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 September 30, 2024

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 001-31225

ENPRO INC.

(Exact name of registrant, as specified in its charter)

North Carolina	**01-0573945**
(State or other jurisdiction of incorporation)	**(I.R.S. Employer Identification No.)**
5605 Carnegie Boulevard	
Suite 500	
Charlotte	
North Carolina	**28209**
(Address of principal executive offices)	**(Zip Code)**

(704) 731-1500

(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, $0.01 par value	**NPO**	**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 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 ý 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ý No ☐

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

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

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

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

As of October 28, 2024, there were 20,992,277 shares of common stock of the registrant outstanding, which does not include 176,811 shares of common stock held by a subsidiary of the registrant and accordingly are not entitled to be voted. There is only one class of common stock.

PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

ENPRO INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
Quarters and Nine Months Ended September 30, 2024 and 2023
(in millions, except per share amounts)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	$ 260.9	$ 250.7	$ 790.3	$ 810.2
Cost of sales	150.6	151.1	454.8	479.7
Gross profit	110.3	99.6	335.5	330.5
Operating expenses:				
Selling, general and administrative	71.7	65.6	219.4	210.3
Goodwill impairment	—	—	—	60.8
Other	4.5	2.1	6.0	3.1
Total operating expenses	76.2	67.7	225.4	274.2
Operating income	34.1	31.9	110.1	56.3
Interest expense	(10.4)	(10.8)	(31.4)	(34.9)
Interest income	1.4	3.7	4.7	11.3
Other expense	(1.1)	(1.9)	(8.7)	(4.3)
Income from continuing operations before income taxes	24.0	22.9	74.7	28.4
Income tax expense	(4.2)	(14.7)	(15.7)	(17.0)
Income from continuing operations	19.8	8.2	59.0	11.4
Income from discontinued operations, including gain on sale, net of tax	—	—	—	11.4
Net income	19.8	8.2	59.0	22.8
Less: net loss attributable to redeemable non-controlling interests	—	(0.1)	—	(4.3)
Net income attributable to Enpro Inc.	$ 19.8	$ 8.3	$ 59.0	$ 27.1
Comprehensive income (loss)	$ 29.1	$ (3.3)	$ 56.7	$ 23.5
Less: comprehensive loss attributable to redeemable non-controlling interests	—	(0.1)	—	(4.3)
Comprehensive income (loss) attributable to Enpro Inc.	$ 29.1	$ (3.2)	$ 56.7	$ 27.8
Income attributable to Enpro Inc. common shareholders:				
Income from continuing operations, net of tax	$ 19.8	$ 8.3	$ 59.0	$ 15.7
Income from discontinued operations, including gain on sale, net of tax	—	—	—	11.4
Net income attributable to Enpro Inc.	$ 19.8	$ 8.3	$ 59.0	$ 27.1
Basic earnings per share attributable to Enpro Inc.:				
Continuing operations	$ 0.94	$ 0.40	$ 2.82	$ 0.75
Discontinued operations	—	—	—	0.55
Net income per share	$ 0.94	$ 0.40	$ 2.82	$ 1.30
Diluted earnings per share attributable to Enpro Inc.:				
Continuing operations	$ 0.94	$ 0.39	$ 2.80	$ 0.75
Discontinued operations	—	—	—	0.54
Net income per share	$ 0.94	$ 0.39	$ 2.80	$ 1.29

See notes to consolidated financial statements (unaudited).

