

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 JUNE 30, 2021

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-10596

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 July 31, 2021
Common stock, \$.01 par value per share	26,061,432

ITEM 1. FINANCIAL STATEMENTS

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(Dollars in thousands, except per share amounts)

	Three Months Ended June 30,	
	2021	2020
Net sales	\$ 181,394	172,665
Costs and expenses:		
Cost of sales	113,610	107,686
Selling, general and administrative expenses	42,882	36,936
Amortization of intangible assets	4,864	5,535
Interest expense, net	480	1,523
Other expenses (income), net	615	(824)
Total costs and expenses	162,451	150,856
Earnings before income taxes	18,943	21,809
Income tax expense	4,034	3,122
Net earnings	<u>\$ 14,909</u>	<u>18,687</u>
Earnings per share:		
Basic -		
Net earnings	<u>0.57</u>	<u>0.72</u>
Diluted -		
Net earnings	<u>\$ 0.57</u>	<u>0.72</u>

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended June 30,	
	2021	2020
Net sales	\$ 509,962	524,885
Costs and expenses:		
Cost of sales	316,785	327,655
Selling, general and administrative expenses	122,628	119,023
Amortization of intangible assets	14,729	16,565
Interest expense, net	1,453	5,264
Other (income) expenses, net	(1,265)	174
Total costs and expenses	454,330	468,681
Earnings before income taxes	55,632	56,204
Income tax expense	12,501	8,931
Earnings from continuing operations	43,131	47,273
Loss from discontinued operations, net of tax expense of \$269	—	(601)
Gain on sale of discontinued operations, net of tax expense of \$23,734	—	76,614
Earnings from discontinued operations	—	76,013
Net earnings	\$ 43,131	123,286
Earnings per share:		
Basic — Continuing operations	\$ 1.66	1.82
— Discontinued operations	—	2.92
— Net earnings	\$ 1.66	4.74
Diluted — Continuing operations	\$ 1.65	1.81
— Discontinued operations	—	2.91
— Net earnings	\$ 1.65	4.72

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Net earnings	\$ 14,909	18,687	43,131	123,286
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	535	2,802	6,000	(160)
Total other comprehensive income (loss), net of tax	535	2,802	6,000	(160)
Comprehensive income	<u>\$ 15,444</u>	<u>21,489</u>	<u>49,131</u>	<u>123,126</u>

See accompanying notes to consolidated financial statements.

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

	June 30, 2021	September 30, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 78,359	52,560
Accounts receivable, net	135,343	144,082
Contract assets	94,768	94,302
Inventories, net	141,113	135,296
Other current assets	21,282	17,053
Total current assets	470,865	443,293
Property, plant and equipment, net of accumulated depreciation of \$144,642 and \$130,534, respectively	141,967	139,870
Intangible assets, net of accumulated amortization of \$143,792 and \$129,063, respectively	343,346	346,632
Goodwill	411,732	408,063
Operating lease assets	30,426	21,390
Other assets	10,347	10,938
Total assets	<u>\$ 1,408,683</u>	<u>1,370,186</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and short-term borrowings	\$ 20,000	22,368
Accounts payable	50,921	50,525
Contract liabilities	105,822	100,551
Accrued salaries	33,132	32,149
Accrued other expenses	43,517	50,436
Total current liabilities	253,392	256,029
Deferred tax liabilities	56,992	60,170
Non-current operating lease liabilities	26,458	16,785
Other liabilities	38,987	38,176
Long-term debt	28,000	40,000
Total liabilities	403,829	411,160
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 30,665,868 and 30,645,625 shares, respectively	307	306
Additional paid-in capital	296,578	293,682
Retained earnings	812,709	775,829
Accumulated other comprehensive income (loss), net of tax	2,343	(3,657)
	1,111,937	1,066,160
Less treasury stock, at cost: 4,604,741 and 4,607,911 common shares, respectively	(107,083)	(107,134)
Total shareholders' equity	1,004,854	959,026
Total liabilities and shareholders' equity	<u>\$ 1,408,683</u>	<u>1,370,186</u>

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net earnings	\$ 43,131	123,286
Earnings from discontinued operations	—	(76,013)
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	30,259	31,066
Stock compensation expense	5,386	4,184
Changes in assets and liabilities	2,520	(20,926)
Gain on sale of building and land	(1,950)	—
Pension contributions	—	(10,000)
Effect of deferred taxes	(3,946)	2,155
Net cash provided by operating activities – continuing operations	75,400	53,752
Net cash used by operating activities – discontinued operations	—	(14,737)
Net cash provided by operating activities	75,400	39,015
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(6,684)	—
Proceeds from sale of building and land	1,950	—
Capital expenditures	(17,887)	(28,291)
Additions to capitalized software	(6,500)	(6,564)
Net cash used by investing activities – continuing operations	(29,121)	(34,855)
Proceeds from sale of discontinued operations	—	183,812
Capital expenditures – discontinued operations	—	(1,728)
Net cash provided by investing activities – discontinued operations	—	182,084
Net cash (used) provided by investing activities	(29,121)	147,229
Cash flows from financing activities:		
Proceeds from long-term debt and short-term borrowings	80,000	11,577
Principal payments on long-term debt and short-term borrowings	(94,368)	(145,000)
Dividends paid	(6,251)	(6,240)
Other	(1,672)	(3,127)
Net cash used by financing activities – continuing operations	(22,291)	(142,790)
Net cash used by financing activities – discontinued operations	—	(2,140)
Net cash used by financing activities	(22,291)	(144,930)
Effect of exchange rate changes on cash and cash equivalents	1,811	1,617
Net increase in cash and cash equivalents	25,799	42,931
Cash and cash equivalents, beginning of period	52,560	61,808
Cash and cash equivalents, end of period	\$ 78,359	104,739
Supplemental cash flow information:		
Interest paid	\$ 316	4,669
Income taxes paid (including state and foreign)	21,982	23,435

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). As a result of the pension plan termination referenced in the fourth quarter of 2020, certain prior year amounts have been reclassified to conform with the current year presentation. For further information, refer to the consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended September 30, 2020.

The Company’s results for the three-month and nine-month periods ended June 30, 2021 are not necessarily indicative of the results for the entire 2021 fiscal year. References to the third quarters of 2021 and 2020 represent the fiscal quarters ended June 30, 2021 and 2020, 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 unvested restricted share units (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 June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Weighted Average Shares Outstanding — Basic	26,045	26,031	26,040	26,002
Dilutive Options and Restricted Shares	169	103	159	128
Adjusted Shares — Diluted	<u>26,214</u>	<u>26,134</u>	<u>26,199</u>	<u>26,130</u>

3. SHARE-BASED COMPENSATION

The Company provides compensation benefits to certain key employees under several share-based plans providing for performance-accelerated restricted shares (restricted shares), and to non-employee directors under a non-employee directors compensation plan.

Performance-Accelerated Restricted Share Awards

Compensation expense related to the restricted share awards was \$2.5 million and \$4.5 million for the three and nine-month periods ended June 30, 2021, respectively, and \$1.0 million and \$3.2 million for the corresponding periods in 2020. There were 229,602 non-vested shares outstanding as of June 30, 2021.

Non-Employee Directors Plan

Compensation expense related to the non-employee director grants was \$0.3 million and \$1.0 million for the three and nine-month periods ended June 30, 2021, respectively, and \$0.3 million and \$1.0 million for the corresponding periods in 2020.

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 \$2.8 million and \$5.5 million for the three and nine-month periods ended June 30, 2021, respectively, and \$1.3 million and \$4.2 million for the corresponding periods in 2020. The total income tax benefit recognized in results of operations for share-based compensation arrangements was \$0.4 million and \$1.1 million for the three

and nine-month periods ended June 30, 2021, respectively, and \$0.2 million and \$0.9 million for the corresponding periods in 2020. As of June 30, 2021, there was \$9.2 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 1.9 years.

4. INVENTORIES

Inventories, net, from continuing operations consist of the following:

<u>(In thousands)</u>	<u>June 30, 2021</u>	<u>September 30, 2020</u>
Finished goods	\$ 28,732	28,471
Work in process	37,874	30,183
Raw materials	74,507	76,642
Total inventories	<u>\$ 141,113</u>	<u>135,296</u>

5. GOODWILL AND OTHER INTANGIBLE ASSETS

Included on the Company's Consolidated Balance Sheets at June 30, 2021 and September 30, 2020 are the following intangible assets gross carrying amounts and accumulated amortization from continuing operations:

<u>(Dollars in thousands)</u>	<u>June 30, 2021</u>	<u>September 30, 2020</u>
Goodwill	<u>\$ 411,732</u>	<u>408,063</u>
Intangible assets with determinable lives:		
Patents		
Gross carrying amount	\$ 2,144	2,092
Less: accumulated amortization	943	858
Net	<u>\$ 1,201</u>	<u>1,234</u>
Capitalized software		
Gross carrying amount	\$ 91,388	84,888
Less: accumulated amortization	62,111	57,302
Net	<u>\$ 29,277</u>	<u>27,586</u>
Customer relationships		
Gross carrying amount	\$ 229,385	227,178
Less: accumulated amortization	76,986	67,643
Net	<u>\$ 152,399</u>	<u>159,535</u>
Other		
Gross carrying amount	\$ 5,358	5,156
Less: accumulated amortization	3,730	3,260
Net	<u>\$ 1,628</u>	<u>1,896</u>
Intangible assets with indefinite lives:		
Trade names	<u>\$ 158,841</u>	<u>156,381</u>

The changes in the carrying amount of goodwill attributable to each business segment for the nine months ended June 30, 2021 is as follows on a continuing operations basis:

(Dollars in millions)	USG	Test	Aerospace & Defense	Total
Balance as of September 30, 2020	271.9	34.1	102.1	408.1
Acquisition activity	—	—	2.2	2.2
Foreign currency translation	1.4	—	—	1.4
Balance as of June 30, 2021	<u>\$ 273.3</u>	<u>34.1</u>	<u>104.3</u>	<u>411.7</u>

The economic uncertainty, changes in the propensity for the general public to travel by air, and reductions in demand for commercial aircraft as a result of the COVID-19 pandemic have adversely impacted net sales and operating results in certain of the Aerospace and Defense reporting units. There were no impairment charges incurred for the three and nine-month periods ended June 30, 2021, however, the fair value of the Mayday and Westland reporting units, included in the Aerospace and Defense segment, exceeded carrying value by less than 10%. At June 30, 2021, we had \$30 million and \$18 million of goodwill recorded for Mayday and Westland, respectively.

6. 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, Utility Solutions Group (USG), and RF Shielding and Test (Test). The Aerospace & Defense segment's operations consist of PTI Technologies Inc. (PTI), VACCO Industries (VACCO), Crissair, Inc. (Crissair), Westland Technologies Inc. (Westland), Mayday Manufacturing Co. and its affiliate Hi-Tech Metals, Inc. (collectively referred to as Mayday) and Globe Composite Solutions, LLC (Globe). 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 and 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; and metal processing services. The USG segment's operations consist primarily of Doble Engineering Company and Morgan Schaffer Ltd. (together 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. NRG designs and manufactures decision support tools for the renewable energy industry, primarily wind and solar. The Test segment's operations consist primarily of ETS-Lindgren Inc. (ETS-Lindgren). ETS-Lindgren is an industry leader in providing its customers with the ability to identify, measure and contain magnetic, electromagnetic and acoustic energy. ETS-Lindgren also manufactures radio frequency shielding products and components used by manufacturers of medical equipment, communications systems, electronic products, and shielded rooms for high-security data processing and secure communication.

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 from continuing operations before interest and taxes. The table below is presented on the basis of continuing operations and excludes discontinued operations.

(In thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
NET SALES				
Aerospace & Defense	\$ 85,576	84,072	234,720	256,707
USG	47,704	42,577	141,799	139,179
Test	48,114	46,016	133,443	128,999
Consolidated totals	<u>\$ 181,394</u>	<u>172,665</u>	<u>509,962</u>	<u>524,885</u>
EBIT				
Aerospace & Defense	\$ 16,714	17,409	41,980	51,658
USG	8,227	6,156	27,683	20,310
Test	6,751	7,177	17,781	17,483
Corporate (loss)	(12,269)	(7,410)	(30,359)	(27,983)
Consolidated EBIT	19,423	23,332	57,085	61,468
Less: Interest expense	(480)	(1,523)	(1,453)	(5,264)
Earnings before income taxes	<u>\$ 18,943</u>	<u>21,809</u>	<u>55,632</u>	<u>56,204</u>

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 from continuing operations 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.

7. DEBT

The Company’s debt is summarized as follows:

(In thousands)	June 30, 2021	September 30, 2020
Total borrowings	\$ 48,000	62,368
Current portion of long-term debt and short-term borrowings	(20,000)	(22,368)
Total long-term debt, less current portion	<u>\$ 28,000</u>	<u>40,000</u>

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 eight banks led by JP Morgan Chase Bank, N.A., as Administrative Agent. The Credit Facility matures September 27, 2024.

At June 30, 2021, the Company had approximately \$444 million available to borrow under the Credit Facility, plus the \$250 million increase option, subject to lender approval, in addition to \$78.4 million cash on hand. The Company classified \$20.0 million as the current portion of long-term debt as of June 30, 2021, as the Company intends to repay this amount within the next twelve months; however, the Company has no contractual obligation to repay such amount during the next twelve months. The letters of credit issued and outstanding under the Credit Facility totaled \$8.4 million at June 30, 2021.

Interest on borrowings under the Credit Facility is calculated at a spread over either the London Interbank Offered Rate (LIBOR), the New York Federal Reserve Bank Rate or the prime rate, depending on various factors. The Credit Facility also requires a facility fee ranging from 10 to 25 basis points per annum on the unused portion. The Credit Facility is secured by the unlimited guaranty of the Company's direct and indirect material U.S. subsidiaries and the pledge of 100% of the equity interests of its direct and indirect material foreign subsidiaries. The financial covenants of the Credit Facility include a leverage ratio and an interest coverage ratio. The weighted average interest rates were 1.16% and 1.33% for the three and nine-month periods ending June 30, 2021, respectively, and 3.24% and 3.22% for the three and nine-month periods ending June 30, 2020. As of June 30, 2021, the Company was in compliance with all covenants.

8. INCOME TAX EXPENSE

The third quarter 2021 effective income tax rate was 21.3% compared to 14.3% in the third quarter of 2020. The effective income tax rate from continuing operations in the first nine months of 2021 was 22.5% compared to 15.9% in the first nine months of 2020. The income tax expense in the third quarter and first nine months of 2021 was favorably impacted by a tax return to provision true-up to foreign derived intangible income and other 2020 true-ups decreasing the third quarter and year-to-date effective tax rate by 3.9% and 1.2%, respectively.

The income tax expense in the third quarter and first nine months of 2020 was favorably impacted mainly by the following items: 1) an increase in the available 2019 foreign tax credit which was attributable to new information and tax planning strategies reducing the third quarter effective tax rate and year-to-date effective tax rate by 3.3% and 1.3%; and 2) new information and tax planning strategies resulted in an increase in the 2020 foreign tax credit and the catch-up of the benefit which reduced the 2020 third quarter effective tax rate by 2.5%. The year-to-date 2020 effective tax rate was favorably impacted by the release of a valuation allowance of \$2.8 million for foreign net operating losses decreasing the year-to-date 2020 effective tax rate by 5.1%.

9. SHAREHOLDERS' EQUITY

The change in shareholders' equity for the first three and nine months of 2021 and 2020 is shown below (in thousands):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Common stock				
Beginning balance	306	306	306	306
Stock plans	1	1	1	1
Ending balance	307	307	307	307
Additional paid-in-capital				
Beginning balance	295,796	294,787	293,682	292,408
Stock plans	782	(2,156)	2,896	223
Ending balance	296,578	292,631	296,578	292,631
Retained earnings				
Beginning balance	799,884	785,184	775,829	684,741
Net earnings common stockholders	14,909	18,687	43,131	123,286
Dividends paid	(2,084)	(2,084)	(6,251)	(6,240)
Ending balance	812,709	801,787	812,709	801,787
Accumulated other comprehensive income (loss)				
Beginning balance	1,808	(46,936)	(3,657)	(43,974)
Foreign currency translation	535	2,802	6,000	(160)
Ending balance	2,343	(44,134)	2,343	(44,134)
Treasury stock				
Beginning balance	(107,134)	(107,134)	(107,134)	(107,259)
Issued under stock plans	51	—	51	125
Ending balance	(107,083)	(107,134)	(107,083)	(107,134)
Total equity	1,004,854	943,457	1,004,854	943,457

10. 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 June 30, 2021 and September 30, 2020 using available market information or other appropriate valuation methodologies. The carrying amounts of cash and cash equivalents, receivables, inventories, payables, debt 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, as presented below as of June 30, 2021:

<u>(In thousands)</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets (Liabilities):				
Forward contracts	\$ —	(27)	\$ —	(27)

Valuation was based on third party evidence of similarly priced derivative instruments.

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 nine-month periods ended June 30, 2021.

11. REVENUES

Disaggregation of Revenues

Revenues by customer type, geographic location, and revenue recognition method for the three and nine-month periods ended June 30, 2021 are presented in the tables below as the Company believes 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 on a continuing operations basis.

