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

FORM 10-Q

(MARK ONE)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 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 1-10596

ESCO TECHNOLOGIES INC.
(Exact name of registrant as specified in its charter)

MISSOURI (State or other jurisdiction of incorporation or organization)	43-1554045 (I.R.S. Employer Identification No.)
9900A CLAYTON ROAD ST. LOUIS, MISSOURI (Address of principal executive offices)	63124-1186 (Zip Code)

(314) 213-7200
(Registrant’s telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	ESE	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 (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	**Shares outstanding at April 30, 2024**
Common stock, $.01 par value per share	25,751,055

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended March 31, 2024	2023
Net sales	$ 249,129	229,136
Costs and expenses:		
Cost of sales	152,347	142,296
Selling, general and administrative expenses	55,097	53,877
Amortization of intangible assets	8,572	7,030
Interest expense, net	3,226	2,269
Other expenses, net	666	314
Total costs and expenses	219,908	205,786
Earnings before income taxes	29,221	23,350
Income tax expense	6,002	5,472
Net earnings	$ 23,219	17,878
Earnings per share:		
Basic - Net earnings	0.90	0.69
Diluted - Net earnings	$ 0.90	0.69

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in thousands, except per share amounts)

	Six Months Ended March 31, 2024	Six Months Ended March 31, 2023
Net sales	$ 467,443	434,637
Costs and expenses:		
Cost of sales	286,498	268,679
Selling, general and administrative expenses	109,065	105,179
Amortization of intangible assets	16,440	13,891
Interest expense, net	5,893	3,927
Other expenses, net	872	712
Total costs and expenses	418,768	392,388
Earnings before income taxes	48,675	42,249
Income tax expense	10,287	9,644
Net earnings	$ 38,388	32,605
Earnings per share:		
Basic — Net earnings	$ 1.49	1.26
Diluted — Net earnings	$ 1.49	1.26

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Dollars in thousands)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
Net earnings	$ 23,219	17,878	38,388	32,605
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(4,745)	2,233	4,669	13,747
Total other comprehensive income (loss), net of tax	(4,745)	2,233	4,669	13,747
Comprehensive income	$ 18,474	20,111	43,057	46,352

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollars in thousands)

	March 31, 2024	September 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 59,436	41,866
Accounts receivable, net of allowance for credit losses of $2,260 and $2,264, respectively	187,535	198,557
Contract assets	139,303	138,633
Inventories	211,338	184,067
Other current assets	24,310	17,972
Total current assets	621,922	581,095
Property, plant and equipment, net of accumulated depreciation of $185,799 and $174,698, respectively	161,811	155,484
Intangible assets, net of accumulated amortization of $221,321 and $204,881, respectively	414,872	392,124
Goodwill	535,661	503,177
Operating lease assets	38,322	39,839
Other assets	11,603	11,495
Total assets	$ 1,784,191	1,683,214
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 20,000	20,000
Accounts payable	81,961	86,973
Contract liabilities	107,357	112,277
Accrued salaries	34,637	43,814
Accrued other expenses	44,975	51,587
Total current liabilities	288,930	314,651
Deferred tax liabilities	80,648	75,531
Non-current operating lease liabilities	35,444	36,554
Other liabilities	41,759	43,336
Long-term debt	171,000	82,000
Total liabilities	617,781	552,072
Shareholders' equity:		
Preferred stock, par value $.01 per share, authorized 10,000,000 shares	—	—
Common stock, par value $.01 per share, authorized 50,000,000 shares, issued 30,807,826 and 30,781,699 shares, respectively	308	308
Additional paid-in capital	308,065	304,850
Retained earnings	1,023,578	989,315
Accumulated other comprehensive loss, net of tax	(19,300)	(23,969)
	1,312,651	1,270,504
Less treasury stock, at cost: 5,048,645 and 4,995,414 common shares, respectively	(146,241)	(139,362)
Total shareholders' equity	1,166,410	1,131,142
Total liabilities and shareholders' equity	$ 1,784,191	1,683,214

See accompanying notes to consolidated financial statements.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Six Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net earnings	$ 38,388	32,605
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:		
Depreciation and amortization	27,555	24,910
Stock compensation expense	4,144	5,309
Changes in assets and liabilities	(47,869)	(67,140)
Effect of deferred taxes	(2,981)	(1,145)
Net cash provided (used) by operating activities	19,237	(5,461)
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(56,179)	(17,901)
Additions to capitalized software and other	(5,912)	(5,918)
Capital expenditures	(16,301)	(10,305)
Net cash used by investing activities	(78,392)	(34,124)
Cash flows from financing activities:		
Proceeds from long-term debt and short-term borrowings	154,000	68,000
Principal payments on long-term debt and short-term borrowings	(65,000)	(60,000)
Purchases of common stock into treasury	(7,189)	(12,217)
Dividends paid	(4,125)	(4,128)
Other	(1,432)	(2,374)
Net cash provided (used) by financing activities	76,254	(10,719)
Effect of exchange rate changes on cash and cash equivalents	471	801
Net increase (decrease) in cash and cash equivalents	17,570	(49,503)
Cash and cash equivalents, beginning of period	41,866	97,724
Cash and cash equivalents, end of period	$ 59,436	48,221
Supplemental cash flow information:		
Interest paid	$ 5,097	3,384
Income taxes paid (including state and foreign)	18,228	13,346

See accompanying notes to consolidated financial statements.

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements, in the opinion of management, include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the results for the interim periods presented. The consolidated financial statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all the disclosures required for annual financial statements by accounting principles generally accepted in the United States of America (GAAP).

The Company’s results for the three-month period ended March 31, 2024 are not necessarily indicative of the results for the entire 2024 fiscal year. References to the second quarters of 2024 and 2023 represent the fiscal quarters ended March 31, 2024 and 2023, respectively. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates.

2. EARNINGS PER SHARE (EPS)

Basic EPS is calculated using the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the weighted average number of common shares outstanding during the period plus shares issuable upon the assumed exercise of dilutive common share options and vesting of restricted shares by using the treasury stock method. The number of shares used in the calculation of earnings per share for each period presented is as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	**2023**	**2024**	**2023**
Weighted Average Shares Outstanding — Basic	25,792	25,800	25,794	25,831
Dilutive Restricted Shares	55	95	52	88
Adjusted Shares — Diluted	25,847	25,895	25,846	25,919

3. ACQUISITION

On November 9, 2023, the Company acquired MPE Limited (MPE), based in the United Kingdom, for a purchase price of approximately \$56.2 million, net of cash acquired. MPE is a leading global manufacturer of high-performance EMC/EMP filters and capacitor products for military, utility, telecommunication, and other critical infrastructure applications. Since the date of acquisition, the operating results for the MPE business have been included as part of ETS-Lindgren in the Test segment. The acquisition date fair value of the assets acquired and liabilities assumed primarily were as follows: approximately \$0.4 million of accounts receivable, \$1.1 million of inventory, \$1.7 million of property, plant and equipment, \$0.7 million of accounts payable and accrued expenses, \$7.8 million of deferred tax liabilities, and \$31.1 million of identifiable intangible assets, mainly consisting of customer relationships totaling \$29.1 million. The acquired goodwill of \$30.3 million related to excess value associated with opportunities to expand the services and products that the Company can offer to its customers. The Company does not anticipate that the goodwill will be deductible for tax purposes.