ENPRO INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
Nine Months Ended September 30, 2024 and 2023
(in millions)

	2024	2023
OPERATING ACTIVITIES OF CONTINUING OPERATIONS		
Net income	$ 59.0	$ 22.8
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Income from discontinued operations, net of taxes	—	(11.4)
Taxes related to sale of discontinued operations	—	(3.3)
Depreciation	17.8	18.4
Amortization	57.2	52.7
Goodwill impairment	—	60.8
Promissory note reserve	4.5	—
Deferred income taxes	(1.8)	(1.6)
Stock-based compensation	9.8	7.9
Other non-cash adjustments	8.0	3.9
Change in assets and liabilities, net of effects of acquisition and sale of businesses:		
Accounts receivable, net	(14.8)	16.9
Inventories	4.5	5.4
Accounts payable	(8.4)	(9.6)
Other current assets and liabilities	(25.8)	2.7
Other non-current assets and liabilities	(6.5)	(10.8)
Net cash provided by operating activities of continuing operations	103.5	154.8
INVESTING ACTIVITIES OF CONTINUING OPERATIONS		
Purchases of property, plant and equipment	(18.8)	(20.7)
Payments for capitalized internal-use software	(1.9)	(0.3)
Proceeds from sale of businesses, net	—	25.7
Purchase of short-term investments	—	(35.8)
Redemption of short-term investments	—	35.0
Acquisition, net of cash acquired	(209.4)	—
Other	0.6	0.8
Net cash provided by (used in) investing activities of continuing operations	(229.5)	4.7
FINANCING ACTIVITIES OF CONTINUING OPERATIONS		
Proceeds from debt	52.5	—
Repayments of debt	(58.6)	(143.1)
Purchase of non-controlling interest	(18.3)	—
Dividends paid	(19.0)	(18.3)
Other	(0.6)	(1.4)
Net cash used in financing activities of continuing operations	(44.0)	(162.8)
CASH FLOWS OF DISCONTINUED OPERATIONS		
Operating cash flows	—	(0.6)
Net cash used in discontinued operations	—	(0.6)
Effect of exchange rate changes on cash and cash equivalents	7.1	(0.7)
Net decrease in cash and cash equivalents	(162.9)	(4.6)
Cash and cash equivalents at beginning of period	369.8	334.4
Cash and cash equivalents at end of period	$ 206.9	$ 329.8
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 25.3	$ 29.2
Income taxes, net of refunds	$ 30.0	$ 10.8
Non-cash investing and financing activities:		
Non-cash acquisitions of property, plant, and equipment	$ 3.9	$ 0.1
Non-cash acquisitions of capitalized internal-use software	$ 0.5	$ —

See notes to consolidated financial statements (unaudited).

ENPRO INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in millions, except share amounts)

	September 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 206.9	$ 369.8
Accounts receivable, net	134.8	116.7
Inventories	143.3	142.6
Prepaid expenses and other current assets	34.2	21.2
Total current assets	519.2	650.3
Property, plant and equipment, net	192.1	193.8
Goodwill	902.3	808.4
Other intangible assets, net	811.2	733.5
Other assets	109.0	113.5
Total assets	$ 2,533.8	$ 2,499.5
LIABILITIES AND EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 14.0	$ 8.1
Accounts payable	61.7	68.7
Accrued expenses	112.7	119.6
Total current liabilities	188.4	196.4
Long-term debt	627.8	638.7
Deferred taxes and non-current income taxes payable	148.7	120.7
Other liabilities	111.0	116.1
Total liabilities	1,075.9	1,071.9
Commitments and contingencies		
Redeemable non-controlling interests	—	17.9
Shareholders' equity		
Common stock – $.01 par value; 100,000,000 shares authorized; issued, 21,169,088 shares in 2024 and 21,086,678 shares in 2023	0.2	0.2
Additional paid-in capital	315.4	304.9
Retained earnings	1,168.0	1,128.0
Accumulated other comprehensive loss	(24.5)	(22.2)
Common stock held in treasury, at cost – 177,180 shares in 2024 and 178,151 shares in 2023	(1.2)	(1.2)
Total shareholders' equity	1,457.9	1,409.7
Total liabilities and equity	$ 2,533.8	$ 2,499.5

See notes to consolidated financial statements (unaudited).

