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 DECEMBER 31, 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 January 31, 2022**
Common stock, $.01 par value per share	25,992,716

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended December 31, 2021	2020
Net sales	$ 177,010	162,674
Costs and expenses:		
Cost of sales	108,305	99,622
Selling, general and administrative expenses	46,635	41,000
Amortization of intangible assets	6,467	4,948
Interest expense, net	733	541
Other expenses, net	33	23
Total costs and expenses	162,173	146,134
Earnings before income taxes	14,837	16,540
Income tax expense	3,313	3,722
Net earnings	$ 11,524	12,818
Earnings per share:		
Basic - Net earnings	$ 0.44	0.49
Diluted - Net earnings	$ 0.44	0.49

See accompanying notes to consolidated financial statements.

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

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
Net earnings	$ 11,524	12,818
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(2,500)	5,349
Total other comprehensive income (loss), net of tax	(2,500)	5,349
Comprehensive income	$ 9,024	18,167

See accompanying notes to consolidated financial statements.

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

	December 31, 2021	September 30, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 55,715	56,232
Accounts receivable, net of allowance for doubtful accounts of $3,588 and $3,445, respectively	135,874	146,341
Contract assets, net	100,863	93,771
Inventories, net	165,021	147,148
Other current assets	27,329	22,662
Total current assets	484,802	466,154
Property, plant and equipment, net of accumulated depreciation of $150,818 and $147,551, respectively	155,712	154,265
Intangible assets, net of accumulated amortization of $156,359 and $149,892, respectively	411,679	409,250
Goodwill	509,268	504,853
Operating lease assets	31,117	31,846
Other assets	11,638	10,977
Total assets	$ 1,604,216	1,577,345
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and short-term borrowings	$ 20,000	20,000
Accounts payable	63,651	56,669
Contract liabilities, net	111,596	108,814
Accrued salaries	29,691	39,768
Accrued other expenses	40,936	52,513
Total current liabilities	265,874	277,764
Deferred tax liabilities	80,962	73,560
Non-current operating lease liabilities	26,709	28,032
Other liabilities	37,394	44,293
Long-term debt	178,000	134,000
Total liabilities	588,939	557,649
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 30,705,913 and 30,666,173 shares, respectively	307	307
Additional paid-in capital	296,277	297,644
Retained earnings	840,434	830,989
Accumulated other comprehensive loss, net of tax	(4,661)	(2,161)
	1,132,357	1,126,779
Less treasury stock, at cost: 4,720,417 and 4,604,741 common shares, respectively	(117,080)	(107,083)
Total shareholders' equity	1,015,277	1,019,696
Total liabilities and shareholders' equity	$ 1,604,216	1,577,345

See accompanying notes to consolidated financial statements.

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

	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
Cash flows from operating activities:		
Net earnings	$ 11,524	12,818
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	12,172	10,012
Stock compensation expense	1,685	1,368
Changes in assets and liabilities	(30,837)	1,132
Effect of deferred taxes	7,402	(538)
Net cash provided by operating activities	1,946	24,792
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(15,592)	(6,508)
Additions to capitalized software	(1,958)	(1,554)
Capital expenditures	(14,133)	(5,973)
Net cash used by investing activities	(31,683)	(14,035)
Cash flows from financing activities:		
Proceeds from long-term debt and short-term borrowings	74,000	30,000
Principal payments on long-term debt and short-term borrowings	(30,000)	(36,525)
Dividends paid	(2,079)	(2,084)
Purchases of common stock into treasury	(9,997)	—
Other	(2,737)	—
Net cash provided (used) by financing activities	29,187	(8,609)
Effect of exchange rate changes on cash and cash equivalents	33	2,654
Net (decrease) increase in cash and cash equivalents	(517)	4,802
Cash and cash equivalents, beginning of period	56,232	52,560
Cash and cash equivalents, end of period	$ 55,715	57,362
Supplemental cash flow information:		
Interest paid	$ 388	179
Income taxes paid (including state and foreign)	195	4,336

See accompanying notes to consolidated financial statements.

1. BASIS OF PRESENTATION

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

The Company’s results for the three-month period ended December 31, 2021 are not necessarily indicative of the results for the entire 2022 fiscal year. References to the first quarters of 2022 and 2021 represent the fiscal quarters ended December 31, 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 performance-accelerated restricted shares (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 December 31,	
	2021	**2020**
Weighted Average Shares Outstanding — Basic	26,060	26,038
Dilutive Restricted Shares	82	144
Adjusted Shares — Diluted	26,142	26,182

3. ACQUISITION

On November 4, 2021, the Company acquired Networks Electronic Company, LLC (NEco) for a purchase price of approximately $15.2 million, net of cash acquired. NEco, based in Chatsworth, California, provides miniature electro-explosive devices utilized in mission-critical defense and aerospace applications. Since the date of acquisition, the operating results for the NEco business have been included as part of PTI in the A&D segment. The acquisition date fair value of the assets acquired and liabilities assumed primarily were as follows: approximately $0.6 million of accounts receivable, $1.5 million of inventory, $0.2 million of property, plant and equipment, $0.7 million of accounts payable and accrued expenses, $8.1 million of identifiable intangible assets, mainly consisting of customer relationships totaling $6.3 million. The acquired goodwill of $5.7 million related to excess value associated with opportunities to expand the services and products that the Company can offer to its customers. The Company anticipates that the goodwill will be deductible for tax purposes.

