days. Upon the termination of the Award Holder’s employment with the Corporation or a Subsidiary as a result of death or permanent disability all outstanding Target Awards shall remain eligible to vest and become Earned Awards based on the amount of revenue that was achieved by the Corporation during the last year of the Performance Period relative to the level of revenue approved by the Committee for each and every annual outstanding grant in accordance with Section 3 hereof (and any Earned Award shall be settled in cash following the Committee’s certification in accordance with Section 4 hereof). As used herein, the term “retirement” shall mean the date the Award Holder’s termination of employment with the Corporation or a Subsidiary, when either (x) the Award Holder is sixty-five (65) or more years of age, or (y) the Award Holder is sixty (60) or more years of age and has completed at least five (5) years of service with the Corporation or a Subsidiary. Upon the termination of the Award Holder’s employment with the Corporation or a Subsidiary as a result of retirement all outstanding Target Awards shall remain eligible to vest and become Earned

Awards based on the amount of revenue that was achieved by the Corporation during the last year of the Performance Period relative to the level of revenue approved by the Committee for each and every annual outstanding grant in accordance with Section 3 hereof (and any Earned Award shall be settled in cash following the Committee's certification in accordance with Section 4 hereof). To the extent any payment hereunder is considered nonqualified deferred compensation subject to Section 409A of the Code, all such payments and settlements shall be made in compliance with Section 409A of the Code and a termination of employment shall not be deemed to have occurred for purposes of any payments contingent thereon unless such termination is also a "separation from service" within the meaning of Section 409A of the Code.

6. Reserved.

7. No Right to Continued Employment. Nothing in the Plan, in this Agreement or in any other instrument executed pursuant thereto shall confer upon the Award Holder any right to continue in the employ of the Corporation or any Subsidiary of the Corporation or shall interfere in any way with the right of the Corporation or any such Subsidiary to at any time terminate the employment of the Award Holder with or without cause.

8. Reserved.

9. No Rights as a Shareholder. Neither the Award Holder nor any beneficiary or other person claiming under or through the Award Holder shall have any right, title or interest in or to any shares of Common Stock as a result of the Award or this Agreement.

10. Withholding. The Corporation or any Subsidiary of the Corporation may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or such Subsidiary determines it is required to withhold in connection with this Agreement and the transactions contemplated hereby.

11. No Assignments. Neither this Agreement, nor this Award nor any other rights and privileges granted hereby shall be transferred, assigned, pledged or hypothecated in any way, whether by operation of law of descent and distribution. Upon any attempt to so transfer, assign, pledge, hypothecate or otherwise dispose of this Agreement, this Award or any other right or privilege granted hereby contrary to the provisions hereof, this Agreement, this Award and all of such rights and privileges shall immediately become null and void, provided however, that the Award Holder may transfer an Award to any "family member" (as such term is defined in Section A.1(a)(5) of the General Instructions to Form S-8 under the Securities Act of 1933, as amended ("**Form S-8**")), to trusts solely for the benefit of such family members and to partnerships in which such family members and/or trusts are the only partners; provided that the transfer is pursuant to a gift or a domestic relations order to the extent permitted under the General Instructions to Form S-8 and provided further, that such transferee acknowledges and agrees that the Award remains subject to all of the terms and conditions of this Agreement and the Plan.

12. Other Programs. Nothing contained in this cash-based long-time incentive award agreement shall affect the right of the Award Holder to participate in and receive benefits under

and in accordance with the then current provisions of any pension, insurance, profit-sharing or other employee benefit plan or program of the Corporation or of any Subsidiary of the Corporation.

13. The Plan. The Award hereby granted is subject to, and the Corporation and Award Holder agree to be bound by all of the terms and conditions of the Plan as the same may be amended from time to time in accordance with the terms thereof, but no such amendment may adversely affect the Award Holder's rights under this Agreement. Award Holder acknowledges receipt of a complete copy of the Plan.