ENPRO INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Overview and Basis of Presentation

Overview

Enpro Inc. (“we,” “us,” “our,” “Enpro,” or the “Company”) is a leading-edge industrial technology company focused on critical applications across a diverse group of growing end markets such as semiconductor, industrial process, aerospace, food, photonics, biopharmaceuticals and life sciences. Enpro is a leader in applied engineering and designs, develops, manufactures, and markets proprietary, value-added products and solutions that safeguard a variety of critical environments.

Over the past several years, we have executed several strategic initiatives to create a portfolio of businesses that offer proprietary, industrial technology-related products and solutions with high barriers to entry, compelling margins, strong cash flow, and recurring aftermarket revenue in markets with favorable secular tailwinds.

Basis of Presentation

The accompanying interim consolidated financial statements are unaudited, and certain related information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been omitted in accordance with Rule 10-01 of Regulation S-X. They were prepared following the same policies and procedures used in the preparation of our annual financial statements. The accompanying interim consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair statement of results for the periods presented. The Consolidated Balance Sheet as of December 31, 2023 was derived from the audited financial statements included in our annual report on Form 10-K for the year ended December 31, 2023. The results of operations for the interim periods are not necessarily indicative of the results for the fiscal year. These consolidated financial statements should be read in conjunction with our annual consolidated financial statements for the year ended December 31, 2023 included within our annual report on Form 10-K.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amount of assets and liabilities and the disclosures regarding contingent assets and liabilities at period end and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

All intercompany accounts and transactions between our consolidated operations have been eliminated.

Recently Issued Accounting Guidance

In November 2023, an accounting standards update was issued that improves reportable segment disclosures surrounding significant segment expenses. The amendments in this guidance are effective for financial statements issued for annual periods beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. We are currently evaluating this new guidance.

In December 2023, an accounting standards update was issued that will require changes in income tax disclosures. The standard is effective for financial statements issued for annual periods beginning after December 15, 2024, with early adoption permitted. The standard requires prospective adoption with the recognition that there will be a lack of comparability between reporting periods upon adopting this new standard. Alternatively, retrospective adoption is also permitted. We are currently evaluating this new guidance.

In November 2024, an accounting standards update was issued that will require additional disclosures and disaggregation of certain costs and expenses presented on the face of the income statement. The amendments are effective for annual reporting periods beginning after December 15, 2026 and interim reporting period beginning after December 15, 2027 with early adoption permitted. We are currently evaluating this new guidance.

2. Acquisitions

Acquisition of business

On January 29, 2024, Enpro acquired all of the equity securities of Advanced Micro Instruments, Inc. ("AMI"), a privately held company, for $209.4 million, net of cash acquired. In connection with the acquisition of AMI, there were

$0.2 million and $3.7 million of acquisition-related costs incurred during the quarter and nine months ended September 30, 2024 and included in selling, general, and administrative expense in the accompanying Consolidated Statements of Operations.

AMI is a leading provider of highly-engineered, application-specific analyzers and sensing technologies that monitor critical parameters to maintain infrastructure integrity, enable process efficiency, enhance safety, and facilitate the clean energy transition. AMI is included within the Sealing Technologies segment.

Based in Costa Mesa, California, AMI serves customers in the midstream natural gas, biogas, industrial processing, cryogenics, food processing, laboratory wastewater and aerospace markets. The company offers a portfolio of oxygen, hydrogen, sulfide and moisture analyzers and proprietary sensing capabilities that detect contaminants in a variety of processes, including natural gas and biogas streams, which enable operators to avoid flaring and, thereby, reduce CO2 emissions.