4. SHARE-BASED COMPENSATION

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

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

Compensation expense related to the PARS/RSU awards was $1.4 million and $1.1 million for the three-month periods ended December 31, 2021 and 2020, respectively. There were 208,354 non-vested shares outstanding as of December 31, 2021.

Non-Employee Directors Plan

Compensation expense related to the non-employee director grants was $0.3 million and $0.3 million for the three-month periods ended December 31, 2021 and 2020, respectively.

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 $1.7 million and $1.4 million for the three-month periods ended December 31, 2021 and 2020, respectively. The total income tax benefit recognized in results of operations for share-based compensation arrangements was $0.4 million and $0.3 million for the three-month periods ended December 31, 2021 and 2020, respectively. As of December 31, 2021, there was $12.2 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 2.4 years.

5. INVENTORIES

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

(In thousands)	December 31, 2021	September 30, 2021
Finished goods	$ 34,629	32,998
Work in process	42,485	34,201
Raw materials	87,907	79,949
Total inventories, net	$ 165,021	147,148

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Included on the Company's Consolidated Balance Sheets at December 31, 2021 and September 30, 2021 are the following intangible assets gross carrying amounts and accumulated amortization from continuing operations:

(Dollars in thousands)		December 31, 2021	September 30, 2021
Goodwill	$	509,268	504,853
Intangible assets with determinable lives:			
Patents			
Gross carrying amount	$	2,170	2,131
Less: accumulated amortization		1,000	972
Net	$	1,170	1,159
Capitalized software			
Gross carrying amount	$	95,629	93,671
Less: accumulated amortization		65,366	63,740
Net	$	30,263	29,931
Customer relationships			
Gross carrying amount	$	293,819	288,530
Less: accumulated amortization		84,893	80,882
Net	$	208,926	207,648
Other			
Gross carrying amount	$	14,663	13,080
Less: accumulated amortization		5,100	4,301
Net	$	9,563	8,779
Intangible assets with indefinite lives:			
Trade names	$	161,757	161,733

The changes in the carrying amount of goodwill attributable to each business segment for the three months ended December 31, 2021 is as follows:

(Dollars in millions)		USG	Test	Aerospace & Defense	Total
Balance as of September 30, 2021	$	366.5	34.1	104.3	504.9
Acquisition activity and adjustments		0.2	—	5.7	5.9
Foreign currency translation		(1.5)	—	—	(1.5)
Balance as of December 31, 2021	$	365.2	34.1	110.0	509.3

7. BUSINESS SEGMENT INFORMATION

The Company is organized based on the products and services that it offers and classifies its business operations in three reportable segments for financial reporting purposes: Aerospace & Defense (A&D), Utility Solutions Group (USG) and RF Shielding and Test (Test). The A&D segment's operations consist of PTI Technologies Inc. (PTI), VACCO Industries (VACCO), Crissair, Inc. (Crissair), Mayday Manufacturing Co. (Mayday), Westland Technologies, Inc. (Westland) 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, 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 related subsidiaries including Morgan Schaffer and Altanova (collectively, Doble), and NRG Systems, Inc. (NRG). Doble is an industry leader in the development, manufacture and delivery of diagnostic testing and data management solutions that enable electric power grid operators to assess the integrity of high voltage power delivery equipment. It combines three core elements for customers – diagnostic test and condition monitoring instruments, expert consulting, and testing services – and provides access to its large reserve of related empirical knowledge. NRG is a global market leader in the design and manufacture of decision support tools for the renewable energy industry, primarily wind and solar.

The Test segment's operations consist primarily of ETS-Lindgren Inc. and related subsidiaries (ETS-Lindgren). ETS-Lindgren is an industry leader in designing and manufacturing products which provide 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 December 31, 2021	Three Months Ended December 31, 2020
NET SALES		
Aerospace & Defense	$ 70,244	66,616
USG	63,485	54,540
Test	43,281	41,518
Consolidated totals	$ 177,010	162,674
EBIT		
Aerospace & Defense	$ 9,955	8,260
USG	13,391	12,731
Test	3,965	5,342
Corporate (loss)	(11,741)	(9,252)
Consolidated EBIT	15,570	17,081
Less: Interest expense	(733)	(541)
Earnings before income taxes	$ 14,837	16,540

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.

8. DEBT

The Company's debt is summarized as follows:

(In thousands)	**December 31, 2021**	**September 30, 2021**
Total borrowings	$ 198,000	154,000
Current portion of long-term debt	(20,000)	(20,000)
Total long-term debt, less current portion	$ 178,000	134,000

The Credit Facility includes a $500 million revolving line of credit, as well as provisions allowing for the increase of the credit facility commitment amount by an additional $250 million, if necessary, with the consent of the lenders. The bank syndication supporting the facility is comprised of a diverse group of eight banks led by JP Morgan Chase Bank, N.A., as Administrative Agent. The Credit Facility matures September 27, 2024.

At December 31, 2021, the Company had approximately $291 million available to borrow under the Credit Facility, plus the $250 million increase option, in addition to $55.7 million cash on hand. The Company classified $20 million as the current portion of long-term debt as of December 31, 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 $10.7 million at December 31, 2021.

Interest on borrowings under the Credit Facility is calculated at a spread over either the New York Federal Reserve Bank Rate, the prime rate, or the London Interbank Offered Rate (LIBOR), 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 1.17% and 1.45% for the three-month periods ending December 31, 2021 and 2020, respectively. As of December 31, 2021, the Company was in compliance with all covenants.

9. INCOME TAX EXPENSE

The first quarter 2022 effective income tax rate was 22.3% compared to 22.5% in the first quarter of 2021. Income tax expense in the first quarter of 2022 was favorably impacted by excess tax benefit related to the vesting of share based compensation, decreasing the effective tax rate for the quarter by 1.7%.