14. Clawback. Notwithstanding any other provisions in the Plan, the Corporation may cancel any Award, require reimbursement of any Award by the Award Holder, and effect any other right of recoupment of compensation provided under the Plan (including under this Agreement) or otherwise in accordance with the Corporation's clawback policy as the same may be adopted and/or modified from time to time (the "**Clawback Policy**"). The Award Holder acknowledges that any Award granted pursuant to the Plan and this Agreement may be subject to repayment to the Corporation in accordance with the Clawback Policy. By accepting the Award, Award Holder is agreeing to be bound by the Clawback Policy, as in effect on the Effective Date or as may be adopted and/or modified from time to time by the Corporation in its sole discretion (including, without limitation, to comply with applicable law or stock exchange listing requirements). The Award Holder hereby expressly agrees that in connection with the enforcement of the Clawback Policy, the Corporation shall have the right to reduce, cancel, or withhold against outstanding, unvested, vested, or future cash or equity-based compensation owed or due to the Award Holder that is subject to such policy, to the maximum extent permitted under applicable law.

15. Committee Authority. All questions arising under the Plan or under this Agreement shall be decided by the Committee in its total and absolute discretion. It is expressly understood that the Committee is authorized to administer, construe and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Award Holder to the maximum extent permitted by the Plan.

16. Consideration. The consideration for the rights and benefits conferred on Award Holder by this Award are the services rendered by the Award Holder after and not before the grant of this Award.

17. Applicable Law. This Award has been granted as of the effective date set forth above at Los Angeles, California, and the interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California.

DUCOMMUN INCORPORATED

By: _____
Secretary

By: _____
Assistant Secretary

Award Holder

EXHIBIT A

FY 202_ Revenue*			
	Performance		Vesting
	%	\$M	
Maximum	xxx.x%	\$xxx	200%
Target	xxx.x%	\$xxx	100%
Threshold	xxx.x%	\$xxx	50%
<Threshold	<xxx.x%	<\$xxx	0%

*Interpolation between levels

DUCOMMUN INCORPORATED
RESTRICTED STOCK UNIT AGREEMENT
(NQDCP Participants)

This restricted stock unit agreement is made as of May __, 2024 (the “Effective Date”), between Ducommun Incorporated, a Delaware corporation (the “Corporation”), and _____ (“Award Holder”).

RECITALS

This restricted stock unit agreement is pursuant to the 2024 Stock Incentive Plan (the “Plan”).

AGREEMENTS

1. Grant. The Corporation hereby grants to the Award Holder an award (the “Award”) of x,xxx restricted stock units (the “Restricted Stock Units”), subject to certain adjustments as described herein. Each restricted stock unit represents the right to receive one share of Common Stock, subject to the conditions set forth in this restricted stock unit agreement and the Plan.

2. Definitions. Unless the context clearly indicates otherwise, and subject to the terms and conditions of the Plan as the same may be amended from time to time, the following terms, when used in this restricted stock unit agreement, shall have the meanings set forth in this Section 2.

“Common Stock” shall mean the Common Stock, \$.01 par value, of the Corporation or such other class of shares or other securities as may be applicable pursuant to the provisions of Section 7 of this restricted stock unit agreement.

“Subsidiary” shall mean a corporation or other form of business entity more than 50% of the voting shares of which is owned or controlled, directly or indirectly, by the Corporation and which is designated by the Committee for participation in the Plan by the key employees thereof.

“Committee” shall mean the Compensation Committee of the Board of Directors of the Corporation, or if there is no such committee acting, the Board of Directors of the Corporation.

3. Vesting. Provided that the Award Holder has remained in the employ of the Corporation and/or its Subsidiaries throughout the period from the Effective Date until May __, 202_, one-third of the Restricted Stock Units shall vest on May __, 202_ (the “First Vesting Date”). Provided that the Award Holder has remained in the employ of the Corporation and/or

its Subsidiaries throughout the period from the Effective Date until May __, 202_, an additional one-third of the Restricted Stock Units shall vest on May __, 202_ (the "Second Vesting Date"). Provided that the Award Holder has remained in the employ of the Corporation and/or its Subsidiaries throughout the period from the Effective Date until May __, 202_, an additional one-third of the Restricted Stock Units shall vest on May __, 202_ (the "Third Vesting Date"). The First Vesting Date, the Second Vesting Date and the Third Vesting Date are each the "Vesting Date" for the Restricted Stock Units that vest on such date. Restricted Stock Units that have vested and are no longer subject to a substantial risk of forfeiture are referred to herein as "Vested Units." Restricted Stock Units that are not vested and remain subject to a substantial risk of forfeiture are referred to herein as "Unvested Units."

