

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, 2022

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:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

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

<u>Class</u>	<u>Shares outstanding at January 31, 2023</u>
Common stock, \$.01 par value per share	25,805,275

## 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,	
	2022	2021
Net sales	\$ 205,501	177,010
Costs and expenses:		
Cost of sales	126,383	108,305
Selling, general and administrative expenses	51,302	46,635
Amortization of intangible assets	6,861	6,467
Interest expense, net	1,658	733
Other expenses, net	398	33
Total costs and expenses	<u>186,602</u>	<u>162,173</u>
Earnings before income taxes	18,899	14,837
Income tax expense	4,172	3,313
Net earnings	<u>\$ 14,727</u>	<u>11,524</u>
Earnings per share:		
Basic - Net earnings	<u>\$ 0.57</u>	<u>0.44</u>
Diluted - Net earnings	<u>\$ 0.57</u>	<u>0.44</u>

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,	
	2022	2021
Net earnings	\$ 14,727	11,524
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	11,513	(2,500)
Total other comprehensive income (loss), net of tax	11,513	(2,500)
Comprehensive income	<u>\$ 26,240</u>	<u>9,024</u>

See accompanying notes to consolidated financial statements.

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

	December 31, 2022	September 30, 2022
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 51,922	97,724
Accounts receivable, net of allowance for credit losses of \$2,665 and \$2,612, respectively	159,658	164,645
Contract assets, net	122,518	125,154
Inventories, net	181,743	162,403
Other current assets	18,930	22,696
Total current assets	534,771	572,622
Property, plant and equipment, net of accumulated depreciation of \$171,143 and \$165,322, respectively	155,722	155,973
Intangible assets, net of accumulated amortization of \$182,789 and \$175,928, respectively	394,824	394,464
Goodwill	498,383	492,709
Operating lease assets	42,156	29,150
Other assets	10,133	9,538
Total assets	<u>\$ 1,635,989</u>	<u>1,654,456</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt and short-term borrowings	\$ 20,000	20,000
Accounts payable	73,770	78,746
Contract liabilities, net	121,220	125,009
Accrued salaries	27,339	40,572
Accrued other expenses	50,431	53,802
Total current liabilities	292,760	318,129
Deferred tax liabilities	81,213	82,023
Non-current operating lease liabilities	38,346	24,853
Other liabilities	45,272	48,294
Long-term debt	112,000	133,000
Total liabilities	569,591	606,299
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 30,745,335 and 30,707,748 shares, respectively	307	307
Additional paid-in capital	300,697	301,553
Retained earnings	917,682	905,022
Accumulated other comprehensive loss, net of tax	(20,251)	(31,764)
	1,198,435	1,175,118
Less treasury stock, at cost: 4,912,636 and 4,854,997 common shares, respectively	(132,037)	(126,961)
Total shareholders' equity	1,066,398	1,048,157
Total liabilities and shareholders' equity	<u>\$ 1,635,989</u>	<u>1,654,456</u>

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,	
	2022	2021
Cash flows from operating activities:		
Net earnings	\$ 14,727	11,524
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	12,367	12,172
Stock compensation expense	1,860	1,685
Changes in assets and liabilities	(36,920)	(30,837)
Effect of deferred taxes	(1,042)	7,402
Net cash (used) provided by operating activities	(9,008)	1,946
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	—	(15,592)
Additions to capitalized software	(2,795)	(1,958)
Capital expenditures	(4,791)	(14,133)
Net cash used by investing activities	(7,586)	(31,683)
Cash flows from financing activities:		
Proceeds from long-term debt and short-term borrowings	17,000	74,000
Principal payments on long-term debt and short-term borrowings	(38,000)	(30,000)
Dividends paid	(2,067)	(2,079)
Purchases of common stock into treasury	(4,147)	(9,997)
Other	(2,412)	(2,737)
Net cash (used) provided by financing activities	(29,626)	29,187
Effect of exchange rate changes on cash and cash equivalents	418	33
Net decrease in cash and cash equivalents	(45,802)	(517)
Cash and cash equivalents, beginning of period	97,724	56,232
Cash and cash equivalents, end of period	\$ 51,922	55,715
Supplemental cash flow information:		
Interest paid	\$ 1,875	388
Income taxes paid	200	195

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, 2022 are not necessarily indicative of the results for the entire 2023 fiscal year. References to the first quarters of 2023 and 2022 represent the fiscal quarters ended December 31, 2022 and 2021, 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,	
	2022	2021
Weighted Average Shares Outstanding — Basic	25,863	26,060
Dilutive Restricted Shares	80	82
Adjusted Shares — Diluted	25,943	26,142

3. 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, Time-Vested Restricted Stock Unit (RSU) Awards, and Performance Share Unit (PSU) Awards*

Compensation expense related to these awards was \$1.6 million and \$1.4 million for the three-month periods ended December 31, 2022 and 2021, respectively. There were 223,233 non-vested shares outstanding as of December 31, 2022.