10. SHAREHOLDERS' EQUITY

The change in shareholders' equity for the first three months ended December 31, 2021 and 2020 is shown below (in thousands):

	Three Months Ended December 31, 2021	2020
Common stock		
Beginning balance	$ 307	306
Stock plans	—	—
Ending balance	307	306
Additional paid-in-capital		
Beginning balance	297,644	293,682
Stock plans	(1,367)	1,053
Ending balance	296,277	294,735
Retained earnings		
Beginning balance	830,989	775,829
Net earnings common stockholders	11,524	12,818
Dividends paid	(2,079)	(2,084)
Ending balance	840,434	786,563
Accumulated other comprehensive income (loss)		
Beginning balance	(2,161)	(3,657)
Foreign currency translation	(2,500)	5,349
Ending balance	(4,661)	1,692
Treasury stock		
Beginning balance	(107,083)	(107,134)
Share repurchases	(9,997)	—
Ending balance	(117,080)	(107,134)
Total equity	$ 1,015,277	976,162

11. FAIR VALUE MEASUREMENTS

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

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Financial Assets and Liabilities

The Company has estimated the fair value of its financial instruments as of December 31, 2021 and September 30, 2021 using available market information or other appropriate valuation methodologies. The carrying amounts of cash and cash equivalents, receivables, inventories, payables, and other current assets and liabilities approximate fair value because of the short maturity of those instruments.

Fair Value of Financial Instruments

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

Nonfinancial Assets and Liabilities

The Company's nonfinancial assets such as property, plant and equipment, and other intangible assets are not measured at fair value on a recurring basis; however they are subject to fair value adjustments in certain circumstances, such as when there is evidence that an impairment may exist. No impairments were recorded during the three-month period ended December 31, 2021.

12. REVENUES

Disaggregation of Revenues

Revenues by customer type, geographic location, and revenue recognition method for the three-month period ended December 31, 2021 are presented in the table below as the Company deems it best depicts how the nature, amount, timing and uncertainty of net sales and cash flows are affected by economic factors. The table below also includes a reconciliation of the disaggregated revenue within each reportable segment.

(In thousands)	**Aerospace & Defense**	**USG**	**Test**	**Total**
Customer type:				
Commercial	$ 28,075	$ 62,842	$ 41,037	$ 131,954
U.S. Government	42,169	643	2,244	45,056
Total revenues	$ 70,244	$ 63,485	$ 43,281	$ 177,010
Geographic location:				
United States	$ 60,687	$ 38,741	$ 22,975	$ 122,403
International	9,557	24,744	20,306	54,607
Total revenues	$ 70,244	$ 63,485	$ 43,281	$ 177,010
Revenue recognition method:				
Point in time	$ 28,558	$ 50,835	$ 12,821	$ 92,214
Over time	41,686	12,650	30,460	84,796
Total revenues	$ 70,244	$ 63,485	$ 43,281	$ 177,010

Revenues by customer type, geographic location, and revenue recognition method for the three-month period ended December 31, 2020 are presented in the table below:

(In thousands)	Aerospace & Defense	USG	Test	Total
Customer type:				
Commercial	$ 27,604	$ 53,864	$ 36,722	$ 118,190
U.S. Government	39,012	676	4,796	44,484
Total revenues	$ 66,616	$ 54,540	$ 41,518	$ 162,674
Geographic location:				
United States	$ 57,538	$ 37,045	$ 23,266	$ 117,849
International	9,078	17,495	18,252	44,825
Total revenues	$ 66,616	$ 54,540	$ 41,518	$ 162,674
Revenue recognition method:				
Point in time	$ 26,946	$ 42,367	$ 8,868	$ 78,181
Over time	39,670	12,173	32,650	84,493
Total revenues	$ 66,616	$ 54,540	$ 41,518	$ 162,674

Revenue Recognition

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

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

Remaining Performance Obligations

Remaining performance obligations, which is the equivalent of backlog, represent the expected transaction price allocated to contracts that the Company expects to recognize as revenue in future periods when the Company performs under the contracts. These remaining obligations include amounts that have been formally appropriated under contracts with the U.S. Government, and exclude unexercised contract options and potential orders under ordering-type contracts such as Indefinite Delivery, Indefinite Quantity contracts. At December 31, 2021, the Company had $639.4 million in remaining performance obligations of which the Company expects to recognize revenues of approximately 77% in the next twelve months.

Contract assets and liabilities

Assets and liabilities related to contracts with customers are reported on a contract-by-contract basis at the end of each reporting period. Because of the timing difference of revenue recognition and customer billing, these contracts will often result in revenue recognized in excess of billings and billings in excess of costs incurred. At December 31, 2021, contract assets and liabilities totaled $100.9 million and $111.6 million, respectively. During the first quarter of 2022, the Company recognized approximately $29 million in revenues that were included in the contract liabilities balance at September 30, 2021. The increase in net contract assets in the first quarter of 2022 was due to revenue being recognized for performance completed during the period that exceeded customer billings. Other factors that impacted the change in net contract liabilities were immaterial. At October 1, 2020, contract assets and liabilities totaled $94.3 million and $100.6 million, respectively.