4. Settlement of Vested Units. Upon the vesting of all or a portion of the Award, one share of Common Stock shall be issuable for each Vested Unit (the "RSU Shares"). Thereafter, the Corporation will transfer such RSU Shares to the Award Holder no later than March 15th of the calendar year after the applicable Vesting Date, subject to the satisfaction of any required tax withholding obligations, securities law registration or other requirements, and applicable stock exchange listing. No fractional shares shall be issued with respect to the Award. The Award Holder shall not acquire or have any rights as a shareholder of the Corporation by virtue of this restricted stock unit agreement (or the Award evidenced hereby) until the certificates representing shares of Common Stock issuable pursuant to this Award are actually issued and delivered to the Award Holder in accordance with the terms of the Plan and this restricted stock unit agreement. Notwithstanding the foregoing, the Award Holder may elect, on a form and in a manner prescribed by the Corporation, to defer any payment of Vested Units, provided that any such deferral of payment must comply with any applicable requirements of Section 409A of the Code.

5. Termination. If the Award Holder's employment with the Corporation or a Subsidiary terminates at any time for any reason prior to the Vesting Date, except as provided in this Section 5 or as determined by the Committee in its sole and absolute discretion, the Unvested Units will be forfeited and cancelled and surrendered to the Corporation without payment of any consideration, effective on the date of the Award Holder's termination of employment. Upon the termination of the Award Holder's employment with the Corporation or a Subsidiary as a result of death or "permanent disability" (as defined herein) the Restricted Stock Units shall become fully vested on the date of such death or "permanent disability" and such Vested Units shall be settled into shares of Common Stock as soon as practicable following the Award Holder's termination of employment but in no event later than sixty (60) days after such termination. As used herein, the term "permanent disability" shall mean the date on which the Award Holder has not worked or been able to work due to physical or mental incapacity for a period of one hundred eighty (180) consecutive days. Upon the termination of the Award Holder's employment with the Corporation or a Subsidiary as a result of "retirement" (as defined herein) the Restricted Stock Units shall become fully vested and shall be settled into shares of Common Stock within sixty (60) days following the Vesting Date originally applicable thereto for each and every outstanding Award. As used herein, the term "retirement" shall mean the Award Holder's termination of employment with the Corporation or a Subsidiary, when either (x) the Award Holder is sixty-five (65) or more years of age, or (y) the Award Holder is sixty

(60) or more years of age and has completed at least five (5) years of service with the Corporation or a Subsidiary. To the extent any payment hereunder is considered nonqualified deferred compensation subject to Section 409A of the Code, all such payments and settlements shall be made in compliance with Section 409A of the Code and a termination of employment shall not be deemed to have occurred for purposes of any payments contingent thereon unless such termination is also a “separation from service” within the meaning of Section 409A of the Code. In addition, if the Award Holder is deemed at the time of such separation from service to be a specified employee (within the meaning of Section 409A of the Code) and such delayed commencement is otherwise required in order to avoid a prohibited distribution under Section 409A(a)(2) of the Code, any payment or benefit hereunder that is deemed to constitute nonqualified deferred compensation shall be delayed and paid, without interest, on the earlier of (i) the first day of the seventh month following the date of such Award Holder’s separation from service or (ii) the date of the Award Holder’s death.

6. Adjustments

(a) If the outstanding shares of Common Stock of the Corporation are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Corporation through recapitalization (other than the conversion of convertible securities according to their terms), reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment shall be made, or if the Corporation shall spin-off, spin-out or otherwise distribute assets with respect to the outstanding shares of Common Stock of the Corporation, an appropriate and proportionate adjustment shall be made, in the number of restricted stock units subject to this Award.