4. SHARE-BASED COMPENSATION

The Company provides compensation benefits to certain key employees under several share-based plans providing for performance-accelerated and/or time-vested restricted stock unit awards, and to non-employee directors under a separate compensation plan.

Performance-Accelerated Restricted Stock Unit (PARS) Awards and Time-Vested Restricted Stock Unit (RSU) Awards, and Performance Share Unit (PSU) Awards

Compensation expense related to these awards was \$1.7 million and \$3.5 million for the three and six-month periods ended March 31, 2024, respectively, and \$3.1 million and \$4.7 million for the corresponding periods in 2023. As of March 31, 2024, there were 226,674 unvested stock units outstanding.

Non-Employee Directors Plan

Compensation expense related to the non-employee director grants was $0.3 million and $0.6 million for the three and six-month periods ended March 31, 2024, respectively, and $0.3 million and $0.6 million for the corresponding periods in 2023.

The total share-based compensation cost that has been recognized in the results of operations and included within selling, general and administrative expenses (SG&A) was $2.0 million and $4.1 million for the three and six-month periods ended March 31, 2024, respectively, and $3.4 million and $5.3 million for the corresponding periods in 2023. The total income tax benefit recognized in results of operations for share-based compensation arrangements was $0.3 million and $0.5 million for the three and six-month periods ended March 31, 2024, respectively, and $0.3 million and $0.6 million for the corresponding periods in 2023. As of March 31, 2024, there was $13.1 million of total unrecognized compensation cost related to share-based compensation arrangements. That cost is expected to be recognized over a remaining weighted-average period of 1.8 years.

5. INVENTORIES

Inventories consist of the following:

(In thousands)	March 31, 2024	September 30, 2023
Finished goods	$ 38,857	34,577
Work in process	54,889	42,178
Raw materials	117,592	107,312
Total inventories	$ 211,338	184,067

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Included on the Company's Consolidated Balance Sheets at March 31, 2024 and September 30, 2023 are the following intangible assets gross carrying amounts and accumulated amortization:

(Dollars in thousands)	March 31, 2024	September 30, 2023
Goodwill	$ 535,661	503,177
Intangible assets with determinable lives:		
Patents		
Gross carrying amount	$ 2,516	2,516
Less: accumulated amortization	1,287	1,218
Net	$ 1,229	1,298
Capitalized software		
Gross carrying amount	$ 128,042	121,883
Less: accumulated amortization	86,622	80,774
Net	$ 41,420	41,109
Customer relationships		
Gross carrying amount	$ 327,695	296,927
Less: accumulated amortization	122,542	113,311
Net	$ 205,153	183,616
Other		
Gross carrying amount	$ 15,144	14,232
Less: accumulated amortization	10,870	9,578
Net	$ 4,274	4,654
Intangible assets with indefinite lives:		
Trade names	$ 162,796	161,447

The changes in the carrying amount of goodwill attributable to each business segment for the six months ended March 31, 2024 is as follows:

(Dollars in millions)	USG	Test	Aerospace & Defense	Total
Balance as of September 30, 2023	$ 353.6	34.0	115.6	503.2
Acquisition activity	—	30.3	—	30.3
Foreign currency translation	1.4	0.8	—	2.2
Balance as of March 31, 2024	$ 355.0	65.1	115.6	535.7

7. BUSINESS SEGMENT INFORMATION

The Company is organized based on the products and services that it offers and classifies its continuing business operations in three reportable segments for financial reporting purposes: Aerospace & Defense (A&D), Utility Solutions Group (USG), and RF Test and Measurement (Test).

The Aerospace & Defense segment's operations consist of PTI Technologies Inc. (PTI), VACCO Industries (VACCO), Crissair, Inc. (Crissair), Globe Composite Solutions, LLC (Globe) and Mayday Manufacturing Co. (Mayday). The companies within this segment primarily design and manufacture specialty filtration, fluid control and naval products, including hydraulic filter elements and fluid control devices used in aerospace and defense applications; unique filter mechanisms used in micro-propulsion devices for satellites, custom designed filters for manned aircraft and submarines; products and systems to reduce vibration and/or acoustic signatures and otherwise reduce or obscure a vessel's signature, and other communications, sealing, surface control and hydrodynamic related applications to enhance U.S. Navy maritime survivability; precision-tolerance machined components for the aerospace and defense industry; metal processing services; and miniature electro-explosive devices utilized in mission-critical defense and aerospace applications.

The USG segment's operations consist primarily of Doble Engineering Company and related subsidiaries including Morgan Schaffer and Altanova (collectively, Doble), and NRG Systems, Inc. (NRG). Doble is an industry leader in the development, manufacture and delivery of diagnostic testing solutions that enable electric power grid operators to assess the integrity of high voltage power delivery equipment. It combines three core elements for customers – diagnostic test and condition monitoring instruments, expert consulting, and testing services – and provides access to its large reserve of related empirical knowledge. NRG is a global market leader in the design and manufacture of decision support tools for the renewable energy industry, primarily wind and solar.

The Test segment's operations consist primarily of ETS-Lindgren Inc. and related subsidiaries (ETS-Lindgren). ETS-Lindgren is an industry leader in designing and manufacturing products and systems to measure and control RF and acoustic energy. It serves the acoustics, medical, health and safety, electronics, wireless communications, automotive and defense markets, supplying a broad range of turnkey systems, including RF test facilities and measurement systems, acoustic test enclosures, RF and magnetically shielded rooms and secure communication facilities, and providing the design, program management, installation and integration services required to successfully complete these types of facilities. It also provides a broad range of components including RF absorptive materials, filters, antennas, field probes, test cells, proprietary measurement software and other test accessories required to perform a variety of tests and measurements, and offers a variety of services including calibration and product tests.

Management evaluates and measures the performance of its reportable segments based on "Net Sales" and "EBIT", which are detailed in the table below. EBIT is defined as earnings before interest and taxes.

(In thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Six Months Ended March 31, 2024	Six Months Ended March 31, 2023
NET SALES				
Aerospace & Defense	$ 114,701	98,982	209,434	181,965
USG	87,309	79,161	170,293	150,206
Test	47,119	50,993	87,716	102,466
Consolidated totals	$ 249,129	229,136	467,443	434,637
EBIT				
Aerospace & Defense	$ 23,377	18,795	40,040	31,331
USG	17,575	14,061	35,200	30,192
Test	5,542	7,226	7,321	12,637
Corporate (loss)	(14,047)	(14,463)	(27,993)	(27,984)
Consolidated EBIT	32,447	25,619	54,568	46,176
Less: Interest expense	(3,226)	(2,269)	(5,893)	(3,927)
Earnings before income taxes	$ 29,221	23,350	48,675	42,249

Non-GAAP Financial Measures

The financial measure "EBIT" is presented in the above table and elsewhere in this Report. EBIT on a consolidated basis is a non-GAAP financial measure. Management believes that EBIT is useful in assessing the operational profitability of the Company's business segments because it excludes interest and taxes, which are generally accounted for across the entire Company on a consolidated basis. EBIT is also one of the measures used by management in determining resource allocations within the Company as well as incentive compensation. A reconciliation of EBIT to net earnings is set forth in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations – EBIT.

