

REFINITIV

DELTA REPORT

10-Q

ESE - ESCO TECHNOLOGIES INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1081

CHANGES	118
DELETIONS	592
ADDITIONS	371

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 **MARCH** 31, **2023** **2024**

OR

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

COMMISSION FILE NUMBER 1-10596

ESCO TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

MISSOURI

(State or other jurisdiction of
incorporation or organization)

43-1554045

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

9900A CLAYTON ROAD

ST. LOUIS, MISSOURI

(Address of principal executive offices)

63124-1186

(Zip Code)

(314) 213-7200

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ESE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer	<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.

Class	Shares outstanding at January 31, 2024	April 30, 2024
Common stock, \$.01 par value per share	25,798,271	25,751,055

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

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

See accompanying notes to consolidated financial statements.

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

Three Months Ended			
December 31,			
	2023	2022	
Net sales	\$218,314	205,501	
Costs and expenses:			
Cost of sales	134,151	126,383	
Selling, general and administrative expenses	53,968	51,302	
Amortization of intangible assets	7,868	6,861	
Interest expense, net	2,667	1,658	
Other expenses, net	206	398	
Total costs and expenses	<u>198,860</u>	<u>186,602</u>	
Earnings before income taxes	19,454	18,899	
Income tax expense	4,285	4,172	
Net earnings	<u>\$ 15,169</u>	<u>14,727</u>	
Earnings per share:			
Basic - Net earnings	<u>\$ 0.59</u>	<u>0.57</u>	
Diluted - Net earnings	<u>\$ 0.59</u>	<u>0.57</u>	
Six Months Ended			
March 31,			
	2024	2023	
Net sales	\$ 467,443	434,637	
Costs and expenses:			
Cost of sales	286,498	268,679	
Selling, general and administrative expenses	109,065	105,179	
Amortization of intangible assets	16,440	13,891	
Interest expense, net	5,893	3,927	
Other expenses, net	872	712	
Total costs and expenses	<u>418,768</u>	<u>392,388</u>	
Earnings before income taxes	48,675	42,249	
Income tax expense	10,287	9,644	
Net earnings	<u>\$ 38,388</u>	<u>32,605</u>	
Earnings per share:			
Basic — Net earnings	<u>\$ 1.49</u>	<u>1.26</u>	
Diluted — Net earnings	<u>\$ 1.49</u>	<u>1.26</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,			
	2023	2022		
Net earnings	\$ 15,169	14,727		
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	9,414	11,513		
Total other comprehensive income (loss), net of tax	<u>9,414</u>	<u>11,513</u>		
Comprehensive income	<u>\$ 24,583</u>	<u>26,240</u>		
	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
Net earnings	\$ 23,219	17,878	38,388	32,605
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(4,745)	2,233	4,669	13,747
Total other comprehensive income (loss), net of tax	<u>(4,745)</u>	<u>2,233</u>	<u>4,669</u>	<u>13,747</u>
Comprehensive income	<u>\$ 18,474</u>	<u>20,111</u>	<u>43,057</u>	<u>46,352</u>

See accompanying notes to consolidated financial statements.

34

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

	December 31,		September 30,		March 31,		September 30,	
	2023	2024	2023	2024	2024	2023	2024	2023
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 51,396		41,866		\$ 59,436		41,866	
Accounts receivable, net of allowance for credit losses of \$2,274 and \$2,264, respectively			194,395		198,557			
Contract assets, net			138,393		138,633			
Accounts receivable, net of allowance for credit losses of \$2,260 and \$2,264, respectively						187,535		198,557
Contract assets						139,303		138,633
Inventories	202,577		184,067		211,338		184,067	
Other current assets	16,441		17,972		24,310		17,972	
Total current assets	603,202		581,095		621,922		581,095	
Property, plant and equipment, net of accumulated depreciation of \$180,909 and \$174,698, respectively			159,262		155,484			
Intangible assets, net of accumulated amortization of \$212,750 and \$204,881, respectively			422,053		392,124			
Property, plant and equipment, net of accumulated depreciation of \$185,799 and \$174,698, respectively						161,811		155,484
Intangible assets, net of accumulated amortization of \$221,321 and \$204,881, respectively						414,872		392,124
Goodwill	537,601		503,177		535,661		503,177	
Operating lease assets	38,685		39,839		38,322		39,839	

Other assets	11,723	11,495	11,603	11,495
Total assets	\$ 1,772,526	1,683,214	\$1,784,191	1,683,214
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Current maturities of long-term debt and short-term borrowings	\$ 20,000	20,000	\$ 20,000	20,000
Current maturities of long-term debt				
Accounts payable	77,960	86,973	81,961	86,973
Contract liabilities, net	121,149	112,277		
Contract liabilities			107,357	112,277
Accrued salaries	33,944	43,814	34,637	43,814
Accrued other expenses	51,640	51,587	44,975	51,587
Total current liabilities	304,693	314,651	288,930	314,651
Deferred tax liabilities	83,802	75,531	80,648	75,531
Non-current operating lease liabilities	35,709	36,554	35,444	36,554
Other liabilities	42,228	43,336	41,759	43,336
Long-term debt	152,000	82,000	171,000	82,000
Total liabilities	618,432	552,072	617,781	552,072
Shareholders' equity:				
Preferred stock, par value \$.01 per share, authorized 10,000,000 shares	—	—	—	—
Common stock, par value \$.01 per share, authorized 50,000,000 shares, issued 30,800,586 and 30,781,699 shares, respectively	308	308		
Common stock, par value \$.01 per share, authorized 50,000,000 shares, issued 30,807,826 and 30,791,699 shares, respectively			308	308
Additional paid-in capital	305,283	304,850	308,065	304,850
Retained earnings	1,002,420	989,315	1,023,578	989,315
Accumulated other comprehensive loss, net of tax	(14,555)	(23,969)	(19,300)	(23,969)
	1,293,456	1,270,504	1,312,651	1,270,504
Less treasury stock, at cost: 4,995,414 and 4,995,414 common shares, respectively	(139,362)	(139,362)		
Less treasury stock, at cost: 5,048,645 and 4,995,414 common shares, respectively			(146,241)	(139,362)
Total shareholders' equity	1,154,094	1,131,142	1,166,410	1,131,142
Total liabilities and shareholders' equity	\$ 1,772,526	1,683,214	\$1,784,191	1,683,214

See accompanying notes to consolidated financial statements.