(b) In the event of the dissolution or liquidation of the Corporation, or upon any merger, consolidation or reorganization of the Corporation with any other corporations or entities as a result of which the Corporation is not the surviving corporation, or upon the sale of all or substantially all of the assets of the Corporation or the acquisition of more than 80% of the stock of the Corporation by another corporation or entity, there shall be substituted for each of the shares of Common Stock then subject to this Award the number and kind of shares of stock, securities or other assets which would have been issuable or payable in respect of or in exchange for such Common Stock then subject to the Award, as if the Award Holder had been the owner of such shares as of the transaction date. Any securities so substituted shall be subject to similar successive adjustments.

7. No Right to Continued Employment. Nothing in the Plan, in this restricted stock unit agreement or in any other instrument executed pursuant thereto shall confer upon the Award Holder any right to continue in the employ of the Corporation or any Subsidiary of the Corporation or shall interfere in any way with the right of the Corporation or any such Subsidiary to at any time terminate the employment of the Award Holder with or without cause.

8. Legal Requirements. No shares issuable under this Award shall be issued or delivered unless and until, in the opinion of counsel for the Corporation, all applicable

requirements of federal and state law and of the Securities and Exchange Commission pertaining to the issuance and sale of such shares and any applicable listing requirements of any national securities exchange on which shares of the same class are then listed, shall have been fully complied with. In connection with any such issuance or transfer, the person acquiring the shares shall, if requested by the Corporation, give assurances satisfactory to counsel to the Corporation in respect of such matters as the Corporation or any Subsidiary of the Corporation may deem desirable to assure compliance with all applicable legal requirements.

9. No Rights as a Shareholder. Neither the Award Holder nor any beneficiary or other person claiming under or through the Award Holder shall have any right, title or interest in or to any shares of Common Stock allocated or reserved for the purpose of the Plan or subject to this Agreement except as to such shares of Common Stock, if any, as shall have been issued or transferred to such person.

10. Withholding. The Corporation or any Subsidiary of the Corporation may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or such Subsidiary determines it is required to withhold in connection with this restricted stock unit agreement and the transactions contemplated hereby, and the Corporation or any such Subsidiary may require the Award Holder to pay to the Corporation or such Subsidiary in cash any amount or amounts which may be required to be paid as withheld taxes in connection with any issuance of Common Stock pursuant to this Award or any other transaction contemplated hereby as a condition to the issuance of shares of the Common Stock, provided, however, that any amount withheld for taxes in connection with this Award may, at the election of the Award Holder, be paid with previously issued shares of Common Stock or the deduction of shares of Common Stock to be issued in connection with this Award.

11. No Assignments. Neither this restricted stock unit agreement, nor this Award nor any other rights and privileges granted hereby shall be transferred, assigned, pledged or hypothecated in any way, whether by operation of law of descent and distribution. Upon any attempt to so transfer, assign, pledge, hypothecate or otherwise dispose of this restricted stock unit agreement, this Award or any other right or privilege granted hereby contrary to the provisions hereof, this restricted stock unit agreement, this Award and all of such rights and privileges shall immediately become null and void provided however, that the Award Holder may transfer an Award to any "family member" (as such term is defined in Section A.1(a)(5) of the General Instructions to Form S-8 under the Securities Act of 1933, as amended ("Form S-8")), to trusts solely for the benefit of such family members and to partnerships in which such family members and/or trusts are the only partners; provided that the transfer is pursuant to a gift or a domestic relations order to the extent permitted under the General Instructions to Form S-8 and provided further, that such transferee acknowledges and agrees that the Award remains subject to all of the terms and conditions of this Agreement and the Plan.

12. Other Programs. Nothing contained in this restricted stock unit agreement shall affect the right of the Award Holder to participate in and receive benefits under and in accordance with the then current provisions of any pension, insurance, profit-sharing or other employee benefit plan or program of the Corporation or of any Subsidiary of the Corporation.