<i>Three months ended June 30, 2021</i>				
<i>(In thousands)</i>	Aerospace & Defense	USG	Test	Total
Customer type:				
Commercial	\$ 34,708	\$ 46,735	\$ 42,063	\$ 123,506
U.S. Government	50,868	969	6,051	57,888
Total revenues	<u>\$ 85,576</u>	<u>\$ 47,704</u>	<u>\$ 48,114</u>	<u>\$ 181,394</u>
Geographic location:				
United States	\$ 75,701	\$ 32,111	\$ 27,719	\$ 135,531
International	9,875	15,593	20,395	45,863
Total revenues	<u>\$ 85,576</u>	<u>\$ 47,704</u>	<u>\$ 48,114</u>	<u>\$ 181,394</u>
Revenue recognition method:				
Point in time	\$ 37,513	\$ 35,242	\$ 9,673	\$ 82,428
Over time	48,063	12,462	38,441	98,966
Total revenues	<u>\$ 85,576</u>	<u>\$ 47,704</u>	<u>\$ 48,114</u>	<u>\$ 181,394</u>
<i>Nine months ended June 30, 2021</i>				
<i>(In thousands)</i>	Aerospace & Defense	USG	Test	Total
Customer type:				
Commercial	\$ 95,712	\$ 139,149	\$ 118,089	\$ 352,950
U.S. Government	139,008	2,650	15,354	157,012
Total revenues	<u>\$ 234,720</u>	<u>\$ 141,799</u>	<u>\$ 133,443</u>	<u>\$ 509,962</u>
Geographic location:				
United States	\$ 205,527	\$ 96,601	\$ 73,950	\$ 376,078
International	29,193	45,198	59,493	133,884
Total revenues	<u>\$ 234,720</u>	<u>\$ 141,799</u>	<u>\$ 133,443</u>	<u>\$ 509,962</u>
Revenue recognition method:				
Point in time	\$ 103,492	\$ 105,173	\$ 27,789	\$ 236,454
Over time	131,228	36,626	105,654	273,508
Total revenues	<u>\$ 234,720</u>	<u>\$ 141,799</u>	<u>\$ 133,443</u>	<u>\$ 509,962</u>

Revenues by customer type, geographic location, and revenue recognition method for the three and nine-month periods ended June 30, 2020 are presented in the tables below.

<i>Three months ended June 30, 2020</i>				
<i>(In thousands)</i>				
	Aerospace & Defense	USG	Test	Total
Customer type:				
Commercial	\$ 37,485	\$ 39,740	\$ 38,737	\$ 115,962
U.S. Government	46,587	2,837	7,279	56,703
Total revenues	<u>\$ 84,072</u>	<u>\$ 42,577</u>	<u>\$ 46,016</u>	<u>\$ 172,665</u>
Geographic location:				
United States	\$ 73,476	\$ 26,499	\$ 19,441	\$ 119,416
International	10,596	16,078	26,575	53,249
Total revenues	<u>\$ 84,072</u>	<u>\$ 42,577</u>	<u>\$ 46,016</u>	<u>\$ 172,665</u>
Revenue recognition method:				
Point in time	\$ 36,461	\$ 27,765	\$ 9,138	\$ 73,364
Over time	47,611	14,812	36,878	99,301
Total revenues	<u>\$ 84,072</u>	<u>\$ 42,577</u>	<u>\$ 46,016</u>	<u>\$ 172,665</u>
<i>Nine months ended June 30, 2020</i>				
<i>(In thousands)</i>				
	Aerospace & Defense	USG	Test	Total
Customer type:				
Commercial	\$ 130,817	\$ 135,711	\$ 107,931	\$ 374,459
U.S. Government	125,890	3,468	21,068	150,426
Total revenues	<u>\$ 256,707</u>	<u>\$ 139,179</u>	<u>\$ 128,999</u>	<u>\$ 524,885</u>
Geographic location:				
United States	\$ 219,640	\$ 90,155	\$ 69,399	\$ 379,194
International	37,067	49,024	59,600	145,691
Total revenues	<u>\$ 256,707</u>	<u>\$ 139,179</u>	<u>\$ 128,999</u>	<u>\$ 524,885</u>
Revenue recognition method:				
Point in time	\$ 118,660	\$ 100,289	\$ 26,157	\$ 245,106
Over time	138,047	38,890	102,842	279,779
Total revenues	<u>\$ 256,707</u>	<u>\$ 139,179</u>	<u>\$ 128,999</u>	<u>\$ 524,885</u>

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 June 30, 2021, the Company had \$539.0 million in remaining performance obligations of which the Company expects to recognize revenues of approximately 70% in the next twelve months.

Contract assets and contract liabilities

Assets and liabilities related to contracts with customers are reported on a contract-by-contract basis at the end of each reporting period. At June 30, 2021, contract assets and contract liabilities totaled \$94.8 million and \$105.8 million, respectively. Contract assets and contract liabilities are presented as current in the consolidated balance sheets as it is expected all related transaction activity with customers will be substantially completed within twelve months. During the first nine months of 2021, the Company recognized approximately \$75 million in revenues that were included in the contract liabilities balance at September 30, 2020.

12. 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 June 30, 2021	Three Months Ended June 30, 2020
Finance lease cost		
Amortization of right-of-use assets	\$ 492	\$ 540
Interest on lease liabilities	306	319
Operating lease cost	1,471	1,474
Total lease costs	<u>\$ 2,269</u>	<u>\$ 2,333</u>
	Nine Months Ended June 30, 2021	Nine Months Ended June 30, 2020
(Dollars in thousands)		
Finance lease cost		
Amortization of right-of-use assets	\$ 1,477	\$ 1,622
Interest on lease liabilities	929	970
Operating lease cost	4,347	4,399
Total lease costs	<u>\$ 6,753</u>	<u>\$ 6,991</u>

Additional information related to leases are shown below:

(Dollars in thousands)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,320	\$ 1,452
Operating cash flows from finance leases	306	319
Financing cash flows from finance leases	428	418
Right-of-use assets obtained in exchange for operating lease liabilities	12,780	53

(Dollars in thousands)	Nine Months June 30, 2021	Nine Months June 30, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 4,102	\$ 4,334
Operating cash flows from finance leases	915	655
Financing cash flows from finance leases	1,261	1,145
Right-of-use assets obtained in exchange for operating lease liabilities	12,780	22,072

Weighted-average remaining lease term	June 30, 2021	June 30, 2020
Operating leases	10.31 years	6.64 years
Finance leases	11.86 years	12.76 years

Weighted-average discount rate	June 30, 2021	June 30, 2020
Operating leases	3.12 %	3.14 %
Finance leases	4.31 %	4.29 %

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 June 30, 2021:

(Dollars in thousands) Years Ending September 30:	Operating Leases	Finance Leases
2021 (excluding the nine months ended June 30, 2021)	\$ 1,378	739
2022	5,093	3,015
2023	4,324	3,098
2024	3,677	3,181
2025 and thereafter	21,976	28,285
Total minimum lease payments	36,448	38,318
Less: amounts representing interest	5,460	9,320
Present value of net minimum lease payments	\$ 30,988	28,998
Less: current portion of lease obligations	4,530	1,859
Non-current portion of lease obligations	26,458	27,139
ROU assets	\$ 30,426	24,689

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 sheets.

13. ADJUSTED QUARTERLY FINANCIAL INFORMATION

During the third quarter of 2021, the Company identified immaterial errors in the historical consolidated financial statements of Westland, within the A&D segment, and are being corrected as an immaterial revision of those financial statements. Specifically, the adjustments include \$3.5 million related to net sales being overstated, of which \$2.4 million related to the fourth quarter of 2020, \$0.3 million related to the first quarter of 2021, and \$0.8 million related to the second quarter of 2021. In addition, \$2.1 million of the total adjustments resulted from inventory being overstated and cost of goods sold being understated, of which \$0.9 million related to the fourth quarter of 2020, \$0.8 million related to the first quarter of 2021, and \$0.4 million related to the second quarter of 2021. The tax impact of correcting these errors was a reduction in tax expense of \$0.8 million, \$0.2 million, and \$0.3 million in the fourth quarter of 2020, first quarter of 2021, and second quarter of 2021, respectively. This correction also resulted in a reclassification in the Consolidated Statements of Cash Flows between line items of net earnings, changes in assets and liabilities, and effect of deferred taxes totaling \$3.3 million in the fourth quarter of 2020, \$1.1 million in the first quarter of 2021, and \$1.2 million in the second quarter of 2021, with no impact to the total net cash provided by operating activities for any period. The fiscal 2021 and 2020 quarterly results have been adjusted to reflect the correction of these adjustments in the proper periods. The table below shows the impact of all adjustments to the respective periods. Management has determined that all of these adjustments are not material to any prior periods or the current fiscal year.

<u>(Dollars in thousands, except per share amounts)</u>	<u>First Quarter (As Reported)</u>	<u>First Quarter (As Adjusted)</u>	<u>Second Quarter (As Reported)</u>	<u>Second Quarter (As Adjusted)</u>
<u>2021</u>				
Net sales	\$ 162,949	162,674	166,644	165,894
Cost of sales	98,777	99,622	103,113	103,553
Earnings before income taxes	17,660	16,540	21,339	20,149
Income tax expense	3,974	3,722	5,025	4,745
Net earnings	13,686	12,818	16,314	15,404
<i>Diluted earnings (loss) per share:</i>				
Net earnings	\$ 0.52	0.49	0.62	0.59
	<u>First Quarter (As Reported)</u>	<u>First Quarter (As Adjusted)</u>	<u>Second Quarter (As Reported)</u>	<u>Second Quarter (As Adjusted)</u>
Contract assets	\$ 93,762	91,043	95,002	91,533
Inventories	144,054	142,316	145,342	143,164
Retained earnings	\$ 790,000	786,563	804,231	799,884

<u>(Dollars in thousands, except per share amounts)</u>	<u>Fourth Quarter (As Reported)</u>	<u>Fourth Quarter (As Adjusted)</u>
<u>2020</u>		
Net sales	\$ 208,030	205,586
Cost of sales	129,763	130,656
Loss before income taxes	(16,461)	(19,798)
Income tax expense	5,347	4,579
Net loss	(21,808)	(24,377)
<i>Diluted earnings (loss) per share:</i>		
Net loss	\$ (0.83)	(0.93)

(Dollars in thousands, except per share amounts)

	Fourth Quarter (As Reported)	Fourth Quarter (As Adjusted)
September 30, 2020		
Contract assets	\$ 96,746	94,302
Inventories	136,189	135,296
Total current assets	446,630	443,293
Total assets	1,373,523	1,370,186
Total shareholders' equity	961,595	959,026
Total liabilities and shareholders' equity	1,373,523	1,370,186

14. SUBSEQUENT EVENTS

On May 20, 2021, the Company announced it had entered into an agreement to acquire I.S.A. Altanova Group S.R.L. (Altanova), a supplier in the field of advanced condition assessment technologies including partial discharge measurement and analysis, as well as test instruments for electrical apparatus. Altanova, which will become part of the USG operating segment, had annual sales of approximately \$30 million in 2020. As of June 30, 2021, the Company had 30 million Euros held in an escrow account related to this transaction which will be used to partially fund the acquisition. The transaction was subject to Italian regulatory approval, which was obtained and the transaction closed on July 29, 2021.

On August 9, 2021, the Company announced it had acquired the assets of Phenix Technologies, Inc. (Phenix), a manufacturer of stationary and portable high voltage, high current, high power test systems, components and solutions supporting the electric utility industry. Phenix, which will become part of the USG operating segment, had annual sales of approximately \$25 million in 2020.

COVID-19 TRENDS AND UNCERTAINTIES

The COVID-19 global pandemic has continued to create significant and unprecedented challenges, and during these highly uncertain times, our top priority remains the health and safety of our employees, customers and suppliers, thereby securing the financial well-being of the Company and supporting business continuity. To date, our global supply chains have not been materially affected by the pandemic. Given our diverse portfolio of strong, durable businesses serving non-discretionary end-markets, the strength and resilience of our business model positions us to continue our long-term outlook. A portion of our workforce has worked from home at times due to COVID-19, however we have not had to redesign or design new internal controls over financial reporting at this time. Depending on the duration of COVID-19, it may become necessary for us to redesign or design new internal controls over financial reporting in a future period. We do not believe such an event will have a material impact on our business.

The economic uncertainty, changes in the propensity for the general public to travel by air, and reductions in demand for commercial aircraft as a result of the COVID-19 pandemic have adversely impacted net sales and operating results in certain of our Aerospace and Defense reporting units. In addition, our Westland facility had a partial shutdown of its facility for several weeks during the first quarter of 2021 due to COVID-19. We are monitoring the impacts of COVID-19 on the fair value of assets. We determined that there was no impairment for the three and nine months ended June 30, 2021 and the fair value of each reporting unit substantially exceeded carrying value, with the exception of Mayday and Westland where fair value exceeded carrying value by less than 10%. At June 30, 2021, we had \$30 million and \$18 million of goodwill recorded for Mayday and Westland, respectively. The valuation methodology we use involves estimates of discounted cash flows, which are subject to change, and if they change negatively it could result in the need to write down those assets to fair value. We will continue to monitor the impacts of COVID-19 on the fair value of assets. For further discussion, refer to Management's Discussion and Analysis contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2020.

RESULTS OF OPERATIONS

References to the third quarters of 2021 and 2020 represent the three-month periods ended June 30, 2021 and 2020, respectively.

OVERVIEW

In the third quarter of 2021, sales, net earnings and diluted earnings per share were \$181.4 million, \$14.9 million and \$0.57 per share, respectively, compared to \$172.7 million, \$18.7 million and \$0.72 per share, respectively, in the third quarter of 2020. In the first nine months of 2021, sales, net earnings and diluted earnings per share from continuing operations were \$510.0 million, \$43.1 million and \$1.65 per share, respectively, compared to \$524.9 million, \$47.3 million and \$1.81 per share, respectively, in the first nine months of 2020. See footnote 13, Quarterly Financial Information, for further discussion about the impact to the first and second quarters of 2021 and the fourth quarter of 2020.

NET SALES

In the third quarter of 2021, net sales of \$181.4 million were \$8.7 million, or 5.0%, higher than the \$172.7 million in the third quarter of 2020. In the first nine months of 2021, net sales of \$510.0 million were \$14.9 million, or 2.8%, lower than the \$524.9 million in the first nine months of 2020. The increase in net sales in the third quarter of 2021 as compared to the third quarter of 2020 was due to a \$5.1 million increase in the USG segment, a \$2.1 million increase in the Test segment, and a \$1.5 million increase in the Aerospace & Defense segment. The decrease in net sales in the first nine months of 2021 as compared to the first nine months of 2020 was due to a \$21.9 million decrease in the Aerospace & Defense segment, partially offset by a \$4.5 million increase in the Test segment and a \$2.5 million increase in the USG segment.

-Aerospace & Defense (A&D)

In the third quarter of 2021, net sales of \$85.6 million were \$1.5 million, or 1.8%, higher than the \$84.1 million in the third quarter of 2020. In the first nine months of 2021, net sales of \$234.7 million were \$22.0 million, or 8.6%, lower than the \$256.7 million in the first nine months of 2020. The sales increase in the third quarter of 2021 compared to the third quarter of 2020 was mainly due to a \$2.4 million increase in net sales at Globe, a \$1.7 million increase in net sales at VACCO and a \$1.1 million increase in net sales at PTI, partially offset by a \$3.4 million decrease in net sales at Mayday driven by the impact of the COVID-19 pandemic. The sales decrease in the first nine months of 2021 compared to the first nine months of 2020 was mainly due to an \$14.9 million decrease in net sales at Mayday, a \$9.4 million decrease in net sales at Crissair, an \$8.2 million decrease in net sales at PTI, and a \$2.9 million

decrease in net sales at Westland primarily driven by the impact of the COVID-19 pandemic; partially offset by a \$9.5 million increase in net sales at VACCO and a \$3.9 million increase in net sales at Globe driven by an increase in navy defense.

-USG

In the third quarter of 2021, net sales of \$47.7 million were \$5.1 million, or 12.0%, higher than the \$42.6 million in the third quarter of 2020. In the first nine months of 2021, net sales of \$141.8 million were \$2.6 million, or 1.9%, higher than the \$139.2 million in the first nine months of 2020. The increase in the third quarter of 2021 compared to the third quarter of 2020 was mainly due to higher service and product revenue at Doble and an increase in product sales at NRG. The increase in the first nine months of 2021 compared to the first nine months of 2020 was mainly due to an increase in product sales at NRG, partially offset by lower events and service revenue at Doble primarily driven by the impact of COVID-19.

-Test

In the third quarter of 2021, net sales of \$48.1 million were \$2.1 million, or 4.6%, higher than the \$46.0 million in the third quarter of 2020. In the first nine months of 2021, net sales of \$133.4 million were \$4.4 million, or 3.4%, higher than the \$129.0 million in the first nine months of 2020. The increase in the third quarter of 2021 as compared to the third quarter of 2020 was primarily due to higher sales from the Company's U.S. and European operations totaling \$7.4 million partially offset by a \$5.3 million decrease in sales from the segment's Asian operations due to the timing of test and measurement chamber projects. The increase in the first nine months of 2021 compared to the first nine months of 2020 was due to higher sales from the Company's European operations totaling \$6.1 million partially offset by a \$1.7 million decrease in sales from the segment's Asian and U.S. operations due to the timing of test and measurement chamber projects.

ORDERS AND BACKLOG

Backlog was \$539.0 million at June 30, 2021 compared with \$539.0 million at September 30, 2020. The Company received new orders totaling \$203.8 million in the third quarter of 2021 compared to \$157.8 million in the third quarter of 2020. Of the new orders received in the third quarter of 2021, \$95.1 million related to Aerospace & Defense products, \$53.2 million related to Test products, and \$55.5 million related to USG products. Of the new orders received in the third quarter of 2020, \$65.9 million related to Aerospace & Defense products, \$41.5 million related to Test products, and \$50.4 million related to USG products.