45

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

	Three Months Ended		Six Months Ended	
	December 31,		March 31,	
	2023	2022	2024	2023
Cash flows from operating activities:				
Net earnings	\$ 15,169	14,727	\$ 38,388	32,605
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:				
Depreciation and amortization	13,452	12,367	27,555	24,910
Stock compensation expense	2,180	1,860	4,144	5,309

Changes in assets and liabilities	(22,539)	(36,920)	(47,869)	(67,140)
Effect of deferred taxes	484	(1,042)	(2,981)	(1,145)
Net cash provided (used) by operating activities	8,746	(9,008)	19,237	(5,461)
Cash flows from investing activities:				
Acquisition of business, net of cash acquired	(56,179)	—	(56,179)	(17,901)
Additions to capitalized software	(2,942)	(2,795)		
Additions to capitalized software and other			(5,912)	(5,918)
Capital expenditures	(7,848)	(4,791)	(16,301)	(10,305)
Net cash used by investing activities	(66,969)	(7,586)	(78,392)	(34,124)
Cash flows from financing activities:				
Proceeds from long-term debt and short-term borrowings	99,000	17,000	154,000	68,000
Principal payments on long-term debt and short-term borrowings	(29,000)	(38,000)	(65,000)	(60,000)
Purchases of common stock into treasury			(7,189)	(12,217)
Dividends paid	(2,064)	(2,067)	(4,125)	(4,128)
Purchases of common stock into treasury	—	(4,147)		
Other	(1,432)	(2,412)	(1,432)	(2,374)
Net cash provided (used) by financing activities	66,504	(29,626)	76,254	(10,719)
Effect of exchange rate changes on cash and cash equivalents	1,249	418	471	801
Net increase (decrease) in cash and cash equivalents	9,530	(45,802)	17,570	(49,503)
Cash and cash equivalents, beginning of period	41,866	97,724	41,866	97,724
Cash and cash equivalents, end of period	\$ 51,396	51,922	\$ 59,436	48,221
Supplemental cash flow information:				
Interest paid	\$ 2,520	1,875	\$ 5,097	3,384
Income taxes paid	246	200	18,228	13,346
Income taxes paid (including state and foreign)				

See accompanying notes to consolidated financial statements.

56

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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, 2023 March 31, 2024 are not necessarily indicative of the results for the entire 2024 fiscal year. References to the first second quarters of 2024 and 2023 represent the fiscal quarters ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates.

2. EARNINGS PER SHARE (EPS)

Basic EPS is calculated using the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the weighted average number of common shares outstanding during the period plus shares issuable upon the assumed exercise of dilutive common share options and vesting of performance-accelerated restricted stock unit awards and time - vested restricted stock unit awards 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		Three Months		Six Months	
	Ended December 31,		Ended March 31,		Ended March 31,	
	2023	2022	2024	2023	2024	2023
Weighted Average Shares Outstanding — Basic	25,797	25,863	25,792	25,800	25,794	25,831
Dilutive Restricted Shares	49	80	55	95	52	88
Adjusted Shares — Diluted	25,846	25,943	25,847	25,895	25,846	25,919

3. ACQUISITION

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

4. SHARE-BASED COMPENSATION

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

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

Compensation expense related to these awards was \$1.9 million \$1.7 million and \$1.6 million \$3.5 million for the three-month three and six-month periods ended December 31, 2023 March 31, 2024, respectively, and 2022, respectively. There \$3.1 million and \$4.7 million for the corresponding periods in 2023. As of March 31, 2024, there were 234,036 non-vested shares outstanding as of December 31, 2023. 226,674 unvested stock units outstanding.

67

Non-Employee Directors Plan

Compensation expense related to the non-employee director grants was \$0.3 million and \$0.3 million \$0.6 million for the three-month three and six-month periods ended December 31, 2023 March 31, 2024, respectively, and 2022, respectively. \$0.3 million and \$0.6 million for the corresponding periods in 2023.

The total share-based compensation cost that has been recognized in the results of operations and included within selling, general and administrative expenses (SG&A) was \$2.2 million \$2.0 million and \$1.9 million \$4.1 million for the three-month three and six-month periods ended December 31, 2023 March 31, 2024, respectively, and 2022, respectively. \$3.4 million and \$5.3 million for the corresponding periods in 2023. The total income tax benefit recognized in results of operations for share-based compensation arrangements was \$0.2 million \$0.3 million and \$0.1 million \$0.5 million for the three-month three and six-month periods ended December 31, 2023 March 31, 2024, respectively, and 2022, respectively. \$0.3 million and \$0.6 million for the corresponding periods in 2023. As of December 31, 2023 March 31, 2024, there was \$15.5 million \$13.1 million of total unrecognized compensation cost related to share-based compensation arrangements. That cost is expected to be recognized over a remaining weighted-average period of 2.0 1.8 years.

5. INVENTORIES

Inventories consist of the following:

(In thousands)	December 31,		September 30,		March 31,		September 30,	
	2023	2023	2023	2023	2024	2023	2024	2023
Finished goods	\$ 37,996		34,577		\$ 38,857		34,577	
Work in process	54,656		42,178		54,889		42,178	

Raw materials	109,925	107,312	117,592	107,312
Total inventories	\$ 202,577	184,067	\$211,338	184,067

6. GOODWILL AND OTHER INTANGIBLE ASSETS

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

(Dollars in thousands)	December 31,		September 30,		March 31, 2024		September 30, 2023	
	2023	2023	2023	2024	2023	2023	2023	2023
Goodwill	\$ 537,601		503,177	\$535,661		503,177		
Intangible assets with determinable lives:								
Patents								
Gross carrying amount	\$ 2,517		2,516	\$ 2,516		2,516		
Less: accumulated amortization	1,253		1,218	1,287		1,218		
Net	\$ 1,264		1,298	\$ 1,229		1,298		
Capitalized software								
Gross carrying amount	\$ 125,237		121,883	\$128,042		121,883		
Less: accumulated amortization	83,709		80,774	86,622		80,774		
Net	\$ 41,528		41,109	\$ 41,420		41,109		
Customer relationships								
Gross carrying amount	\$ 328,624		296,927	\$327,695		296,927		
Less: accumulated amortization	117,755		113,311	122,542		113,311		
Net	\$ 210,869		183,616	\$205,153		183,616		
Other								
Gross carrying amount	\$ 15,216		14,232	\$ 15,144		14,232		
Less: accumulated amortization	10,033		9,578	10,870		9,578		
Net	\$ 5,183		4,654	\$ 4,274		4,654		
Intangible assets with indefinite lives:								
Trade names	\$ 163,209		161,447	\$162,796		161,447		

The changes in the carrying amount of goodwill attributable to each business segment for the three six months ended December 31, 2023 are March 31, 2024 is as follows:

(Dollars in millions)	Aerospace				Aerospace			
	USG	Test	& Defense	Total	USG	Test	& Defense	Total
Balance as of September 30, 2023	\$ 353.6	34.0	115.6	503.2	\$353.6	34.0	115.6	503.2
Acquisition activity	—	30.3	—	30.3	—	30.3	—	30.3
Foreign currency translation	3.3	0.8	—	4.1	1.4	0.8	—	2.2
Balance as of December 31, 2023	\$ 356.9	65.1	115.6	537.6				
Balance as of March 31, 2024					\$355.0	65.1	115.6	535.7