The Company believes that the presentation of EBIT provides important supplemental information to investors to facilitate comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results. However, the Company's non-GAAP financial measures may not be comparable to other companies' non-GAAP financial performance measures. Furthermore, the use of non-GAAP financial measures is not intended to replace any measures of performance determined in accordance with GAAP.

8. DEBT

The Company's debt is summarized as follows:

(In thousands)	March 31, 2024	September 30, 2023
Total borrowings	$ 191,000	102,000
Current portion of long-term debt	(20,000)	(20,000)
Total long-term debt, less current portion	$ 171,000	82,000

The Credit Facility includes a $500 million revolving line of credit as well as provisions allowing for the increase of the credit facility commitment amount by an additional $250 million, if necessary, with the consent of the lenders. The bank syndication supporting the facility is comprised of a diverse group of seven banks led by JP Morgan Chase Bank, N.A., as administrative agent, Bank of America, N.A., as syndication agent, and Commerce Bank and TD Bank, N.A. as co-documentation agents. The Credit Facility matures August 30, 2028, with balance due by this date.

At March 31, 2024, the Company had approximately $303 million available to borrow under the Credit Facility, plus the $250 million increase option subject to the lenders' consent, in addition to $59.4 million cash on hand. The Company classified $20 million as the current portion of long-term debt as of March 31, 2024, as the Company intends to repay this amount within the next twelve months; however, the Company no contractual obligation to repay such amount during the next twelve months. The letters of credit issued and outstanding under the Credit Facility totaled $5.8 million at March 31, 2024.

Interest on borrowings under the Credit Facility is calculated at a spread over either an Adjusted Term SOFR Rate, Adjusted EURIBOR Rate, Adjusted CDOR Rate, Alternate Base Rate or Daily Simple RFR, at the Company's election. The Credit Facility also requires a facility fee ranging from 12.5 to 25 basis points per annum on the unused portion. The interest rate spreads and the facility fee are subject to increase or decrease depending on the Company's leverage ratio. The weighted average interest rates were 6.8% and 6.8% for the three and six-month periods ending March 31, 2024, respectively, and 6.0% and 5.3% for the three and six-month periods ending March 31, 2023. As of March 31, 2024, the Company was in compliance with all covenants.

9. INCOME TAX EXPENSE

The second quarter 2024 effective income tax rate was 20.5% compared to 23.4% in the second quarter of 2023. The effective income tax rate in the first six months of 2024 was 21.1% compared to 22.8% for the first six months of 2023. Income tax expense in the second quarter and first six months of 2024 was favorably impacted by discrete events including the release of a foreign valuation allowance and excess tax benefit related to the vesting of share-based director compensation.

10. SHAREHOLDERS' EQUITY

The change in shareholders' equity for the first three and six months of 2024 and 2023 is shown below (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2024	2023	2024	2023
Common stock				
Beginning balance	308	307	308	307
Stock plans	—	1	—	1
Ending balance	308	308	308	308
Additional paid-in-capital				
Beginning balance	305,283	300,697	304,850	301,553
Stock plans	2,782	3,487	3,215	2,631
Ending balance	308,065	304,184	308,065	304,184
Retained earnings				
Beginning balance	1,002,420	917,682	989,315	905,022
Net earnings common stockholders	23,219	17,878	38,388	32,605
Dividends paid	(2,061)	(2,061)	(4,125)	(4,128)
Ending balance	1,023,578	933,499	1,023,578	933,499
Accumulated other comprehensive income (loss)				
Beginning balance	(14,555)	(20,251)	(23,969)	(31,764)
Foreign currency translation	(4,745)	2,233	4,669	13,746
Ending balance	(19,300)	(18,018)	(19,300)	(18,018)
Treasury stock				
Beginning balance	(139,362)	(132,037)	(139,362)	(126,961)
Share repurchases	(6,879)	(7,141)	(6,879)	(12,217)
Ending balance	(146,241)	(139,178)	(146,241)	(139,178)
Total equity	1,166,410	1,080,795	1,166,410	1,080,795

11. FAIR VALUE MEASUREMENTS

The accounting guidance establishes a three-level hierarchy for disclosure of fair value measurements, based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Financial Assets and Liabilities

The Company has estimated the fair value of its financial instruments as of March 31, 2024 and September 30, 2023 using available market information or other appropriate valuation methodologies. The carrying amounts of cash and cash equivalents, receivables, inventories, payables, and other current assets and liabilities approximate fair value because of the short maturity of those instruments.

Fair Value of Financial Instruments

The Company's forward contracts and interest rate swaps are classified within Level 2 of the valuation hierarchy in accordance with FASB Accounting Standards Codification (ASC) 825, and are immaterial.

Nonfinancial Assets and Liabilities

The Company's nonfinancial assets such as property, plant and equipment, and other intangible assets are not measured at fair value on a recurring basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence that an impairment may exist. No impairments were recorded during the three and six-month periods ended March 31, 2024.

12. REVENUES

Disaggregation of Revenues

Revenues by customer type, geographic location, and revenue recognition method for the three and six-month periods ended March 31, 2024 are presented in the tables below as the Company deems it best depicts how the nature, amount, timing and uncertainty of net sales and cash flows are affected by economic factors. The tables below also include a reconciliation of the disaggregated revenue within each reportable segment.

Three months ended March 31, 2024 (In thousands)	**Aerospace & Defense**	**USG**	**Test**	**Total**
Customer type:				
Commercial	$ 49,382	$ 85,220	$ 34,537	$ 169,139
Government	65,319	2,089	12,582	79,990
Total revenues	$ 114,701	$ 87,309	$ 47,119	$ 249,129
Geographic location:				
United States	$ 92,161	$ 55,763	$ 27,543	$ 175,467
International	22,540	31,546	19,576	73,662
Total revenues	$ 114,701	$ 87,309	$ 47,119	$ 249,129
Revenue recognition method:				
Point in time	$ 53,463	$ 70,285	$ 10,301	$ 134,049
Over time	61,238	17,024	36,818	115,080
Total revenues	$ 114,701	$ 87,309	$ 47,119	$ 249,129

Six months ended March 31, 2024 *(In thousands)*	Aerospace & Defense	USG	Test	Total
Customer type:				
Commercial	$ 86,591	$ 166,689	$ 69,615	$ 322,895
Government	122,843	3,604	18,101	144,548
Total revenues	$ 209,434	$ 170,293	$ 87,716	$ 467,443
Geographic location:				
United States	$ 172,062	$ 111,725	$ 49,795	$ 333,582
International	37,372	58,568	37,921	133,861
Total revenues	$ 209,434	$ 170,293	$ 87,716	$ 467,443
Revenue recognition method:				
Point in time	$ 92,928	$ 136,989	$ 18,280	$ 248,197
Over time	116,506	33,304	69,436	219,246
Total revenues	$ 209,434	$ 170,293	$ 87,716	$ 467,443

Revenues by customer type, geographic location, and revenue recognition method for the three and six-month periods ended March 31, 2023 are presented in the tables below.