*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, 2022 and 2021, 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 \$1.9 million and \$1.7 million for the three-month periods ended December 31, 2022 and 2021, respectively. The total income tax benefit recognized in results of operations for share-based compensation arrangements was \$0.1 million and \$0.4 million for the three-month periods ended December 31, 2022 and 2021, respectively. As of December 31, 2022 there was \$12.0 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 2.0 years.

#### 4. INVENTORIES

Inventories, net, consist of the following:

<u>(In thousands)</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Finished goods	\$ 31,723	32,471
Work in process	46,514	38,492
Raw materials	103,506	91,440
Total inventories, net	<u>\$ 181,743</u>	<u>162,403</u>

#### 5. GOODWILL AND OTHER INTANGIBLE ASSETS

Included on the Company's Consolidated Balance Sheets at December 31, 2022 and September 30, 2022 are the following intangible assets gross carrying amounts and accumulated amortization from continuing operations:

<u>(Dollars in thousands)</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Goodwill	<u>\$ 498,383</u>	<u>492,709</u>
<b>Intangible assets with determinable lives:</b>		
Patents		
Gross carrying amount	\$ 2,373	2,353
Less: accumulated amortization	1,122	1,091
Net	<u>\$ 1,251</u>	<u>1,262</u>
Capitalized software		
Gross carrying amount	\$ 109,379	106,583
Less: accumulated amortization	72,605	70,476
Net	<u>\$ 36,774</u>	<u>36,107</u>
Customer relationships		
Gross carrying amount	\$ 291,067	287,447
Less: accumulated amortization	100,910	96,921
Net	<u>\$ 190,157</u>	<u>190,526</u>
Other		
Gross carrying amount	\$ 14,322	13,985
Less: accumulated amortization	8,066	7,440
Net	<u>\$ 6,256</u>	<u>6,545</u>
<b>Intangible assets with indefinite lives:</b>		
Trade names	<u>\$ 160,386</u>	<u>160,024</u>

The changes in the carrying amount of goodwill attributable to each business segment for the three months ended December 31, 2022 is as follows:

<u>(Dollars in millions)</u>	<u>USG</u>	<u>Test</u>	<u>Aerospace &amp; Defense</u>	<u>Total</u>
Balance as of September 30, 2022	\$ 348.7	34.0	110.0	492.7
Foreign currency translation	5.7	—	—	5.7
Balance as of December 31, 2022	<u>\$ 354.4</u>	<u>34.0</u>	<u>110.0</u>	<u>498.4</u>

## 6. 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,	
	2022	2021
<b>NET SALES</b>		
Aerospace & Defense	\$ 82,983	70,244
USG	71,045	63,485
Test	51,473	43,281
Consolidated totals	<u>\$ 205,501</u>	<u>177,010</u>
<b>EBIT</b>		
Aerospace & Defense	\$ 12,536	9,955
USG	16,131	13,391
Test	5,411	3,965
Corporate (loss)	<u>(13,521)</u>	<u>(11,741)</u>
Consolidated EBIT	20,557	15,570
Less: Interest expense	<u>(1,658)</u>	<u>(733)</u>
Earnings before income taxes	<u>\$ 18,899</u>	<u>14,837</u>



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

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

7. DEBT

The Company’s debt is summarized as follows:

<u>(In thousands)</u>	<u>December 31,</u> <u>2022</u>	<u>September 30,</u> <u>2022</u>
Total borrowings	\$ 132,000	153,000
Current portion of long-term debt	(20,000)	(20,000)
Total long-term debt, less current portion	<u>\$ 112,000</u>	<u>133,000</u>

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

At December 31, 2022, the Company had approximately \$360 million available to borrow under the Credit Facility, plus the \$250 million increase option subject to lenders’ consent, in addition to \$51.9 million cash on hand. The Company classified \$20 million as the current portion of long-term debt as of December 31, 2022, as the Company intends to repay this amount within the next twelve months; however, the Company has no contractual obligation to repay such amount during the next twelve months. The letters of credit issued and outstanding under the Credit Facility totaled \$8.2 million at December 31, 2022.