7. BUSINESS SEGMENT INFORMATION

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

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

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

89

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

(In thousands)	Three Months		Three Months		Six Months	
	Ended December 31,		Ended March 31,		Ended March 31,	
	2023	2022	2024	2023	2024	2023
NET SALES						
Aerospace & Defense	\$ 94,733	82,983	\$ 114,701	98,982	209,434	181,965
USG	82,984	71,045	87,309	79,161	170,293	150,206
Test	40,597	51,473	47,119	50,993	87,716	102,466
Consolidated totals	<u>\$ 218,314</u>	<u>205,501</u>	<u>\$ 249,129</u>	<u>229,136</u>	<u>467,443</u>	<u>434,637</u>
EBIT						
Aerospace & Defense	\$ 16,663	12,536	\$ 23,377	18,795	40,040	31,331
USG	17,625	16,131	17,575	14,061	35,200	30,192
Test	1,779	5,411	5,542	7,226	7,321	12,637
Corporate (loss)	(13,946)	(13,521)	(14,047)	(14,463)	(27,993)	(27,984)
Consolidated EBIT	<u>22,121</u>	<u>20,557</u>	<u>32,447</u>	<u>25,619</u>	<u>54,568</u>	<u>46,176</u>
Less: Interest expense	<u>(2,667)</u>	<u>(1,658)</u>	<u>(3,226)</u>	<u>(2,269)</u>	<u>(5,893)</u>	<u>(3,927)</u>
Earnings before income taxes	<u>\$ 19,454</u>	<u>18,899</u>	<u>\$ 29,221</u>	<u>23,350</u>	<u>48,675</u>	<u>42,249</u>

Non-GAAP Financial Measures

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

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

8. DEBT

The Company's debt is summarized as follows:

(In thousands)	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
	\$ 172,000	102,000	\$191,000	102,000
Total borrowings				
Current portion of long-term debt	(20,000)	(20,000)	(20,000)	(20,000)
Total long-term debt, less current portion	\$ 152,000	82,000	\$171,000	82,000

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

At December 31, 2023 March 31, 2024, the Company had approximately \$322 million \$303 million available to borrow under the Credit Facility, plus the \$250 million increase option subject to the lenders' consent, in addition to \$51.4 million \$59.4 million cash on hand. The Company classified \$20 million as the current portion of long-term debt as of December 31, 2023 March 31, 2024, as the Company intends to repay this amount within the next twelve months; however, the Company no contractual obligation to repay such amount during the next twelve months. The letters of credit issued and outstanding under the Credit Facility totaled \$5.8 million at December 31, 2023 March 31, 2024.

9 10

Interest on borrowings under the Credit Facility is calculated at a spread over either an Adjusted Term SOFR Rate, Adjusted EURIBOR Rate, Adjusted CDOR Rate, Alternate Base Rate or Daily Simple RFR, at the Company's election. The Credit Facility also requires a facility fee ranging from 12.5 to 25 basis points per annum on the unused portion. The interest rate spreads and the facility fee are subject to increase or decrease depending on the Company's leverage ratio. The weighted average interest rates were 6.8% and 4.6% for the three-month three and six-month periods ending December 31, 2023 March 31, 2024, respectively, and 2022, respectively. 6.0% and 5.3% for the three and six-month periods ending March 31, 2023. As of December 31, 2023 March 31, 2024, the Company was in compliance with all covenants.

9. INCOME TAX EXPENSE

The first second quarter 2024 effective income tax rate was 22.0% 20.5% compared to 22.1% 23.4% in the first second quarter of 2023. There were no significant changes in the The effective income tax rate between in the periods. first six months of 2024 was 21.1% compared to 22.8% for the first six months of 2023. Income tax expense in the second quarter and first six months of 2024 was favorably impacted by discrete events including the release of a foreign valuation allowance and excess tax benefit related to the vesting of share-based director compensation.

10. SHAREHOLDERS' EQUITY

The change in shareholders' equity for the first three and six months ended December 31, 2023 of 2024 and 2022 2023 is shown below (in thousands):

	Three Months Ended December 31, 2023		Three Months Ended March 31, 2024		Six Months Ended March 31, 2024	
	2023	2022	2024	2023	2024	2023

Common stock						
Beginning balance	\$ 308	307	308	307	308	307
Stock plans	—	—	—	1	—	1
Ending balance	308	307	308	308	308	308
Additional paid-in-capital						
Beginning balance	304,850	301,553	305,283	300,697	304,850	301,553
Stock plans	433	(856)	2,782	3,487	3,215	2,631
Ending balance	305,283	300,697	308,065	304,184	308,065	304,184
Retained earnings						
Beginning balance	989,315	905,022	1,002,420	917,682	989,315	905,022
Net earnings common stockholders	15,169	14,727	23,219	17,878	38,388	32,605
Dividends paid	(2,064)	(2,067)	(2,061)	(2,061)	(4,125)	(4,128)
Ending balance	1,002,420	917,682	1,023,578	933,499	1,023,578	933,499
Accumulated other comprehensive income (loss)						
Beginning balance	(23,969)	(31,764)	(14,555)	(20,251)	(23,969)	(31,764)
Foreign currency translation	9,414	11,513	(4,745)	2,233	4,669	13,746
Ending balance	(14,555)	(20,251)	(19,300)	(18,018)	(19,300)	(18,018)
Treasury stock						
Beginning balance	(139,362)	(126,961)	(139,362)	(132,037)	(139,362)	(126,961)
Share repurchases	—	(5,076)	(6,879)	(7,141)	(6,879)	(12,217)
Ending balance	(139,362)	(132,037)	(146,241)	(139,178)	(146,241)	(139,178)
Total equity	\$ 1,154,094	1,066,398	1,166,410	1,080,795	1,166,410	1,080,795

11. FAIR VALUE MEASUREMENTS

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

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

11

- 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.

10

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

Fair Value of Financial Instruments

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

Nonfinancial Assets and Liabilities

The Company's nonfinancial assets such as property, plant and equipment, and other intangible assets are not measured at fair value on a recurring basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence that an impairment may exist. No impairments were recorded during the **three-month period** **three and six-month periods** ended **December 31, 2023** **March 31, 2024**.

12. REVENUES

Disaggregation of Revenues

Revenues by customer type, geographic location, and revenue recognition method for the **three-month period** **three and six-month periods** ended **December 31, 2023** **March 31, 2024** are presented in the **table** **tables** below as the Company deems it best depicts how the nature, amount, timing and uncertainty of net sales and cash flows are affected by economic factors. The **table** **tables** below also **includes** **include** a reconciliation of the disaggregated revenue within each reportable segment.