Three months ended March 31, 2023 *(In thousands)*	Aerospace & Defense	USG	Test	Total
Customer type:				
Commercial	$ 48,228	$ 78,110	$ 43,188	$ 169,526
Government	50,754	1,051	7,805	59,610
Total revenues	$ 98,982	$ 79,161	$ 50,993	$ 229,136
Geographic location:				
United States	$ 82,516	$ 53,020	$ 27,504	$ 163,040
International	16,466	26,141	23,489	66,096
Total revenues	$ 98,982	$ 79,161	$ 50,993	$ 229,136
Revenue recognition method:				
Point in time	$ 47,255	$ 64,080	$ 11,968	$ 123,303
Over time	51,727	15,081	39,025	105,833
Total revenues	$ 98,982	$ 79,161	$ 50,993	$ 229,136

Six months ended March 31, 2023 *(In thousands)*	Aerospace & Defense	USG	Test	Total
Customer type:				
Commercial	$ 84,968	$ 148,273	$ 89,180	$ 322,421
Government	96,997	1,933	13,286	112,216
Total revenues	$ 181,965	$ 150,206	$ 102,466	$ 434,637
Geographic location:				
United States	$ 151,450	$ 99,399	$ 55,007	$ 305,856
International	30,515	50,807	47,459	128,781
Total revenues	$ 181,965	$ 150,206	$ 102,466	$ 434,637
Revenue recognition method:				
Point in time	$ 80,859	$ 120,111	$ 21,069	$ 222,039
Over time	101,106	30,095	81,397	212,598
Total revenues	$ 181,965	$ 150,206	$ 102,466	$ 434,637

Revenue Recognition

Payment terms with our customers vary by the type and location of the customer and the products or services offered. Arrangements with customers that include payment terms extending beyond one year are not significant. The transaction price for these contracts reflects our estimate of returns and discounts, which are based on historical, current and forecasted information to determine the expected amount to which we will be entitled in exchange for transferring the promised goods or services to the customer. The realization of variable consideration occurs within a short period of time from product delivery; therefore, the time value of money effect is not significant. We primarily provide standard warranty programs for products in our commercial businesses for periods that typically range from one to two years. These assurance-type programs typically cannot be purchased separately and do not meet the criteria to be considered a performance obligation. Under the typical payment terms of our long term fixed price contracts, the customer pays us either performance-based or progress payments. Performance-based payments represent interim payments based on quantifiable measures of performance or on the achievement of specified events or milestones. Progress payments are interim payments of costs incurred as the work progresses.

For our overtime revenue recognized using the output method of costs incurred, contract cost is estimated utilizing current contract specifications and expected engineering requirements. Contract costs typically are incurred over a period of several months to one or more years, and the estimation of these costs requires judgment. Our cost estimation process is based on the professional knowledge and experience of engineers and program managers along with finance professionals. We review and update our projections of costs quarterly or more frequently when circumstances significantly change. In addition, in the USG segment, we recognize revenue as a series of distinct services based on each day of providing services (straight-line over the contract term) for certain of our USG segment contracts. Under the typical payment terms of our service contracts, the customer pays us in advance of when services are performed. In addition, in the Test segment, we use milestones to measure progress for our Test segment contracts because it best depicts the transfer of control to the customer that occurs as we incur costs on our contracts.

Remaining Performance Obligations

Remaining performance obligations, which is the equivalent of backlog, represent the expected transaction price allocated to contracts that the Company expects to recognize as revenue in future periods when the Company performs under the contracts. These remaining obligations include amounts that have been formally appropriated under contracts with the U.S. Government, and exclude unexercised contract options and potential orders under ordering-type contracts such as Indefinite Delivery, Indefinite Quantity contracts. At March 31, 2024, the Company had $837.7 million in remaining performance obligations of which the Company expects to recognize revenues of approximately 70% in the next twelve months.

Contract assets, contract liabilities and accounts receivable

Assets and liabilities related to contracts with customers are reported on a contract-by-contract basis at the end of each reporting period. At March 31, 2024, contract assets, contract liabilities and accounts receivable totaled $139.3 million, $117.8 million and $187.5 million, respectively. During the first six months of 2024, the Company recognized approximately $44 million in revenues that were included in the contract liabilities balance at September 30, 2023. At September 30, 2023, contract assets, contract liabilities and accounts receivable totaled $138.6 million, $123.1 million and $198.6 million, respectively.

13. LEASES

The Company determines at lease inception whether an arrangement that provides control over the use of an asset is a lease. The Company recognizes at lease commencement a right-of-use (ROU) asset and lease liability based on the present value of the future lease payments over the lease term. The Company has elected not to recognize a ROU asset and lease liability for leases with terms of 12 months or less. Certain of the Company’s leases include options to extend the term of the lease for up to 20 years. When it is reasonably certain that the Company will exercise the option, Management includes the impact of the option in the lease term for purposes of determining total future lease payments. As most of the Company’s lease agreements do not explicitly state the discount rate implicit in the lease, Management uses the Company’s incremental borrowing rate on the commencement date to calculate the present value of future payments based on the tenor of each arrangement.

The Company’s leases for real estate commonly include escalating payments. These variable lease payments are included in the calculation of the ROU asset and lease liability. In addition to the present value of the future lease payments, the calculation of the ROU asset also includes any deferred rent, lease pre-payments and initial direct costs of obtaining the lease.

In addition to the base rent, real estate leases typically contain provisions for common-area maintenance and other similar services, which are considered non-lease components for accounting purposes. Non-lease components are excluded from our ROU assets and lease liabilities and expensed as incurred.

The Company’s leases are for office space, manufacturing facilities, and machinery and equipment.

The components of lease costs are shown below:

(Dollars in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Finance lease cost		
Amortization of right-of-use assets	$ 372	$ 393
Interest on lease liabilities	216	233
Operating lease cost	1,874	1,853
Total lease costs	$ 2,462	$ 2,479

(Dollars in thousands)	Six Months Ended March 31, 2024	Six Months Ended March 31, 2023
Finance lease cost		
Amortization of right-of-use assets	$ 765	$ 786
Interest on lease liabilities	439	469
Operating lease cost	3,738	3,498
Total lease costs	$ 4,942	$ 4,753

Additional information related to leases are shown below:

(Dollars in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 1,824	$ 1,779
Operating cash flows from finance leases	216	233
Financing cash flows from finance leases	328	330
Right-of-use assets obtained in exchange for operating lease liabilities	1,679	618

(Dollars in thousands)	Six Months Ended March 31, 2024	Six Months Ended March 31, 2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 3,643	$ 3,380
Operating cash flows from finance leases	439	469
Financing cash flows from finance leases	683	658
Right-of-use assets obtained in exchange for operating lease liabilities	1,679	14,582

	March 31, 2024	March 31, 2023
Weighted-average remaining lease term		
Operating leases	10.8 years	11.5 years
Finance leases	11.1 years	11.5 years
Weighted-average discount rate		
Operating leases	4.55 %	4.40 %
Finance leases	4.68 %	4.61 %