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 interest rate spreads on the facility and the facility fee are subject to increase or decrease depending on the Company’s leverage ratio. The weighted average interest rates were 4.56% and 1.17% for the three-month periods ending December 31, 2022 and 2021, respectively. As of December 31, 2022, the Company was in compliance with all covenants.

8. INCOME TAX EXPENSE

The first quarter 2023 effective income tax rate was 22.1% compared to 22.3% in the first quarter of 2022. The income tax expense in the first quarter of 2023 was favorably impacted by excess tax benefit related to the vesting of share-based compensation and the release of a valuation allowance on acquired federal net operating losses, decreasing the effective tax rate for the quarter by 1.3%. 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%.

## 9. SHAREHOLDERS' EQUITY

The change in shareholders' equity for the first three months ended December 31, 2022 and 2021 is shown below (in thousands):

	<b>Three Months Ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Common stock</b>		
Beginning balance	\$ 307	307
Stock plans	—	—
Ending balance	<u>307</u>	<u>307</u>
<b>Additional paid-in-capital</b>		
Beginning balance	301,553	297,644
Stock plans	(856)	(1,367)
Ending balance	<u>300,697</u>	<u>296,277</u>
<b>Retained earnings</b>		
Beginning balance	905,022	830,989
Net earnings common stockholders	14,727	11,524
Dividends paid	(2,067)	(2,079)
Ending balance	<u>917,682</u>	<u>840,434</u>
<b>Accumulated other comprehensive income (loss)</b>		
Beginning balance	(31,764)	(2,161)
Foreign currency translation	11,513	(2,500)
Ending balance	<u>(20,251)</u>	<u>(4,661)</u>
<b>Treasury stock</b>		
Beginning balance	(126,961)	(107,083)
Share repurchases	(5,076)	(9,997)
Ending balance	<u>(132,037)</u>	<u>(117,080)</u>
<b>Total equity</b>	<b><u>\$ 1,066,398</u></b>	<b><u>1,015,277</u></b>

## 10. FAIR VALUE MEASUREMENTS

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

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

### *Financial Assets and Liabilities*

The Company has estimated the fair value of its financial instruments as of December 31, 2022 and September 30, 2022 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.

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, 2022.

11. REVENUES

*Disaggregation of Revenues*

Revenues by customer type, geographic location, and revenue recognition method for the three-month period ended December 31, 2022 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.

<i>(In thousands)</i>	Aerospace & Defense	USG	Test	Total
<b>Customer type:</b>				
Commercial	\$ 36,740	\$ 70,162	\$ 45,992	\$ 152,894
U.S. Government	46,243	883	5,481	52,607
Total revenues	<u>\$ 82,983</u>	<u>\$ 71,045</u>	<u>\$ 51,473</u>	<u>\$ 205,501</u>
<b>Geographic location:</b>				
United States	\$ 68,934	\$ 46,379	\$ 27,503	\$ 142,816
International	14,049	24,666	23,970	62,685
Total revenues	<u>\$ 82,983</u>	<u>\$ 71,045</u>	<u>\$ 51,473</u>	<u>\$ 205,501</u>
<b>Revenue recognition method:</b>				
Point in time	\$ 33,604	\$ 56,031	\$ 9,101	\$ 98,736
Over time	49,379	15,014	42,372	106,765
Total revenues	<u>\$ 82,983</u>	<u>\$ 71,045</u>	<u>\$ 51,473</u>	<u>\$ 205,501</u>

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:

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

#### *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, 2022, the Company had \$718.4 million in remaining performance obligations of which the Company expects to recognize revenues of approximately 80% in the next twelve months.

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, 2022, contract assets and liabilities totaled \$122.5 million and \$133.6 million, respectively. During the first quarter of 2023, the Company recognized approximately \$31.0 million in revenues that were included in the contract liabilities balance at September 30, 2022. At September 30, 2022, contract assets and liabilities totaled \$125.2 million and \$137.6 million, respectively.