The Company received new orders totaling \$537.7 million in the first nine months of 2021 compared to \$623.9 million in the first nine months of 2020. Of the new orders received in the first nine months of 2021, \$248.8 million related to Aerospace & Defense products, \$141.1 million related to Test products, and \$147.8 million related to USG products. Of the new orders received in the first nine months of 2020, \$350.9 million related to Aerospace & Defense products, \$121.8 million related to Test products, and \$151.2 million related to USG products.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses for the third quarter of 2021 were \$42.9 million (23.6% of net sales), compared with \$36.9 million (21.4% of net sales) for the third quarter of 2020. For the first nine months of 2021, SG&A expenses from continuing operations were \$122.6 million (24.0% of net sales) compared to \$119.0 million (22.7% of net sales) for the first nine months of 2020. The increase in SG&A in the third quarter and first nine months of 2021 compared to the corresponding periods of 2021 was mainly due to a \$2.0 million increase at Corporate for compensation expenses due to the transition of key executives and a \$1.0 million increase at Corporate due to acquisition costs.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets from continuing operations was \$4.9 million and \$14.7 million for the third quarter and first nine months of 2021, respectively, compared to \$5.5 million and \$16.6 million for the corresponding periods of 2020. Amortization expenses consist of amortization of acquired intangible assets from acquisitions and other identifiable intangible assets (primarily software). The decrease in amortization expense in the third quarter and first nine months of 2021 compared to the corresponding periods of 2020 was mainly due to a decrease in amortization of capitalized software.

OTHER EXPENSES (INCOME), NET

Other expenses (income), net, was \$0.6 million in the third quarter of 2021 compared to other expenses (income), net, of \$(0.8) million in the third quarter of 2020. The principal component of other expenses, net, in the third quarter of 2021 was \$0.5 million of facility consolidation charges for the Doble Morgan Schaffer facility. The principal component of other income, net, in the third quarter of 2020 was a gain on derivative instruments of \$0.5 million.

Other (income) expenses, net, was \$(1.3) million of income in the first nine months of 2021 compared to other expenses, net, of \$0.2 million in the first nine months of 2020. The principal component of other (income), expenses, net, in the first nine months of 2021 was a gain of approximately \$2 million for the final settlement on the sale of the Doble Watertown, MA building, partially offset by facility consolidation charges for the Doble Manta and Morgan Schaffer facilities. There were no individually significant items in other expenses, net, in the first nine months of 2020.

EBIT

The Company evaluates the performance of its operating segments based on EBIT, and provides EBIT on a consolidated basis, which is a non-GAAP financial measure. Please refer to the discussion of non-GAAP financial measures in Note 6 to the Consolidated Financial Statements, above. EBIT was \$19.4 million (10.7% of net sales) for the third quarter of 2021 compared to \$23.3 million (13.5% of net sales) for the third quarter of 2020. For the first nine months of 2021, EBIT was \$57.1 million (11.2% of net sales) compared to \$61.5 million (11.7% of net sales) for the first nine months of 2020.

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

(In thousands)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2021	2020	2021	2020
Consolidated EBIT	\$ 19,423	23,332	57,085	61,468
Less: Interest expense, net	(480)	(1,523)	(1,453)	(5,264)
Less: Income tax	(4,034)	(3,122)	(12,501)	(8,931)
Net earnings from continuing operations	\$ 14,909	18,687	43,131	47,273

-Aerospace & Defense

EBIT in the third quarter of 2021 was \$16.7 million (19.5% of net sales) compared to \$17.4 million (20.7% of net sales) in the third quarter of 2020. EBIT in the first nine months of 2021 was \$42.0 million (17.9% of net sales) compared to \$51.7 million (20.1% of net sales) in the first nine months of 2020. The decrease in EBIT in the third quarter of 2021 compared to the third quarter of 2020 was mainly due to \$2.1 million of pretax charges at Westland driven by new product development challenges, increased production costs, and product quality issues; lower sales volumes at Mayday; partially offset by an increase in EBIT at VACCO and Globe due to the higher sales volumes as mentioned above. The decrease in EBIT in the first nine months of 2021 compared to the first nine months of 2020 was mainly due to \$4.4 million of pretax charges at Westland driven by new product development challenges, increased production costs, and product quality issues; lower sales volumes at Mayday, Crissair and PTI; partially offset by an increase in EBIT at VACCO and Globe due to the higher sales volumes as mentioned above. In addition, EBIT in the first quarter of 2021 was negatively impacted by a \$0.3 million inventory step-up charge related to the acquisition of Advanced Technology Machining, Inc. and TECC Grinding, Inc. (ATM).

-USG

EBIT in the third quarter of 2021 was \$8.2 million (17.2% of net sales) compared to \$6.2 million (14.5% of net sales) in the third quarter of 2020. EBIT in the first nine months of 2021 was \$27.7 million (19.5% of net sales) compared to \$20.3 million (14.6% of net sales) in the first nine months of 2020. The increase in EBIT in the third quarter of 2021 compared to the third quarter of 2020 was mainly due higher sales volumes partially offset by \$0.5 million of facility consolidation charges at its Doble Morgan Schaffer facility, and an increase in EBIT at NRG due to higher sales volumes as mentioned above. The increase in EBIT in the first nine months of 2021 compared to the first nine months of 2020 was mainly due to higher EBIT at Doble driven by favorable product mix, \$2 million final settlement received on the sale of the Doble Watertown facility, partially offset by \$1.8 million of facility consolidation charges at its Doble Manta and Morgan Schaffer facilities, and an increase in EBIT at NRG due to higher sales volumes.

EBIT in the third quarter of 2021 was \$6.8 million (14.0% of net sales) compared to \$7.2 million (15.6% of net sales) in the third quarter of 2020. EBIT in the first nine months of 2021 was \$17.8 million (13.3% of net sales) compared to \$17.5 million (13.5% of net sales) in the first nine months of 2020. The increase in EBIT in the first nine months of 2021 compared to the first nine months of 2020 was primarily due to product mix and higher margins on projects mainly from the segment's Asian operations.

-Corporate

Corporate costs included in EBIT were \$12.3 million and \$30.4 million in the third quarter and first nine months of 2021, respectively, compared to \$7.4 million and \$28.0 million in the corresponding periods of 2020. The increase in Corporate costs in the third quarter and first nine months of 2021 compared to the corresponding periods of 2020 was mainly due to an increase in compensation costs related to the transition of key executives and acquisition costs.

INTEREST EXPENSE, NET

Interest expense was \$0.5 million and \$1.5 million in the third quarter and first nine months of 2021, respectively, and \$1.5 million and \$5.3 million in the corresponding periods of 2020. The decrease in interest expense in the third quarter and first nine months of 2021 compared to the corresponding periods of 2020 was mainly due to lower average outstanding borrowings and lower average interest rates. Average outstanding borrowings were \$39 million and \$44 million in the third quarter and first nine months of 2021, respectively, and \$151 million and \$193 million in the corresponding periods of 2020.

INCOME TAX EXPENSE

The third quarter 2021 effective income tax rate was 21.3% compared to 14.3% in the third quarter of 2020. The effective income tax rate from continuing operations in the first nine months of 2021 was 22.5% compared to 15.9% in the first nine months of 2020. The income tax expense in the third quarter and first nine months of 2021 was favorably impacted by a tax return to provision true-up to foreign derived intangible income and other 2020 true-ups decreasing the third quarter and year-to-date effective tax rate by 3.9% and 1.2%, respectively.

The income tax expense in the third quarter and first nine months of 2020 was favorably impacted mainly by the following items: 1) an increase in the available 2019 foreign tax credit which was attributable to new information and tax planning strategies reducing the third quarter effective tax rate and year-to-date effective tax rate by 3.3% and 1.3%; and 2) new information and tax planning strategies resulted in an increase in the 2020 foreign tax credit and the catch-up of the benefit which reduced the 2020 third quarter effective tax rate by 2.5%. The year-to-date 2020 effective tax rate was favorably impacted by the release of a valuation allowance of \$2.8 million for foreign net operating losses decreasing the year-to-date 2020 effective tax rate by 5.1%.

CAPITAL RESOURCES AND LIQUIDITY

The Company's overall financial position and liquidity remains strong. The effects of COVID-19 have not materially affected liquidity. Working capital from continuing operations (current assets less current liabilities) increased to \$217.5 million at June 30, 2021 from \$187.3 million at September 30, 2020. Accounts receivable decreased by \$8.7 million during this period primarily due to a \$12.6 million decrease within the Test segment due to increased focus on collections during the period and timing of payments; partially offset by a \$4.8 million increase within the USG segment due to the timing of payments.

Net cash provided by operating activities from continuing operations was \$75.4 million and \$53.8 million in the first nine months of 2021 and 2020, respectively. The increase in net cash provided by operating activities from continuing operations in the first nine months of 2021 as compared to the first nine months of 2020 was mainly driven by lower working capital requirements.

Capital expenditures from continuing operations were \$17.9 million and \$28.3 million in the first nine months of 2021 and 2020, respectively. The decrease in the first nine months of 2021 compared to the prior year period was mainly due to the building improvement additions in 2020 at the new Doble headquarters facility. In addition, the Company incurred expenditures for capitalized software of \$6.5 million and \$6.6 million in the first nine months of 2021 and 2020, respectively.

Credit Facility

At June 30, 2021, the Company had approximately \$444 million available to borrow under its bank credit facility, a \$250 million increase option subject to lender approval, and \$78.4 million cash on hand. At June 30, 2021, the Company had \$48 million of outstanding borrowings under the credit facility in addition to outstanding letters of credit of \$8.4 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.

Subsequent Events

On May 20, 2021, the Company announced it had entered into an agreement to acquire I.S.A. Altanova Group S.R.L. (Altanova), a supplier in the field of advanced condition assessment technologies including partial discharge measurement and analysis, as well as test instruments for electrical apparatus. Altanova, which will become part of the USG operating segment, had annual sales of approximately \$30 million in 2020. As of June 30, 2021, the Company had 30 million Euros held in an escrow account related to this transaction which will be used to partially fund the acquisition. The transaction was subject to Italian regulatory approval, which was obtained and the transaction closed on July 29, 2021.

On August 9, 2021, the Company announced it had acquired the assets of Phenix Technologies, Inc. (Phenix), a manufacturer of stationary and portable high voltage, high current, high power test systems, components and solutions supporting the electric utility industry. Phenix, which will become part of the USG operating segment, had annual sales of approximately \$25 million in 2020.

Dividends

A quarterly dividend of \$0.08 per share, totaling \$2.1 million, was paid on October 15, 2020 to stockholders of record as of October 1, 2020. A quarterly dividend of \$0.08 per share, totaling \$2.1 million, was paid on January 19, 2021 to stockholders of record as of January 4, 2021. A quarterly dividend of \$0.08 per share, totaling \$2.1 million, was paid on April 16, 2021 to stockholders of record as of April 1, 2021. Subsequent to June 30, 2021, a quarterly dividend of \$0.08 per share, totaling \$2.1 million, was paid on July 16, 2021 to stockholders of record as of July 1, 2021.

New Share Repurchase Program

On August 5, 2021, the Company's Board of Directors adopted a new stock repurchase program, replacing the previous program which was adopted in 2012 and was scheduled to expire September 30, 2021. Under the new program, which is similar to the previous one, Management may repurchase shares of its outstanding stock in the open market and otherwise throughout the period ending September 30, 2024. The total value authorized is the lesser of \$200 million or the dollar limitation imposed by the Company's Credit Agreement. The repurchase program does not obligate the Company to repurchase any particular amount of stock, and it may be modified, extended, suspended or discontinued at any time. The timing and amount of repurchases are determined by Management based on a variety of factors such as the market price of our common stock, our corporate requirements, and overall market conditions. Purchases of our common stock may be made in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, or in privately negotiated transactions. In addition, we may repurchase common stock through private or other transactions outside of the repurchase program.

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, 2020.

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 include, but are not necessarily limited to, statements about: the third quarter results, growth in sales, the effects of a widely available COVID-19 vaccine; the continuing effects of the COVID-19 pandemic including any impairment of the Company's assets, impacts to commercial aerospace, military and navy markets which the Company serves, the strength of the markets served by the Company's Test and USG segments, and the timing of the recovery of certain end markets which the Company serves; the correction of production issues, the effect of certain changes in the Company's internal controls or in other factors on the effectiveness of its internal controls; the adequacy of the Company's credit facility and the Company's ability to increase it; the outcome of current litigation, claims and charges; cash flow; timing of the repayment of the current portion of the Company's long-term debt; future revenues from remaining performance obligations; fair values of reporting units; 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, 2020 and the following: the success and timing of COVID-19 vaccines in ending the pandemic and the effects of known or unknown COVID-19 variants; the continuing impact of the COVID-19 pandemic including labor shortages, facility closures, shelter in place policies or quarantines, material shortages, transportation delays, termination or delays of Company contracts and the inability of our suppliers or customers to perform, the impacts of natural disasters on the Company's operations and those of the Company's customers and suppliers; the timing and content of future contract awards or customer orders; the 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; 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; labor disputes; changes in U.S. tax laws and regulations; other changes in laws and regulations including but not limited to changes in accounting standards and foreign taxation; changes in interest 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 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, 2020. Refer to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2020 for further discussion about market risk.

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. 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. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2021 as a result of material weaknesses in the Company's internal control over financial reporting at a reporting unit within the Aerospace & Defense (A&D) segment, related to the ineffective design of certain controls over revenue recognition and the accumulation of inventory costs and determination of inventory carrying value resulting from changes in the business.

Other than identifying the specific deficiencies at a reporting unit within the A&D segment related to the material weaknesses disclosed, there were no changes 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.

The Company is in the process of remediating the material weaknesses and is taking the following actions: enhancing policies, procedures and controls related to inventory costing and revenue recognition, providing additional training to the segment finance department, and dedicating additional resources to improve the Company's risk assessment process. The Company believes these measures will remediate the control deficiencies and strengthen internal control over financial reporting. The operating effectiveness of the revised and new controls will be assessed subsequent to full implementation, and the material weaknesses will be considered remediated only after the applicable controls have operated effectively for a sufficient period of time.

ITEM 6. EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>	<u>Document Location</u>
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
10.1	Form of 2020 Award of Performance-Accelerated Restricted Shares to Executive Officers under 2018 Omnibus Incentive Plan	Filed herewith (Note: Awards substantially identical to the referenced Exhibit except in amount have been granted to Victor L. Richey and David M. Schatz; these awards have been omitted as separate exhibits pursuant to Rule 12b-31)
10.2	Form of Restricted Stock Unit Awards to Executive Officers under 2018 Omnibus Incentive Plan	Filed herewith (Note: Awards substantially identical to the referenced Exhibit except in amount have been granted to Victor L. Richey, Christopher L. Tucker and David M. Schatz; these awards have been omitted as separate exhibits pursuant to Rule 12b-31)
10.3	Employment Agreement with Victor L. Richey effective May 10, 2021	Filed herewith
10.4	Employment Agreement with Christopher L. Tucker effective April 30, 2021	Filed herewith
10.5	Employment Agreement with David M. Schatz effective April 30, 2021	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: August 9, 2021

PARS AWARD AGREEMENT

To: _____ (“you”)
From: Human Resources and Compensation Committee of the Board of Directors (the “Committee”)
Subject: ESCO Technologies Inc. 2018 Omnibus Incentive Plan (“Plan”) –
 2020 Award (“Award”)

1. Award. Effective _____ (the “Award Date”), the Committee has approved the award by ESCO Technologies Inc. (the “Company”) to you of _____ Performance-Accelerated Restricted Share Units (the “PARS Units”) pursuant to the Plan, representing the right to receive _____ shares of Company Stock (net of shares withheld for tax purposes using statutory tax rates) upon satisfaction of all of the terms and conditions set forth in this Award Agreement and in the Plan, a copy of which has been delivered to you.

2. Payout Terms.

(a) If you are continuously employed by the Company or a subsidiary, limited liability company, other entity directly or indirectly wholly owned by the Company (“Company Owned Entity”) from the Award Date through the close of business on the “Vesting Date” as defined in the following sections, you will become entitled to receive one share of Company Stock for each PARS Unit, and such total shares of Company Stock (or cash in limited circumstances) will be issued to you (net of shares withheld for tax purposes using statutory tax rates) as of the next business day after the Vesting Date.

(b) The Vesting Date is May 1, 2025. However, the Vesting Date may be accelerated as to all or part of the PARS Units upon the occurrence of one or more of the conditions set forth in section 2(c) and/or 2(d).

(c) If, as of any date during the two-year period commencing May 1, 2022 and ending April 30, 2024, the 30-Day Average Value Per Share of Company Stock reaches an amount set forth in column (A) below, the Vesting Date for the corresponding percentage of the PARS Units set forth under column (B) below will be accelerated according to the following schedule:

Acceleration Period	Vesting Date
5/1/2022 – 4/30/2023	11/1/2023
5/1/2023 – 4/30/2024	11/1/2024
After 5/1/2024	5/1/2025
(A)	(B)
If the 30-Day Average Value Per Share of Company Stock reaches at least:	The Cumulative Percent of Award Accelerated shall be:
\$85.91	100%
\$80.31	50%

Whether or not the above conditions for acceleration are met, the Committee may, but shall not be obligated to, in its sole discretion authorize full or partial acceleration of the Vesting Date based upon its evaluation of the Company’s financial performance against such other performance measures as the Committee may consider appropriate, including (by way of example and not limitation) cash flow, earnings, sales and margins.

(d) (i) Notwithstanding sections 2(a), 2(b) or 2(c), if there is a Change of Control resulting in the Company Stock no longer being publicly held and traded on the New York Stock

Exchange before all shares of Company Stock under this Award have been issued to you under this Award and you are and have been continuously employed by the Company or a subsidiary, limited liability company, other entity directly or indirectly wholly owned by the Company (“Company Owned Entity”) through and on the effective date of the Change of Control (the “CoC Effective Date”) then (A) below shall apply and if the conditions in (A) cannot be met then (B) shall apply.