The following is a reconciliation of future undiscounted cash flows to the operating and finance lease liabilities, and the related ROU assets, presented on our Consolidated Balance Sheet on March 31, 2024:

(Dollars in thousands) **Years Ending September 30:**		**Operating Leases**	**Finance Leases**
2024 (excluding the six months ended March 31, 2024)	$	3,389	1,090
2025		6,014	2,233
2026		4,729	2,297
2027		4,479	2,357
2028 and thereafter		33,206	16,470
Total minimum lease payments		51,817	24,447
Less: amounts representing interest		11,540	5,795
Present value of net minimum lease payments	$	40,277	18,652
Less: current portion of lease obligations		4,833	1,375
Non-current portion of lease obligations		35,444	17,277
ROU assets	$	38,322	14,427

Operating lease liabilities are included in the Consolidated Balance Sheet in accrued other expenses (current portion) and as a caption on the Consolidated Balance Sheet (long-term portion). Finance lease liabilities are included on the Consolidated Balance Sheet in accrued other expenses (current portion) and other liabilities (long-term portion). Operating lease ROU assets are included as a caption on the Consolidated Balance Sheet and finance lease ROU assets are included in Property, plant and equipment on the Consolidated Balance sheet.

14. NEW ACCOUNTING PRONOUNCEMENTS

In November 2023, the FASB issued ASU 2023-07, "*Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures,*" which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant expenses. The new segment disclosures are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Management will review the extent of new disclosures necessary in the coming quarters, prior to implementation in our fiscal year 2025. Other than additional disclosure, we do not expect a change to our consolidated statements of operations, financial position, or cash flows.

In December 2023, the FASB issued ASU 2023-09, "*Income Taxes (Topic 740): Improvements to Income Tax Disclosures*," which provides qualitative and quantitative updates to the rate reconciliation and income taxes paid disclosures. This ASU will be effective for fiscal years beginning after December 15, 2024. Management will review the extent of new disclosures necessary in the coming quarters, prior to implementation in our fiscal year 2026. Other than additional disclosure, we do not expect a change to our consolidated statements of operations, financial position, or cash flows.

RESULTS OF OPERATIONS

References to the second quarters of 2024 and 2023 represent the three-month periods ended March 31, 2024 and 2023, respectively.

OVERVIEW

In the second quarter of 2024, sales, net earnings and diluted earnings per share were $249.1 million, $23.2 million and $0.90 per share, respectively, compared to $229.1 million, $17.9 million and $0.69 per share, respectively, in the second quarter of 2023. In the first six months of 2024, sales, net earnings and diluted earnings per share were $467.4 million, $38.4 million and $1.49 per share, respectively, compared to $434.6 million, $32.6 million and $1.26 per share, respectively, in the first six months of 2023.

NET SALES

In the second quarter of 2024, net sales of $249.1 million were $20.0 million, or 8.7%, higher than the $229.1 million in the second quarter of 2023. In the first six months of 2024, net sales of $467.4 million were $32.8 million, or 7.5%, higher than the $434.6 million in the first six months of 2023. The increase in net sales in the second quarter of 2024 as compared to the second quarter of 2023 was due to a $15.7 million increase in the A&D segment and an $8.1 million increase in the USG segment, partially offset by a $3.9 million decrease in the Test segment. The increase in net sales in the first six months of 2024 as compared to the first six months of 2023 was due to a $27.4 million increase in the Aerospace & Defense segment, and a $20.1 million increase in the USG segment, partially offset by a $14.8 million decrease in the Test segment.

-Aerospace & Defense (A&D)

In the second quarter of 2024, net sales of $114.7 million were $15.7 million, or 15.9%, higher than the $99.0 million in the second quarter of 2023. In the first six months of 2024, net sales of $209.4 million were $27.4 million, or 15.1%, higher than the $182.0 million in the first six months of 2023. The sales increase in the second quarter of 2024 compared to the second quarter of 2023 was mainly due to a $5.1 million increase in commercial aerospace shipments, a $3.1 million increase in defense aerospace shipments and a $7.1 million increase in navy revenues. The sales increase in the first six months of 2024 compared to the first six months of 2023 was mainly due to a $7.8 million increase in commercial aerospace shipments, a $5.9 million increase in defense aerospace shipments and a $10.0 million increase in navy revenues.

-USG

In the second quarter of 2024, net sales of $87.3 million were $8.1 million, or 10.2%, higher than the $79.2 million in the second quarter of 2023. In the first six months of 2024, net sales of $170.3 million were $20.1 million, or 13.4%, higher than the $150.2 million in the first six months of 2023. The increase in the second quarter and first six months of 2024 compared to the corresponding periods of 2023 was mainly due to an increase in service revenue and cybersecurity/compliance (DUCe) revenue and an increase in net sales at NRG driven by continued strength in the renewables end-market, primarily solar.

-Test

In the second quarter of 2024, net sales of $47.1 million were $3.9 million, or 7.6%, lower than the $51.0 million in the second quarter of 2023. In the first six months of 2024, net sales of $87.7 million were $14.8 million, or 14.4%, lower than the $102.5 million in the first six months of 2023. The decrease in the second quarter of 2024 as compared to the second quarter of 2023 was primarily due to a $5.2 million decrease in sales from the Company's U.S. and European operations due to lower wireless, filters and acoustic volumes partially offset by a $1.3 million increase in sales from the segment's Asian operations. The decrease in the first six months of 2024 compared to the first six months of 2023 was due to a $11.3 million decrease in sales from the Company's U.S. operations, a $2.8 million decrease in sales from the Company's European operations and a $0.7 million decrease in sales from the Company's Asian operations due to lower wireless, filters and acoustic volumes and timing of test and measurement chamber projects.

ORDERS AND BACKLOG

Backlog was $837.7 million at March 31, 2024 compared with $772.4 million at September 30, 2023. The Company received new orders totaling $239.1 million in the second quarter of 2024 compared to $251.6 million in the second quarter of 2023. Of the new orders received in the second quarter of 2024, $116.1 million related to Aerospace & Defense products, $79.0 million related to USG products, and $43.9 million related to Test products. Of the new orders received in the second quarter of 2023, $111.7 million related to Aerospace & Defense products (including $7 million of acquired backlog from the 2023 acquisition of CMT), $84.6 million related to USG products, and $55.3 million related to Test products.