## 12. LEASES

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

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

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

<b>(Dollars in thousands)</b>	<b>Three Months Ended December 31, 2022</b>	<b>Three Months Ended December 31, 2021</b>
Finance lease cost		
Amortization of right-of-use assets	\$ 393	433
Interest on lease liabilities	236	267
Operating lease cost	1,645	1,561
<b>Total lease costs</b>	<b>\$ 2,274</b>	<b>2,261</b>

Additional information related to leases are shown below:

(Dollars in thousands)	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
<b>Cash paid for amounts included in the measurement of lease liabilities</b>		
Operating cash flows from operating leases	\$ 1,601	1,503
Operating cash flows from finance leases	236	267
Financing cash flows from finance leases	327	361
<b>Right-of-use assets obtained in exchange for lease liabilities</b>		
Operating leases	\$ 13,964	901
<b>Weighted-average remaining lease term</b>		
Operating leases	11.6 years	9.9 years
Finance leases	11.7 years	12.5 years
<b>Weighted-average discount rate</b>		
Operating leases	4.36 %	3.12 %
Finance leases	4.60 %	4.58 %

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, 2022:

(Dollars in thousands) Years Ending September 30:	Operating Leases	Finance Leases
2023 (excluding the three months ended December 31, 2022)	\$ 5,303	1,693
2024	6,280	2,315
2025	4,955	2,370
2026	4,073	2,434
2027 and thereafter	36,443	18,997
Total minimum lease payments	57,054	27,809
Less: amounts representing interest	13,296	6,954
Present value of net minimum lease payments	\$ 43,758	20,855
Less: current portion of lease obligations	5,412	1,359
Non-current portion of lease obligations	\$ 38,346	19,496
ROU assets	\$ 42,156	16,950

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.

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

References to the first quarters of 2023 and 2022 represent the three-month periods ended December 31, 2022 and 2021, respectively.

OVERVIEW

Sales, net earnings and diluted earnings per share were \$205.5 million, \$14.7 million and \$0.57 per share, respectively, in the first quarter of 2023 compared to \$177.0 million, \$11.5 million and \$0.44 per share, respectively, in the first quarter of 2022.

NET SALES

Net sales increased \$28.5 million, or 16.1%, to \$205.5 million in the first quarter of 2023 from \$177.0 million in the first quarter of 2022. The increase in net sales in the first quarter of 2023 as compared to the first quarter of 2022 was due to a \$12.8 million increase in the Aerospace & Defense segment, an \$8.2 million increase in the Test segment, and a \$7.5 million increase in the USG segment.

*-Aerospace & Defense (A&D)*

Net sales of \$83.0 million in the first quarter of 2023 were \$12.8 million, or 18.2%, higher than the \$70.2 million in the first quarter of 2022. The sales increase in the first quarter of 2023 compared to the first quarter of 2022 was primarily due to an approximately \$9.2 million increase in aerospace shipments at Mayday, Crissair and PTI and a \$5.0 million increase in net sales at VACCO and Globe driven by navy sales, partially offset by a \$1.6 million decrease in navy sales at Westland.

*-USG*

Net sales of \$71.0 million in the first quarter of 2023 were \$7.5 million, or 11.8% higher than the \$63.5 million in the first quarter of 2022. The increase in the first quarter of 2023 compared to the first quarter of 2022 was mainly due to a \$4.5 million increase in net sales at NRG driven by continued strength in the renewables end-market and a \$3.0 million increase at Doble driven by higher sales of protection testing instruments and software.

*-Test*

Net sales of \$51.5 million in the first quarter of 2023 were \$8.2 million, or 18.9%, higher than the \$43.3 million in the first quarter of 2022. The increase in the first quarter of 2022 compared to the first quarter of 2021 was primarily due to \$5.8 million of higher sales from the segment's U.S operations and \$3.4 million of higher sales from the segment's European operations partially offset by \$1.0 million of lower sales from the segment's Asian operations, all due to the timing of test and measurement chamber projects.

ORDERS AND BACKLOG

Backlog was \$718.4 million at December 31, 2022 compared with \$695.0 million at September 30, 2022. The Company received new orders totaling \$228.9 million in the first quarter of 2023 compared to \$224.4 million in the first quarter of 2022. Of the new orders received in the first quarter of 2023, \$97.3 million related to Aerospace & Defense products, \$80.2 million related to USG products, and \$51.4 million related to Test products. 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.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses were \$51.3 million (25.0% of net sales) for the first quarter of 2023, compared with \$46.6 million (26.3% of net sales) for the first quarter of 2022. The increase in SG&A in the first quarter of 2023 compared to the first quarter of 2022 was mainly due to higher expenses at Corporate due to the executive management transition (primarily relocation and recruiting costs) and an increase within the A&D and USG segments due to higher sales and commissions.

## AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets was \$6.9 million and \$6.5 million for the first quarter of 2023 and 2022, 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 2023 compared to the first quarter of 2022 was mainly due to an increase in amortization of capitalized software.

## OTHER EXPENSES, NET

Other expenses, net, were \$0.4 million in the first quarter of 2023 compared to other expenses, net, of \$0.1 million in the first quarter of 2022. The principal component of other expenses, net, in the first quarter of 2023 included approximately \$0.2 million of restructuring charges within the A&D segment. There were no individually significant items in other expenses (income), net, in the first quarter of 2022.

## EBIT

The Company evaluates the performance of its operating segments based on EBIT, and provides EBIT on a consolidated basis, which is a non-GAAP financial measure. Please refer to the discussion of non-GAAP financial measures in Note 6 to the Consolidated Financial Statements, above. EBIT was \$20.6 million (10.0% of net sales) for the first quarter of 2023 compared to \$15.6 million (8.8% of net sales) for the first quarter of 2022.

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

(In thousands)	Three Months Ended December 31,	
	2022	2021
Net earnings	\$ 14,727	11,524
Plus: Interest expense, net	1,658	733
Plus: Income tax expense	4,172	3,313
Consolidated EBIT	<u>\$ 20,557</u>	<u>15,570</u>

### – Aerospace & Defense

EBIT was \$12.5 million (15.1% of net sales) in the first quarter of 2023 compared to \$10.0 million (14.2% of net sales) in the first quarter of 2022. The increase in EBIT in the first quarter of 2023 compared to the first quarter of 2022 was mainly due to higher sales volumes at Mayday, Crissair & PTI partially offset by a decrease in EBIT at Westland due to the lower sales volumes mentioned above. In addition, EBIT in the first quarter of 2023 was negatively impacted by a \$0.2 million of restructuring charges (primarily severance) within the A&D segment.

### -USG

EBIT was \$16.1 million (22.7% of net sales) in the first quarter of 2023 compared to \$13.4 million (21.1% of net sales) in the first quarter of 2022. The increase in EBIT in the first quarter of 2023 compared to the first quarter of 2022 was mainly due to the higher sales volumes at both Doble and NRG in the first quarter of 2023.

### -Test

EBIT was \$5.4 million (10.5% of net sales) in the first quarter of 2023 compared to \$4.0 million (9.2% of net sales) in the first quarter of 2022. The increase in EBIT in the first quarter of 2023 compared to the first quarter of 2022 was primarily due to higher sales volumes from the segment's U.S. and European operations.

### – Corporate

Corporate costs included in EBIT were \$13.5 million and \$11.7 million in the first quarter of 2023 and 2022, respectively. The increase in Corporate costs in the first quarter of 2023 compared to the first quarter of 2022 was mainly due to approximately \$0.8 million of management transition costs (mainly relocation and recruiting) related to the Company's CEO transition.



## INTEREST EXPENSE, NET

Interest expense was \$1.7 million and \$0.7 million in the first quarter of 2023 and 2022, respectively. The increase in interest expense in the first quarter of 2023 as compared to the first quarter of 2022 was mainly due to higher average interest rates (4.56% in the first quarter of 2023 compared to 1.17% in the first quarter of 2022).

## INCOME TAX EXPENSE

The effective income tax rate was 22.1% in the first quarter of 2023 compared to 22.3% in the first quarter of 2022. Income tax expense in the first quarter of 2023 was favorably impacted by excess tax benefit related to the vesting of share-based compensation and the release of a valuation allowance on acquired federal net operating losses, decreasing the effective tax rate for the quarter by 1.3%. 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 (current assets less current liabilities) decreased to \$242.0 million at December 31, 2022 from \$254.5 million at September 30, 2022 mainly driven by a decrease in cash including repayment of debt. Inventories increased by \$19.3 million during this period mainly due to an \$11.0 million increase within the USG segment, a \$4.3 million increase within the Aerospace & Defense segment and a \$4.0 million increase within the Test segment resulting primarily from the timing of receipt of raw materials to meet anticipated demand and an increase in work in process inventories due to timing of manufacturing existing orders. Accrued salaries decreased by \$13.2 million due to timing of salaries and bonus payments.