- (A) The PARS Units granted to you pursuant to this PARS Award Agreement shall be replaced by an equity award agreement of Acquirer, as defined in the ESCO Technologies Inc. Fourth Amended and Restated Severance Plan dated November 17, 2020 (the “Severance Plan”) provided all of the following conditions are met:
 - (I) Acquirer’s common stock is publicly held and widely traded on an established U.S. stock exchange, either NYSE or NASDAQ; and
 - (II) Such PARS Units are converted to units of the Acquirer’s common stock at a total value equal to the PARS Units (“Replacement Units”) under an equity award agreement (“Replacement Agreement”) with terms at least as favorable as the terms of this PARS Award Agreement. For the purposes of conversion, the value of the PARS Units shall be calculated based on the average closing price of the Company shares for the ten days prior to the Change of Control and the value of the Replacement Units shall be calculated based on the average closing price of common stock of the Acquirer for the ten days prior to the Change of Control. The Replacement Agreement shall provide that each Replacement Unit when vested shall equal one share of Acquirer’s common stock and unless earlier distributed such Acquirer common stock (net of tax withholdings) will be distributed to you three years after the original date of the award of the PARS Units (“Replacement Award”). Such Replacement Agreement shall not include the ownership requirements of Section 3. The Replacement Agreement shall also provide that (a) Replacement Units shall vest and Acquirer common stock will be issued to you equivalent to such Replacement Units (less shares withheld for applicable taxes) on the termination of your employment Without Cause (as defined in the Severance Plan) or your termination with Good Reason (as defined in the Severance Plan), and (b) if you retire with at least 5 years of total employment with the Company and/or the Acquirer (“Retirement”) then you shall receive the number of shares equal to the undistributed shares under this PARS Award multiplied by the percentage which is the number of months elapsed during the PARS Award Term as of the retirement date compared to the total number of months in the PARS Award Term. If prior to the vesting of such Replacement Units your employment ends, other than for Retirement, Without Cause, or with Good Reason, Replacement Units shall not vest and the Replacement Award shall be cancelled.
 - (B) The PARS Units granted to you pursuant to this PARS Award Agreement shall not be replaced if the Successor Entity determines it will not or cannot replace the PARS Award granted pursuant to this Agreement. In such event then the entire then-remaining undistributed portion of the Award will be converted into the right to receive cash in an amount equal to the number of then-remaining undistributed PARS Units multiplied by the average of the daily closing price of the Company’s common stock on the New York Stock Exchange over the last ten trading days preceding the CoC Effective Date, and such cash will be paid to you (net of required tax withholdings) within 30 days after the CoC Effective Date.
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(ii) If before a CoC, all PARS Units under this Award have not been distributed to you in shares of Company Stock and you have been continuously employed by the Company or a Company Owned Entity and not more than ninety (90) days prior to the CoC Effective Date your employment with the Company or Company Owned Entity was terminated not because of your death, Disability, or for Cause, and such termination was done at the request of a third party who, at such time, had taken steps reasonably calculated to effect a Change of Control, and such Change of Control subsequently does occur then the entire then-remaining undistributed portion of the Award will be converted into the right to receive cash in an amount equal to the number of then-remaining PARS Units multiplied by the average of the daily closing price of the Company's common stock on the New York Stock Exchange over the last ten trading days preceding the CoC Effective Date, and such cash will be paid to you (net of required tax withholdings) within 30 days after the CoC Effective Date.

(iii) In the event of a CoC this subsection 2(d) shall control all distributions of shares and compensation under this Award.

(iv) Anything in this PARS Award Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company, Company Owned Entity or Successor Entity to or for the benefit of you (whether paid or payable or distributed or distributable pursuant to the terms of this PARS Award Agreement or otherwise) would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986 (the "Code") (or any other provision of the Code relating to excise taxes or "excess parachute payments") then Section 10 of the Severance Plan shall apply.

(e) Notwithstanding any other provision of this section 2, if your employment terminates on account of death or Disability prior to the time you become entitled to receive a distribution in respect of this Award, the Committee, in its absolute discretion, may make such full, pro-rata, or no distribution of Company Stock in satisfaction of this Award as it may determine, either to you or, if termination is on account of death, to your surviving spouse, heirs or estate as it may determine, all in its sole and complete discretion. If your employment terminates on account of retirement with the approval of the Committee:

(i) Any PARS Award granted to you within 12 months prior to the participant's retirement date shall be forfeited and no distribution shall be made;

(ii) With respect to any other outstanding PARS Award, that portion, if any, of the Award for which the distribution date has been accelerated in full or in part due to satisfaction of the applicable performance goal(s) prior to your retirement date shall vest and be distributed in full;

(iii) All other outstanding PARS Awards (including any non-distributed portion of an Award distributed in part under the preceding clause (ii)) shall vest and be distributed to you pro rata based on the number of months elapsed during the PARS Award Term as of the retirement date compared to the total number of months in the PARS Award Term; and

(iv) Any distribution to which you become entitled under this section shall be made as soon as administratively feasible but not later than 2½ months after your retirement date.

3. Share Ownership Requirements. You are expected to own shares of Company Stock with a fair market value equal to a multiple of your total cash compensation (the "Share Ownership Requirement"). If you do not currently meet your Share Ownership Requirement, you must retain 100% of any Award distribution which you receive under section 2 (which will be net of any tax withholdings) until the Share Ownership Requirement is satisfied. Thereafter you must maintain ownership of a sufficient number of shares of Company Stock to ensure that the Share Ownership Requirement remains satisfied. The satisfaction of the requirements of this

section 3 will be reviewed periodically as determined by the Committee. In addition, you may not dispose of any portion of the beneficial interest in Company Stock received (net of any withheld shares) on account of the Award within 12 months after the Company Stock is delivered to you, or such earlier time as you cease to be a “named executive officer” of the Company.

4. Definitions. For purposes of the Award, the following terms have the following meanings:

(a) “30-Day Average Value Per Share” means the average of the daily closing price of Company Stock on the New York Stock Exchange over any period of 30 consecutive trading days on which Company Stock is traded.

(b) “Cause” means:

(i) Your willful and continued failure to perform substantially all of your duties with the Company or Company Owned Entity (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for such performance is delivered to you by the Company’s Board of Directors in a case where you are the Chief Executive Officer of the Company (“CEO”), or otherwise by the CEO, which specifically identifies the manner in which such Board or CEO believes that you have not substantially performed your duties, or

(ii) Your willful engagement in (A) illegal conduct (other than minor offenses), or (B) conduct which is in breach of your fiduciary duty to the Company or Company Owned Entity and which is demonstrably injurious to the Company or Company Owned Entity, its reputation or its business prospects.

(c) “Change of Control” means:

(i) The purchase or other acquisition by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company’s then-outstanding voting securities entitled to vote at any general or special meeting of shareholders; or

(ii) A change in composition of the Board of Directors of the Company (the “Board” and, as of the date hereof, the “Incumbent Board”) resulting in individuals who constitute the Incumbent Board ceasing for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or

(iii) Approval by the stockholders of the Company of (A) a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the

reorganized, merged or consolidated corporation's then-outstanding voting securities, or (B) a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company. Notwithstanding the foregoing, an isolated sale, spin-off, joint venture or other business combination by the Company, which involves one or more divisions of the Company or Company Owned Entity and is approved by a majority vote of the Incumbent Board, shall not be deemed to be a Change of Control.

(d) "Company Stock" means the common stock of the Company.

(e) "Disability" means your absence from your duties with the Company or Company Owned Entity on a full-time basis for 90 consecutive business days as a result of incapacity due to mental or physical illness which incapacity is determined to be total and permanent by a physician selected by the Company or Company Owned Entity or its insurers and acceptable to you or your legal representative.

(f) "Fiscal Year" means the fiscal year of the Company, which as of the date hereof is the twelve month period commencing October 1 and ending September 30.

5. Taxes. Company Stock issued pursuant to an Award shall be valued for tax purposes at its closing price on the New York Stock Exchange on the Vesting Date, or if the Company Stock is not traded on such Exchange on the Vesting Date, then on the last day prior to the Vesting Date on which the Company Stock is traded on such Exchange. Sufficient shares of Company Stock or cash, as the case may be, shall be withheld from any distribution hereunder to satisfy the Company's tax withholding requirements in respect of such distribution.

6. Covenants.

(a) To the extent that you engage in conduct described in section 6(b) during the period beginning on the Award Date and ending two (2) years after the date on which you receive the final distribution of Company Stock (or payment of cash, in the event of a Change of Control) to which you are or become entitled under section 2 of this Award, you agree that the Company and/or any Company Owned Entity (as appropriate) shall be entitled to recover amounts as described in section 6(c).

(b) The conduct described in this section 6(b) is any of the following:

(i) As an individual or as a partner, employee, agent, advisor, consultant or in any other capacity of or to any person, firm, corporation or other entity, directly or indirectly carrying on any business or becoming involved in any business activity, which is (A) competitive with the business of the Company or any Company Owned Entity, as presently conducted and as said business may evolve in the ordinary course, and (B) a business or business activity in which you were engaged in the course of your employment with the Company or any Company Owned Entity; but notwithstanding the foregoing, nothing herein shall prevent you from being a 2% or less shareholder of a publicly traded corporation;

(ii) As an individual or as a partner, employee, agent, advisor, consultant or in any other capacity of or to any person, firm, corporation or other entity, directly or indirectly recruiting, soliciting or hiring, or assisting anyone else in recruiting, soliciting or hiring, any employee of the Company or any Company Owned Entity;

(iii) Inducing or attempting to induce, or assisting anyone else to induce or attempt to induce, any customer of the Company or any Company Owned Entity to discontinue its business with the Company or Company Owned Entity;

(iv) Engaging in the unauthorized use or disclosure of confidential information or trade secrets of the Company or any Company Owned Entity resulting in harm to the Company or any Company Owned Entity; or

(v) Engaging in intentional misconduct resulting in a financial restatement or in an increase in your incentive or equity compensation.

(c) In the event you engage in conduct described in section 6(b), the Company and/or any Company Owned Entity (as appropriate) shall be entitled:

(i) To cancel this Award; and/or

(ii) To recover from you (1) any shares of stock (or payment of cash, in the event of a Change of Control) transferred to you under this Award during any period(s) (A) that you were in breach of any of the above described covenants or (B) in the case of intentional misconduct resulting in a financial restatement during the periods that required statement, but in either case not to exceed three years, and (2) the proceeds from any sales of such shares received under this Award during the above time periods to the extent such shares transferred to you under this Award have been sold or retained by the Company to pay your taxes. The Committee shall have sole discretion in determining the amount that shall be recovered from you under this subsection (ii).

7. 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.

8. 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.

9. Amendment. The Award may be amended by written consent between the Company and you.

10. Understanding of Agreement. You acknowledge that you have had a reasonable period of time to study, understand, and consider this Agreement, that you have the right to consult with counsel of your choice prior to signing the Agreement, that you have read the Agreement and understand all of its terms, that you are entering into the Agreement knowingly and voluntarily, that in so doing you are not relying upon any statements or representations of the Company or its agents other than as expressly provided in this Agreement, and that the Agreement is fair and reasonable.

Executed _____.

ESCO TECHNOLOGIES INC.

AGREED TO AND ACCEPTED:

By: _____
Vice President

Participant



RESTRICTED SHARE UNIT AWARD AGREEMENT

To: _____ (“you”)

From: Human Resources and Compensation Committee of the Board of Directors (the “Committee”)

Subject: ESCO Technologies Inc. 2018 Omnibus Incentive Plan (“Plan”) –
Fiscal 20__ Restricted Share Unit Award (“Award”)

1. Award. Effective _____, 20__ (the “Award Date”), the Committee has approved the award by ESCO Technologies Inc. (the “Company”) to you of _____ Restricted Share Units (the “RSUs”) pursuant to the Plan, representing the right to receive _____ shares of common stock of the Company (“Company Stock”) (before tax withholdings) upon satisfaction of all of the terms and conditions set forth in this Award Agreement and in the Plan, a copy of which has been delivered to you.

2. Payout Terms.

(a) If you are continuously employed by the Company or a subsidiary, limited liability company, other entity directly or indirectly wholly owned by the Company (“Company Owned Entity”) from the Award Date through the close of business on the “Vesting Date” as defined in Section 2(b), each RSU will be converted into the right to receive one share of Company Stock, and such shares of Company Stock (after deducting sufficient shares to satisfy the Company’s tax withholding obligations) will be issued to you or your brokerage account as of the next business day after the Vesting Date.

(b) The “Vesting Date” is _____, 20__ (3½ years after the Award Date); subject to Section 2(d).

(c) Notwithstanding paragraph 2(a), if there is a Change of Control before the shares of Company Stock have been issued to you under this Award and either:

(i) If the Change of Control results in the Company Stock no longer being publicly held and traded on the New York Stock Exchange before all shares of Company Stock under this Award have been issued to you under this Award and you are and have been continuously employed by the Company or Company Owned Entity through and on the effective date of the Change of Control (the “CoC Effective Date”), then (A) below shall apply, or if the conditions in (A) cannot be met then (B) shall apply:

(A) The RSUs granted to you pursuant to this Award Agreement shall be replaced by an equity award agreement of the Acquirer, provided all of the following conditions are met:

(I) Acquirer’s common stock is publicly held and widely traded on an established U.S. stock exchange, either NYSE or NASDAQ; and

(II) Such RSUs are converted to units of the Acquirer’s common stock at a total value equal to the total value of the RSUs (“Replacement Units”)

under an equity award agreement (“Replacement Agreement”) with terms at least as favorable as the terms of this Award Agreement. For the purposes of conversion, the value of the RSUs shall be calculated based on the average closing price of the Company shares for the ten days prior to the Change of Control and the value of the Replacement Units shall be calculated based on the average closing price of common stock of the Acquirer for the ten days prior to the Change of Control. The Replacement Agreement shall provide that each Replacement Unit when vested shall equal one share of Acquirer’s common stock and unless earlier distributed such Acquirer common stock (net of tax withholdings) will be distributed to you three years after the original date of the award of the RSUs (“Replacement Award”). Such Replacement Agreement shall not include the ownership requirements of Section 3. The Replacement Agreement shall also provide that (a) Replacement Units shall vest and Acquirer common stock will be issued to you equivalent to such Replacement Units (net of tax withholdings) on the termination of your employment Without Cause or your termination with Good Reason (as defined in the Severance or Executive Severance Agreement), and (b) if you retire with at least 5 years of total employment with the Company and/or the Acquirer (“Retirement”) then you shall receive the number of shares equal to the undistributed shares under this Award multiplied by the percentage which is the number of months elapsed during the Award Term as of the retirement date compared to the total number of months in the Award Term. If prior to the vesting of such Replacement Units your employment ends, other than for Retirement, Without Cause, or with Good Reason (as defined in the Severance or Executive Severance Agreement), Replacement Units shall not vest and the Replacement Award shall be cancelled.

- (B) The RSUs granted to you pursuant to this Award Agreement shall not be replaced if the Successor Entity determines it will not or cannot replace the Award granted pursuant to this Agreement. In such event, the Award will be converted into the right to receive cash in an amount equal to the number of unconverted RSUs multiplied by the average of the daily closing price of the Company’s common stock on the New York Stock Exchange over the last ten trading days preceding the CoC Effective Date, and such cash will be paid to you (net of tax withholdings) within 30 days after the CoC Effective Date.

(ii) If before a Change of Control, the RSUs under this Award have not been distributed to you in shares of Company Stock and you have been continuously employed by the Company or a Company Owned Entity and not more than ninety (90) days prior to the CoC Effective Date your employment with the Company or Company Owned Entity was terminated not because of your death, Disability, or for Cause, and such termination was done at the request of a third party who, at such time, had taken steps reasonably calculated to effect a Change of Control, and such Change of Control subsequently does occur then the Award will be converted into the right to receive cash in an amount equal to the number of RSUs multiplied by the average of the daily closing price of the Company’s common stock on the New York Stock Exchange over the last ten trading days preceding

the CoC Effective Date, and such cash will be paid to you (net of tax withholdings) within 30 days after the CoC Effective Date.

(iii) In the event of a Change of Control this subsection 2(c) shall control all distributions of shares and compensation under this Award.

However, in such event, the following additional terms will apply to the Award:

- (I) Notwithstanding the foregoing provisions of this section 2(c), in the event a certified public accounting firm designated by the Committee (the "Accounting Firm") determines that any payment (whether paid or payable pursuant to the terms of this Award or otherwise and each such payment hereinafter defined as a "Payment" and all Payments in the aggregate hereinafter defined as the "Aggregate Payment"), would subject you to tax under Section 4999 of the Internal Revenue Code of 1986 ("Code") then such Accounting Firm shall determine whether some amount of payments would meet the definition of a "Reduced Amount". If the Accounting Firm determines that there is a Reduced Amount, payments shall be reduced so that the Aggregate Payments shall equal such Reduced Amount. For purposes of this clause 2(c)(I), the "Reduced Amount" shall be the largest Aggregate Payment which (A) is less than the sum of all Payments and (B) results in aggregate Net After Tax Receipts which are equal to or greater than the Net After Tax Receipts which would result if Payments were made without regard to this clause 2(c)(I). "Net After Tax Receipt" means the Present Value (defined under Section 280G(d)(4) of the Code) of a Payment net of all taxes imposed on you under Section 1 and 4999 of the Code by applying the highest marginal rate under Section 1 of the Code.
- (II) As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination of the Accounting Firm hereunder, it is possible that Payments will be made by the Company or a Company Owned Entity which should not have been made (the "Overpayments") or that additional Payments which the Company or a Company Owned Entity has not made could have been made (the "Underpayments"), in each case consistent with the calculations of the Accounting Firm. In the event that the Accounting Firm, based either upon (A) the assertion of a deficiency by the Internal Revenue Service against the Company or a Company Owned Entity or you which the Accounting Firm believes has a high probability of success or (B) controlling precedent or other substantial authority, determines that an Overpayment has been made, any such Overpayment shall be treated for all purposes as a loan to you which you shall repay to the Company or Company Owned Entity together with interest at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, however, that no amount shall be payable by you to the Company or Company Owned Entity if and to the extent such payment would not reduce the amount which is subject to taxation under Section 1 and Section 4999 of the Code or if the period of limitations for assessment of

tax has expired. In the event that the Accounting Firm, based upon controlling precedent or other substantial authority, determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company or Company Owned Entity to you together with interest at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

(d) Notwithstanding any other provision of this Section 2:

(i) If on or before the Vesting Date your employment terminates on account of your death or Disability, then the Committee, in its absolute discretion, may make such full, pro-rata, or no distribution of Company Stock in satisfaction of this Award as it may determine, either to you or, if termination is on account of death, to your surviving spouse, heirs or estate as it may determine, all in its sole and complete discretion; or

(ii) If on or before the Vesting Date your employment terminates on account of your retirement with the approval of the Committee, then:

(A) If the effective date of retirement is less than 12 months after the Award Date, this Award shall be forfeited and no distribution shall be made; otherwise

(B) The Vesting Date shall be accelerated to the effective date of retirement, and the number of RSUs in this Award shall be prorated based on the number of months elapsed during the Award term as of the effective date of retirement compared to the total number of months in the original Award term, and the prorated Award will be converted and paid out as provided in Section 2(a).