The purchase price of AMI was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date. The excess of the purchase price over the estimated fair value of the identifiable assets acquired less the liabilities assumed is reflected as goodwill, which is attributable primarily to the value of the workforce and the ongoing operations of the business. Goodwill recorded as part of the purchase price was $96.8 million, none of which is tax deductible. Identifiable intangible assets acquired as part of the acquisition totaled $ 138.1 million, consisting of indefinite and definite-lived intangible assets. Indefinite lived intangible assets relate solely to future products that were in development as of the acquisition date. We will begin amortizing this asset over its estimated life once these products in development become commercially available. Definite-lived intangible assets include proprietary technology, customer relationships, trade names, and non-competition agreements. Inventory acquired included an adjustment to fair value of $1.7 million, all of which was amortized to cost of goods sold in the first quarter of 2024.

We will continue to evaluate the purchase price allocation of this acquisition, including the value of intangible assets and income tax assets and liabilities and adjust this allocation as appropriate. The allocation of purchase price was revised during the third quarter of 2024 to decrease deferred income tax liabilities by $2.5 million, increase other assets by $ 0.3 million, and increase liabilities assumed by $ 1.0 million, with an offsetting $1.8 million decrease to goodwill. These changes were driven by adjustments and reclassifications of deferred tax liabilities, income tax receivables, and uncertain tax positions assumed during the transaction. The allocation of purchase price may be revised further during the balance of the one-year measurement period as our estimates below are finalized.

Identifiable intangible assets acquired are as follows:

		Weighted-average amortization period
Definite-lived intangible assets acquired:	**(in millions)**	**(years)**
Customer relationships	$ 12.0	15.0
Existing technology	106.0	15.0
Trademarks	5.0	10.0
Other	1.1	3.3
Total definite-lived intangible assets	124.1	14.7
Indefinite-lived intangible assets acquired:		
In-process research and development	14.0	
Identifiable intangible assets acquired	$ 138.1	

The following table represents the preliminary allocation of purchase price as of September 30, 2024:

		(in millions)
Accounts receivable	$	3.3
Inventories		5.2
Property, plant, and equipment		0.2
Goodwill		96.8
Other intangible assets		138.1
Other assets		0.9
Deferred income taxes		(32.4)
Liabilities assumed		(2.7)
	$	209.4

Sales of $8.3 million and $25.1 million and pre-tax income of $ 2.0 million and $5.7 million for AMI are included in our Consolidated Statements of Operations for the quarter and nine months ended September 30, 2024, respectively. The following unaudited pro forma condensed consolidated financial results of operations for the quarters and nine months ended September 30, 2024 and 2023 are presented as if the acquisition had been completed on January 1, 2023:

	Quarters Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	(in millions)							
Pro forma net sales	$	260.9	$	258.1	$	793.1	$	835.0
Pro forma income from continuing operations	$	20.0	$	7.8	$	61.5	$	8.4

These amounts have been calculated after applying our accounting policies and adjusting the results of AMI to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to intangible assets had been applied as of January 1, 2023. The supplemental pro forma net income for the quarter and nine months ended September 30, 2024 was adjusted to exclude $0.2 million and $3.7 million, respectively, of pre-tax acquisition-related costs related to AMI. The pro forma financial results have been prepared for comparative purposes only and do not reflect the effect of any potential synergies as a result of the integration of AMI. The pro forma information does not purport to be indicative of the results of operations that actually would have resulted had the acquisition of AMI occurred on January 1, 2023, or of future results of Enpro Inc.

Acquisition of non-controlling interest

In connection with our acquisition of Alluxa in October 2020, three Alluxa executives (the "Alluxa Executives") received rollover equity interests in the form of approximately 7% of the total equity interest of an entity we formed for the purpose of acquiring Alluxa (the "Alluxa Acquisition Subsidiary"). Pursuant to the limited liability operating agreement (the "Alluxa LLC Agreement") that was entered into with the completion of the transaction, each Alluxa Executive had the right to sell to us, and we had the right to purchase from each Alluxa Executive (collectively, the "Put and Call Rights"), one-third of the Alluxa Executive equity interests in the Alluxa Acquisition Subsidiary during each of three exercise periods in 2024, 2025 and 2026, with any amount not sold or purchased in a prior exercise period being carried forward to the subsequent exercise periods. In January 2024, we agreed with the Alluxa Executives to change the terms of the Put and Call Rights so that all outstanding equity interests could be acquired in 2024. In February of 2024, we acquired all outstanding equity interests in the Alluxa Acquisition Subsidiary for $17.9 million, which was the minimum fixed price set in the Alluxa LLC Agreement. As this transaction was for the acquisition of all remaining shares of a consolidated subsidiary with no change in control, it was recorded within shareholder's equity and as a financing cash flow in the Consolidated Statement of Cash Flows. Enpro is now the sole owner of Alluxa.