13. LEASES

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

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

In addition to the base rent, real estate leases typically contain provisions for common-area maintenance and other similar services, which are considered non-lease components for accounting purposes. Non-lease components are excluded from 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 December 31, 2021	Three Months Ended December 31, 2020
Finance lease cost		
Amortization of right-of-use assets	$ 607	492
Interest on lease liabilities	302	313
Operating lease cost	1,561	1,452
Total lease costs	$ 2,470	2,257

Additional information related to leases are shown below:

(Dollars in thousands)	Three Months Ended December 31, 2021	Three Months Ended December 31, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 1,503	1,425
Operating cash flows from finance leases	248	313
Financing cash flows from finance leases	301	417
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	$ 901	—
Weighted-average remaining lease term		
Operating leases	9.9 years	5.9 years
Finance leases	12.7 years	12.3 years
Weighted-average discount rate		
Operating leases	3.12 %	3.10 %
Finance leases	4.58 %	4.30 %

The following is a reconciliation of future undiscounted cash flows to the operating and finance lease liabilities, and the related ROU assets, presented on the Consolidated Balance Sheet on December 31, 2021:

(Dollars in thousands) **Years Ending September 30:**	**Operating Leases**	**Finance Leases**
2022 (excluding the three months ended December 31, 2021)	$ 4,313	1,599
2023	5,094	2,189
2024	4,136	2,248
2025	3,640	2,304
2026 and thereafter	19,246	21,649
Total minimum lease payments	36,429	29,989
Less: amounts representing interest	5,374	7,915
Present value of net minimum lease payments	$ 31,055	22,074
Less: current portion of lease obligations	4,346	1,250
Non-current portion of lease obligations	$ 26,709	20,824
ROU assets	$ 31,117	18,523

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

14. ADJUSTED QUARTERLY FINANCIAL INFORMATION

During 2021, the Company identified immaterial errors in the historical consolidated financial statements of Westland, within the A&D segment, that are being corrected as an immaterial revision of those financial statements. Specifically, the adjustments include net sales being overstated by $0.3 million in the first quarter of 2021, along with inventory being overstated and cost of goods sold being understated by $0.8 million in the first quarter of 2021. The tax impact of correcting these errors was a reduction in tax expense of $0.2 million in the first quarter of 2021. The table below shows the impact of these adjustments to the first quarter of 2021. Management has determined that these adjustments are not material to the prior year period.

(Dollars in thousands, except per share amounts)		First Quarter (As Reported)	First Quarter (As Adjusted)
2021			
Net sales	$	**162,949**	**162,674**
Cost of sales		**98,777**	**99,622**
Earnings before income taxes		**17,660**	**16,540**
Income tax expense		**3,974**	**3,722**
Net earnings		**13,686**	**12,818**
Diluted earnings (loss) per share:			
Net earnings	$	**0.52**	**0.49**

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

References to the first quarters of 2022 and 2021 represent the three-month periods ended December 31, 2021 and 2020, respectively.

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. 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 A&D reporting units. Additionally, the electric utility market has been impacted by reduced domestic electricity consumption related to the pandemic, which in turn impacts utility spending on investments in grid maintenance and testing.

Throughout 2021 and the first quarter of 2022, our Navy, defense aerospace, space and Test segment end-markets have remained solid and now we are beginning to see recovery in our core markets most affected by the pandemic. We are encouraged by the growing strength of our entered orders across the commercial aerospace, electric utility and renewable energy end-markets. While there is still uncertainty as to the timing and pace of recovery in the commercial aerospace and electric utility markets, we have seen these markets begin to stabilize and expect strong growth in the second half of fiscal 2022.

We are also monitoring the impacts of COVID-19 on the fair value of assets. We do not currently anticipate any material asset impairments as a result of the COVID-19 global pandemic. We determined that there was no impairment for the three months ended December 31, 2021. 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, 2021.

OVERVIEW

Sales, net earnings and diluted earnings per share were $177.0 million, $11.5 million and $0.44 per share, respectively, in the first quarter of 2022 compared to $162.7 million, $12.8 million and $0.49 per share, respectively, in the first quarter of 2021.

NET SALES

Net sales increased $14.3 million, or 8.8%, to $177.0 million in the first quarter of 2022 from $162.7 million in the first quarter of 2021. The increase in net sales in the first quarter of 2022 as compared to the first quarter of 2021 was due to an $8.9 million increase in the USG segment, a $3.6 million increase in the Aerospace & Defense segment, and a $1.8 million increase in the Test segment.

-Aerospace & Defense (A&D)

Net sales of $70.2 million in the first quarter of 2022 were $3.6 million, or 5.4%, higher than the $66.6 million in the first quarter of 2021. The sales increase in the first quarter of 2022 compared to the first quarter of 2021 was primarily due to an approximately $6.1 million increase in aerospace shipments at PTI and Mayday and a $2.6 million increase in navy sales at Westland, partially offset by a $4.5 million decrease in navy and space sales from VACCO and Globe due to supply chain issues and a $0.6 million decrease in aerospace shipments at Crissair.

-USG

Net sales of $63.5 million in the first quarter of 2022 were $8.9 million, or 16.4% higher than the $54.5 million in the first quarter of 2021. The increase in the first quarter of 2022 compared to the first quarter of 2021 was mainly due to the recent acquisitions of Altanova and Phenix which contributed $14.5 million in sales partially offset by lower sales of core Doble products, and a $1.7 million increase in net sales at NRG driven by solar products.

-Test

Net sales of $43.3 million in the first quarter of 2022 were $1.8 million, or 4.2%, higher than the $41.5 million in the first quarter of 2021. The increase in the first quarter of 2022 compared to the first quarter of 2021 was primarily due to $5.3 million of higher sales from the segment's Asian operations partially offset by $3.5 million of lower sales from the segment's U.S. and European operations, both due to the timing of test and measurement chamber projects.