3. Share Ownership Requirements. You are expected to own shares of Company Stock with a fair market value equal to a specified multiple of your total cash compensation (your “Share Ownership Requirement”). If you do not currently meet your Share Ownership Requirement, you must retain 100% of any Award distribution which you receive under Section 2 (which will be net of any tax withholdings) until your Share Ownership Requirement is satisfied. Thereafter you must maintain ownership of a sufficient number of shares of Company Stock to ensure that your Share Ownership Requirement remains satisfied. The satisfaction of the requirements of this section 3 will be reviewed periodically as determined by the Committee. In addition, you may not dispose of any portion of the beneficial interest in Company Stock received (net of any withheld shares) on account of the Award within 12 months after the Company Stock is delivered to you, or such earlier time as you cease to be a “named executive officer” of the Company.]

4. Definitions. For purposes of the Award, the following terms have the following meanings:

(a) “Cause” means, solely for the purposes of this Award:

(i) Your willful and continued failure to perform substantially all of your duties with the Company or a Company Owned Entity to which you report (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for such performance is delivered to you by the Company’s Board of Directors in a case where you are the Chief Executive Officer of the Company (“CEO”) or otherwise by the CEO, which specifically identifies the manner in which such Board or CEO believes that you have not substantially performed your duties, or

(ii) Your willful engagement in (A) illegal conduct (other than minor traffic offenses), or (B) conduct which is in breach of your fiduciary duty to the Company or Company Owned Entity and which is demonstrably injurious to the Company or Company Owned Entity, its reputation or its business prospects.

For purposes of this definition, no act or failure to act on your part shall be considered “willful” unless it is done, or omitted to be done, by you in bad faith or without reasonable belief that your action or omission was in the best interests of the Company and its subsidiaries. Any act, or failure to act, based upon the instructions of your superior or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by you in good faith and in the best interests of the Company and its subsidiaries.

(b) “Change of Control” means:

(i) The purchase or other acquisition by any person, entity or group of persons (herein “Acquirer”), within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (excluding, for this purpose, the Company or its subsidiaries or any employee benefit plan of the Company or its subsidiaries), of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either the then-outstanding shares of common stock of the Company or the combined voting power of the Company’s then-outstanding voting securities entitled to vote at any general or special meeting of shareholders; or

(ii) A change in composition of the Board of Directors of the Company (the “Board” and, as of the date hereof, the “Incumbent Board”) resulting in individuals who constitute the Incumbent Board ceasing for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the date hereof whose election or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or

(iii) Approval by the stockholders of the Company of (A) a reorganization, merger or consolidation, in each case with respect to which persons who were the stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately thereafter, own more than 50% of, respectively, the common stock and the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated corporation’s then-outstanding voting securities, or (B) a liquidation or dissolution of the Company or of the sale of all or substantially all of the assets of the Company.

Notwithstanding the foregoing, an isolated sale, spin-off, joint venture or other business combination by the Company, which involves one or more divisions of the Company or a Company Owned Entity and is approved by a majority vote of the Incumbent Board, shall not be deemed to be a Change of Control.

(c) “Company Stock” means the common stock of the Company.

(d) “Disability” means your absence from your duties with the Company or Company Owned Entity on a full-time basis for 90 consecutive business days as a result of incapacity due to mental or physical illness which incapacity is determined to be total and permanent by a physician selected by the Company or its insurers.

5. **Taxes.** Company Stock issued pursuant to an Award shall be valued for tax purposes at its closing price on the New York Stock Exchange on the Vesting Date, or if the Company Stock is not traded on such Exchange on the Vesting Date, then on the last day prior to the Vesting Date on which the Company Stock is traded on such Exchange. Sufficient shares of Company Stock or cash, as the case may be, shall be withheld from any distribution hereunder to satisfy the Company’s tax withholding requirements in respect of such distribution.

6. **Covenants.**

(a) To the extent that you engage in conduct described in section 6(b) during the period beginning on the Award Date and ending six (6) months after the date on which you receive the distribution of Company Stock (or payment of cash, in the event of a Change of Control) to which you are or become entitled under section 2 of this Award, you agree that the Company and/or any Company Owned Entity (as appropriate) shall be entitled to recover amounts as described in section 6(c).

(b) The conduct described in this section 6(b) is any of the following:

(i) As an individual or as a partner, employee, agent, advisor, consultant or in any other capacity of or to any person, firm, corporation or other entity, directly or indirectly carrying on any business or becoming involved in any business activity, which is (A) competitive with the business of the Company or any Company Owned Entity, as presently conducted and as said business may evolve in the ordinary course, and (B) a business or business activity in which you were engaged in the course of your employment with the Company or any Company Owned Entity; but notwithstanding the foregoing, nothing herein shall prevent you from being a 2% or less shareholder of a publicly traded corporation;

(ii) As an individual or as a partner, employee, agent, advisor, consultant or in any other capacity of or to any person, firm, corporation or other entity, directly or indirectly recruiting, soliciting or hiring, or assisting anyone else in recruiting, soliciting or hiring, any employee of the Company or any Company Owned Entity;

(iii) Inducing or attempting to induce, or assisting anyone else to induce or attempt to induce, any customer of the Company or any Company Owned Entity to discontinue its business with the Company or Company Owned Entity;

(iv) Engaging in the unauthorized use or disclosure of confidential information or trade secrets of the Company or any Company Owned Entity resulting in harm to the Company or any Company Owned Entity; or

(v) Engaging in intentional misconduct resulting in a financial restatement or in an increase in your incentive, bonus, equity compensation or other non-base compensation.

(c) In the event you engage in conduct described in section 6(b), the Company and/or any Company Owned Entity (as appropriate) shall be entitled:

(i) To cancel this Award; and/or

(ii) To recover from you (1) any shares of Company Stock (or payment of cash, in the event of a Change of Control) transferred to you under this Award during any period(s) (A) that you were in breach of any of the above described covenants or (B) in the case of intentional misconduct resulting in a financial restatement during the periods that required restatement, but in either case not to exceed three years, and (2) the proceeds from any sales of such shares during the above time periods to the extent such shares transferred to you under this Award have been sold or retained by the Company to pay your taxes. The Committee shall have sole discretion in determining the amount that shall be recovered from you under this subsection (ii).

7. **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.

8. **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.

9. **Amendment.** This Award may be amended by written consent between the Company and you, or by the Company to the extent it does not lessen or restrict your rights hereunder.

10. **Understanding of Agreement.** You acknowledge that you have had a reasonable period of time to study, understand, and consider this Agreement, that you have the right to consult with counsel of your choice prior to signing the Agreement, that you have read the Agreement and understand all of its terms, that you are entering into the Agreement knowingly and voluntarily, that in so doing you are not relying upon any statements or representations of the Company or its agents other than as expressly provided in this Agreement, and that the Agreement is fair and reasonable.

This Agreement will become effective as of the Award Date subject to your execution below.

ESCO TECHNOLOGIES INC.

AGREED TO AND ACCEPTED:

By:

Vice President

Participant

Date Signed:

Date

Signed: _____

EMPLOYMENT AND COMPENSATION AGREEMENT

THIS EMPLOYMENT AGREEMENT (“Agreement”) made and entered into as of the Effective Date (defined below), by and between ESCO Technologies Inc. (“ESCO”), and Victor L. Richey (“Executive”). Hereinafter ESCO and Executive may be referred to individually as “Party” and collectively as “Parties”.

RECITALS:

WHEREAS, Executive is ESCO’s Chairman, President and Chief Executive Officer (CEO); and

WHEREAS, ESCO recognizes and appreciates the value and benefit of retaining the services of Executive and desires to secure the commitment of Executive to the employment terms herein set forth; and

WHEREAS, ESCO is willing to make the commitments to Executive as hereinafter set forth, in recognition of such value, as well as to secure appropriate agreements and covenants from Executive as provided herein; and

WHEREAS, Executive desires to be so employed for such period and to secure the compensation arrangements hereinafter provided, and is therefore willing to make the agreements and covenants on his part contained herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the Parties agree as follows:

1. Definitions. The following terms, as used herein, shall have the following meanings:

“Annual Performance Based Bonus” shall mean an annual bonus under ESCO’s Performance Compensation Plan adopted August 2, 1993, amended and restated February 4, 2019 and any subsequent amendments following the date of this Agreement (the “PCP”) computed utilizing the Executive’s PCP Bonus Target and subject to the terms of such PCP plan.

“Bonus Target” shall mean \$959,500 or such increased amount as may be approved by the Human Resources Committee of the ESCO Board of Directors.

“Effective Date” shall mean the date the Executive executes this Agreement.

“Employment Period” or “Term” shall mean, the period of time starting on the Effective Date and, unless terminated pursuant to Sections 3, 4 or 5, ending on the last day of the 12th month after the Effective Date. At the end of such initial twelve month period this Agreement shall automatically renew for subsequent one year periods unless the Company provides notice at least six months in advance of such renewal period start date that the Agreement will not be renewed or unless at any time this Agreement is terminated pursuant to Sections 3, 4 or 5. Any such one year renewals shall be considered part of the Employment Period.

Executive's employment shall continue, after the Employment Period, unless terminated as outlined in Sections 3, 4 or 5, as an at-will employee.

"Good Cause Event" shall mean:

a) Executive's willful and continued failure to substantially perform his duties (other than as a result of incapacity due to physical or mental condition), after a written notice by an ESCO Representative (defined below) identifying the manner in which he or she believes Executive has not effectively performed his duties and after the Executive's subsequent failure to cure the identified problem(s) in the time set forth in the notice,

b) Executive's commission of acts which would constitute fraud, misappropriation, embezzlement, theft, dishonesty, breach of fiduciary duty involving personal profit or willful and knowing violation of any laws, rule, regulation (other than traffic violations or similar minor offenses), "Misconduct" as defined in the PCP plan, conduct involving a third party which impairs the reputation of, or harms, ESCO, its respective subsidiaries or its respective affiliates; or violation of ESCO's policies (including the ESCO's Code of Business Conduct and Ethics, the Insider Trading Policy and the Insider Trading Policy for Senior Company Officials),

c) Executive's failure to act professionally and with due consideration and propriety in his personal and professional dealings with customers, vendors, employees or other individuals with whom Executive comes into contact in his capacity as an employee of ESCO or Executive's engagement in willful conduct which Executive knows or has reason to know is materially detrimental to the business and operations of ESCO, including without limitation, any action or omission which (a) causes injury or damage to ESCO or (b) directly or indirectly causes ESCO to be named a party in any litigation or administrative proceeding with regard to such acts or omissions, or

d) Executive's material breach of any provision of this Agreement including without limitation, any obligation under Section 9.

For purposes of the definition of a "Good Cause Event", an act or failure to act shall not be considered "willful" if done or omitted to be done in good faith and with a reasonable belief that the act or omission was in the best interest of ESCO.

"Permanent Disability" shall mean disability or incapacity which extends for the period of time which is the elimination period for ESCO's LTD plan(s), not to exceed three months and which renders Executive in the reasonable judgment of an ESCO Representative substantially unable to carry out the duties of Executive as currently performed.

"Severance Effective Date" shall mean the 8th day after the Severance Agreement & Release is executed and the Executive has not revoked such Severance Agreement & Release during the 7 day Revocation Period.

"ESCO Representative" shall mean any two (2) Directors of ESCO.

“Revocation Period”. Upon a termination as outlined in Section 4 or Section 5, if the Executive executes the then current Severance Agreement and Release (Severance Agreement) he will be provided with a 7 day timeframe during which he can rescind his execution of the Severance Agreement (Revocation Period) by providing the ESCO Representative with a written notice of such revocation. If the execution of the Severance Agreement is not revoked during this Revocation Period, it will be effective on the 8th day, “Severance Effective Date,” and payments will be made in accordance with this Agreement.

2. Terms of Employment.

(a) Location and Duties.

- i. Beginning on the Effective Date ESCO will employ Executive in its employment for the Employment Period. During the Employment Period, Executive’s services shall be required to be performed at the corporate headquarters of ESCO located in Ladue, Missouri, any subsequent corporate headquarters of ESCO less than 25 miles from such Ladue Missouri location or at any location required by ESCO and agreed to by the Executive.
- ii. During the Employment Period, and excluding any periods of vacation and sick leave to which Executive is entitled, Executive will be expected to devote reasonable attention and time during normal business hours to the business and affairs of ESCO, to discharge the responsibilities assigned to the Executive, and to use the Executive’s reasonable best efforts to perform faithfully and efficiently such responsibilities.
- iii. The Executive shall perform such duties normally associated with the Office(s) of ESCO’s Chairman, President & CEO and such other duties as assigned to him by the ESCO Board.

(b) Compensation. During the Employment Period, in full consideration for said services and subject to the due performance thereof, ESCO will pay Executive, and Executive agrees to accept:

- i. A bi-weekly salary of \$34,542.31 which shall be paid in accordance with ESCO’s normal method of payment. Such bi-weekly salary may be increased from time to time by the Human Resources & Compensation Committee of the ESCO Board (“HRCC”).
- ii. An Annual Performance Based Bonus payable within ninety days following the end of each fiscal year end. (This Annual Performance Based Bonus will be prorated for any partial year based on the number of days worked divided by 260 with such percentage applied to the Executive’s (PCP) bonus target for payment determination).
- iii. All amounts paid in subparagraphs (i) and (ii) are subject to regular income tax withholding, FICA taxes and any other deductions required by law or authorized by Executive.

3. Permitted Employer Termination. All obligations of ESCO pursuant hereto, and Executive's employment, shall terminate upon the earlier of A) the death of Executive or Permanent Disability of Executive, B) the occurrence of a Good Cause Event, or C) voluntary resignation of Executive other than Termination by Executive for Breach (either A, B or C referred to as a "Permitted Employer Termination"). Notwithstanding any termination of Executive's employment, Executive shall continue to remain obligated to comply with Section 9 and 13 herein.
4. Termination by ESCO other than for a Permitted Employer Termination. If, during the Term of this Agreement, Executive's employment is terminated for other than a Permitted Employer Termination, then provided the Executive executes the Standard Severance Agreement and Release then in general use by ESCO, the Executive shall receive the Severance Payments described in Section 6, after the Revocation Period has lapsed with no revocation of the Severance Agreement by the Executive.
5. Termination by the Executive as a result of an ESCO Breach. If, during the Term of this Agreement, A) ESCO breaches a material provision of this Agreement, B) the Executive notifies ESCO in writing within 30 days of such breach ("Cure Notice"), C) ESCO does not cure such breach within 30 days of receipt of the Cure Notice, D) Executive terminates his employment based on such breach within 40 days of such Cure Notice, and E) Executive executes the Standard Severance Agreement and Release then in general use by the ESCO, (the occurrence of A-E referred to as "Termination by Executive for Breach") then Executive shall receive the Severance Payments described in Section 6, after the Revocation Period has lapsed with no revocation of the Severance Agreement by the Executive.
6. Severance Payments. In the event that Executive's employment is terminated and pursuant to Sections 4 or 5 he is entitled to Severance Payments, ESCO agrees as follows.
 - (a) After the Revocation Period ESCO shall pay the Executive a total amount equal to his then current bi-weekly salary for the number of pay periods in two calendar years and two times his Bonus Target. Such amount shall be paid in either of the following forms, as elected by the Executive:
 - i. in a lump sum on the regularly scheduled payroll date of ESCO coinciding with or immediately preceding March 15 of the calendar year following the calendar year in which such termination occurs, or
 - ii. in biweekly installments commencing on the first practical payroll date of ESCO following the Revocation Period and continuing on each succeeding regularly scheduled biweekly payroll date; provided, however, that any remaining compensation will be paid in a lump sum on the regularly scheduled payroll date coinciding with or immediately preceding the later of March 15th or December 15th in the calendar year after such termination occurs.
 - (b) After the Revocation Period, as a supplement to the payment of the Executive's Base Salary and Bonus under subparagraph (a) above, ESCO shall also pay, reimburse or provide, as applicable, to or for the Executive :

- i. an amount equal to the Bonus Target divided by 26 (the number of pay periods in a year) and multiplied by the number of pay periods worked by Executive in such current fiscal year occurring prior to the termination,
- ii. upon proper application by Executive and payment of the employee portion of the premium, ESCO shall furnish Executive medical continuation in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”); provided that during the period of his eligibility the Executive will pay only the rate which active employees pay for similar coverage for up to six months,
- iii. reimbursement of fees incurred by Executive for financial planning during the period of time starting after termination of Executive’s employment and ending on the federal tax filing deadline for the Executive for the tax year following the taxable year in which the termination occurred in the same amounts that would have been reimbursed to Executive had Executive remained employed with ESCO during such period, and
- iv. executive level outplacement assistance determined appropriate by ESCO.
- v. All Equity Awards made within the twelve months prior to the termination shall be forfeited. The remaining awards shall then be addressed as follows:

Performance Accelerated Restricted Shares (PARS). The portion of any outstanding Performance Accelerated Restricted Stock Award(s) that has been accelerated in full or part due to the satisfaction of the applicable performance goals prior to termination shall vest and be distributed.