3. Income Taxes

Our income tax expense and resulting effective tax rate are based upon the estimated annual effective tax rates applicable for the respective periods adjusted for the effect of items required to be treated as discrete in the interim periods. This estimated annual effective tax rate is affected by the relative proportions of revenue and income before taxes in the jurisdictions in which we operate. Based on the geographical mix of earnings, our annual effective tax rate fluctuates based on the portion of our profits earned in each jurisdiction.

The effective tax rates for the quarters ended September 30, 2024 and 2023 were 17.4% and 63.9%, respectively. The effective tax rate for the quarter ended September 30, 2024 is lower than the U.S. Federal tax rate primarily driven by favorable adjustments resulting from the completion of the 2023 year-end U.S. Federal income tax return. The effective tax rate for the quarter ended September 30, 2023 is higher than the U.S. Federal tax rate primarily driven by the impact of the second quarter 2023 impairment of non-deductible goodwill on the annual effective tax rate and an increase in the valuation allowance in the third quarter 2023 on certain foreign net operating losses.

The effective tax rates for the nine months ended September 30, 2024 and 2023 were 21.0% and 59.8%, respectively. The effective tax rate for the nine months ended September 30, 2024 is consistent with the U.S. Federal tax rate as a result of higher tax rates in most foreign jurisdictions offset by the favorable adjustments resulting from the completion of the 2023 year-end U.S. Federal income tax return and an additional tax benefit related to share-based payment awards. The effective tax rate for the nine months ended September 30, 2023 is higher than the U.S. Federal tax rate primarily driven by impairment of non-deductible goodwill, valuation allowance on certain foreign net operating losses, and higher tax rates in most foreign jurisdictions, partially offset by a tax benefit related to share-based payment awards.

The Organization for Economic Co-operation and Development (the “OECD”) has introduced a framework to implement a global minimum corporate tax of 15%, referred to as Pillar Two, that is effective for tax years beginning in 2024. While it is uncertain whether the United States will enact legislation to adopt Pillar Two, certain countries in which we operate have adopted legislation to enact Pillar Two. The adoption of Pillar Two has had no impact on our income tax expense for the nine months ended September 30, 2024.

4. Earnings Per Share

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in millions, except per share amounts)			
Numerator (basic and diluted):				
Income from continuing operations	$ 19.8	$ 8.2	$ 59.0	$ 11.4
Less: net loss attributable to redeemable non-controlling interests	—	(0.1)	—	(4.3)
Income from continuing operations attributable to Enpro Inc.	19.8	8.3	59.0	15.7
Income from discontinued operations, net of tax	—	—	—	11.4
Net income	$ 19.8	$ 8.3	$ 59.0	$ 27.1
Denominator:				
Weighted-average shares – basic	21.0	20.9	21.0	20.9
Share-based awards	0.1	0.1	0.1	0.1
Weighted-average shares – diluted	21.1	21.0	21.1	21.0
Basic earnings per share:				
Continuing operations	$ 0.94	$ 0.40	$ 2.82	$ 0.75
Discontinued operations	—	—	—	0.55
Basic earnings per share	$ 0.94	$ 0.40	$ 2.82	$ 1.30
Diluted earnings per share:				
Continuing operations	$ 0.94	$ 0.39	$ 2.80	$ 0.75
Discontinued operations	—	—	—	0.54
Diluted earnings per share	$ 0.94	$ 0.39	$ 2.80	$ 1.29