The Company received new orders totaling $532.8 million in the first six months of 2024 compared to $480.5 million in the first six months of 2023. Of the new orders received in the first six months of 2024, $287.7 million related to Aerospace & Defense products, $156.0 million related to USG products, and $89.1 million related to Test products. Of the new orders received in the first six months of 2023, $208.9 million related to Aerospace & Defense products, $164.8 million related to USG products, and $106.8 million related to Test products.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses for the second quarter of 2024 were $55.1 million (22.1% of net sales), compared with $53.9 million (23.5% of net sales) for the second quarter of 2023. For the first six months of 2024, SG&A expenses were $109.1 million (23.3% of net sales) compared to $105.2 million (24.2% of net sales) for the first six months of 2023. The increase in SG&A in the second quarter and first six months of 2024 compared to the corresponding periods of 2023 was mainly due to an increase within the USG and A&D segments due to higher sales, inflationary impacts and acquisition impacts.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets was $8.6 million and $16.4 million for the second quarter and first six months of 2024, respectively, compared to $7.0 million and $13.9 million for the corresponding periods of 2023. Amortization expenses consist of amortization of acquired intangible assets from acquisitions and other identifiable intangible assets (primarily software). The increase in amortization expense in the second quarter and first six months of 2024 compared to the corresponding periods of 2023 was mainly due to an increase in amortization of capitalized software and amortization of intangible assets related to the MPE and CMT acquisitions.

OTHER EXPENSES (INCOME), NET

Other expenses, net, was $0.7 million in the second quarter of 2024 compared to $0.3 million of expenses in the second quarter of 2023. Other expenses, net, was $0.9 million in the first six months of 2024 compared to $0.7 million of expenses in the first six months of 2023. The principal component of other expenses, net, in the second quarter and first six months of 2024 was approximately $0.5 million of restructuring charges (primarily severance) within the Test and A&D segments. There were no individually significant items in other expenses, net, in the second quarter or first six months of 2023.

EBIT

The Company evaluates the performance of its operating segments based on EBIT, and provides EBIT on a consolidated basis. EBIT is a non-GAAP financial measure. Please refer to the discussion of non-GAAP financial measures in Note 7 to the Consolidated Financial Statements, above. EBIT was $32.4 million (13.0% of net sales) for the second quarter of 2024 compared to $25.6 million (11.2% of net sales) for the second quarter of 2023. For the first six months of 2024, EBIT was $54.6 million (11.7% of net sales) compared to $46.2 million (10.6% of net sales) for the first six months of 2023.

The following table presents a reconciliation of EBIT to net earnings.

	Three Months Ended March 31,		Six Months Ended March 31,	
(In thousands)	**2024**	**2023**	**2024**	**2023**
Net earnings	$ 23,219	17,878	38,388	32,605
Plus: Interest expense, net	3,226	2,269	5,893	3,927
Plus: Income tax expense	6,002	5,472	10,287	9,644
Consolidated EBIT	$ 32,447	25,619	54,568	46,176

–Aerospace & Defense

EBIT in the second quarter of 2024 was $23.4 million (20.4% of net sales) compared to $18.8 million (19.0% of net sales) in the second quarter of 2023. EBIT in the first six months of 2024 was $40.0 million (19.1% of net sales) compared to $31.3 million (17.2% of net sales) in the first six months of 2023. The increase in EBIT in the second quarter and first six months of 2024 compared to the corresponding periods of 2023 was mainly driven by leverage on higher sales volumes and price increases, partially offset by inflationary pressures and mix. EBIT was negatively impacted by $0.3 million of restructuring charges (primarily severance) in the second quarter and first six months of 2024. EBIT in the second quarter of 2023 was negatively impacted by a $0.6 million inventory step-up charge related to the CMT acquisition.

-USG

EBIT in the second quarter of 2024 was $17.6 million (20.2% of net sales) compared to $14.1 million (17.8% of net sales) in the second quarter of 2023. EBIT in the first six months of 2024 was $35.2 million (20.7% of net sales) compared to $30.2 million (20.1% of net sales) in the first six months of 2023. The increase in EBIT in the second quarter and first six months of 2024 compared to the corresponding periods of 2023 was mainly due to leverage on higher sales volumes at Doble and NRG, price increases and mix, partially offset by inflationary pressures.

-Test

EBIT in the second quarter of 2024 was $5.5 million (11.7% of net sales) compared to $7.2 million (14.2% of net sales) in the second quarter of 2023. EBIT in the first six months of 2024 was $7.3 million (8.3% of net sales) compared to $12.6 million (12.3% of net sales) in the first six months of 2023. The decrease in EBIT in the second quarter and first six months of 2024 compared to the corresponding periods of 2023 was primarily due to lower sales volumes mainly from the segment's U.S and European operations and inflationary pressures partially offset by price increases and cost reduction actions. In addition, EBIT was negatively impacted by $0.2 million of restructuring charges (primarily severance) in the second quarter of 2024. In the first six months of 2024, EBIT was negatively impacted by $0.3 million of inventory step-up charges related to the MPE acquisition and $0.2 million of restructuring charges.

–Corporate

Corporate costs included in EBIT were $14.0 million and $28.0 million in the second quarter and first six months of 2024, respectively, compared to $14.5 million and $28.0 million in the corresponding periods of 2023. The decrease in Corporate costs in the second quarter of 2024 as compared to the prior year quarter was mainly due to executive management transition costs that were incurred in the prior year period.

INTEREST EXPENSE, NET

Interest expense was $3.2 million and $5.9 million in the second quarter and first six months of 2024, respectively, and $2.3 million and $3.9 million in the corresponding periods of 2023. The increase in interest expense in the second quarter and first six months of 2024 compared to the corresponding periods of 2023 was mainly due to higher average interest rates and higher average outstanding borrowings. The weighted average interest rates were 6.8% and 6.8% for the three and six-month periods ending March 31, 2024, respectively, and 6.0% and 6.3% for the three and six-month periods ending March 31, 2023.

INCOME TAX EXPENSE

The second quarter 2024 effective income tax rate was 20.5% compared to 23.4% in the second quarter of 2023. The effective income tax rate in the first six months of 2024 was 21.1% compared to 22.8% for the first six months of 2023. Income tax expense in the second quarter and first six months of 2024 was favorably impacted by discrete events including the release of a foreign valuation allowance and excess tax benefit related to the vesting of share-based director compensation.

CAPITAL RESOURCES AND LIQUIDITY

The Company's overall financial position and liquidity remains strong. Working capital (current assets less current liabilities) increased to $333.0 million at March 31, 2024 from $266.4 million at September 30, 2023. Inventories increased by $27.3 million during this period due to a $13.9 million increase within the Aerospace & Defense segment, a $10.6 million increase within the USG segment and a $2.8 million increase within the Test segment resulting primarily from the timing of receipt of raw materials to meet anticipated demand and an increase in work in process inventories due to timing of manufacturing existing orders. Accrued salaries decreased by $9.2 million during this period due to timing of salaries and bonus payments.

Net cash provided (used) by operating activities was $19.2 million and ($5.5) million in the first six months of 2024 and 2023, respectively. The increase in net cash provided by operating activities in the first six months of 2024 as compared to the first six months of 2023 was mainly driven by lower accounts receivable balances due to an increase in collections and higher earnings.

Capital expenditures were $16.3 million and $10.3 million in the first six months of 2024 and 2023, respectively. The increase in the first six months of 2024 compared to the prior year period was mainly due to an increase in building improvements and machinery & equipment within the A&D segment. In addition, the Company incurred expenditures for capitalized software of $5.9 million and $5.9 million in the first six months of 2024 and 2023, respectively.