Vested Restricted Stock Units (RSU’s) awards shall be distributed in full. All other awards shall vest and be distributed prorata based on the number of months elapsed during the RSU award term as of the termination date compared to the total number of months in the RSU term.

Performance Share Units (PSU’s) Awards whose term has been completed will be scored based upon performance and any resulting share units will vest at the Human Resources & Compensation Committee (HRCC) fiscal year end meeting following the termination. All other PSU’s Awards will be prorated based on the number of months elapsed during the PSU award term as of the termination date compared to the total number of months within the PSU term. The performance measures will then be scored to determine the number of units which will vest at the HRCC fiscal year end meeting following the termination.

All Equity Award distributions will be made within 2 weeks of vesting, and are subject to share withholding to satisfy any required federal, state or other tax withholdings.

The payments, reimbursements and commitments made in Sections 6 (a), and (b) shall be collectively referred to as “Severance Payments.” All Severance Payments shall be subject to applicable income tax withholding including FICA and any other deductions required by

law or authorized by Executive and shall be conditioned upon 1) Executive signing a standard release then in effect for such purposes and 2) expiration of any revocation period (“Revocation Period”) without revocation by Executive.

7. Termination of Employment in Connection with a Change of Control. If during the Term of this Agreement, Executive’s employment is terminated in connection with a Change of Control under circumstance which would cause the benefits described in the Company’s Severance Plan (the “Severance Plan”) to become payable to the Executive (“Severance Benefits”), no further compensation or benefits or any kind shall be payable under this Agreement but the Severance Plan Benefits shall be paid in accordance with the terms and conditions of the Severance Plan. Capitalized terms not defined herein are defined in the Severance Plan first adopted August 10, 1995 by ESCO Electronics Corporation (now known as ESCO Technologies Inc.) Board of Directors and as later amended.
8. Continued Employment Not Guaranteed. This Agreement is intended to outline certain compensation payable to Executive under the specified circumstances described herein and shall not be construed as a guarantee of the Executive’s continued employment, nor shall it limit the ability of the ESCO to terminate the employment relationship at any time, with or without cause upon written notice to the Executive. Executive’s continued employment after the end of the Term shall be considered employment-at-will. None of the provisions of this Agreement shall limit the ability of the Executive to resign at any time upon written notice to ESCO.
9. Confidential Information; ESCO Property; Nonsolicitation; Non Compliance; Compensation Recovery. By and in consideration of the mutual promises contained herein, the Executive agrees that:

9.1 Confidential Information:

(a) Executive shall both during and after employment with ESCO regardless of how, when or why Executive’s employment ends, protect the confidential, trade secret and/or proprietary character of all Confidential Information. Executive shall not, directly or indirectly, use (for the benefit of Executive or any other person) or disclose any Confidential Information, for so long as it shall remain proprietary or protectable as confidential or trade secret information, except (i) as may be necessary for the performance of Executive’s duties for ESCO, (ii) to the extent that such Confidential Information becomes generally known to the public through no wrongful act of Executive or any representative of Executive, or (iii) as required by applicable law, regulation or legal process and provided ESCO is given advance notice of such required disclosure and the opportunity to seek a protective order as appropriate. In addition, notwithstanding that this Agreement is Confidential Information, Executive shall be permitted to disclose the terms and conditions of this Agreement to Executive’s spouse, legal advisors and personal tax or financial advisors provided such individuals agree to keep such information strictly confidential.

(b) At the end of the Term, or the end of any employment at-will-period, or at any other time ESCO may request, Executive shall promptly deliver to ESCO all materials in Executive’s possession containing any Confidential Information, whether in written or

electronic form, including, without limitation, writings, designs, documents, records, memoranda, photographs, sound recordings, tapes, discs and other storage devices. To the extent Confidential Information is contained on Executive's personal computers, cell phones or other electronic devices, such information shall be purged from such devices and Executive shall certify in writing to ESCO that all such Confidential Information has been returned and/or purged.

(c) For purposes of this Agreement, "Confidential Information" means all financial, technical and business information that is not generally in the public domain regarding:

- i. the installation, operation, usage, maintenance, repair, marketing, design, construction, function, performance, composition, and specifications of ESCO's or any subsidiaries, or affiliates' current and future products and components for such products along with computer code, software, firmware or related documentation as well as technical, financial (e.g. unit prices), or product road map information related to any of the foregoing;
- ii. the intellectual property of ESCO, or any subsidiary or affiliate such as patent application, inventions, or trade secrets;
- iii. the financial performance or prospects of ESCO, or any subsidiary, or affiliate along with any other material, non-public information as defined by relevant insider trading statutes or SEC regulations;
- iv. customer contacts, customer requirements, or system performance; and
- v. any other information of ESCO, or any subsidiary or affiliate which:
 - A. derives economic value, actual or potential, from not being generally known to or readily ascertainable by other persons who can obtain economic value from the disclosure or use of the information; and
 - B. is the subject of efforts by the ESCO or its subsidiary or affiliate that are reasonable under the circumstances to maintain the secrecy of the information.

(d) The parties hereto stipulate that the protection of Confidential Information is important to the successful conduct of the business of ESCO, and their respective subsidiaries and affiliates, and their goodwill, and any breach of any term of this section is a material breach of Agreement.

9.2 ESCO Property. All equipment, notebooks, documents, presentations, briefings, programs, data, memoranda, reports, files, samples, books, correspondence, lists, software, other records, whether in tangible or intangible form, and the like, affecting or relating to the business of ESCO, and their respective subsidiaries and affiliates, which Executive shall have prepared, used, constructed, observed, received, possessed or controlled during employment with ESCO (collectively "Property"), shall be and remain the sole property of ESCO, and their respective subsidiaries and affiliates, as the case may be, and shall be returned to an

ESCO Representative upon termination of employment or earlier request of an ESCO Representative.

9.3 Nonsolicitation. During the period commencing on the Effective Date and ending two (2) years following the termination of Executive's employment for any reason, the Executive will not directly or indirectly, on his behalf or on behalf of any other organization, solicit, hire, or otherwise induce any employee of ESCO, or any subsidiary or affiliate of ESCO to leave the employ of ESCO, or affiliate, or to become associated, whether as an employee, officer, partner, director, consultant or otherwise, with any other business organization.

9.4 Noncompliance. If the Executive's employment ends or is terminated as a result of a Permitted Employer Termination, except as otherwise required by law, no further payments or contractual benefits shall be provided to, or in respect of the Executive by ESCO pursuant to this Agreement or otherwise. Additionally, all terms and conditions of the PCP plan shall apply, including if applicable recoupment of past PCP payments.

9.5 Independent Agreements. Each of the covenants and agreements of Executive contained in this Section 9 shall be construed as independent of any other provision of this Agreement and independent of each other and given for valuable independent consideration, and the existence of any defense, claim or cause of action against ESCO, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by ESCO of each such independent covenant and agreement.

10. Compensation in Event of Death or Permanent Disability. In the event that a Permitted Employer Termination occurs because of death or the Permanent Disability of Executive, Executive or Executive's estate and beneficiaries shall be entitled to all payments and benefits in accordance with the regular policies of the ESCO in force at such time for such events with respect to a senior manager or officer but not less than in accordance with the regular policies of ESCO applicable to salaried personnel generally in force on the date thereof.
11. Non-Waiver of Rights. The failure to enforce at any time any of the provisions of this Agreement or to require at any time performance by the other party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement, or any part hereof, or the right of either Party thereafter to enforce each and every provision in accordance with the terms of this Agreement.
12. Invalidity of Provisions. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted provided the effectiveness of the remaining portions of this Agreement will not defeat the overall business intent of the Parties or give one Party any substantial benefit to the detriment of the other Party.
13. Governing Law. This Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri without regard to its conflict of law's provisions.

14. Amendments. Except as provided in Section 15, no modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto and signed by the Executive and by an ESCO Representative.
15. Amendments Required by the Laws, Regulations or Stock Exchange Listing Requirement. This Agreement may be amended by ESCO without consent of the Executive as a result of changes in laws, regulations or stock exchange listing requirements applicable to ESCO and impacting agreements with its senior officers and those of its subsidiaries.
16. Notices. Any notice to be given by either Party hereunder shall be in writing and shall be deemed to have been duly given if sent by facsimile or email followed by first class mail, sent certified or registered mail, postage paid, or hand delivered as follows:

ESCO:

Lead Director
ESCO Technologies Inc.
9900A Clayton Road
St. Louis, MO 63124

With copy to
ESCO Technologies Inc.
Vice President, Human Resources
9900A Clayton Road
St. Louis, MO 63124

And to Executive at his address as it appears on the payroll records of ESCO, or to such other address as may have been furnished by either Party to the other Party by written notice.

17. Survival of Certain Provisions. The parties agree that Sections 9, and 13 shall survive any expiration or termination, including without limitation a Permitted Employer Termination, of this Agreement and shall survive the termination of Executive's employment for any reason and shall remain in full force and effect in accordance with the provisions contained in such Sections.
18. Spendthrift Provision. Except as otherwise expressly provided herein, Executive agrees on behalf of himself and his executors and administrators, heirs, legatees, distributees, and any other person or persons claiming any benefits under him by virtue of this Agreement, that this Agreement and the rights, interests and benefits hereunder shall not be assigned, transferred, pledged, or hypothecated in any way by Executive or any executor, administrator, heir, legatee, distributee, or person claiming under Executive by virtue of this Agreement, and shall not be subject to execution, attachment or similar process. Any attempt at assignment, transfer, pledge or hypothecation or other disposition of this Agreement or of such rights, interest, and benefits contrary to the foregoing provision, or the levy of any attachment or similar process thereupon, shall be null and void and without effect.

19. Section 409A Savings Cause. This Agreement is intended to comply with the provisions of 409A of the Code. If any compensation or benefits provided by this Agreement may result in the application of Section 409A of the Code, ESCO shall, in consultation with Executive, modify the Agreement in the least restrictive manner necessary in order to exclude such compensation from the definition of “deferred compensation” within the meaning of such Section 409A of the Code or in order to comply with the provisions of Section 409A of the Code, other applicable provision(s) of the Code and/or any rules, regulations or other regulatory guidance issued under such statutory provisions and without any diminution in the value of the payments to Executive. Notwithstanding the preceding, ESCO makes no representations regarding the tax consequences of compensation or benefits payable under this Agreement and Executive is responsible for all such tax consequences other than ESCO’s share of employment taxes.

20. Consulting Services. ESCO may ask Executive to provide consulting services to ESCO from time to time after Executive’s employment terminates. In the event that Executive is receiving Severance Payments, Executive shall agree perform up to 80 hours of such consulting services without additional compensation.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

/s/Victor L. Richey

/s/James M. Stolze, Lead Director
ESCO Technologies Inc.

May 10, 2021

May 10, 2021

EMPLOYMENT AND COMPENSATION AGREEMENT

THIS EMPLOYMENT AGREEMENT (“Agreement”) made and entered into as of the Effective Date (defined below), by and between ESCO Technologies Inc. (“ESCO”), and Christopher Tucker (“Executive”). Hereinafter ESCO and Executive may be referred to individually as “Party” and collectively as “Parties”.

RECITALS:

WHEREAS, Executive is elected as ESCO’s newly hired Senior Vice President and Chief Financial Officer (CFO); and

WHEREAS, ESCO recognizes and appreciates the value and benefit of hiring and retaining the services of Executive and desires to secure the commitment of Executive to the employment terms herein set forth; and

WHEREAS, ESCO is willing to make the commitments to Executive as hereinafter set forth, in recognition of such value, as well as to secure appropriate agreements and covenants from Executive as provided herein; and

WHEREAS, Executive desires to be so employed for such period and to secure the compensation arrangements hereinafter provided, and is therefore willing to make the agreements and covenants on his part contained herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the Parties agree as follows:

1. Definitions. The following terms, as used herein, shall have the following meanings:

“Annual Performance Based Bonus” shall mean an annual bonus under ESCO’s Performance Compensation Plan adopted August 2, 1993, amended and restated February 4, 2019 and any subsequent amendments following the date of this Agreement (the “PCP”) computed utilizing the Executive’s PCP Bonus Target and subject to the terms of such PCP plan.

“Bonus Target” shall mean \$325,000 or such increased amount as may be approved by the Human Resources Committee of the ESCO Board of Directors.

“Effective Date” shall mean the date the Executive begins employment with ESCO.

“Employment Period” or “Term” shall mean, the period of time starting on the Effective Date and, unless terminated pursuant to Sections 3, 4 or 5, ending on the last day of the 24th month after the Effective Date. At the end of such initial twenty month period this Agreement shall automatically renew for subsequent one year periods unless the Company provides notice at least six months in advance of such renewal period start date that the Agreement will not be renewed or unless at any time this Agreement is terminated pursuant to Sections 3, 4 or 5. Any such one year renewals shall be considered part of the Employment

Period. Executive's employment shall continue, after the Employment Period, unless terminated as outlined in Sections 3, 4 or 5, as an at-will employee.

"Good Cause Event" shall mean:

a) Executive's willful and continued failure to substantially perform his duties (other than as a result of incapacity due to physical or mental condition), after a written notice by an ESCO Representative (defined below) identifying the manner in which he or she believes Executive has not effectively performed his duties and after the Executive's subsequent failure to cure the identified problem(s) in the time set forth in the notice,

b) Executive's commission of acts which would constitute fraud, misappropriation, embezzlement, theft, dishonesty, breach of fiduciary duty involving personal profit or willful and knowing violation of any laws, rule, regulation (other than traffic violations or similar minor offenses), "Misconduct" as defined in the PCP plan, conduct involving a third party which impairs the reputation of, or harms, ESCO, its respective subsidiaries or its respective affiliates; or violation of ESCO's policies (including the ESCO's Code of Business Conduct and Ethics, the Insider Trading Policy and the Insider Trading Policy for Senior Company Officials),

c) Executive's failure to act professionally and with due consideration and propriety in his personal and professional dealings with customers, vendors, employees or other individuals with whom Executive comes into contact in his capacity as an employee of ESCO or Executive's engagement in willful conduct which Executive knows or has reason to know is materially detrimental to the business and operations of ESCO, including without limitation, any action or omission which (a) causes injury or damage to ESCO or (b) directly or indirectly causes ESCO to be named a party in any litigation or administrative proceeding with regard to such acts or omissions, or

d) Executive's material breach of any provision of this Agreement including without limitation, any obligation under Section 9.

For purposes of the definition of a "Good Cause Event", an act or failure to act shall not be considered "willful" if done or omitted to be done in good faith and with a reasonable belief that the act or omission was in the best interest of ESCO.

"Permanent Disability" shall mean disability or incapacity which extends for the period of time which is the elimination period for ESCO's LTD plan(s), not to exceed three months and which renders Executive in the reasonable judgment of an ESCO Representative substantially unable to carry out the duties of Executive as currently performed.

"Severance Effective Date" shall mean the 8th day after the Severance Agreement & Release is executed and the Executive has not revoked such Severance Agreement & Release during the 7 day Revocation Period.

"ESCO Representative" shall mean ESCO's CEO, or any two (2) Directors of ESCO.

“Revocation Period”. Upon a termination as outlined in Section 4 or Section 5, if the Executive executes the then current Severance Agreement and Release (Severance Agreement) he will be provided with a 7 day timeframe during which he can rescind his execution of the Severance Agreement (Revocation Period) by providing the ESCO Representative with a written notice of such revocation. If the execution of the Severance Agreement is not revoked during this Revocation Period, it will be effective on the 8th day, “Severance Effective Date,” and payments will be made in accordance with this Agreement.

2. Terms of Employment.

(a) Location and Duties.

- i. Beginning on the Effective Date ESCO will employ Executive in its employment for the Employment Period. During the Employment Period, Executive’s services shall be required to be performed at the corporate headquarters of ESCO located in Ladue, Missouri, any subsequent corporate headquarters of ESCO less than 25 miles from such Ladue Missouri location or at any location required by ESCO and agreed to by the Executive.
- ii. During the Employment Period, and excluding any periods of vacation and sick leave to which Executive is entitled, Executive will be expected to devote reasonable attention and time during normal business hours to the business and affairs of ESCO, to discharge the responsibilities assigned to the Executive, and to use the Executive’s reasonable best efforts to perform faithfully and efficiently such responsibilities.
- iii. The Executive shall perform such duties normally associated with the Office(s) of ESCO’s Senior Vice President & CFO and such other duties as assigned to him by the CEO of ESCO.

(b) Compensation. During the Employment Period, in full consideration for said services and subject to the due performance thereof, ESCO will pay Executive, and Executive agrees to accept:

- i. A bi-weekly salary of \$19,230.77 which shall be paid in accordance with ESCO’s normal method of payment. Such bi-weekly salary may be increased from time to time by the Human Resources & Compensation Committee of the ESCO Board (“HRCC”).
- ii. An Annual Performance Based Bonus payable within ninety days following the end of each fiscal year end. (This Annual Performance Based Bonus will be prorated for any partial year based on the number of days worked divided by 260 with such percentage applied to the Executive’s (PCP) bonus target for payment determination).
- iii. All amounts paid in subparagraphs (i) and (ii) are subject to regular income tax withholding, FICA taxes and any other deductions required by law or authorized by Executive.