5. Inventories

	September 30, 2024	December 31, 2023
	(in millions)	
Finished products	$ 52.5	$ 53.6
Work in process	29.4	28.4
Raw materials	61.4	60.6
Total inventories	$ 143.3	$ 142.6

6. Goodwill and Other Intangible Assets

The changes in the net carrying value of goodwill by reportable segment for the nine months ended September 30, 2024 are as follows:

	Sealing Technologies	Advanced Surface Technologies	Total
	(in millions)		
Goodwill as of December 31, 2023	$ 276.2	$ 532.2	$ 808.4
Acquisition of business	96.8	—	96.8
Foreign currency translation	(2.9)	—	(2.9)
Goodwill as of September 30, 2024	$ 370.1	$ 532.2	$ 902.3

The goodwill balances reflected above at September 30, 2024 are net of accumulated impairment losses of $ 27.8 million for the Sealing Technologies segment and $126.0 million for the Advanced Surface Technologies segment.

Identifiable intangible assets are as follows:

	September 30, 2024		December 31, 2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(in millions)			
Definite-Lived:				
Customer relationships	$ 496.4	$ 204.6	$ 486.6	$ 184.8
Existing technology	569.7	135.4	465.2	106.1
Trademarks	70.1	34.1	64.9	29.6
Other	26.7	22.4	27.4	20.9
	1,162.9	396.5	1,044.1	341.4
Indefinite-Lived:				
In-process research and development	14.0	—	—	—
Trademarks	30.8	—	30.8	—
Total	$ 1,207.7	$ 396.5	$ 1,074.9	$ 341.4

Amortization for the quarters and nine months ended September 30, 2024 and 2023 were $ 19.1 million, $17.4 million, $56.8 million, and $52.1 million, respectively.

The estimated amortization expense for definite-lived (amortized) intangible assets for the calendar years 2024 through 2028 are as follows (in millions):

2024	$ 77.1
2025	$ 76.8
2026	$ 73.1
2027	$ 72.5
2028	$ 71.8

7. Accrued Expenses

	September 30, 2024	December 31, 2023
	(in millions)	
Salaries, wages and employee benefits	$ 45.5	$ 56.0
Interest	9.4	4.2
Environmental	9.0	8.2
Income taxes	12.1	10.0
Taxes other than income taxes	6.3	5.1
Operating lease liabilities	9.9	10.0
Other	20.5	26.1
	$ 112.7	$ 119.6

8. Long-Term Debt

Senior Secured Credit Facilities

On December 17, 2021, we entered into a Third Amended and Restated Credit Agreement (the “Amended Credit Agreement”) among the Company and our subsidiary, EnPro Holdings, Inc. ("EnPro Holdings"), as borrowers, certain foreign subsidiaries of the Company from time to time party thereto, as designated borrowers, the guarantors party thereto, the lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.

The Amended Credit Agreement provides for credit facilities in the initial aggregate principal amount of $ 1,007.5 million, consisting of a five-year, senior secured revolving credit facility of $400.0 million (the “Revolving Credit Facility”), a $ 142.5 million senior secured term loan facility in replacement of our existing senior secured term loan facility, maturing September 25, 2024 (the “Term Loan A-1 Facility”), a five-year, senior secured term loan facility of $315.0 million (the “Term Loan A-2 Facility”) and a 364-day, senior secured term loan facility of $ 150.0 million (the “364-Day Facility” and together with the Revolving Credit Facility, the Term Loan A-1 Facility and the Term Loan A-2 Facility, the “Facilities”). The Amended Credit Agreement also provides that we may seek incremental term loans and/or additional revolving credit commitments in an amount equal to the greater of $275.0 million and 100% of consolidated EBITDA for the most recently ended four-quarter period for which we have reported financial results, plus additional amounts based on a consolidated senior secured leverage ratio. The Amended Credit Agreement became effective on December 17, 2021.