Acquisition

On November 9, 2023, the Company acquired MPE Limited (MPE), based in the United Kingdom, for a purchase price of approximately $56.2 million, net of cash acquired. MPE is a leading global manufacturer of high-performance EMC/EMP filters and capacitor products for military, utility, telecommunication, and other critical infrastructure applications. Since the date of acquisition, the operating results for the MPE business have been included as part of ETS-Lindgren in the Test segment.

Credit Facility

At March 31, 2024, the Company had approximately $303 million available to borrow under its bank credit facility, a $250 million increase option, and $59.4 million cash on hand. At March 31, 2024, the Company had $191 million of outstanding borrowings under the credit facility in addition to outstanding letters of credit of $5.8 million. Cash flow from operations and borrowings under the Company's credit facility are expected to meet the Company's capital requirements and operational needs for the foreseeable future. The Company's ability to access the additional $250 million increase option of the credit facility is subject to acceptance by participating or other outside banks.

Share Repurchases

During the first six months of 2024, the Company repurchased approximately 72,000 shares for approximately $7.2 million. For further information on the share repurchases during the second quarter of 2024, see Part II, Item 2 of this Report.

Dividends

A dividend of $0.08 per share, totaling $2.1 million, was paid on October 17, 2023 to stockholders of record as of October 3, 2023. A dividend of $0.08 per share, totaling $2.1 million, was paid on January 19, 2024 to stockholders of record as of January 4, 2024. Subsequent to March 31, 2024, a quarterly dividend of $0.08 per share, totaling $2.1 million, was paid on April 16, 2024 to stockholders of record as of April 1, 2024.

CRITICAL ACCOUNTING POLICIES

Management has evaluated the accounting policies used in the preparation of the Company's financial statements and related notes and believes those policies to be reasonable and appropriate. Certain of these accounting policies require the application of significant judgment by Management in selecting appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on historical experience, trends in the industry, information provided by customers and information available from other outside sources, as appropriate. The most significant areas involving Management judgments and estimates may be found in the Critical Accounting Policies section of Management's Discussion and Analysis and in Note 1 to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

OTHER MATTERS

Contingencies

As a normal incident of the business in which the Company is engaged, various claims, charges and litigation are asserted or commenced against the Company. Additionally, the Company is currently involved in various stages of investigation and remediation relating to environmental matters. In the opinion of Management, the aggregate costs involved in the resolution of these matters, and final judgments, if any, which might be rendered against the Company, are adequately reserved, are covered by insurance, or would not have a material adverse effect on the Company's results from operations, capital expenditures, or competitive position.

FORWARD LOOKING STATEMENTS

Statements contained in this Form 10-Q regarding future events and the Company's future results that reflect or are based on current expectations, estimates, forecasts, projections or assumptions about the Company's performance and the industries in which the

Company operates are considered “forward-looking statements” within the meaning of the safe harbor provisions of the Federal securities laws. These may include, but are not necessarily limited to, statements about: the strength of certain end markets served by the Company, and the timing of the recovery of certain end markets which the Company serves; the adequacy of the Company’s credit facility and the Company’s ability to increase it; the outcome of current litigation, claims and charges; the determination of the current portion of the Company’s long-term debt and the timing of its repayment; future revenues from remaining performance obligations; fair values of reporting units; the deductibility of goodwill; estimates and assumptions that affect the reported values of assets and liabilities; the future recognition of compensation cost related to share-based compensation arrangements; the Company’s ability to hedge against or otherwise manage market risks through the use of derivative financial instruments; the extent to which hedging gains or losses will be offset by losses or gains on related underlying exposures; and any other statements contained herein which are not strictly historical. Words such as expects, anticipates, targets, goals, projects, intends, plans, believes, estimates, variations of such words, and similar expressions are intended to identify such forward-looking statements.

Investors are cautioned that such statements are only predictions and speak only as of the date of this Form 10-Q, and the Company undertakes no duty to update them except as may be required by applicable laws or regulations. The Company’s actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company’s operations and business environment, including but not limited to those described in Item 1A, “Risk Factors,” of the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2023, and the following: the impacts of climate change and related regulation of greenhouse gases; the impacts of labor disputes, civil disorder, wars, elections, political changes, tariffs and trade disputes, terrorist activities, cyberattacks or natural disasters on the Company’s operations and those of the Company’s customers and suppliers; disruptions in manufacturing or delivery arrangements due to shortages or unavailability of materials or components; or supply chain disruptions; inability to access work sites; the timing and content of future contract awards or customer orders; the timely appropriation, allocation and availability of Government funds; the termination for convenience of Government and other customer contracts or orders; weakening of economic conditions in served markets; the success of the Company’s competitors; changes in customer demands or customer insolvencies; competition; intellectual property rights; technical difficulties or data breaches; the availability of selected acquisitions; delivery delays or defaults by customers; performance issues with key customers, suppliers and subcontractors; material changes in the costs and availability of certain raw materials; material changes in the cost of credit; changes in laws and regulations including but not limited to changes in accounting standards and taxation; changes in interest, inflation and employment rates; costs relating to environmental matters arising from current or former facilities; uncertainty regarding the ultimate resolution of current disputes, claims, litigation or arbitration; and the integration and performance of recently acquired businesses.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates. The Company is exposed to market risk related to changes in interest rates and selectively uses derivative financial instruments, including forward contracts and swaps, to manage these risks. The Company's Canadian subsidiary Morgan Schaffer enters into foreign exchange contracts to manage foreign currency risk as a portion of their revenue is denominated in U.S. dollars. All derivative instruments are reported on the balance sheet at fair value. For derivative instruments designated as cash flow hedges, the gain or loss on the respective derivative is deferred in accumulated other comprehensive income until recognized in earnings with the underlying hedged item. There has been no material change to the Company's market risks since September 30, 2023.

ITEM 4. CONTROLS AND PROCEDURES

The Company carried out an evaluation, under the supervision and with the participation of Management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of that date. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. There has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

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

ISSUER PURCHASES OF EQUITY SECURITIES*

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
January 1-31, 2024	6,901	$ 99.90	6,901	$ 166.9 million
February 1-29, 2024	20,072	$ 98.86	20,072	$ 164.9 million
March 1-31, 2024	45,371	$ 99.50	45,371	$ 160.4 million
Total	72,344	$ 99.37	72,344	$ 160.4 million

* On August 5, 2021, the Company's Board of Directors approved a common stock repurchase program, which was announced on August 9, 2021, authorizing us to repurchase shares of our stock from time to time at our discretion, in the open market or otherwise, up to a maximum total repurchase amount equal to $200 million (or such lesser amount as may be permitted under the Company's bank credit agreements). This program is scheduled to expire September 30, 2024. The Company has not determined whether or when it may cease making repurchases under the program prior to its expiration.