13. The Plan. The Award hereby granted is subject to, and the Corporation and Award Holder agree to be bound by all of the terms and conditions of the Plan as the same may be amended from time to time in accordance with the terms thereof, but no such amendment may adversely affect the Award Holder's rights under this restricted stock unit agreement. Award Holder acknowledges receipt of a complete copy of the Plan.

14. Committee Authority. All questions arising under the Plan or under this restricted stock unit agreement shall be decided by the Committee in its total and absolute discretion. It is expressly understood that the Committee is authorized to administer, construe and make all determinations necessary or appropriate to the administration of the Plan and this restricted stock unit agreement, all of which shall be binding upon the Award Holder to the maximum extent permitted by the Plan.

15. Consideration. The consideration for the rights and benefits conferred on Award Holder by this Award are the services rendered by the Award Holder after and not before the grant of this Award.

16. Applicable Law. This Award has been granted as of the effective date set forth above at Los Angeles, California, and the interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California.

DUCOMMUN INCORPORATED

By: _____
Chief Executive Officer

By: _____
Secretary

Award Holder

DUCOMMUN INCORPORATED

STOCK OPTION AGREEMENT

This stock option agreement is made as of _____ (the “Effective Date”), between Ducommun Incorporated, a Delaware corporation (the “Corporation”), and _____ (“Option Holder”).

RECITALS

This stock option agreement is pursuant to the 2024 Stock Incentive Plan (the “Plan”). This stock option agreement DOES NOT represent an incentive stock option as defined in Section 422A of the Internal Revenue Code. This stock option agreement expires on _____ (the “Expiration Date”). Attention is called to the non-compete provisions (applicable to Option Holders employed by the Corporation outside of California) in this stock option agreement. Failure to comply with these provisions will result in the forfeiture of the option. These provisions will be binding on the Option Holder whether or not the option vests.

AGREEMENTS

1. Grant. The Corporation hereby grants to the Option Holder the right and option to purchase, on the terms and conditions hereinafter set forth, all or any part of an aggregate of _____ shares of the Common Stock at the purchase price of \$_____ per share, being 100% of the fair market value of the Common Stock on the date the option is granted, exercisable from time to time in accordance with the provisions of this Agreement until the close of business on the Expiration Date.

2. Definitions. Unless the context clearly indicates otherwise, and subject to the terms and conditions of the Plan as the same may be amended from time to time, the following terms, when used in this stock option agreement, shall have the meanings set forth in this Section 2.

“Common Stock” shall mean the Common Stock, \$.01 par value, of the Corporation or such other class of shares or other securities as may be applicable pursuant to the provisions of Section 7 of this stock option agreement.

“Subsidiary” shall mean a corporation or other form of business entity more than 50% of the voting shares of which is owned or controlled, directly or indirectly, by the Corporation and which is designated by the Committee for participation in the Plan by the key employees thereof.

“Committee” shall mean the Compensation Committee of the Board of Directors of the Corporation, or if there is no such committee acting, the Board of Directors of the Corporation.

3. Conditions to Exercise. The Option Holder may not purchase any shares by exercise of this option unless the Option Holder shall have remained in the employ of the Corporation and/or a Subsidiary until at least _____. On and after _____, the Option Holder may purchase, by exercise of this option, an aggregate of not more than one-third of the total number of shares subject to this option. On and after _____, the Option Holder may purchase, by exercise of this option, an additional one-third of such total number of shares. On and after _____, until this option expires, the Option Holder may purchase, by exercise of this option, all or any part of the shares subject to this option.

4. Exercise by the Option Holder. This option may be exercised solely by the Option Holder, except as provided in Section 5 below in the event of the Option Holder's death.