ORDERS AND BACKLOG

Backlog was $639.4 million at December 31, 2021 compared with $592.0 million at September 30, 2021. The Company received new orders totaling $224.4 million in the first quarter of 2022 compared to $157.6 million in the first quarter of 2021. Of the new orders received in the first quarter of 2022, $90.2 million related to Aerospace & Defense products, $66.2 million related to USG products, and $68.0 million related to Test products. Of the new orders received in the first quarter of 2021, $65.4 million related to Aerospace & Defense products, $48.7 million related to USG products, and $43.5 million related to Test products.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses were $46.6 million (26.3% of net sales) for the first quarter of 2022, compared with $41.0 million (25.2% of net sales) for the first quarter of 2021. The increase in SG&A in the first quarter of 2022 compared to the first quarter of 2021 was mainly due to higher expenses at Doble as a result of the SG&A contribution from the Altanova and Phenix acquisitions and higher expenses at Corporate due to acquisition related costs and professional fees.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets was $6.5 million and $4.9 million for the first quarter of 2022 and 2021, respectively. Amortization expenses consist of amortization of acquired intangible assets from acquisitions and other identifiable intangible assets (primarily software). The increase in amortization expense in the first quarter of 2022 compared to the first quarter of 2021 was mainly due to the Company's recent acquisitions of Phenix, Altanova and NEco.

OTHER EXPENSES, NET

Other expenses, net, were $0.1 million in the first quarter of 2022 compared to other expenses, net, of $0.1 million in the first quarter of 2021. There were no individually significant items in other expenses (income), net, in the first quarter of 2022. The principal component of other expenses, net, in the first quarter of 2021 included approximately $0.7 million of facility consolidation charges for the Doble Manta facility, including employee severance and lease termination charges.

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 7 to the Consolidated Financial Statements, above. EBIT was $15.6 million (8.8% of net sales) for the first quarter of 2022 compared to $17.1 million (10.5% of net sales) for the first quarter of 2021.

The following table presents a reconciliation of EBIT to a GAAP financial measure:

(In thousands)	Three Months Ended December 31, 2021	2020
Net earnings	$ 11,524	12,818
Plus: Interest expense, net	733	541
Plus: Income tax expense	3,313	3,722
Consolidated EBIT	$ 15,570	17,081

– Aerospace & Defense

EBIT was $10.0 million (14.2% of net sales) in the first quarter of 2022 compared to $8.3 million (12.4% of net sales) in the first quarter of 2021. The increase in EBIT in the first quarter of 2022 compared to the first quarter of 2021 was mainly due to higher sales volumes at PTI, Westland and Mayday partially offset a decrease in EBIT at VACCO, Crissair and Globe due to the lower sales volumes mentioned above. In addition, EBIT in the first quarter of 2022 was negatively impacted by a $0.1 million inventory step-up charge related to the NEco acquisition.

– USG

EBIT was $13.4 million (21.1% of net sales) in the first quarter of 2022 compared to $12.7 million (23.3% of net sales) in the first quarter of 2021. The increase in EBIT in the first quarter of 2022 compared to the first quarter of 2021 was mainly due to the higher sales volumes in the first quarter of 2022. EBIT in the first quarter of 2022 was negatively impacted by approximately $0.5 million of inventory step-up charges related to the Altanova acquisition.

– Test

EBIT was $4.0 million (9.2% of net sales) in the first quarter of 2022 compared to $5.3 million (12.9% of net sales) in the first quarter of 2021. The decrease in EBIT in the first quarter of 2022 compared to the first quarter of 2021 was primarily due to lower sales volumes from the segment's U.S. and European operations and higher material and labor costs which have negatively impacted EBIT.

– Corporate

Corporate costs included in EBIT were $11.7 million and $9.3 million in the first quarter of 2022 and 2021, respectively. The increase in Corporate costs in the first quarter of 2022 compared to the first quarter of 2021 was mainly due to the increase in amortization expense of acquired intangible assets related to the Company's recent acquisitions of Phenix, Altanova and NEco.

INTEREST EXPENSE, NET

Interest expense was $0.7 million and $0.5 million in the first quarter of 2022 and 2021, respectively. The increase in interest expense in the first quarter of 2022 as compared to the first quarter of 2021 was mainly due to higher average outstanding borrowings ($183 million compared to $70 million).

INCOME TAX EXPENSE

The effective income tax rate was 22.3% in the first quarter of 2022 compared to 22.5% in the first quarter of 2021. Income tax expense in the first quarter of 2022 was favorably impacted by excess tax benefit related to the vesting of share based compensation, decreasing the effective tax rate for the quarter by 1.7%.

CAPITAL RESOURCES AND LIQUIDITY

The Company's overall financial position and liquidity remain strong. Working capital from continuing operations (current assets less current liabilities) increased to $218.9 million at December 31, 2021 from $188.4 million at September 30, 2021. Inventories increased by $17.9 million during this period mainly due to an $8.8 million increase within the Test segment, a $4.6 million increase within the Aerospace & Defense segment and a $4.5 million increase within the USG segment resulting primarily from the timing of receipt of raw materials to meet anticipated demand and an increase in work in process inventories due to timing of manufacturing existing orders.

Net cash provided by operating activities was $1.9 million and $24.8 million in the first quarters of 2022 and 2021, respectively. The decrease in net cash provided by operating activities in the first quarter of 2022 as compared to the first quarter of 2021 was driven by higher working capital requirements.