Aerospace													
Three months ended March 31, 2024					Aerospace								
(In thousands)		& Defense		USG	Test		Total	& Defense		USG	Test		Total
Customer type:													
Commercial		\$ 37,209	\$ 81,469	\$ 35,087	\$ 153,765	\$ 49,382	\$ 85,220	\$ 34,537	\$ 169,139				
Government		57,524	1,515	5,510	64,549	65,319	2,089	12,582	79,990				
Total revenues		\$ 94,733	\$ 82,984	\$ 40,597	\$ 218,314	\$114,701	\$87,309	\$47,119	\$249,129				
Geographic location:													
United States		\$ 79,901	\$ 55,961	\$ 22,252	\$ 158,114	\$ 92,161	\$ 55,763	\$ 27,543	\$ 175,467				
International		14,832	27,023	18,345	60,200	22,540	31,546	19,576	73,662				
Total revenues		\$ 94,733	\$ 82,984	\$ 40,597	\$ 218,314	\$114,701	\$87,309	\$47,119	\$249,129				
Revenue recognition method:													
Point in time		\$ 39,465	\$ 66,703	\$ 7,980	\$ 114,148	\$ 53,463	\$ 70,285	\$ 10,301	\$ 134,049				
Over time		55,268	16,281	32,617	104,166	61,238	17,024	36,818	115,080				
Total revenues		\$ 94,733	\$ 82,984	\$ 40,597	\$ 218,314	\$114,701	\$87,309	\$47,119	\$249,129				

11 12

Six months ended March 31, 2024					Aerospace									
(In thousands)		& Defense		USG	Test		Total	& Defense		USG	Test		Total	
Customer type:														
Commercial		\$ 86,591	\$ 166,689	\$ 69,615	\$ 322,895									
Government		122,843	3,604	18,101	144,548									
Total revenues		\$ 209,434	\$ 170,293	\$ 87,716	\$ 467,443									
Geographic location:														
United States		\$ 172,062	\$ 111,725	\$ 49,795	\$ 333,582									
International		37,372	58,568	37,921	133,861									
Total revenues		\$ 209,434	\$ 170,293	\$ 87,716	\$ 467,443									
Revenue recognition method:														

Point in time	\$ 92,928	\$ 136,989	\$ 18,280	\$ 248,197
Over time	116,506	33,304	69,436	219,246
Total revenues	<u>\$ 209,434</u>	<u>\$ 170,293</u>	<u>\$ 87,716</u>	<u>\$ 467,443</u>

Revenues by customer type, geographic location, and revenue recognition method for the **three-month period** **three and six-month periods** ended **December 31, 2022** **March 31, 2023** are presented in the **table below**: **tables below**.

(In thousands)	Aerospace			
	& Defense	USG	Test	Total
Customer type:				
Commercial	\$ 36,740	\$ 70,162	\$ 45,992	\$ 152,894
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>
Geographic location:				
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>
Revenue recognition method:				
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>

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

(In thousands)	Aerospace			
	& Defense	USG	Test	Total
Customer type:				
Commercial	\$ 84,968	\$ 148,273	\$ 89,180	\$ 322,421
Government	96,997	1,933	13,286	112,216
Total revenues	<u>\$ 181,965</u>	<u>\$ 150,206</u>	<u>\$ 102,466</u>	<u>\$ 434,637</u>
Geographic location:				
United States	\$ 151,450	\$ 99,399	\$ 55,007	\$ 305,856
International	30,515	50,807	47,459	128,781
Total revenues	<u>\$ 181,965</u>	<u>\$ 150,206</u>	<u>\$ 102,466</u>	<u>\$ 434,637</u>
Revenue recognition method:				

Point in time	\$ 80,859	\$ 120,111	\$ 21,069	\$ 222,039
Over time	101,106	30,095	81,397	212,598
Total revenues	<u>\$ 181,965</u>	<u>\$ 150,206</u>	<u>\$ 102,466</u>	<u>\$ 434,637</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

13

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, 2023** **March 31, 2024**, the Company had **\$847.8 million** **\$837.7 million** in remaining performance obligations of which the Company expects to recognize revenues of approximately **66%** **70%** in the next twelve months.

12

Contract assets, contract liabilities and accounts receivable

Assets and liabilities related to contracts with customers are reported on a contract-by-contract basis at the end of each reporting period. At **December 31, 2023** **March 31, 2024**, contract assets, contract liabilities and accounts receivable totaled **\$138.4 million** **\$139.3 million**, **\$131.9 million** **\$117.8 million** and **\$194.4 million** **\$187.5 million**, respectively. During the first **quarter** **six months** of 2024, the Company recognized approximately **\$24.4 million** **\$44 million** in revenues that were included in the contract liabilities balance at September 30, 2023. At September 30, 2023, contract assets, contract liabilities and accounts receivable totaled **\$138.6 million**, **\$123.1 million** and **\$198.6 million**, respectively.

13. LEASES

The Company determines at lease inception whether an arrangement that provides control over the use of an asset is a lease. The Company recognizes at lease commencement a right-of-use (ROU) asset and lease liability based on the present value of the future lease payments over the lease term. The Company has elected not to recognize a ROU asset and lease liability for leases with terms of 12 months or less. Certain of the Company's leases include

options to extend the term of the lease for up to 20 years. When it is reasonably certain that the Company will exercise the option, Management includes the impact of the option in the lease term for purposes of determining total future lease payments. As most of the Company's lease agreements do not explicitly state the discount rate implicit in the lease, Management uses the Company's incremental borrowing rate on the commencement date to calculate the present value of future payments based on the tenor of each arrangement.

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

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

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

14

The components of lease costs are shown below:

(Dollars in thousands)	Three Months Ended		Three Months Ended		Three Months Ended	
	December 31, 2023	December 31, 2022	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Finance lease cost						
Amortization of right-of-use assets	\$ 393	393	\$ 372	\$ 393		
Interest on lease liabilities	223	236	216	233		
Operating lease cost	1,864	1,645	1,874	1,853		
Total lease costs	\$ 2,480	2,274	\$ 2,462	\$ 2,479		

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

Additional information related to leases are shown below:

(Dollars in thousands)	Three Months Ended		Three Months Ended		Three Months Ended	
	December 31, 2023	December 31, 2022	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
Cash paid for amounts included in the measurement of lease liabilities						
Operating cash flows from operating leases	\$ 1,819	1,601	\$ 1,824	\$ 1,779		
Operating cash flows from finance leases	223	236	216	233		
Financing cash flows from finance leases	355	327	328	330		
Right-of-use assets obtained in exchange for lease liabilities						
Operating leases	\$ —		13,964			
Weighted-average remaining lease term						
Operating leases		11.1 years	11.6 years			
Finance leases		11.1 years	11.7 years			
Weighted-average discount rate						
Operating leases	4.5 %		4.4 %			

Finance leases	4.7 %	4.6 %
Right-of-use assets obtained in exchange for operating lease liabilities	1,679	618

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

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

1315

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 our Consolidated Balance Sheet on December 31, 2023 March 31, 2024:

(Dollars in thousands)	Operating		Finance	
	Leases	Leases	Leases	Leases
Years Ending September 30:				
2024 (excluding the three months ended December 31, 2023)	\$ 5,044		1,634	
2024 (excluding the six months ended March 31, 2024)				\$ 3,389 1,090
2025	5,684	2,233	6,014	2,233
2026	4,472	2,297	4,729	2,297
2027	4,265	2,356	4,479	2,357
2028 and thereafter	32,991	16,470	33,206	16,470
Total minimum lease payments	52,456	24,990	51,817	24,447
Less: amounts representing interest	11,869	6,010	11,540	5,795
Present value of net minimum lease payments	\$ 40,587	18,980	\$ 40,277	18,652
Less: current portion of lease obligations	4,878	1,348	4,833	1,375
Non-current portion of lease obligations	\$ 35,709	17,632	35,444	17,277
ROU assets	\$ 38,685	14,799	\$ 38,322	14,427

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

14. RECENT NEW ACCOUNTING PRONOUNCEMENTS

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant expenses. The new segment

disclosures are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Management will review the extent of new disclosures necessary in the coming quarters, prior to implementation in our fiscal year 2025. Other than additional disclosure, we do not expect a change to our consolidated statements of operations, financial position, or cash flows.