Borrowings under the 364-Day Facility bore interest at an annual rate of LIBOR plus 1.50% or base rate plus 0.50%. Initially, borrowings under the Facilities (other than the 364-Day Facility) bore interest at an annual rate of LIBOR plus 1.75% or base rate plus 0.75%, although these interest rates were subject to incremental increase or decrease based on a consolidated total net leverage ratio. On November 8, 2022, we entered into a First Amendment to the Amended Credit Agreement, which replaced the LIBOR-based interest rate option with an option based on Term SOFR ("Secured Overnight Financing Rate") plus (i) a credit spread adjustment of 0.10% and (ii) 1.75%, again subject to incremental increase or decrease based on a consolidated total net leverage ratio. In addition, a commitment fee accrues with respect to the unused amount of the Revolving Credit Facility at an annual rate of 0.225%, which rate is also subject to incremental increase or decrease based on a consolidated total net leverage ratio.

The Term Loan A-1 Facility amortized on a quarterly basis in an annual amount equal to 2.50% of the original principal amount of the Term Loan A-1 Facility ($150.0 million) in year one after the closing, 5.00% of such original principal amount in year two and 1.25% of such original principal amount in each of the first three quarters of year three, with the remaining outstanding principal amount payable at maturity. The Term Loan A-2 Facility amortizes on a quarterly basis in an annual amount equal to 2.5% of the original principal amount of the Term Loan A-2 Facility in each of years one through three, 5.0% of such original principal amount in year four and 1.25% of such original principal amount in each of the first three quarters of year five, with the remaining outstanding principal amount payable at maturity. The 364-Day Facility did not amortize and was repaid in full in the third quarter of 2022. On July 26, 2023, we voluntarily prepaid all outstanding borrowings and accrued and unpaid interest under the Term Loan A-1 Facility (a remaining principal balance of $133.1 million and accrued interest of $ 0.6 million). The Facilities are subject to prepayment with the net cash proceeds of certain asset sales, casualty or condemnation events and non-permitted debt issuances.

The Company and EnPro Holdings are the permitted borrowers under the Facilities. The Company may also from time to time designate any of its wholly owned foreign subsidiaries as a borrower under the Revolving Credit Facility. Each of the Company’s domestic subsidiaries (other than any subsidiaries that may be designated as “unrestricted” by the Company from time to time, and inactive subsidiaries) is required to guarantee the obligations of the borrowers under the Facilities, and each of the Company’s existing domestic subsidiaries (other than inactive subsidiaries) has entered into the Amended Credit Agreement to provide such a guarantee.

Borrowings under the Facilities are secured by a first-priority pledge of certain assets. The Amended Credit Agreement contains certain financial covenants and required financial ratios including a maximum consolidated total net leverage and a minimum consolidated interest coverage as defined in the Amended Credit Agreement. We were in compliance with all covenants of the Amended Credit Agreement as of September 30, 2024.

The borrowing availability under our Revolving Credit Facility at September 30, 2024 was $ 390.0 million after giving consideration to $ 10.0 million of outstanding letters of credit. The balance of borrowings outstanding under the Term Loan A-2 Facility at September 30, 2024 was $293.3 million.

Senior Notes

On October 17, 2018, we completed the offering of $ 350.0 million aggregate principal amount of 5.75% Senior Notes due 2026 (the "Senior Notes"). The Senior Notes were issued to investors at 100% of the principal amount thereof. The Senior Notes are unsecured, unsubordinated obligations of Enpro and mature on October 15, 2026. Interest on the Senior Notes accrues at a rate of 5.75% per annum and is payable semi-annually in cash in arrears on April 15 and October 15 of each year. The Senior Notes are required to be guaranteed on a senior unsecured basis by each of Enpro’s existing and future direct and indirect domestic subsidiaries that is a borrower under, or guarantees, our indebtedness under the Revolving Credit Facility or guarantees any other Capital Markets Indebtedness (as defined in the indenture governing the Senior Notes) of Enpro or any of the guarantors. We may, on any one or more occasions, redeem all or a part of the Senior Notes at specified redemption prices plus accrued and unpaid interest.