3. Permitted Employer Termination. All obligations of ESCO pursuant hereto, and Executive's employment, shall terminate upon the earlier of A) the death of Executive or Permanent Disability of Executive, B) the occurrence of a Good Cause Event, or C) voluntary resignation of Executive other than Termination by Executive for Breach (either A, B or C referred to as a "Permitted Employer Termination"). Notwithstanding any termination of Executive's employment, Executive shall continue to remain obligated to comply with Section 9 and 13 herein.
4. Termination by ESCO other than for a Permitted Employer Termination. If, during the Term of this Agreement, Executive's employment is terminated for other than a Permitted Employer Termination, then provided the Executive executes the Standard Severance Agreement and Release then in general use by ESCO, the Executive shall receive the Severance Payments described in Section 6, after the Revocation Period has lapsed with no revocation of the Severance Agreement by the Executive.
5. Termination by the Executive as a result of an ESCO Breach. If, during the Term of this Agreement, A) ESCO breaches a material provision of this Agreement, B) the Executive notifies ESCO in writing within 30 days of such breach ("Cure Notice"), C) ESCO does not cure such breach within 30 days of receipt of the Cure Notice, D) Executive terminates his employment based on such breach within 40 days of such Cure Notice, and E) Executive executes the Standard Severance Agreement and Release then in general use by the ESCO, (the occurrence of A-E referred to as "Termination by Executive for Breach") then Executive shall receive the Severance Payments described in Section 6, after the Revocation Period has lapsed with no revocation of the Severance Agreement by the Executive.
6. Severance Payments. In the event that Executive's employment is terminated and pursuant to Sections 4 or 5 he is entitled to Severance Payments, ESCO agrees as follows.
 - (a) After the Revocation Period ESCO shall pay the Executive a total amount equal to his then current bi-weekly salary for the number of pay periods in two calendar years and two times his Bonus Target. Such amount shall be paid in either of the following forms, as elected by the Executive:
 - i. in a lump sum on the regularly scheduled payroll date of ESCO coinciding with or immediately preceding March 15 of the calendar year following the calendar year in which such termination occurs, or
 - ii. in biweekly installments commencing on the first practical payroll date of ESCO following the Revocation Period and continuing on each succeeding regularly scheduled biweekly payroll date; provided, however, that any remaining compensation will be paid in a lump sum on the regularly scheduled payroll date coinciding with or immediately preceding the later of March 15th or December 15th in the calendar year after such termination occurs.
 - (b) After the Revocation Period, as a supplement to the payment of the Executive's Base Salary and Bonus under subparagraph (a) above, ESCO shall also pay, reimburse or provide, as applicable, to or for the Executive :

- i. an amount equal to the Bonus Target divided by 26 (the number of pay periods in a year) and multiplied by the number of pay periods worked by Executive in such current fiscal year occurring prior to the termination,
- ii. upon proper application by Executive and payment of the employee portion of the premium, ESCO shall furnish Executive medical continuation in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”); provided that during the period of his eligibility the Executive will pay only the rate which active employees pay for similar coverage for up to six months,
- iii. reimbursement of fees incurred by Executive for financial planning during the period of time starting after termination of Executive’s employment and ending on the federal tax filing deadline for the Executive for the tax year following the taxable year in which the termination occurred in the same amounts that would have been reimbursed to Executive had Executive remained employed with ESCO during such period, and
- iv. executive level outplacement assistance determined appropriate by ESCO.
- v. All Equity Awards made within the twelve months prior to the termination shall be forfeited. The remaining awards shall then be addressed as follows:

Vested Restricted Stock Units (RSU’s) awards shall be distributed in full. All other awards shall vest and be distributed prorata based on the number of months elapsed during the RSU award term as of the termination date compared to the total number of months in the RSU term.

Performance Share Units (PSU’s) Awards whose term has been completed will be scored based upon performance and any resulting share units will vest at the Human Resources & Compensation Committee (HRCC) fiscal year end meeting following the termination. All other PSU’s Awards will be prorated based on the number of months elapsed during the PSU award term as of the termination date compared to the total number of months within the PSU term. The performance measures will then be scored to determine the number of units which will vest at the HRCC fiscal year end meeting following the termination.

All Equity Award distributions will be made within 2 weeks of vesting, and are subject to share withholding to satisfy any required federal, state or other tax withholdings.

The payments, reimbursements and commitments made in Sections 6 (a), and (b) shall be collectively referred to as “Severance Payments.” All Severance Payments shall be subject to applicable income tax withholding including FICA and any other deductions required by law or authorized by Executive and shall be conditioned upon 1) Executive signing a standard release then in effect for such purposes and 2) expiration of any revocation period (“Revocation Period”) without revocation by Executive.

7. Termination of Employment in Connection with a Change of Control. If during the Term of this Agreement, Executive's employment is terminated in connection with a Change of Control under circumstance which would cause the benefits described in the Company's Severance Plan (the "Severance Plan") to become payable to the Executive ("Severance Benefits"), no further compensation or benefits or any kind shall be payable under this Agreement but the Severance Plan Benefits shall be paid in accordance with the terms and conditions of the Severance Plan. Capitalized terms not defined herein are defined in the Severance Plan first adopted August 10, 1995 by ESCO Electronics Corporation (now known as ESCO Technologies Inc.) Board of Directors and as later amended.
8. Continued Employment Not Guaranteed. This Agreement is intended to outline certain compensation payable to Executive under the specified circumstances described herein and shall not be construed as a guarantee of the Executive's continued employment, nor shall it limit the ability of the ESCO to terminate the employment relationship at any time, with or without cause upon written notice to the Executive. Executive's continued employment after the end of the Term shall be considered employment-at-will. None of the provisions of this Agreement shall limit the ability of the Executive to resign at any time upon written notice to ESCO.
9. Confidential Information; ESCO Property; Nonsolicitation; Non Compliance; Compensation Recovery. By and in consideration of the mutual promises contained herein, the Executive agrees that:

9.1 Confidential Information:

- (a) Executive shall both during and after employment with ESCO regardless of how, when or why Executive's employment ends, protect the confidential, trade secret and/or proprietary character of all Confidential Information. Executive shall not, directly or indirectly, use (for the benefit of Executive or any other person) or disclose any Confidential Information, for so long as it shall remain proprietary or protectable as confidential or trade secret information, except (i) as may be necessary for the performance of Executive's duties for ESCO, (ii) to the extent that such Confidential Information becomes generally known to the public through no wrongful act of Executive or any representative of Executive, or (iii) as required by applicable law, regulation or legal process and provided ESCO is given advance notice of such required disclosure and the opportunity to seek a protective order as appropriate. In addition, notwithstanding that this Agreement is Confidential Information, Executive shall be permitted to disclose the terms and conditions of this Agreement to Executive's spouse, legal advisors and personal tax or financial advisors provided such individuals agree to keep such information strictly confidential.
 - (b) At the end of the Term, or the end of any employment at-will-period, or at any other time ESCO may request, Executive shall promptly deliver to ESCO all materials in Executive's possession containing any Confidential Information, whether in written or electronic form, including, without limitation, writings, designs, documents, records, memoranda, photographs, sound recordings, tapes, discs and other storage devices. To the extent Confidential Information is contained on Executive's personal computers, cell phones or other electronic devices, such information shall be purged from such devices and
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Executive shall certify in writing to ESCO that all such Confidential Information has been returned and/or purged.

(c) For purposes of this Agreement, "Confidential Information" means all financial, technical and business information that is not generally in the public domain regarding:

- i. the installation, operation, usage, maintenance, repair, marketing, design, construction, function, performance, composition, and specifications of ESCO's or any subsidiaries, or affiliates' current and future products and components for such products along with computer code, software, firmware or related documentation as well as technical, financial (e.g. unit prices), or product road map information related to any of the foregoing;
- ii. the intellectual property of ESCO, or any subsidiary or affiliate such as patent application, inventions, or trade secrets;
- iii. the financial performance or prospects of ESCO, or any subsidiary, or affiliate along with any other material, non-public information as defined by relevant insider trading statutes or SEC regulations;
- iv. customer contacts, customer requirements, or system performance; and
- v. any other information of ESCO, or any subsidiary or affiliate which:
 - A. derives economic value, actual or potential, from not being generally known to or readily ascertainable by other persons who can obtain economic value from the disclosure or use of the information; and
 - B. is the subject of efforts by the ESCO or its subsidiary or affiliate that are reasonable under the circumstances to maintain the secrecy of the information.

(d) The parties hereto stipulate that the protection of Confidential Information is important to the successful conduct of the business of ESCO, and their respective subsidiaries and affiliates, and their goodwill, and any breach of any term of this section is a material breach of Agreement.

9.2 ESCO Property. All equipment, notebooks, documents, presentations, briefings, programs, data, memoranda, reports, files, samples, books, correspondence, lists, software, other records, whether in tangible or intangible form, and the like, affecting or relating to the business of ESCO, and their respective subsidiaries and affiliates, which Executive shall have prepared, used, constructed, observed, received, possessed or controlled during employment with ESCO (collectively "Property"), shall be and remain the sole property of ESCO, and their respective subsidiaries and affiliates, as the case may be, and shall be returned to an ESCO Representative upon termination of employment or earlier request of an ESCO Representative.

9.3 Nonsolicitation. During the period commencing on the Effective Date and ending two (2) years following the termination of Executive's employment for any reason, the Executive

will not directly or indirectly, on his behalf or on behalf of any other organization, solicit, hire, or otherwise induce any employee of ESCO, or any subsidiary or affiliate of ESCO to leave the employ of ESCO, or affiliate, or to become associated, whether as an employee, officer, partner, director, consultant or otherwise, with any other business organization.

9.4 Noncompliance. If the Executive's employment ends or is terminated as a result of a Permitted Employer Termination, except as otherwise required by law, no further payments or contractual benefits shall be provided to, or in respect of the Executive by ESCO pursuant to this Agreement or otherwise. Additionally, all terms and conditions of the PCP plan shall apply, including if applicable recoupment of past PCP payments.

9.5 Independent Agreements. Each of the covenants and agreements of Executive contained in this Section 9 shall be construed as independent of any other provision of this Agreement and independent of each other and given for valuable independent consideration, and the existence of any defense, claim or cause of action against ESCO, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by ESCO of each such independent covenant and agreement.

10. Compensation in Event of Death or Permanent Disability. In the event that a Permitted Employer Termination occurs because of death or the Permanent Disability of Executive, Executive or Executive's estate and beneficiaries shall be entitled to all payments and benefits in accordance with the regular policies of the ESCO in force at such time for such events with respect to a senior manager or officer but not less than in accordance with the regular policies of ESCO applicable to salaried personnel generally in force on the date thereof.
11. Non-Waiver of Rights. The failure to enforce at any time any of the provisions of this Agreement or to require at any time performance by the other party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement, or any part hereof, or the right of either Party thereafter to enforce each and every provision in accordance with the terms of this Agreement.
12. Invalidity of Provisions. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted provided the effectiveness of the remaining portions of this Agreement will not defeat the overall business intent of the Parties or give one Party any substantial benefit to the detriment of the other Party.
13. Governing Law. This Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri without regard to its conflict of law's provisions.
14. Amendments. Except as provided in Section 15, no modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto and signed by the Executive and by an ESCO Representative.

15. Amendments Required by the Laws, Regulations or Stock Exchange Listing Requirement. This Agreement may be amended by ESCO without consent of the Executive as a result of changes in laws, regulations or stock exchange listing requirements applicable to ESCO and impacting agreements with its senior officers and those of its subsidiaries.
16. Notices. Any notice to be given by either Party hereunder shall be in writing and shall be deemed to have been duly given if sent by facsimile or email followed by first class mail, sent certified or registered mail, postage paid, or hand delivered as follows:

ESCO:

Chairman and CEO
ESCO Technologies Inc.
9900A Clayton Road
St. Louis, MO 63124

With copy to
ESCO Technologies Inc.
Vice President, Human Resources
9900A Clayton Road
St. Louis, MO 63124

And to Executive at his address as it appears on the payroll records of ESCO, or to such other address as may have been furnished by either Party to the other Party by written notice.

17. Survival of Certain Provisions. The parties agree that Sections 9, and 13 shall survive any expiration or termination, including without limitation a Permitted Employer Termination, of this Agreement and shall survive the termination of Executive's employment for any reason and shall remain in full force and effect in accordance with the provisions contained in such Sections.
18. Spendthrift Provision. Except as otherwise expressly provided herein, Executive agrees on behalf of himself and his executors and administrators, heirs, legatees, distributees, and any other person or persons claiming any benefits under him by virtue of this Agreement, that this Agreement and the rights, interests and benefits hereunder shall not be assigned, transferred, pledged, or hypothecated in any way by Executive or any executor, administrator, heir, legatee, distributee, or person claiming under Executive by virtue of this Agreement, and shall not be subject to execution, attachment or similar process. Any attempt at assignment, transfer, pledge or hypothecation or other disposition of this Agreement or of such rights, interest, and benefits contrary to the foregoing provision, or the levy of any attachment or similar process thereupon, shall be null and void and without effect.
19. Section 409A Savings Cause. This Agreement is intended to comply with the provisions of 409A of the Code. If any compensation or benefits provided by this Agreement may result in the application of Section 409A of the Code, ESCO shall, in consultation with Executive, modify the Agreement in the least restrictive manner necessary in order to exclude such compensation from the definition of "deferred compensation" within the meaning of such

Section 409A of the Code or in order to comply with the provisions of Section 409A of the Code, other applicable provision(s) of the Code and/or any rules, regulations or other regulatory guidance issued under such statutory provisions and without any diminution in the value of the payments to Executive. Notwithstanding the preceding, ESCO makes no representations regarding the tax consequences of compensation or benefits payable under this Agreement and Executive is responsible for all such tax consequences other than ESCO's share of employment taxes.

20. Consulting Services. ESCO may ask Executive to provide consulting services to ESCO from time to time after Executive's employment terminates. In the event that Executive is receiving Severance Payments, Executive shall agree perform up to 80 hours of such consulting services without additional compensation.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

/s/Christopher Tucker

April 30, 2021

/s/Victor L. Richey
Chairman and CEO

May 3, 2021

EMPLOYMENT AND COMPENSATION AGREEMENT

THIS EMPLOYMENT AGREEMENT (“Agreement”) made and entered into as of the Effective Date (defined below), by and between ESCO Technologies Inc. (“ESCO”), and David M. Schatz (“Executive”). Hereinafter ESCO and Executive may be referred to individually as “Party” and collectively as “Parties”.

RECITALS:

WHEREAS, Executive is elected as ESCO’s General Counsel, Senior Vice President and Secretary (GC); and

WHEREAS, ESCO recognizes and appreciates the value and benefit of hiring and retaining the services of Executive and desires to secure the commitment of Executive to the employment terms herein set forth; and

WHEREAS, ESCO is willing to make the commitments to Executive as hereinafter set forth, in recognition of such value, as well as to secure appropriate agreements and covenants from Executive as provided herein; and

WHEREAS, Executive desires to be so employed for such period and to secure the compensation arrangements hereinafter provided, and is therefore willing to make the agreements and covenants on his part contained herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements hereinafter set forth, the Parties agree as follows:

1. Definitions. The following terms, as used herein, shall have the following meanings:

“Annual Performance Based Bonus” shall mean an annual bonus under ESCO’s Performance Compensation Plan adopted August 2, 1993, amended and restated February 4, 2019 and any subsequent amendments following the date of this Agreement (the “PCP”) computed utilizing the Executive’s PCP Bonus Target and subject to the terms of such PCP plan.

“Bonus Target” shall mean \$145,000 or such increased amount as may be approved by the Human Resources Committee of the ESCO Board of Directors.

“Effective Date” shall mean the date the Executive is elected as GC.

“Employment Period” or “Term” shall mean, the period of time starting on the Effective Date and, unless terminated pursuant to Sections 3, 4 or 5, ending on the last day of the 12th month after the Effective Date. At the end of such initial twelve month period this Agreement shall automatically renew for subsequent one year periods unless the Company provides notice at least six months in advance of such renewal period start date that the Agreement will not be renewed or unless at any time this Agreement is terminated pursuant to Sections 3, 4 or 5. Any such one year renewals shall be considered part of the Employment Period.

Executive's employment shall continue, after the Employment Period, unless terminated as outlined in Sections 3, 4 or 5, as an at-will employee.

"Good Cause Event" shall mean:

a) Executive's willful and continued failure to substantially perform his duties (other than as a result of incapacity due to physical or mental condition), after a written notice by an ESCO Representative (defined below) identifying the manner in which he or she believes Executive has not effectively performed his duties and after the Executive's subsequent failure to cure the identified problem(s) in the time set forth in the notice,

b) Executive's commission of acts which would constitute fraud, misappropriation, embezzlement, theft, dishonesty, breach of fiduciary duty involving personal profit or willful and knowing violation of any laws, rule, regulation (other than traffic violations or similar minor offenses), "Misconduct" as defined in the PCP plan, conduct involving a third party which impairs the reputation of, or harms, ESCO, its respective subsidiaries or its respective affiliates; or violation of ESCO's policies (including the ESCO's Code of Business Conduct and Ethics, the Insider Trading Policy and the Insider Trading Policy for Senior Company Officials),

c) Executive's failure to act professionally and with due consideration and propriety in his personal and professional dealings with customers, vendors, employees or other individuals with whom Executive comes into contact in his capacity as an employee of ESCO or Executive's engagement in willful conduct which Executive knows or has reason to know is materially detrimental to the business and operations of ESCO, including without limitation, any action or omission which (a) causes injury or damage to ESCO or (b) directly or indirectly causes ESCO to be named a party in any litigation or administrative proceeding with regard to such acts or omissions, or

d) Executive's material breach of any provision of this Agreement including without limitation, any obligation under Section 9.

For purposes of the definition of a "Good Cause Event", an act or failure to act shall not be considered "willful" if done or omitted to be done in good faith and with a reasonable belief that the act or omission was in the best interest of ESCO.