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

1416

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

RESULTS OF OPERATIONS

References to the **first** **second** quarters of 2024 and 2023 represent the three-month periods ended **December 31, 2023** **March 31, 2024** and **2022, 2023**, respectively.

OVERVIEW

Sales, **In the second quarter of 2024, sales, net earnings and diluted earnings per share were \$218.3 million** **\$249.1 million, \$15.2 million** **\$23.2 million and \$0.59 \$0.90 per share, respectively, compared to \$229.1 million, \$17.9 million and \$0.69 per share, respectively, in the second quarter of 2023. In the first six months of 2024, sales, net earnings and diluted earnings per share were \$467.4 million, \$38.4 million and \$1.49 per share, respectively, compared to \$434.6 million, \$32.6 million and \$1.26 per share, respectively, in the first quarter of 2024 compared to \$205.5 million, \$14.7 million and \$0.57 per share, respectively, in the first quarter six months of 2023.**

NET SALES

Net **In the second quarter of 2024, net sales increased \$12.8 million of \$249.1 million were \$20.0 million, or 6.2% 8.7%, to \$218.3 million higher than the \$229.1 million in the second quarter of 2023. In the first six months of 2024, net sales of \$467.4 million were \$32.8 million, or 7.5%, higher than the \$434.6 million in the first quarter of 2024 from \$205.5 million in the first quarter six months of 2023. The increase in net sales in the **first** **second** quarter of 2024 as compared to the **first** **second** quarter of 2023 was due to a \$12.0 million \$15.7 million increase in the A&D segment and an \$8.1 million increase in the USG segment, and an \$11.7 million partially offset by a \$3.9 million decrease in the Test segment. The increase in net sales in the first six months of 2024 as compared to the first six months of 2023 was due to a \$27.4 million increase in the Aerospace & Defense segment, and a \$20.1 million increase in the USG segment, partially offset by a \$10.9 million \$14.8 million decrease in the Test segment.**

-Aerospace & Defense (A&D)

Net sales of \$94.7 million in **In the first** **second** **quarter of 2024, net sales of \$114.7 million were \$11.7 million** **\$15.7 million, or 14.1% 15.9%, higher than the \$83.0 million** **\$99.0 million in the second quarter of 2023. In the first six months of 2024, net sales of \$209.4 million were \$27.4 million, or 15.1%, higher than the \$182.0 million in the first quarter six months of 2023. The sales increase in the **first** **second** quarter of 2024 compared to the **first** **second** quarter of 2023 was primarily due to an approximately \$7.0 million increase in aerospace shipments at Mayday, Crissair and PTI, and a \$4.7 million increase in net sales at Globe driven mainly by the CMT acquisition.**

-USG

Net sales of \$83.0 million in the first quarter of 2024 were \$12.0 million, or 16.9% higher than the \$71.0 million in the first quarter of 2023. The increase in the first quarter of 2024 compared to the first quarter of 2023 was mainly due to a \$7.6 million \$5.1 million increase in commercial aerospace shipments, a \$3.1 million increase in defense aerospace shipments and a \$7.1 million increase in navy revenues. The sales increase in the first six months of 2024 compared to the first six months of 2023 was mainly due to a \$7.8 million increase in commercial aerospace shipments, a \$5.9 million increase in defense aerospace shipments and a \$10.0 million increase in navy revenues.

-USG

In the second quarter of 2024, net sales at Doble driven by of \$87.3 million were \$8.1 million, or 10.2%, higher than the \$79.2 million in the second quarter of 2023. In the first six months of 2024, net sales of offline testing products \$170.3 million were \$20.1 million, or 13.4%, higher than the \$150.2 million in the first six months of 2023. The increase in the second quarter and services first six months of 2024 compared to the corresponding periods of 2023 was mainly due to an increase in service revenue and a \$4.4 million cybersecurity/compliance (DUCe) revenue and an increase in net sales at NRG driven by continued strength in the renewables end-market, end-market, primarily solar.

-Test

Net sales of \$40.6 million in the first second quarter of 2024, net sales of \$47.1 million were \$10.9 million \$3.9 million, or 21.2% 7.6%, lower than the \$51.5 million \$51.0 million in the second quarter of 2023. In the first six months of 2024, net sales of \$87.7 million were \$14.8 million, or 14.4%, lower than the \$102.5 million in the first quarter six months of 2023. The decrease in the first second quarter of 2024 as compared to the first second quarter of 2023 was primarily due to \$7.5 million of lower a \$5.2 million decrease in sales from the segment's U.S. Company's U.S. and European operations due to lower wireless, filters and \$3.4 million of lower acoustic volumes partially offset by a \$1.3 million increase in sales from the segment's Asian and operations. The decrease in the first six months of 2024 compared to the first six months of 2023 was due to a \$11.3 million decrease in sales from the Company's U.S. operations, a \$2.8 million decrease in sales from the Company's European operations all and a \$0.7 million decrease in sales from the Company's Asian operations due to the lower wireless, filters and acoustic volumes and timing of test and measurement chamber projects.

ORDERS AND BACKLOG

Backlog was \$847.8 million \$837.7 million at December 31, 2023 March 31, 2024 compared with \$772.4 million at September 30, 2023. The Company received new orders totaling \$293.7 million \$239.1 million in the first second quarter of 2024 compared to \$228.9 million \$251.6 million in the first second quarter of 2023. Of the new orders received in the first second quarter of 2024, \$171.5 million \$116.1 million related to Aerospace & Defense products, \$77.0 million \$79.0 million related to USG products, and \$45.2 million \$43.9 million related to Test products. Of the new orders received in the second quarter of 2023, \$111.7 million related

to Aerospace & Defense products (including \$7 million of acquired backlog from the 2023 acquisition of CMT), \$84.6 million related to USG products, and \$55.3 million related to Test products.

The Company received new orders totaling \$532.8 million in the first six months of 2024 compared to \$480.5 million in the first six months of 2023. Of the new orders received in the first six months of 2024, \$287.7 million related to Aerospace & Defense products, \$156.0 million related to USG products, and \$89.1 million related to Test products. Of the new orders received in the first quarter six months of 2023, \$97.3 million \$208.9 million related to Aerospace & Defense products, \$80.2 million \$164.8 million related to USG products, and \$51.4 million \$106.8 million related to Test products.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses for the second quarter of 2024 were \$54.0 million (24.7% \$55.1 million (22.1% of net sales), compared with \$53.9 million (23.5% of net sales) for the second quarter of 2023. For the first six months of 2024, SG&A expenses were \$109.1 million (23.3% of net sales) compared to \$105.2 million (24.2% of net sales) for the first quarter of 2024, compared with \$51.3 million (25.0% of net sales) for the first quarter six months of 2023. The increase in SG&A in the second quarter and first quarter six months of 2024 compared to the first quarter corresponding periods of 2023 was mainly due to an increase within the USG and A&D segments due to higher sales, inflationary impacts and acquisition impacts.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets was \$7.9 million \$8.6 million and \$6.9 million \$16.4 million for the second quarter and first quarter six months of 2024, respectively, compared to \$7.0 million and 2023, respectively, \$13.9 million for the corresponding periods of 2023. Amortization expenses consist of amortization of acquired intangible assets from acquisitions and other identifiable intangible assets (primarily

software). The increase in amortization expense in the second quarter and first quarter six months of 2024 compared to the first quarter corresponding periods of 2023 was mainly due to an increase in amortization of capitalized software and amortization of intangible assets related to the MPE and CMT acquisitions.