Capital expenditures were $14.1 million and $6.0 million in the first quarters of 2022 and 2021, respectively. The increase in the first quarter of 2022 was mainly due to the purchase of the NRG building of approximately $10 million in the first quarter of 2022. In addition, the Company incurred expenditures for capitalized software of approximately $2.0 million and $1.6 million in the first quarters of 2022 and 2021, respectively.

Acquisition

On November 4, 2021, the Company acquired Networks Electronic Company, LLC (NEco) for a purchase price of approximately $15.2 million, net of cash acquired. NEco, based in Chatsworth, California, provides miniature electro-explosive devices utilized in mission-critical defense and aerospace applications. Since the date of acquisition, the operating results for the NEco business have been included as part of PTI in the A&D segment.

Credit Facility

At December 31, 2021, the Company had approximately $291 million available to borrow under its bank credit facility, a $250 million increase option subject to lender approval, and $55.7 million cash on hand. At December 31, 2021, the Company had $198 million of outstanding borrowings under the credit facility and short-term borrowings in addition to outstanding letters of credit of $10.7 million. Cash flow from operations and borrowings under the Company's credit facility are expected to meet the Company's capital requirements and operational needs for the foreseeable future. The Company's ability to access the additional $250 million increase option of the credit facility is subject to acceptance by participating or other outside banks.

Share Repurchases

During the first quarter of 2022, the Company repurchased approximately 116,000 shares for $10.0 million. For further information on the share repurchases during the first quarter of 2022, see Part II, Item 2 of this Report.

Dividends

A dividend of $0.08 per share, totaling $2.1 million, was paid on October 15, 2021 to stockholders of record as of October 1, 2021. Subsequent to December 31, 2021, a quarterly dividend of $0.08 per share, totaling $2.1 million, was paid on January 19, 2022 to stockholders of record as of January 4, 2022.

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, 2021.

OTHER MATTERS

Contingencies

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

FORWARD LOOKING STATEMENTS

Statements contained in this Form 10-Q regarding future events and the Company's future results that reflect or are based on current expectations, estimates, forecasts, projections or assumptions about the Company's performance and the industries in which the Company operates are considered "forward-looking statements" within the meaning of the safe harbor provisions of the Federal securities laws. These may include, but are not necessarily limited to, statements about: the continuing effects of the COVID-19 pandemic including any impairment of the Company's assets, impacts to commercial aerospace, military and utility markets which the Company serves, the strength of certain end markets served by the Company, and the timing of the recovery of certain end markets which the Company serves; the adequacy of the Company's credit facility and the Company's ability to increase it; the outcome of current litigation, claims and charges; 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 deductibility of goodwill; estimates and assumptions that affect the reported amounts of assets and liabilities; the recognition of compensation cost related to share-based compensation arrangements; the Company's ability to hedge against or otherwise manage market risks through the use of derivative financial instruments; the extent to which hedging gains or losses will be offset by losses or gains on related underlying exposures; and any other statements contained herein which are not strictly historical. Words such as expects, anticipates, targets, goals, projects, intends, plans, believes, estimates, variations of such words, and similar expressions are intended to identify such forward-looking statements.

Investors are cautioned that such statements are only predictions and speak only as of the date of this Form 10-Q, and the Company undertakes no duty to update them except as may be required by applicable laws or regulations. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment, including but not limited to those described in Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021, and the following: the continuing impact of the COVID-19 pandemic including the effects of known or unknown COVID-19 variants, 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, 2021. Refer to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021 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. Based upon that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of that date. Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

As previously disclosed in Part II Item 9A in the Company's Annual Report on Form 10-K for the year ended September 30, 2021, Management concluded there were material weaknesses in the Company's internal control over financial reporting at a reporting unit within the Company's Aerospace & Defense (A&D) segment, related to an ineffective design and implementation of certain controls over revenue recognition and the accumulation of inventory costs and the determination of inventory carrying values. Remedial actions have been identified and implemented to address these controls including the following: a) Dedicated additional resources to improve the Company's risk assessment process to ensure that it is comprehensive, continuous, and designed to identify and assess changes that could significantly impact internal control over financial reporting; b) Improved Company policies, procedures and system and process controls related to inventory costing and revenue recognition; and c) Provided additional risk assessment training to the A&D segment finance department on the applicable financial reporting requirements and related accounting policies. During the first quarter of 2022, we completed our testing of the operating effectiveness of the implemented controls and found them to be effective. As a result, we have concluded the material weaknesses have been remediated as of December 31, 2021.

Except for the changes in connection with our implementation of the remediation plan discussed above, there have been no other 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.

PART II. OTHER INFORMATION

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

ISSUER PURCHASES OF EQUITY SECURITIES*

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs*
October 1-31, 2021	—	N/A	—	$ 200.0 million
November 1-30, 2021	6,892	$ 82.11	6,892	$ 199.4 million
December 1-31, 2021	108,784	$ 86.70	108,784	$ 190.0 million
Total	115,676	$ 86.43	115,676	$ 190.0 million

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

ITEM 6. EXHIBITS

Exhibit Number	Description	Document Location
3.1(a)	Restated Articles of Incorporation	Exhibit 3(a) to the Company's Form 10-K for the fiscal year ended September 30, 1999
3.1(b)	Amended Certificate of Designation, Preferences and Rights of Series A Participating Cumulative Preferred Stock of the Registrant	Exhibit 4(e) to the Company's Form 10-Q for the fiscal quarter ended March 31, 2000
3.1(c)	Articles of Merger effective July 10, 2000	Exhibit 3(c) to the Company's Form 10-Q for the fiscal quarter ended June 30, 2000
3.1(d)	Amendment of Articles of Incorporation effective February 5, 2018	Exhibit 3.1 to the Company's Form 8-K filed February 7, 2018
3.2	Bylaws	Exhibit 3.1 to the Company's Form 8-K filed November 19, 2019
10.1	Form of Performance Share Unit Awards to Executive Officers under 2018 Omnibus Incentive Plan	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: February 9, 2022