ITEM 6. EXHIBITS

Exhibit Number	Description	Document Location
3.1(a)	Restated Articles of Incorporation	Exhibit 3(a) to the Company's Form 10-K for the fiscal year ended September 30, 1999
3.1(b)	Amended Certificate of Designation, Preferences and Rights of Series A Participating Cumulative Preferred Stock of the Registrant	Exhibit 4(e) to the Company's Form 10-Q for the fiscal quarter ended March 31, 2000
3.1(c)	Articles of Merger effective July 10, 2000	Exhibit 3(c) to the Company's Form 10-Q for the fiscal quarter ended June 30, 2000
3.1(d)	Amendment of Articles of Incorporation effective February 5, 2018	Exhibit 3.1 to the Company's Form 8-K filed February 7, 2018
3.2	Bylaws	Exhibit 3.1 to the Company's Form 8-K filed November 22, 2022
4.2	Amended and Restated Credit Agreement dated August 30, 2023	Exhibit 10.1 to the Company's Form 8-K filed September 6, 2023
10.1	Form of Director Share Award Agreement (Non-Employee Director) (FY2024)	Filed herewith
31.1	Certification of Chief Executive Officer	Filed herewith
31.2	Certification of Chief Financial Officer	Filed herewith
32	Certification of Chief Executive Officer and Chief Financial Officer	Filed herewith
101.INS	XBRL Instance Document*	Submitted herewith
101.SCH	XBRL Schema Document*	Submitted herewith
101.CAL	XBRL Calculation Linkbase Document*	Submitted herewith
101.DEF	XBRL Definition Linkbase Document*	Submitted herewith
101.LAB	XBRL Label Linkbase Document*	Submitted herewith
101.PRE	XBRL Presentation Linkbase Document*	Submitted herewith
104	Cover Page Interactive Data File (contained in Exhibit 101)	Submitted herewith

* Exhibit 101 to this report consists of documents formatted in XBRL (Extensible Business Reporting Language). The financial information contained in the XBRL – related documents is "unaudited" or "unreviewed".

SIGNATURE

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.

ESCO TECHNOLOGIES INC.

/s/ Christopher L. Tucker
Christopher L. Tucker
Senior Vice President and Chief Financial Officer
(As duly authorized officer and principal accounting and financial officer of the registrant)

Dated: May 10, 2024

DIRECTOR SHARE AWARD AGREEMENT
(NON-EMPLOYEE DIRECTOR)

To:	("you")
From:	Human Resources and Compensation Committee of the ESCO Technologies Inc. ("Company") Board of Directors (the "Committee")
Subject:	Equity Award under the Company's Sub-Plan for Compensation of Non-Employee Directors Under the 2018 Omnibus Incentive Plan (the "Plan")

1. Notice of Award.

(a) I am pleased to advise you that the Committee has awarded to you a Restricted Share Unit Award of _____ units of ESCO Technologies Inc. Common Stock (the "Award Shares") effective ________ _, 20__ (the "Award Date"), based upon the fair market value on the Award Date of $_____ per share. This Award and the Award Shares are subject to the terms and conditions set forth in this Equity Award Agreement ("Agreement") and to the applicable provisions and definitions set forth in the Plan. See also Attachment A.

2. Vesting.

(a) The Award Shares are subject to a one-year vesting period ending at the close of business on the first anniversary of the Award Date (the "Vesting Date"). Prior to the Vesting Date the Award Shares will be represented by a number of "Share Units" equal to the number of Award Shares and held in a bookkeeping account. In the event a dividend is paid on the Common Stock between the Award Date and the Vesting Date, an additional number of Share Units will be accrued in your account equal to (A) the number of Share Units held before the dividend, multiplied by (B) the dividend per share of Common Stock, divided by (C) the NYSE closing price of the Common Stock on the dividend date, carried to four decimal places.

(b) If you remain continuously in service as a member of the Board from the Award Date through the Vesting Date, then you will become entitled to receive a number of whole shares of Common Stock equal to the whole number of shares of Share Units in your account as of the Vesting Date, distributable as of the next NYSE trading day after the Vesting Date, and any fractional share shall be paid in cash in an amount equal to the fractional share multiplied by the fair market value per share as of the Vesting Date, subject to the provisions of Section 2 below.

(c) Your rights in the event of a Change of Control or your death, disability or retirement prior to the Vesting Date are as set forth in the Plan.

3. Elective Deferrals. The shares underlying the Award are eligible for elective deferrals pursuant to the terms of the Plan, as amended. However, in the event of an elective deferral, the period between the Award Date and the Vesting Date will constitute part of the initial deferral period.

4. Choice of Law; Venue. This Award shall be construed and administered in accordance with the laws of the State of Missouri without regard to the principles of conflicts of law which might otherwise apply. In light of the fact that the Company is headquartered in St. Louis, Missouri, the Plan was established and is administered in the State of Missouri and the majority of the Committee's meetings are held in the State of Missouri, any litigation concerning any aspect of this Award shall be conducted exclusively in the State or Federal Courts in the State of Missouri.

5. **Severability**. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law. If any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, (a) the parties agree that such provision(s) will be enforced to the maximum extent permissible under the applicable law, and (b) any invalidity, illegality or unenforceability of a particular provision will not affect any other provision of this Agreement.

6. **Amendment.** This Award may be amended by written consent between the Company and you.

ESCO TECHNOLOGIES INC.	DIRECTOR
______________________________	______________________________
ESCO Officer	(*insert director name)*
______________________________	Executed and agreed to ________________, 20__
Date	

Attachment A

The principal provisions of the Restricted Share Unit Award for Non-Management Directors to which this Appendix A is attached are summarized as follows:

- Only non-management Directors are eligible to participate.
- The Human Resources and Compensation Committee (HRCC) will determine the portion of the annual retainer fee to be paid each year in cash and the portion to be paid in Restricted Share Units (RSUs).
- The number of Share Units awarded will be based on the NYSE closing price of the Company's Common Stock on the Award Date. The Award Date is the first NYSE trading day after the Company's Annual Meeting of Shareholders.
- The Company will maintain the Share Units in a bookkeeping account until the underlying Common Stock is distributed.
- Share Units do not carry any voting rights and may not be transferred.
- No cash dividends will be paid on unvested or deferred Share Units. Additional Share Units having a value equal to the dividends otherwise payable on the underlying Common Stock will be credited to your account on each dividend payment date until the underlying Common Stock is distributed.
- Share Units in your account will vest upon the earlier of (1) your death or disability, (2) a change of control of the Company, or (3) at the close of business on the first anniversary of the Award Date.
- Share Units will be converted into Company Common Stock and distributed on the first NYSE trading day after the vesting date unless a deferral election has been made as provided in the Plan.

The foregoing is only a summary of certain provisions of the Award provided for quick reference and is subject in all respects to the definitions and provisions set forth in the Plan and the Award.

CERTIFICATION

I, Bryan H. Sayler, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 10, 2024

/s/ Bryan H. Sayler
Bryan H. Sayler
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Christopher L. Tucker, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 10, 2024

/s/ Christopher L. Tucker
Christopher L. Tucker
Senior Vice President and Chief Financial Officer

Exhibit 32

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 ESCO Technologies Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Bryan H. Sayler, President and Chief Executive Officer of the Company, and Christopher L. Tucker, Senior Vice President and Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: May 10, 2024

/s/ Bryan H. Sayler
Bryan H. Sayler
President and Chief Executive Officer
ESCO Technologies Inc.

/s/ Christopher L. Tucker
Christopher L. Tucker
Senior Vice President and Chief Financial Officer
ESCO Technologies Inc.