OTHER EXPENSES (INCOME), NET

Other expenses, net, were \$0.2 million in the first quarter of 2024 compared to \$0.4 million in the second quarter of 2023. Other expenses, net, was \$0.9 million in the first quarter six months of 2024 compared to \$0.7 million of expenses in the first six months of 2023. The principal component of other expenses, net, in the second quarter and first six months of 2024 was approximately \$0.5 million of restructuring charges (primarily severance) within the Test and A&D segments. There were no individually significant items in other expenses, net, in the second quarter or first quarter six months of 2024. 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. 2023.

EBIT

The Company evaluates the performance of its operating segments based on EBIT, and provides EBIT on a consolidated basis, which basis. EBIT is a non-GAAP financial measure. Please refer to the discussion of non-GAAP financial measures in Note 7 to the Consolidated Financial Statements, above. EBIT was \$22.1 million (10.1% of net sales) for the second quarter of 2024 compared to \$25.6 million (11.2% of net sales) for the second quarter of 2023. For the first six months of 2024, EBIT was \$54.6 million (11.7% of net sales) compared to \$46.2 million (10.6% of net sales) for the first quarter of 2024 compared to \$20.6 million (10.0% of net sales) for the first quarter six months of 2023.

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

(in thousands)	Three Months Ended		Three Months Ended		Six Months Ended	
	December 31,		March 31,		March 31,	
	2023	2022	2024	2023	2024	2023
Net earnings	\$ 15,169	14,727	\$23,219	17,878	38,388	32,605
Plus: Interest expense, net	2,667	1,658	3,226	2,269	5,893	3,927
Plus: Income tax expense	4,285	4,172	6,002	5,472	10,287	9,644
Consolidated EBIT	\$ 22,121	20,557	\$32,447	25,619	54,568	46,176

-Aerospace & Defense

EBIT in the second quarter of 2024 was \$16.7 million (17.6% of net sales) compared to \$18.8 million (19.0% of net sales) in the second quarter of 2023. EBIT in the first six months of 2024 was \$40.0 million (19.1% of net sales) compared to \$31.3 million (17.2% of net sales) in the first quarter of 2024 compared to \$12.5 million (15.1% of net sales) in the first quarter six months of 2023. The increase in EBIT in the second quarter and first quarter six months of 2024 compared to the corresponding periods of 2023 was mainly driven by leverage on higher sales volumes and price increases, partially offset by inflationary pressures and mix. EBIT was negatively impacted by \$0.3 million of restructuring charges (primarily severance) in the

18

second quarter and first six months of 2024. EBIT in the second quarter of 2023 was mainly due negatively impacted by a \$0.6 million inventory step-up charge related to higher sales volumes at Mayday, Crissair & Globe mentioned above, the CMT acquisition.

-USG

EBIT in the second quarter of 2024 was \$17.6 million (21.2% of net sales) compared to \$14.1 million (17.8% of net sales) in the second quarter of 2023. EBIT in the first six months of 2024 was \$35.2 million (20.7% of net sales) compared to \$30.2 million (20.1% of net sales) in the first quarter of 2024 compared to \$16.1 million (22.7% of net sales) in the first quarter six months of 2023. The increase in EBIT in the second quarter and first quarter six months of 2024 compared to the first quarter corresponding periods of 2023 was mainly due to the leverage on higher sales volumes at both Doble and NRG, in the first quarter of 2024, price increases and mix, partially offset by inflationary pressures.

-Test

EBIT in the second quarter of 2024 was \$1.8 million (4.4% of net sales) compared to \$7.2 million (14.2% of net sales) in the second quarter of 2023. EBIT in the first six months of 2024 was \$7.3 million (8.3% of net sales) compared to \$12.6 million (12.3% of net sales) in the first quarter of 2024 compared to \$5.4 million (10.5% of net sales) in the first quarter six months of 2023. The decrease in EBIT in the second quarter and first quarter six months of 2024 compared to the first quarter corresponding periods of 2023 was primarily driven by the due to lower sales volumes mainly from the segment's U.S. and Asian operations. European operations and inflationary pressures partially offset by price increases and cost reduction actions. In addition, EBIT was

negatively impacted by \$0.2 million of restructuring charges (primarily severance) in the first second quarter of 2024. In the first six months of 2024, EBIT was negatively impacted by \$0.3 million of inventory step-up charges related to the MPE acquisition. acquisition and \$0.2 million of restructuring charges.

-Corporate

Corporate costs included in EBIT were \$13.9 million \$14.0 million and \$13.5 million \$28.0 million in the second quarter and first quarter six months of 2024, respectively, compared to \$14.5 million and 2023, respectively. \$28.0 million in the corresponding periods of 2023. The increase decrease in Corporate costs in the first second quarter of 2024 as compared to the first prior year quarter of 2023 was mainly due to an increase executive management transition costs that were incurred in share based compensation costs and costs related to the MPE acquisition. prior year period.

INTEREST EXPENSE, NET

Interest expense was \$2.7 million \$3.2 million and \$1.7 million \$5.9 million in the second quarter and first quarter six months of 2024, respectively, and 2023, respectively. \$2.3 million and \$3.9 million in the corresponding periods of 2023. The increase in interest expense in the second quarter and first quarter six months of 2024 as compared to the first quarter corresponding periods of 2023 was mainly due to higher average interest rates (6.8% in the first quarter of 2024 compared to 4.6% in the first quarter of 2023) and higher average outstanding borrowings. The weighted average interest rates were 6.8% and 6.8% for the three and six-month periods ending March 31, 2024, respectively, and 6.0% and 6.3% for the three and six-month periods ending March 31, 2023.

16

INCOME TAX EXPENSE

The second quarter 2024 effective income tax rate was 22.0% 20.5% compared to 23.4% in the first quarter of 2024 compared to 22.1% in the first second quarter of 2023. There were no significant changes in the The effective income tax rate between in the periods. first six months of 2024 was 21.1% compared to 22.8% for the first six months of 2023. Income tax expense in the second quarter and first six months of 2024 was favorably impacted by discrete events including the release of a foreign valuation allowance and excess tax benefit related to the vesting of share-based director compensation.

CAPITAL RESOURCES AND LIQUIDITY

The Company's overall financial position and liquidity remain remains strong. Working capital (current assets less current liabilities) increased to \$298.5 million \$333.0 million at December 31, 2023 March 31, 2024 from \$266.4 million at September 30, 2023. Inventories increased \$18.5 million by \$27.3 million during this period mainly due to a \$9.1 million \$13.9 million increase within the Aerospace & Defense segment, a \$7.5 million \$10.6 million increase within the USG segment and a \$1.9 million \$2.8 million increase within the Test segment resulting primarily from the timing of receipt of raw materials to meet anticipated demand and an increase in work in process inventories due to timing of manufacturing existing orders. Accrued salaries decreased by \$9.9 million \$9.2 million during this period due to timing of salaries and bonus payments.