PERFORMANCE SHARE UNIT

AWARD AGREEMENT

To: ________________ ("you")

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

Subject: ESCO Technologies Inc. (the "Company") 2018 Omnibus Incentive Plan ("Plan") – Fiscal 20_ Performance Share Unit Award ("Award")

1. Award. Effective on the "Award Date" set forth on Exhibit A hereto, the Committee has approved the award to you of the number of Performance Share Units ("PSUs") set forth on Exhibit A hereto. Each PSU represents the right to receive a number of shares of common stock of the Company ("Shares") (before tax withholdings) upon satisfaction of all of the terms and conditions set forth in this Award Agreement, including Exhibit A, and in the Plan, a copy of which has been delivered to you. Additional copies of the Plan are available from the Company's Human Resources Department upon request. The number of PSUs set forth in Exhibit A (the "Target Award") is equal to the number of Shares that you will earn upon 100% achievement of the Company Performance Goals set forth on Exhibit A. The actual number of Shares that you may earn is dependent on the actual performance of the Company at the end of the Performance Period on Exhibit A compared to the Performance Goals and may be more or less than the Target Award on Exhibit A.

2. Payout Terms.

(a) The Award and the any receipt of Shares is subject to your continued employment at the Company or other entity wholly owned directly or indirectly by the Company ("Subsidiary") from the Award Date through the close of business on the Vesting Date set forth on Exhibit A. In such event, on the Vesting Date each PSU earned will be converted into the right to receive a number of shares of Company Stock determined according to Exhibit A, 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 trading day after the Vesting Date.

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

(i) If the Change of Control results in the Company's common stock no longer being publicly held and traded on the New York Stock Exchange before all Shares have been issued to you under this Award and you are and have been continuously employed by the Company or a Subsidiary 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) 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) The PSUs constituting the Target Award are converted to units of the Acquirer's common stock at a total value equal to the total value of the Target Award ("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 Target Award 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 Target Award ("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) 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 Target Award 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 PSUs 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 Subsidiary and not more than ninety (90) days prior to the CoC Effective Date your employment with the Company or Subsidiary 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 this Award will be converted into the right to receive cash in an amount equal to the Target Award 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(b) 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(b), 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(d)(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 Subsidiary which should not have been made (the "Overpayments") or that additional Payments which the Company or a Subsidiary 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 Subsidiary 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 Subsidiary 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 Subsidiary 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 Subsidiary to you together with interest at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

(c) 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 Target Award 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 Target Award will be used in the calculation of the actual number of shares deemed earned at the end of the Performance Period based on the achievement of the Performance Goals for each performance measure as set forth on Exhibit A and shall be paid out as provided in section 2(a), excluding any continued employment requirement.

(d) It is intended that all payments and benefits under this Agreement be exempt from Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and this Agreement shall be construed to the greatest extent possible as consistent with those provisions. If not so exempt, this Agreement shall, to the extent permissible, be construed in a manner that complies with Section 409A and incorporates by reference all required definitions and payment terms. Notwithstanding the foregoing, the Company makes no representation that this Agreement is exempt from Section 409A and shall have no liability to you for any failure to comply with Section 409A. You will be fully responsible for any and all taxes or other amounts imposed by Section 409A.

3. Share Ownership Requirements. You are expected to acquire and retain Shares 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 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 Shares received (net of any withheld Shares) on account of the Award within 12 months after the Shares are delivered to you, or such earlier time as you cease to be a "named executive officer" of the Company.

4. Definitions. For purposes of this 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 Subsidiary 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 Chief Executive Officer ("CEO") or the President of the Subsidiary to which you report, which specifically identifies the manner in which the CEO or President 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 Subsidiary and which is demonstrably injurious to the Company or Subsidiary, 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 Subsidiary 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 Subsidiary on a full-time basis for ninety (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. Shares issued pursuant to this Award shall be valued for tax purposes at the closing price of the Company's common stock on the New York Stock Exchange on the Vesting Date, or if the Company's common stock is not traded on such Exchange on the Vesting Date, then on the first day after the Vesting Date on which the Company's common stock is traded on such Exchange. Sufficient Shares 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 Shares or cash, as the case may be, to which you are or become entitled under section 2 of this Award, you agree that the Company and/or any Subsidiary (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 Subsidiary, 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 Subsidiary; 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 Subsidiary;

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

(iv) Engaging in the unauthorized use or disclosure of confidential information or trade secrets of the Company or any Subsidiary resulting in harm to the Company or any Subsidiary; 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 Subsidiary (as appropriate) shall be entitled:

(i) To cancel this Award; and/or

(ii) To recover from you (1) any Shares or cash, as the case may be, 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:** ______________________

EXHIBIT A TO

FISCAL YEAR 20_ PERFORMANCE SHARE UNIT AWARD AGREEMENT

Award Recipient:	_____________________________ ("you")
Award Date:	_____, 20_
Target Award:	_______ Performance Share Units
Performance Period:	The three year period beginning on October 1, 20_ and ending on September 30, 20_.
Performance Measures:	See Performance Table below and related Notes
Vesting Date:	The date the Committee approves the resolution certifying the actual performance achieved for each Performance Measure compared to the Performance Goals for each Performance Measure. The Committee will review the level of achievement of the Performance Goals within a reasonable period of time following the end of the Performance Period and any earned portion of the award will be converted into shares of Company Stock and distributed as promptly as practicable thereafter.