Net cash used by operating activities was \$(9.0) million and net cash provided by operating activities was \$1.9 million in the first quarters of 2023 and 2022, respectively. The decrease in net cash provided by operating activities in the first quarter of 2023 as compared to the first quarter of 2022 was mainly driven by higher inventory balances, lower accounts payable and accrued expenses and the effect of deferred taxes.

Capital expenditures were \$4.8 million and \$14.1 million in the first quarters of 2023 and 2022, respectively. The decrease in the first quarter of 2023 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 \$2.8 million and \$2.0 million in the first quarters of 2023 and 2022, respectively.

### *Credit Facility*

At December 31, 2022, the Company had approximately \$360 million available to borrow under its bank credit facility, a \$250 million increase option, and \$51.9 million cash on hand. At December 31, 2022, the Company had \$132 million of outstanding borrowings under the credit facility in addition to outstanding letters of credit of \$8.2 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 2023, the Company repurchased approximately 58,000 shares for \$5.1 million, of which \$4.1 million was paid during the quarter and the remainder was settled in January 2023. For further information on the share repurchases during the first quarter of 2023, see Part II, Item 2 of this Report.

### *Dividends*

A dividend of \$0.08 per share, totaling \$2.1 million, was paid on October 18, 2022 to stockholders of record as of October 4, 2022. Subsequent to December 31, 2022, a quarterly dividend of \$0.08 per share, totaling \$2.1 million, was paid on January 20, 2023 to stockholders of record as of January 5, 2023.

On February 1, 2023, the Company acquired CMT Materials, LLC and its affiliate Engineered Syntactic Systems, LLC (CMT) for a purchase price of \$18 million. CMT, based in Attleboro, Massachusetts, is a leading supplier of syntactic materials for buoyancy and specialty applications. The business has annualized sales of approximately \$15 million and will become part of Globe within the A&D segment.

## 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, 2022.

## 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, 2022, 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; inflationary pressures on the Company’s costs of materials, components and supplies; 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, 2022.

### ITEM 4. CONTROLS AND PROCEDURES

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

## PART II. OTHER INFORMATION

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

#### ISSUER PURCHASES OF EQUITY SECURITIES\*

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs*</u>
October 1-31, 2022	—	N/A	—	\$ 180.0 million
November 1-30, 2022	—	N/A	—	\$ 180.0 million
December 1-31, 2022	57,639	\$ 88.07	57,639	\$ 174.9 million
Total	57,639	\$ 88.07	57,639	\$ 174.9 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 the Company to repurchase shares of its common stock from time to time at its 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

<u>Exhibit Number</u>	<u>Description</u>	<u>Document Location</u>
3.1(a)	<a href="#">Restated Articles of Incorporation</a>	Exhibit 3(a) to the Company's Form 10-K for the fiscal year ended September 30, 1999
3.1(b)	<a href="#">Amended Certificate of Designation, Preferences and Rights of Series A Participating Cumulative Preferred Stock of the Registrant</a>	Exhibit 4(e) to the Company's Form 10-Q for the fiscal quarter ended March 31, 2000
3.1(c)	<a href="#">Articles of Merger effective July 10, 2000</a>	Exhibit 3(c) to the Company's Form 10-Q for the fiscal quarter ended June 30, 2000
3.1(d)	<a href="#">Amendment of Articles of Incorporation effective February 5, 2018</a>	Exhibit 3.1 to the Company's Form 8-K filed February 7, 2018
3.2	<a href="#">Bylaws</a>	Exhibit 3.1 to the Company's Form 8-K filed November 22, 2022
4.2	<a href="#">Credit Agreement dated September 27, 2019, incorporated by reference to Exhibit 10.1 hereto</a>	Exhibit 10.1 to the Company's Form 8-K filed September 30, 2019
10.1	<a href="#">Credit Agreement dated as of September 27, 2019 among ESCO Technologies Inc., the Foreign Subsidiary Borrowers party thereto, the Lenders party thereto, JPMorgan Chase Bank, N.A. as Administrative Agent, BMO Harris Bank N.A. as Syndication Agent, and Bank of America, N.A., SunTrust Bank, U.S. Bank National Association and Wells Fargo Bank, National Association as Co-Documentation Agents</a>	Exhibit 10.1 to the Company's Form 8-K filed September 30, 2019
10.2	<a href="#">Form of Fiscal 2023 Performance Share Unit Awards to Executive Officers under 2018 Omnibus Incentive Plan</a>	Filed herewith
10.3	<a href="#">Amendment to Employment Agreement of Victor L. Richey effective December 31, 2022</a>	Exhibit 10.1 to the Company's Form 8-K filed January 6, 2023
10.4	<a href="#">Transition Award Agreement with Victor L. Richey effective January 3, 2023</a>	Exhibit 10.2 to the Company's Form 8-K filed January 6, 2023
10.5	<a href="#">Employment and Compensation Agreement with Bryan H. Saylor effective January 1, 2023</a>	Exhibit 10.3 to the Company's Form 8-K filed January 6, 2023
31.1	<a href="#">Certification of Chief Executive Officer</a>	Filed herewith
31.2	<a href="#">Certification of Chief Financial Officer</a>	Filed herewith
32	<a href="#">Certification of Chief Executive Officer and Chief Financial Officer</a>	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, 2023