5. Termination. This option shall terminate if and when the Option Holder shall cease to be an employee of the Corporation or a Subsidiary, except as follows:

a) Death. If the Option Holder dies while employed by the Corporation or a Subsidiary, or while this option was exercisable by him or her in accordance with paragraph (b) or (c) below after his or her retirement, permanent disability or the termination of his or her employment other than for cause, this option may be exercised (for not more than the number of shares as to which the Option Holder might have exercised this Option at the time of such death) by the personal representative of the decedent or, by such person or persons as shall have acquired the Option Holder's rights under this option by will or by the laws of descent and distribution at any time (i) prior to the Expiration Date, in the event the Expiration Date is not more than one year following the date of death, or (ii) within such one year, in the event that the Expiration Date is more than one year following such date of death;

(b) Retirement or Permanent Disability. If the Option Holder retires or becomes permanently disabled, this option may be exercised (for not more than the number of shares as to which the Option Holder might have exercised this option on the date of his or her retirement or permanent disability) at any time prior to the Expiration Date. As used herein, the term "retirement" shall mean that, on the date on which the Option Holder terminates employment with the Corporation or a Subsidiary, either (x) the Option Holder is sixty-five (65) or more years of age, or (y) the Award Holder is sixty (60) or more years of age and has completed at least five (5) years of service with the Corporation or a Subsidiary. As used herein, the term "permanent disability" shall mean the date on which the Option Holder has not worked or been able to work due to physical or mental incapacity for a period of one-hundred eighty (180) consecutive days.

c) Other Termination. If the employment of the Option Holder with the Corporation or a Subsidiary is terminated for any reason other than by death, permanent disability or retirement, this option may be exercised (for not more than the number of shares as to which the Option Holder might have exercised this option on the date on which his or her employment was terminated) at any time (i) prior to the Expiration Date in the event the Expiration Date is not more than three months following the date of such retirement or termination, or (ii) within such three-month period, in the event that the Expiration Date is more

than three months following the date of such termination of employment; provided, however, that if the Option Holder is dismissed for cause, of which the Committee shall be the sole judge, this option shall terminate forthwith. The Committee may determine that, for the purpose of the Plan, the Option Holder while on a leave of absence will be considered as still in the employ of the Corporation, provided that this option shall be exercisable during a leave of absence only as to the number of shares as to which it was exercisable at the commencement of such leave of absence.

6. Method of Exercise. A person electing to exercise this option shall deliver to the Secretary of the Corporation a written notice of such election and of the number of shares such person has elected to purchase and shall at the time of exercise tender the full purchase price of the shares such person has elected to purchase. The purchase price for the shares may, at the election of the Option Holder, be paid with previously issued shares of Common Stock of the Company, or the deduction of shares of Common Stock to be issued in connection with the exercise of this Option.

7. Adjustments

(a) If the outstanding shares of Common Stock of the Company are increased, decreased, changed into or exchanged for a different number or kind of shares or securities of the Company through recapitalization (other than the conversion of convertible securities according to their terms), reclassification, stock dividend, stock split or reverse stock split, an appropriate and proportionate adjustment shall be made, or if the Company shall spin-off, spin-out or otherwise distribute assets with respect to the outstanding shares of Common Stock of the Company, an appropriate and proportionate adjustment may be made in the discretion of the Committee, in (i) the maximum number and kind of shares as to which options may be granted under the Plan, (ii) the number and kind of shares subject to outstanding options, and (iii) the exercise price for each share under outstanding options, without any change in the aggregate purchase price or value applicable to the unexercised portion of the outstanding options.

(b) In the event of the dissolution or liquidation of the Company, or upon any merger, consolidation or reorganization of the Company with any other corporations or entities as a result of which the Company is not the surviving corporation, or upon the sale of all or substantially all of the assets of the Company or the acquisition of more than 80% of the stock of the Company by another corporation or entity, there shall be substituted for each of the shares of Common Stock then subject to the Plan the number and kind of shares of stock, securities or other assets which would have been issuable or payable in respect of or in exchange for such Common Stock then subject to the Plan, as if the optionee had been the owner of such shares as of the transaction date. Any securities so substituted shall be subject to similar successive adjustments.

8. No Right to Continued Employment. Nothing in the Plan, in this stock option agreement or in any other instrument executed pursuant thereto shall confer upon the Option Holder any right to continue in the employ of the Corporation or any Subsidiary of the

Corporation or shall interfere in any way with the right of the Corporation or any such Subsidiary to at any time terminate the employment of the Option Holder with or without cause.