Net cash provided (used) by operating activities was \$8.7 million \$19.2 million and net cash used by operating activities was \$(9.0) (\$5.5) million in the first quarters six months of 2024 and 2023, respectively. The increase in net cash provided by operating activities in the first quarter six months of 2024 as compared to the first quarter six months of 2023 was mainly driven by an increase in contract liabilities and lower accounts receivable balances due to timing of collections. an increase in collections and higher earnings.

19

Capital expenditures were \$7.8 million \$16.3 million and \$4.8 million \$10.3 million in the first quarters six months of 2024 and 2023, respectively. The increase in the first quarter six months of 2024 compared to the prior year period was mainly due to an increase in building improvements and machinery & equipment within the A&D segment. In addition, the Company incurred expenditures for capitalized software of approximately \$2.9 million \$5.9 million and \$2.8 million \$5.9 million in the first quarters six months of 2024 and 2023, respectively.

Acquisition

On November 9, 2023, the Company acquired MPE Limited (MPE), based in the United Kingdom, for a purchase price of approximately \$56.2 million, net of cash acquired. MPE is a leading global manufacturer of high-performance EMC/EMP filters and capacitor products for military, utility, telecommunication, and

other critical infrastructure applications. Since the date of acquisition, the operating results for the MPE business have been included as part of ETS-Lindgren in the Test segment.

Credit Facility

At **December 31, 2023** **March 31, 2024**, the Company had approximately **\$322 million** **\$303 million** available to borrow under its bank credit facility, a \$250 million increase option, and **\$51.4 million** **\$59.4 million** cash on hand. At **December 31, 2023** **March 31, 2024**, the Company had **\$172 million** **\$191 million** of outstanding borrowings under the credit facility in addition to outstanding letters of credit of \$5.8 million. Cash flow from operations and borrowings under the Company's credit facility are expected to meet the Company's capital requirements and operational needs for the foreseeable future. The Company's ability to access the additional \$250 million increase option of the credit facility is subject to acceptance by participating or other outside banks.

Share Repurchases

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

Dividends

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

CRITICAL ACCOUNTING POLICIES

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

17

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

20

Company operates are considered "forward-looking statements" within the meaning of the safe harbor provisions of the Federal securities laws. These may include, but are not necessarily limited to, statements about: the strength of certain end markets served by the Company, and the timing of the recovery of

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

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

1821

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

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

PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES AND USE OF PROCEEDS*

The Company did not repurchase any shares during the first quarter of 2024.

ITEM 5. OTHER INFORMATION

During the first quarter of fiscal 2024, no director or officer (as defined in Securities and Exchange Commission Rule 16a-1(f)) of the Company adopted or terminated:

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

(i) * Any contract, instruction On August 5, 2021, the Company's Board of Directors approved a common stock repurchase program, which was announced on August 9, 2021, authorizing us to repurchase shares of our stock from time to time at our discretion, in the open market or written plan for otherwise, up to a maximum total repurchase amount equal to \$200 million (or such lesser amount as may be permitted under the purchase Company's bank credit agreements). This program is scheduled to expire September 30, 2024. The Company has not determined whether or sale of Company securities intended when it may cease making repurchases under the program prior to satisfy the affirmative defense conditions of SEC Rule 10b5-1(c) (a "Rule 10b5-1 trading arrangement"); or

(ii) Any "non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of SEC Regulation S-K, its expiration.

19 22

ITEM 6. EXHIBITS

Exhibit Number	Description	Document Location
3.1(a)	Restated Articles of Incorporation	Exhibit 3(a) to the Company's Form 10-K for the fiscal year ended September 30, 1999
3.1(b)	Amended Certificate of Designation, Preferences and Rights of Series A Participating Cumulative Preferred Stock of the Registrant	Exhibit 4(e) to the Company's Form 10-Q for the fiscal quarter ended March 31, 2000
3.1(c)	Articles of Merger effective July 10, 2000	Exhibit 3(c) to the Company's Form 10-Q for the fiscal quarter ended June 30, 2000
3.1(d)	Amendment of Articles of Incorporation effective February 5, 2018	Exhibit 3.1 to the Company's Form 8-K filed February 7, 2018
3.2	Bylaws	Exhibit 3.1 to the Company's Form 8-K filed November 22, 2022
4.2	Amended and Restated Credit Agreement dated August 30, 2023	Exhibit 10.1 to the Company's Form 8-K filed September 6, 2023

10.1	Form of Fiscal 2024 Performance Director Share Unit Awards to Executive Officers under 2018 Omnibus Incentive Plan Award Agreement (Non-Employee Director) (FY2024)	Filed herewith
31.1	Certification of Chief Executive Officer	Filed herewith
31.2	Certification of Chief Financial Officer	Filed herewith
32	Certification of Chief Executive Officer and Chief Financial Officer	Filed herewith
101.INS	XBRL Instance Document*	Submitted herewith
101.SCH	XBRL Schema Document*	Submitted herewith
101.CAL	XBRL Calculation Linkbase Document*	Submitted herewith
101.DEF	XBRL Definition Linkbase Document*	Submitted herewith
101.LAB	XBRL Label Linkbase Document*	Submitted herewith
101.PRE	XBRL Presentation Linkbase Document*	Submitted herewith
104	Cover Page Interactive Data File (contained in Exhibit 101)	Submitted herewith

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

2023

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, 2024](#) [May 10, 2024](#)

2124

PERFORMANCE DIRECTOR SHARE UNIT AWARD AGREEMENT
AWARD AGREEMENT (NON-EMPLOYEE DIRECTOR)

To: _____ ("you")

From: Human Resources and Compensation Committee of the **ESCO Technologies Inc.** ("Company") Board of Directors (the "Committee")

Subject: **ESCO Technologies Inc.** (the "Company") Equity Award under the Company's Sub-Plan for Compensation of Non-Employee Directors Under the 2018 Omnibus Incentive Plan ("Plan") – Fiscal 20__ Performance Share Unit Award ("Award") (the "Plan")

1. Notice of Award.

Effective on the "Award Date" set forth on Exhibit A hereto, (a) I am pleased to advise you that the Committee has approved the award awarded to you a Restricted Share Unit Award of the number _____ units 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 ("ESCO Technologies Inc. Common Stock (the "Award Shares") (before tax withholdings) effective _____, 20__ (the "Award Date"), based upon satisfaction the fair market value on the Award Date of all of \$_____ per share. This Award and the Award Shares are subject to the terms and conditions set forth in this **Equity Award Agreement including Exhibit A, ("Agreement") and in to 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 applicable provisions and definitions set forth in Exhibit A the Plan. See also Attachment A.