**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 one share 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 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 achievement of the Performance Goals as evaluated at the end of the Performance Period on Exhibit A and the Shares received 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 promptly as practical 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. Dividends.** Contingent upon shareholder approval of the Amended 2018 Omnibus Incentive Plan in February 2023, quarterly dividend equivalents will be accrued on the Target Award commencing with the first regularly scheduled quarterly dividend payment after the Award Date. The accrued dividends on the earned Award, if any, will be distributed in cash at the time the earned Award is distributed. The accrued dividends on any unearned portion of the Award will be forfeited.

**7. Covenants.**

(a) To the extent that you engage in conduct described in section 7(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 7(c).

(b) The conduct described in this section 7(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 7(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).

**8. 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.

9. **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.

10. **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.

11. **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 2023 PERFORMANCE SHARE UNIT AWARD AGREEMENT**

Award Recipient: \_\_\_\_\_ (“you”)  
Award Date: November 16, 2022  
Target Award: \_\_\_\_\_ Performance Share Units

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 which 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.

Performance Period: The three-year period beginning on October 1, 2022 and ending on September 30, 2025.  
Performance Measures: EBITDA and Return on Invested Capital (“ROIC”). See Performance Goal Table below and related Notes.  
Vesting Date: The date the Committee approves the resolution certifying (i) the performance achieved for each Performance Measure relative to the Performance Goal, and (ii) the rTSR Modifier, if applicable. The Committee will review the level of achievement of the Performance Goals and the applicability of the rTSR Modifier generally at the Committee meeting most closely following the end of the Performance Period. Any earned portion of the award will be converted into shares of Company Stock and distributed as promptly as practicable thereafter.  
rTSR Modifier: When applicable, the Relative Total Shareholder Return (“rTSR”) Modifier will be applied to the number of the Shares earned by achievement of the Performance Goals. See rTSR Modifier Table below and related Notes.

If the Award conditions are satisfied, then 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 (i) the percentage of the Performance Goal for each Performance Measure that was achieved by the end of the Performance Period (see Performance Goal Table); and (ii) by application of the rTSR Modifier, if warranted. The rTSR Modifier will adjust the number of shares earned for each Performance Measure upward or downward by twenty percent (20%) in circumstances described in the rTSR Modifier Table and Notes.

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 maximum number of PSUs subject to vest based on the achievement of the Performance Goals and application of the rTSR Modifier, as defined in the Performance Goal Table and the rTSR Modifier Table, is 200% of the Target Award.

**Performance Goal Table for Fiscal 2023 PSU Awards**

<b>Performance Measure</b>	<b>Weight (Percent of Target Award)</b>	<b>Performance Level</b>	<b>Performance Goals</b>	<b>PSU Conversion Rate into Shares as Percent of Target</b>
EBITDA (See Note A)	60%	Below Threshold	Achieve less than __% of EBITDA target	0%
		Threshold	Achieve __% of EBITDA target	50%
		Target	Cumulative EBITDA through Performance Period = \$___M	100%
		Maximum	Achieve ___% of EBITDA target	200%
ROIC (See Note B)	40%	Below Threshold	Achieve less than __% of ROIC target	0%
		Threshold	Achieve __% of ROIC target	50%
		Target	ROIC = __% for FY 2025	100%
		Maximum	Achieve ___% of ROIC target	200%