9. Legal Requirements. No shares issuable upon the exercise of this option shall be issued or delivered unless and until, in the opinion of counsel for the Corporation, all applicable requirements of federal and state law and of the Securities and Exchange Commission pertaining to the issuance and sale of such shares and any applicable listing requirements of any national securities exchange on which shares of the same class are then listed, shall have been fully complied with. In connection with any such issuance or transfer, the person acquiring the shares shall, if requested by the Corporation, give assurances satisfactory to counsel to the Corporation in respect of such matters as the Corporation or any Subsidiary of the Corporation may deem desirable to assure compliance with all applicable legal requirements.

10. No Rights as a Shareholder. Neither the Option Holder nor any beneficiary or other person claiming under or through the Option Holder shall have any right, title or interest in or to any shares of Common Stock allocated or reserved for the purpose of the Plan or subject to this Agreement except as to such shares of Common Stock, if any, as shall have been issued or transferred to such person.

11. Withholding. The Corporation or any Subsidiary of the Corporation may make such provisions as it may deem appropriate for the withholding of any taxes which the Corporation or such Subsidiary determines it is required to withhold in connection with this stock option agreement and the transactions contemplated hereby, and the Corporation or any such Subsidiary may require the Option Holder or other person exercising this Option to pay to the Corporation or such Subsidiary in cash any amount or amounts which may be required to be paid as withheld taxes in connection with any exercise of this Option or any other transaction contemplated hereby as a condition to the exercise of this Option and issuance of shares of the Common Stock, provided, however, that any amount withheld for taxes in connection with any exercise of this Option may, at the election of the Option Holder, be paid with previously issued shares of Common Stock or the deduction of shares of Common Stock to be issued in connection with the exercise of this Option.

12. No Assignments. Neither this stock option agreement, nor this option nor any other rights and privileges granted hereby shall be transferred, assigned, pledged or hypothecated in any way, whether by operation of law of descent and distribution. Upon any attempt to so transfer, assign, pledge, hypothecate or otherwise dispose of this stock option agreement, this option or any other right or privilege granted hereby contrary to the provisions hereof, this stock option agreement, this option and all of such rights and privileges shall immediately become null and void provided however, that the Award Holder may transfer an Award to any "family member" (as such term is defined in Section A.1(a)(5) of the General Instructions to Form S-8 under the Securities Act of 1933, as amended ("Form S-8")), to trusts solely for the benefit of such family members and to partnerships in which such family members and/or trusts are the only partners; provided that the transfer is pursuant to a gift or a domestic relations order to the extent permitted under the General Instructions to Form S-8, and provided further, that such

transferee acknowledges and agrees that the Award remains subject to all of the terms and conditions of this Agreement and the Plan.

13. Other Programs. Nothing contained in this stock option agreement shall affect the right of the Option Holder to participate in and receive benefits under and in accordance with the then current provisions of any pension, insurance, profit-sharing or other employee benefit plan or program of the Corporation or of any Subsidiary of the Corporation.

14. Non-Solicitation of Customers; Non-Competition. By signing this stock option agreement, the Option Holder agrees that while employed by the Corporation and for a period of one year following the Option Holder's departure from the Corporation, the Option Holder will not (directly or in association with others) call on or solicit any of the Corporation's customers with whom the Option Holder had personal contact while employed by the Corporation, for the purpose of providing the customers with goods and/or services similar in nature to those provided by the Corporation in its Business (as defined below). The Option Holder further agrees that for the same time period, the Option Holder will not, directly or indirectly, engage in any activity which is the same as or competitive with the Business including, without limitation, engagement as an officer, director, proprietor, employee, partner, investor (other than as a holder of less than 2% of the outstanding capital stock of a publicly traded corporation), guarantor, consultant, advisor, agent, sales representative or other participant, in any market which the Corporation conducts its Business. For purposes of this stock option agreement, the term "Business" means engineering and manufacturing services for high-performance products and high-cost-of failure applications used primarily in the aerospace and defense, industrial, medical and other industries, and any other activity of the Corporation or any of its affiliates. This Section 14 is not intended to prevent the Option Holder from engaging in any activity that is not the same as or competitive with the Business. The Option Holder acknowledges that the Corporation would not have awarded the option granted under this stock option agreement absent the Option Holder's agreement to be bound by the promises made in this Section 14.