"Permanent Disability" shall mean disability or incapacity which extends for the period of time which is the elimination period for ESCO's LTD plan(s), not to exceed three months and which renders Executive in the reasonable judgment of an ESCO Representative substantially unable to carry out the duties of Executive as currently performed.

"Severance Effective Date" shall mean the 8th day after the Severance Agreement & Release is executed and the Executive has not revoked such Severance Agreement & Release during the 7 day Revocation Period.

"ESCO Representative" shall mean ESCO's CEO, or any two (2) Directors of ESCO.

“Revocation Period”. Upon a termination as outlined in Section 4 or Section 5, if the Executive executes the then current Severance Agreement and Release (Severance Agreement) he will be provided with a 7 day timeframe during which he can rescind his execution of the Severance Agreement (Revocation Period) by providing the ESCO Representative with a written notice of such revocation. If the execution of the Severance Agreement is not revoked during this Revocation Period, it will be effective on the 8th day, “Severance Effective Date,” and payments will be made in accordance with this Agreement.

2. Terms of Employment.

(a) Location and Duties.

- i. Beginning on the Effective Date ESCO will employ Executive in its employment for the Employment Period. During the Employment Period, Executive’s services shall be required to be performed at the corporate headquarters of ESCO located in Ladue, Missouri, any subsequent corporate headquarters of ESCO less than 25 miles from such Ladue Missouri location or at any location required by ESCO and agreed to by the Executive.
- ii. During the Employment Period, and excluding any periods of vacation and sick leave to which Executive is entitled, Executive will be expected to devote reasonable attention and time during normal business hours to the business and affairs of ESCO, to discharge the responsibilities assigned to the Executive, and to use the Executive’s reasonable best efforts to perform faithfully and efficiently such responsibilities.
- iii. The Executive shall perform such duties normally associated with the Office(s) of ESCO’s General Counsel, Senior Vice President & Secretary and such other duties as assigned to him by the CEO of ESCO.

(b) Compensation. During the Employment Period, in full consideration for said services and subject to the due performance thereof, ESCO will pay Executive, and Executive agrees to accept:

- i. A bi-weekly salary of \$12,884.62 which shall be paid in accordance with ESCO’s normal method of payment. Such bi-weekly salary may be increased from time to time by the Human Resources & Compensation Committee of the ESCO Board (“HRCC”).
- ii. An Annual Performance Based Bonus payable within ninety days following the end of each fiscal year end. (This Annual Performance Based Bonus will be prorated for any partial year based on the number of days worked divided by 260 with such percentage applied to the Executive’s (PCP) bonus target for payment determination).
- iii. All amounts paid in subparagraphs (i) and (ii) are subject to regular income tax withholding, FICA taxes and any other deductions required by law or authorized by Executive.

3. Permitted Employer Termination. All obligations of ESCO pursuant hereto, and Executive's employment, shall terminate upon the earlier of A) the death of Executive or Permanent Disability of Executive, B) the occurrence of a Good Cause Event, or C) voluntary resignation of Executive other than Termination by Executive for Breach (either A, B or C referred to as a "Permitted Employer Termination"). Notwithstanding any termination of Executive's employment, Executive shall continue to remain obligated to comply with Section 9 and 13 herein.
4. Termination by ESCO other than for a Permitted Employer Termination. If, during the Term of this Agreement, Executive's employment is terminated for other than a Permitted Employer Termination, then provided the Executive executes the Standard Severance Agreement and Release then in general use by ESCO, the Executive shall receive the Severance Payments described in Section 6, after the Revocation Period has lapsed with no revocation of the Severance Agreement by the Executive.
5. Termination by the Executive as a result of an ESCO Breach. If, during the Term of this Agreement, A) ESCO breaches a material provision of this Agreement, B) the Executive notifies ESCO in writing within 30 days of such breach ("Cure Notice"), C) ESCO does not cure such breach within 30 days of receipt of the Cure Notice, D) Executive terminates his employment based on such breach within 40 days of such Cure Notice, and E) Executive executes the Standard Severance Agreement and Release then in general use by the ESCO, (the occurrence of A-E referred to as "Termination by Executive for Breach") then Executive shall receive the Severance Payments described in Section 6, after the Revocation Period has lapsed with no revocation of the Severance Agreement by the Executive.
6. Severance Payments. In the event that Executive's employment is terminated and pursuant to Sections 4 or 5 he is entitled to Severance Payments, ESCO agrees as follows.
 - (a) After the Revocation Period ESCO shall pay the Executive a total amount equal to his then current bi-weekly salary for the number of pay periods in two calendar years and two times his Bonus Target. Such amount shall be paid in either of the following forms, as elected by the Executive:
 - i. in a lump sum on the regularly scheduled payroll date of ESCO coinciding with or immediately preceding March 15 of the calendar year following the calendar year in which such termination occurs, or
 - ii. in biweekly installments commencing on the first practical payroll date of ESCO following the Revocation Period and continuing on each succeeding regularly scheduled biweekly payroll date; provided, however, that any remaining compensation will be paid in a lump sum on the regularly scheduled payroll date coinciding with or immediately preceding the later of March 15th or December 15th in the calendar year after such termination occurs.
 - (b) After the Revocation Period, as a supplement to the payment of the Executive's Base Salary and Bonus under subparagraph (a) above, ESCO shall also pay, reimburse or provide, as applicable, to or for the Executive :

- i. an amount equal to the Bonus Target divided by 26 (the number of pay periods in a year) and multiplied by the number of pay periods worked by Executive in such current fiscal year occurring prior to the termination,
- ii. upon proper application by Executive and payment of the employee portion of the premium, ESCO shall furnish Executive medical continuation in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”); provided that during the period of his eligibility the Executive will pay only the rate which active employees pay for similar coverage for up to six months,
- iii. reimbursement of fees incurred by Executive for financial planning during the period of time starting after termination of Executive’s employment and ending on the federal tax filing deadline for the Executive for the tax year following the taxable year in which the termination occurred in the same amounts that would have been reimbursed to Executive had Executive remained employed with ESCO during such period, and
- iv. executive level outplacement assistance determined appropriate by ESCO.
- v. All Equity Awards made within the twelve months prior to the termination shall be forfeited. The remaining awards shall then be addressed as follows:

Performance Accelerated Restricted Shares (PARS). The portion of any outstanding Performance Accelerated Restricted Stock Award(s) that has been accelerated in full or part due to the satisfaction of the applicable performance goals prior to termination shall vest and be distributed.

Vested Restricted Stock Units (RSU’s) awards shall be distributed in full. All other awards shall vest and be distributed prorata based on the number of months elapsed during the RSU award term as of the termination date compared to the total number of months in the RSU term.

Performance Share Units (PSU’s) Awards whose term has been completed will be scored based upon performance and any resulting share units will vest at the Human Resources & Compensation Committee (HRCC) fiscal year end meeting following the termination. All other PSU’s Awards will be prorated based on the number of months elapsed during the PSU award term as of the termination date compared to the total number of months within the PSU term. The performance measures will then be scored to determine the number of units which will vest at the HRCC fiscal year end meeting following the termination.

All Equity Award distributions will be made within 2 weeks of vesting, and are subject to share withholding to satisfy any required federal, state or other tax withholdings.

The payments, reimbursements and commitments made in Sections 6 (a), and (b) shall be collectively referred to as “Severance Payments.” All Severance Payments shall be subject to applicable income tax withholding including FICA and any other deductions required by

law or authorized by Executive and shall be conditioned upon 1) Executive signing a standard release then in effect for such purposes and 2) expiration of any revocation period (“Revocation Period”) without revocation by Executive.

7. Termination of Employment in Connection with a Change of Control. If during the Term of this Agreement, Executive’s employment is terminated in connection with a Change of Control under circumstance which would cause the benefits described in the Company’s Severance Plan (the “Severance Plan”) to become payable to the Executive (“Severance Benefits”), no further compensation or benefits or any kind shall be payable under this Agreement but the Severance Plan Benefits shall be paid in accordance with the terms and conditions of the Severance Plan. Capitalized terms not defined herein are defined in the Severance Plan first adopted August 10, 1995 by ESCO Electronics Corporation (now known as ESCO Technologies Inc.) Board of Directors and as later amended.
8. Continued Employment Not Guaranteed. This Agreement is intended to outline certain compensation payable to Executive under the specified circumstances described herein and shall not be construed as a guarantee of the Executive’s continued employment, nor shall it limit the ability of the ESCO to terminate the employment relationship at any time, with or without cause upon written notice to the Executive. Executive’s continued employment after the end of the Term shall be considered employment-at-will. None of the provisions of this Agreement shall limit the ability of the Executive to resign at any time upon written notice to ESCO.
9. Confidential Information; ESCO Property; Nonsolicitation; Non Compliance; Compensation Recovery. By and in consideration of the mutual promises contained herein, the Executive agrees that:

9.1 Confidential Information:

(a) Executive shall both during and after employment with ESCO regardless of how, when or why Executive’s employment ends, protect the confidential, trade secret and/or proprietary character of all Confidential Information. Executive shall not, directly or indirectly, use (for the benefit of Executive or any other person) or disclose any Confidential Information, for so long as it shall remain proprietary or protectable as confidential or trade secret information, except (i) as may be necessary for the performance of Executive’s duties for ESCO, (ii) to the extent that such Confidential Information becomes generally known to the public through no wrongful act of Executive or any representative of Executive, or (iii) as required by applicable law, regulation or legal process and provided ESCO is given advance notice of such required disclosure and the opportunity to seek a protective order as appropriate. In addition, notwithstanding that this Agreement is Confidential Information, Executive shall be permitted to disclose the terms and conditions of this Agreement to Executive’s spouse, legal advisors and personal tax or financial advisors provided such individuals agree to keep such information strictly confidential.

(b) At the end of the Term, or the end of any employment at-will-period, or at any other time ESCO may request, Executive shall promptly deliver to ESCO all materials in Executive’s possession containing any Confidential Information, whether in written or

electronic form, including, without limitation, writings, designs, documents, records, memoranda, photographs, sound recordings, tapes, discs and other storage devices. To the extent Confidential Information is contained on Executive's personal computers, cell phones or other electronic devices, such information shall be purged from such devices and Executive shall certify in writing to ESCO that all such Confidential Information has been returned and/or purged.

(c) For purposes of this Agreement, "Confidential Information" means all financial, technical and business information that is not generally in the public domain regarding:

- i. the installation, operation, usage, maintenance, repair, marketing, design, construction, function, performance, composition, and specifications of ESCO's or any subsidiaries, or affiliates' current and future products and components for such products along with computer code, software, firmware or related documentation as well as technical, financial (e.g. unit prices), or product road map information related to any of the foregoing;
- ii. the intellectual property of ESCO, or any subsidiary or affiliate such as patent application, inventions, or trade secrets;
- iii. the financial performance or prospects of ESCO, or any subsidiary, or affiliate along with any other material, non-public information as defined by relevant insider trading statutes or SEC regulations;
- iv. customer contacts, customer requirements, or system performance; and
- v. any other information of ESCO, or any subsidiary or affiliate which:
 - A. derives economic value, actual or potential, from not being generally known to or readily ascertainable by other persons who can obtain economic value from the disclosure or use of the information; and
 - B. is the subject of efforts by the ESCO or its subsidiary or affiliate that are reasonable under the circumstances to maintain the secrecy of the information.

(d) The parties hereto stipulate that the protection of Confidential Information is important to the successful conduct of the business of ESCO, and their respective subsidiaries and affiliates, and their goodwill, and any breach of any term of this section is a material breach of Agreement.

9.2 ESCO Property. All equipment, notebooks, documents, presentations, briefings, programs, data, memoranda, reports, files, samples, books, correspondence, lists, software, other records, whether in tangible or intangible form, and the like, affecting or relating to the business of ESCO, and their respective subsidiaries and affiliates, which Executive shall have prepared, used, constructed, observed, received, possessed or controlled during employment with ESCO (collectively "Property"), shall be and remain the sole property of ESCO, and their respective subsidiaries and affiliates, as the case may be, and shall be returned to an

ESCO Representative upon termination of employment or earlier request of an ESCO Representative.

9.3 Nonsolicitation. During the period commencing on the Effective Date and ending two (2) years following the termination of Executive's employment for any reason, the Executive will not directly or indirectly, on his behalf or on behalf of any other organization, solicit, hire, or otherwise induce any employee of ESCO, or any subsidiary or affiliate of ESCO to leave the employ of ESCO, or affiliate, or to become associated, whether as an employee, officer, partner, director, consultant or otherwise, with any other business organization.

9.4 Noncompliance. If the Executive's employment ends or is terminated as a result of a Permitted Employer Termination, except as otherwise required by law, no further payments or contractual benefits shall be provided to, or in respect of the Executive by ESCO pursuant to this Agreement or otherwise. Additionally, all terms and conditions of the PCP plan shall apply, including if applicable recoupment of past PCP payments.

9.5 Independent Agreements. Each of the covenants and agreements of Executive contained in this Section 9 shall be construed as independent of any other provision of this Agreement and independent of each other and given for valuable independent consideration, and the existence of any defense, claim or cause of action against ESCO, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by ESCO of each such independent covenant and agreement.

10. Compensation in Event of Death or Permanent Disability. In the event that a Permitted Employer Termination occurs because of death or the Permanent Disability of Executive, Executive or Executive's estate and beneficiaries shall be entitled to all payments and benefits in accordance with the regular policies of the ESCO in force at such time for such events with respect to a senior manager or officer but not less than in accordance with the regular policies of ESCO applicable to salaried personnel generally in force on the date thereof.
11. Non-Waiver of Rights. The failure to enforce at any time any of the provisions of this Agreement or to require at any time performance by the other party of any of the provisions hereof shall in no way be construed to be a waiver of such provisions or to affect either the validity of this Agreement, or any part hereof, or the right of either Party thereafter to enforce each and every provision in accordance with the terms of this Agreement.
12. Invalidity of Provisions. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted provided the effectiveness of the remaining portions of this Agreement will not defeat the overall business intent of the Parties or give one Party any substantial benefit to the detriment of the other Party.
13. Governing Law. This Agreement shall be interpreted in accordance with and governed by the laws of the State of Missouri without regard to its conflict of law's provisions.

14. Amendments. Except as provided in Section 15, no modification, amendment or waiver of any of the provisions of this Agreement shall be effective unless in writing specifically referring hereto and signed by the Executive and by an ESCO Representative.
15. Amendments Required by the Laws, Regulations or Stock Exchange Listing Requirement. This Agreement may be amended by ESCO without consent of the Executive as a result of changes in laws, regulations or stock exchange listing requirements applicable to ESCO and impacting agreements with its senior officers and those of its subsidiaries.
16. Notices. Any notice to be given by either Party hereunder shall be in writing and shall be deemed to have been duly given if sent by facsimile or email followed by first class mail, sent certified or registered mail, postage paid, or hand delivered as follows:

ESCO:

Chairman and CEO
ESCO Technologies Inc.
9900A Clayton Road
St. Louis, MO 63124

With copy to
ESCO Technologies Inc.
Vice President, Human Resources
9900A Clayton Road
St. Louis, MO 63124

And to Executive at his address as it appears on the payroll records of ESCO, or to such other address as may have been furnished by either Party to the other Party by written notice.

17. Survival of Certain Provisions. The parties agree that Sections 9, and 13 shall survive any expiration or termination, including without limitation a Permitted Employer Termination, of this Agreement and shall survive the termination of Executive's employment for any reason and shall remain in full force and effect in accordance with the provisions contained in such Sections.
18. Spendthrift Provision. Except as otherwise expressly provided herein, Executive agrees on behalf of himself and his executors and administrators, heirs, legatees, distributees, and any other person or persons claiming any benefits under him by virtue of this Agreement, that this Agreement and the rights, interests and benefits hereunder shall not be assigned, transferred, pledged, or hypothecated in any way by Executive or any executor, administrator, heir, legatee, distributee, or person claiming under Executive by virtue of this Agreement, and shall not be subject to execution, attachment or similar process. Any attempt at assignment, transfer, pledge or hypothecation or other disposition of this Agreement or of such rights, interest, and benefits contrary to the foregoing provision, or the levy of any attachment or similar process thereupon, shall be null and void and without effect.

19. Section 409A Savings Cause. This Agreement is intended to comply with the provisions of 409A of the Code. If any compensation or benefits provided by this Agreement may result in the application of Section 409A of the Code, ESCO shall, in consultation with Executive, modify the Agreement in the least restrictive manner necessary in order to exclude such compensation from the definition of “deferred compensation” within the meaning of such Section 409A of the Code or in order to comply with the provisions of Section 409A of the Code, other applicable provision(s) of the Code and/or any rules, regulations or other regulatory guidance issued under such statutory provisions and without any diminution in the value of the payments to Executive. Notwithstanding the preceding, ESCO makes no representations regarding the tax consequences of compensation or benefits payable under this Agreement and Executive is responsible for all such tax consequences other than ESCO’s share of employment taxes.

20. Consulting Services. ESCO may ask Executive to provide consulting services to ESCO from time to time after Executive’s employment terminates. In the event that Executive is receiving Severance Payments, Executive shall agree perform up to 80 hours of such consulting services without additional compensation.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written.

/s/David M. Schatz

/s/Victor L. Richey
Chairman and CEO
30 April 2021

30 April 2021

CERTIFICATION

I, Victor L. Richey, 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: August 9, 2021

/s/ Victor L. Richey

Victor L. Richey

Chairman, Chief Executive Officer and President

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: August 9, 2021

/s/ Christopher L. Tucker

Christopher L. Tucker

Senior Vice President and 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 ESCO Technologies Inc. (the "Company") on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Victor L. Richey, Chairman, Chief Executive Officer and President 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: August 9, 2021

/s/ Victor L. Richey

Victor L. Richey
Chairman, Chief Executive Officer and President
ESCO Technologies Inc.

/s/ Christopher L. Tucker

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