2. Vesting.

(a) The Award Shares are subject to a one-year vesting period ending at the close of business on the first anniversary of the Award Date (the "Target Award" "Vesting Date") is. Prior to the Vesting Date the Award Shares will be represented by a number of "Share Units" equal to the number of Award Shares that you and held in a bookkeeping account. In the event a dividend is paid on the Common Stock between the Award Date and the Vesting Date, an additional number of Share Units will earn upon 100% achievement be accrued in your account equal to (A) the number of Share Units held before the dividend, multiplied by (B) the dividend per share of Common Stock, divided by (C) the NYSE closing price of the Company Performance Goals set forth on Exhibit A. The actual number of Shares that you may earn is dependent Common Stock on the achievement dividend date, carried to four decimal places.

(b) If you remain continuously in service as a member 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") Board 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 then you will be converted into the right become entitled to receive a number of whole shares of Company Common Stock determined according equal to Exhibit A, and such the whole number of shares of Company Stock (after deducting sufficient shares to satisfy the Company's tax withholding obligations) will be issued to you or Share Units in your brokerage account as promptly of the Vesting Date, distributable as practical of the next NYSE trading day after the Vesting Date.

(b) Notwithstanding paragraph 2(a), if there is a Change of Control before the Shares have been issued to you under this Award Date, 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 any fractional 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 paid 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 fractional share multiplied by the average fair market value per share as of the daily closing price Vesting Date, subject to the provisions 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 Section 2 below.

(c) Your rights 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 or your death, disability or retirement prior 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

2

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 are as set forth on Exhibit A and shall be paid out as provided in section 2(a), excluding any continued employment requirement.

the Plan.

(d)3. It is intended that all payments and benefits under this Agreement be exempt from Section 409A. The shares underlying the Award are eligible for elective deferrals pursuant to the terms of the Internal Revenue Code of 1986, Plan, 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

3

(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 amended. However, in the best interests event 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. On each regular quarterly dividend date occurring from the Award date to and including the vesting date, the Company will accrue for your benefit an amount equal to the cash dividend which would have been paid on a number of shares of common stock equal to the Target Award. 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.

4

7.Covenants.

(a) To the extent that you engage in conduct described in section 7(b) during **elective deferral**, the period beginning on **between** 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 **Vesting Date** will constitute part 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) initial deferral period.

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)

(d) Shares or cash, as the case may be, transferred to you under this Award Agreement shall be subject to recovery by the Company under the Company's Supplemental Clawback Policy effective as of October 2, 2023, and any amendments or replacements thereof.

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.

2

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

10.

6. 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.

5

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: DIRECTOR

ESCO Officer

By:

(insert director name)

Executed and
agreed to Participant

Date Signed: 20

Date

EXHIBIT Attachment A TO

FISCAL YEAR 20 PERFORMANCE SHARE UNIT AWARD AGREEMENT

Award Recipient: ("you")
Award Date: November __, 20__
Target Award: Performance Share Units

The Company has awarded you a number principal provisions of Performance Share Units ("PSUs"), as set forth in the Performance Restricted Share Unit Award Agreement for Non-Management Directors to which this Exhibit Appendix A 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, are summarized as the case may be. follows:

Performance Only non-management Directors are eligible to participate.
Period:

- The three-year period beginning on October 1, 20__ Human Resources and ending on September 30, 20__.

EBITDA
and
Return
on
Invested
Capital
("ROIC").
See
Performance
Goal
Table
below
and
Perfirelatede
MeaNotes.
VestThe
Datelast
trading
day
of Compensation
Committee
(HRCC)
will
determine
the
month
in
which
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 annual
retainer
fee
to
be
paid
each
year
in
cash
and
the
portion
to
be
paid
in
Restricted
Share

Units
(RSUs).

- The number of Share Units awarded will be based on the NYSE closing price of the Company's Common Stock on the Award Date. The Award Date is the first NYSE trading day after the Company's Annual Meeting of Shareholders.
- The Company will maintain the Share Units in a bookkeeping account until the underlying Common Stock is distributed.
- Share Units do not carry any voting rights and may not be transferred.
- No cash dividends will be paid on unvested or deferred Share Units. Additional Share Units having a value equal to the dividends otherwise payable on the underlying Common Stock will be credited to your account on each dividend payment date until the underlying Common Stock is distributed.
- Share Units in your account will vest upon the earlier of (1) your death or disability, (2) a change of control of the Company, or (3) at the close of business on the first anniversary of the Award Date.
- Share Units will be converted into shares of Company Common Stock and distributed on the next first NYSE trading day after the vesting date.

When applicable, date unless a deferral election has been made as provided in 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 rTSR Notes. ModPlan.

If the Award conditions are satisfied, then on the Vesting Date set forth above, the Target Award will be converted into The foregoing is only a number summary 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 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 certain provisions of the Award which provided for quick reference and 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 20 PSU Awards

Performance Measure	Weight (Percent of Target Award)	Performance Level	Performance Goals	PSU Conversion Rate into Shares as Percent of Target
EBITDA (See Note A)	___%	Below Threshold	Achieve less than ___% of EBITDA target	0%
		Threshold	Achieve ___% of EBITDA target	50%

7

		Target	Cumulative EBITDA through Performance Period = \$ ___ M	100%
		Maximum	Achieve ___% of EBITDA target	200%
ROIC (See Note B)	___%	Below Threshold	Achieve less than ___% of ROIC target	0%
		Threshold	Achieve ___% of ROIC target	50%
		Target	ROIC = ___% for FY 20 ___	100%
		Maximum	Achieve ___% of ROIC target	200%

rTSR Modifier Table

(See Note C)

Company's TSR Rank compared to Peer Group	rTSR Modifier
Below 25th percentile	0. ___
25th- 75th percentile	1.0
Above 75th percentile	1. ___

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 all respects to the EBITDA Target definitions 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 restructuring 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 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, 20__); "Opening Average Share Value" means the average of the closing price of a share of common stock for the 20 trading days preceding the start of the Performance Period. Once the TSR values are calculated for the Peer Group, the values will be numerically ranked. 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 provisions set forth in the rTSR Modifier Table.

If Plan and the Company's rTSR percentile rank is below the 25th percentile or above the 75th 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:

Total PSUs earned = rTSR Modifier * (EBITDA Shares Earned + ROIC Shares Earned)

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

Total PSUs earned = EBITDA shares earned + ROIC shares earned Award.

Exhibit 31.1

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, 2024** May 10, 2024

/s/ Bryan H. Sayler

Bryan H. Sayler

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Christopher L. Tucker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ESCO Technologies Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

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

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **February 9, 2024** May 10, 2024

/s/ Christopher L. Tucker

Christopher L. Tucker

Senior Vice President and Chief Financial Officer

Exhibit 32

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

In connection with the quarterly report of ESCO Technologies Inc. (the "Company") on Form 10-Q for the period ended **December 31, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Bryan H. Sayler, President and Chief Executive Officer of the Company, and Christopher L. Tucker, Senior Vice President and Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: **February 9, 2024** May 10, 2024

/s/ Bryan H. Sayler

Bryan H. Sayler

President and Chief Executive Officer

ESCO Technologies Inc.

/s/ Christopher L. Tucker

Christopher L. Tucker

Senior Vice President and Chief Financial Officer

ESCO Technologies Inc.

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.