15. Acknowledgment; Injunctive Relief. By signing this stock option agreement, the Option Holder acknowledges having carefully read and considered all the terms and conditions of this stock option agreement, including the restraints imposed pursuant to Section 14. The Option Holder also agrees that each of the restraints contained herein is necessary for the protection of the goodwill, confidential information, trade secrets and other legitimate interests of the Corporation; that each and every one of these restraints is reasonable in respect to subject matter, length of time and geographic area; and that these restraints, individually or in the aggregate, will not prevent the Option Holder from obtaining other suitable employment during the period of such restraints. The Option Holder further acknowledges that breach any of the covenants contained in Section 14 would result in irreparable damage to the Corporation. The Option Holder therefore agrees that the Corporation, in addition to any other remedies available to it, shall be entitled to injunctive relief against the breach or threatened breach of said covenants. The Option Holder and the Corporation further agree that, in the event that any provision of Section 14 shall be determined by any court of competent jurisdiction to be unenforceable by reason of its being extended over too great a time, too large a geographic area

or too great a range of activities, such provision shall be deemed to be modified to permit its enforcement to the maximum extent permitted by law.

16. Violation of Promises. By signing this stock option agreement, the Option Holder agrees that if the Option Holder violates any of the promises in Section 14, the Option Holder's right to the shares of Common Stock upon exercise of the option shall not have been earned and the unexercised portion of the option, whether vested or not, will be immediately cancelled.

17. The Plan. The option hereby granted is subject to, and the Corporation and Option Holder agree to be bound by all of the terms and conditions of the Plan as the same may be amended from time to time in accordance with the terms thereof, but no such amendment may adversely affect the Option Holder's rights under this stock option agreement. Option Holder acknowledges receipt of a complete copy of the Plan.

18. Consideration. The consideration for the rights and benefits conferred on Option Holder by this option are the services rendered by the Option Holder after and not before the grant of this option.

19. Applicable Law. The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the state in which the Option Holder is employed by the Corporation. Sections 14, 15 and 16 shall not apply to Option Holders employed by the Corporation in California.

DUCOMMUN INCORPORATED

By: _____
Chief Executive Officer

By: _____
Secretary

Option Holder

**Certification of Principal Executive Officer
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002**

I, Stephen G. Oswald, certify that:

1. I have reviewed this Quarterly Report of Ducommun Incorporated (the “registrant”) on Form 10-Q for the period ended June 29, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f), and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 8, 2024

/s/ Stephen G. Oswald

Stephen G. Oswald
Chairman, President and Chief Executive Officer

**Certification of Principal Financial Officer
Pursuant to Section 302 of the
Sarbanes-Oxley Act of 2002**

I, Suman B. Mookerji, certify that:

1. I have reviewed this Quarterly Report of Ducommun Incorporated (the “registrant”) on Form 10-Q for the period ended June 29, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)), for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 8, 2024

/s/ Suman B. Mookerji

Suman B. Mookerji

Senior Vice President, Chief Financial Officer

**Certification Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of
the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Ducommun Incorporated (the "Company") on Form 10-Q for the period ending June 29, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen G. Oswald, Chairman, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Stephen G. Oswald

Stephen G. Oswald
Chairman, President and Chief Executive Officer
August 8, 2024

In connection with the Quarterly Report of Ducommun Incorporated (the "Company") on Form 10-Q for the period ending June 29, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Suman B. Mookerji, Senior Vice President, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Suman B. Mookerji

Suman B. Mookerji
Senior Vice President, Chief Financial Officer
August 8, 2024

The foregoing certification is accompanying the Form 10-Q solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and is not being filed as part of the Form 10-Q or as a separate disclosure document.