**rTSR Modifier Table**  
(See Note C)

<b>Company's TSR Rank compared to Peer Group</b>	<b>rTSR Modifier</b>
Below 25 <sup>th</sup> percentile	-20%
25 <sup>th</sup> – 75 <sup>th</sup> percentile	0%
Above 75 <sup>th</sup> percentile	+20%

Notes:

(A) The EBITDA Target is based on EBITDA growth targets approved by the HRCC for the Performance Period. At the end of the Performance Period the cumulative results 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 Shares Earned). The EBITDA Shares Earned are further subject to the Modifier as described in the rTSR Modifier Table and Note C.

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 on 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.

(B) The ROIC Target is based on ROIC targets approved by the HRCC for the Performance Period. At the end of the Performance Period the cumulative results will be compared to the ROIC Target and scored. If performance is at or above the Threshold then the payout percentage will be awarded according to the Performance Table (ROIC Shares Earned). The ROIC Shares Earned are further subject to the rTSR Modifier as described in the rTSR Modifier Table and Note C.

ROIC will be defined and measured in accordance with generally accepted accounting principles (GAAP) and as it appears in the Company's monthly management POR reports. ROIC 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.

(C) When applicable, the rTSR Modifier will be applied to the number of shares earned for each Performance Measure upward or downward by twenty percent (20%) based on the Company's TSR ranking compared against the TSR of companies in the S&P 600 Industrials Index ("Index") over the Performance Period. The member companies in the Index at the beginning of the Performance Period, excluding the Company, is the Peer Group. The Peer Group will be adjusted, if applicable, for certain corporate actions during the Performance Period:

- a) A company shall be removed from the Peer Group if it:(i) ceases to be a domestically domiciled publicly traded company on a national stock exchange or market system, unless such cessation of such listing is due to a low stock price or low trading volume; (ii) has gone private; (iii) has reincorporated in a foreign (e.g., non-U.S.) jurisdiction regardless of whether it is a reporting company in that or another jurisdiction; or (iv) has been acquired by another company (whether by another company in the Peer Group or otherwise, but not including internal reorganizations) or has sold all or substantially all of its assets. A company that is removed from the Peer Group before the end of the Performance Period will be excluded from the calculation of TSR percentile ranking
- b) If a member of the Peer Group acquires another company, the acquiring Peer Group company will remain in the Peer Group for the Performance Period;
- c) If a member of the Peer Group is delisted on all major stock exchanges, such delisted company will remain in the Peer Group, positioned below the lowest performing member of the Peer Group;
- d) Members of the Peer Group that file for bankruptcy, liquidation or similar reorganization during the Performance Period will remain in the Peer Group, positioned below the lowest performing nonbankrupt member of the Peer Group.

TSR means 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 Peer Group as of the ex-dividend date), expressed as a percentage return. 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, 2025); "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. **The Company's TSR percentile rank will be determined relative to the TSR ranking of each company in the Peer Group to determine the rTSR Modifier as set forth in the rTSR Modifier Table.**

If the Company's rTSR percentile rank is below the 25<sup>th</sup> percentile or above the 75<sup>th</sup> percentile of the Peer Group, the total number of PSU's eligible to vest in accordance with this Exhibit and Award Agreement will be adjusted by the following formula but will not exceed 200% of the Target Award:

$$\text{Total PSUs earned} = \text{rTSR Modifier} * (\text{EBITDA Shares Earned} + \text{ROIC Shares Earned})$$

If the Company's rTSR percentile rank is between the 25<sup>th</sup> percentile and 75<sup>th</sup> percentile of the Peer Group, no rTSR Modifier will be applied:

$$\text{Total PSUs earned} = \text{EBITDA shares earned} + \text{ROIC shares earned}$$

## CERTIFICATION

I, Bryan H. Sayler, certify that:

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

Date: February 9, 2023

/s/ Bryan H. Sayler

Bryan H. Sayler

President and Chief Executive Officer

---

## 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, 2023

/s/ Christopher L. Tucker

Christopher L. Tucker

Senior Vice President and Chief Financial Officer

---



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

In connection with the quarterly report of ESCO Technologies Inc. (the "Company") on Form 10-Q for the period ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Bryan H. Sayler, President and Chief Executive Officer of the Company, and Christopher L. Tucker, Senior Vice President and Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: February 9, 2023

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

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

---