As part of your incentive compensation the Company has awarded you a number of Performance Share Units ("PSUs"), as set forth in the Performance Share Unit Award Agreement to which this Exhibit is attached and in which it is incorporated by reference (the "Award"). Capitalized terms used in the Exhibit have the meanings given herein, or in the Award Agreement or the Plan, as the case may be.

The Award consists of the number of PSUs set forth under "Target Award" above. If all of the conditions of the Award are satisfied, on the Vesting Date set forth above the Target Award will be converted into a number of shares of the Company's common stock ("Shares") determined by the percentage of each Performance Measure that was achieved by the end of the Performance Period, as described below and in the Performance Table. For example, if the Company's performance equals the Target Performance Level for a given Performance Measure, each PSU in the portion of the Award which is subject to that Performance Measure will be converted into one Share, for a total number of Shares equal to 100% of the number of PSUs awarded.

For performance between the Threshold and Target Performance Levels or between the Target and Maximum Performance Levels, the PSU conversion rate for each Performance Measure will be interpolated between the levels on a straight line basis, rounded down to the nearest whole number of Shares. Failure to achieve the Threshold Performance Level for a Performance Measure will result in no Shares being issued for the PSUs in the portion of the Award which is subject to that Performance Measure, and no additional Shares will be issued for performance exceeding the Maximum Performance Level for a Performance Measure.

The Performance Table on the following page outlines each Performance Measure and its weighting, and the Performance Goals for achievement of each Performance Level at the end of the Performance Period:

Performance Table for Fiscal 20_ PSU Awards

Performance Measure	Weight (Percent of Target Award	Performance Level	Performance Goals	PSU Conversion Rate into Shares as Percent of Target
rTSR (See Note A)	_%	Below Threshold	Achieve less than the _th percentile ranking within the Peer Group	0%
		Threshold	Achieve _th percentile ranking within the Peer Group	50%
		Target	Achieve _th percentile ranking within the Peer Group	100%
		Maximum	Achieve _th percentile ranking within the Peer Group	200%
EBITDA (See Note B)	_%	Below Threshold	Achieve less than _% of EBITDA target	0%
		Threshold	Achieve _% of EBITDA target	50%
		Target	Cumulative EBITDA through Performance Period = $____ Million	100%
		Maximum	Achieve _% of EBITDA target	200%

Notes:

(A) Total Shareholder Return (TSR) shall mean **the stock price appreciation from the beginning to the end of the Performance Period**, plus dividends and distributions made or declared during the Performance Period (it shall be assumed that such dividends or distributions are reinvested in the common stock of the Company or the applicable member of the Index as of the ex-dividend date), expressed as a percentage return. **The Peer Group is comprised of the member companies in the S&P 600 Industrials Index (Index) at the beginning of the Performance Period, excluding the Company**. TSR for the Company and each company in the Peer Group will be calculated by subtracting the Closing Average Share Value from the Opening Average Share Value (plus dividends and distributions during the Performance Period) then dividing that result by the Opening Average Share Value. For purposes of this Award, "Closing Average Share Value" means the average closing value of the common stock, for the 20 trading days ending on the last day of the Performance Period (i.e., the 20 trading days ending on September 30, 20_); "Opening Average Share Value" means the average of the closing price of a share of common stock for the 20 trading days preceding the start of the Performance Period. Once the TSR values are calculated for the Peer Group, the values will be numerically ranked and the median of the TSR percentile ranking will be identified as the 50th percentile. **The Company's relative TSR (rTSR) Performance Measure will be scored by comparing the Company's TSR value to the percentile ranking of the Peer Group.**

(B) The EBITDA Target is based on EBITDA growth targets approved by the HRCC for the Performance Period. When the actual cumulative results are available at the end of the Performance Period they will be compared to the EBITDA Target and scored. If performance is at or above the Threshold then the payout percentage will be awarded according to the Performance Table.

EBITDA will be defined and measured in accordance with generally accepted accounting principles (GAAP) and may include or exclude (or be adjusted to include or exclude) unusual or infrequently occurring items, the impact of charges for restructurings or productivity initiatives, non-operating items, discontinued operations and other unusual and non-recurring items, the effects of currency fluctuations, the effects of financial activities (by way of example, without limitation, the effect of earnings per share of issuing convertible debt securities), the effects of acquisitions and acquisition expenses, the effects of divestiture and divestiture expenses, and the effects of tax or accounting changes. However, notwithstanding the preceding sentence, unless the Committee determines otherwise either at the time it establishes the Performance Goals for an award or prior to the payment of the award, if any of the items referenced in the preceding sentence occurs, then such item shall be automatically excluded or included in determining the extent to which the Performance Goal has been achieved, whichever will produce the higher award (subject to any exercise of "negative discretion" by the Committee).

Exhibit 31.1

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: February 9, 2022

/s/ Victor L. Richey
Victor L. Richey
Chairman, Chief Executive Officer and President

Exhibit 31.2

CERTIFICATION

I, Christopher L. Tucker, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: February 9, 2022

/s/ Christopher L. Tucker

Christopher L. Tucker
Senior Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of ESCO Technologies Inc. (the "Company") on Form 10-Q for the period ended December 31, 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: February 9, 2022

/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.