The indenture governing the Senior Notes includes covenants that restrict our ability to engage in certain activities, including incurring additional indebtedness, paying dividends and repurchasing shares of our common stock, subject in each case to specified exceptions and qualifications set forth in the indenture. The indenture further requires us to offer to repurchase the Senior Notes at a price equal to 100.0% of the principal amount thereof plus accrued and unpaid interest, in the event that the net cash proceeds of certain asset sales are not reinvested in acquisitions, capital expenditures, or used to repay or otherwise reduce specified indebtedness within a specified period, to the extent the remaining net proceeds exceed a specified amount.

We were in compliance with all of the covenants under the indenture governing the Senior Notes as of September 30, 2024.

9. Pension

The components of net periodic benefit cost for our U.S. and foreign defined benefit pension plans for the quarters and nine months ended September 30, 2024 and 2023, are as follows:

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in millions)			
Service cost	$ 0.1	$ 0.2	$ 0.3	$ 0.5
Interest cost	3.2	3.4	9.6	10.2
Expected return on plan assets	(3.5)	(3.4)	(10.6)	(10.3)
Amortization of net loss	0.4	0.3	1.2	1.1
Net periodic benefit cost	$ 0.2	$ 0.5	$ 0.5	$ 1.5

We do not anticipate making any contributions to our U.S. defined benefit pension plans in calendar year 2024.

In the second quarter of 2024, Enpro initiated a plan to terminate and settle its remaining defined benefit pension plan in the United States. The termination and settlement process for this frozen plan, which preserves retirement benefits due to participants but changes the ultimate payor of such benefits, is expected to be completed by the end of 2025. At September 30, 2024, approximately $16.9 million of pension assets recorded in other assets on our consolidated balance sheet and substantially all pension losses recorded in accumulated other comprehensive loss on our consolidated balance sheet relate to this plan.

Tables showing the changes in accumulated other comprehensive income (loss) and the balance at September 30, 2024 are included in Note 14, "Accumulated Other Comprehensive Income (Loss)".

10. Shareholders' Equity

The quarterly changes in shareholders' equity during the nine months ended September 30, 2024 are as follows:

(in millions, except per share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity	Redeemable Non-controlling Interests
Balance, December 31, 2023	21.0	$ 0.2	$ 304.9	$ 1,128.0	$ (22.2)	$ (1.2)	$ 1,409.7	$ 17.9
Net income	—	—	—	12.5	—	—	12.5	—
Other comprehensive loss	—	—	—	—	(3.5)	—	(3.5)	—
Dividends ($0.30 per share)	—	—	—	(6.3)	—	—	(6.3)	—
Incentive plan activity	—	—	1.5	—	—	—	1.5	—
Acquisition of Alluxa minority ownership	—	—	—	—	—	—	—	(17.9)
Balance, March 31, 2024	21.0	$ 0.2	$ 306.4	$ 1,134.2	$ (25.7)	$ (1.2)	$ 1,413.9	$ —
Net income	—	—	—	26.7	—	—	26.7	—
Other comprehensive loss	—	—	—	—	(8.1)	—	(8.1)	—
Dividends ($0.30 per share)	—	—	—	(6.3)		—	(6.3)	—
Incentive plan activity	—	—	4.2	—	—	—	4.2	—
Balance, June 30, 2024	21.0	$ 0.2	$ 310.6	$ 1,154.6	$ (33.8)	$ (1.2)	$ 1,430.4	$ —
Net income	—	—	—	19.8	—	—	19.8	—
Other comprehensive income	—	—	—	—	9.3	—	9.3	—
Dividends ($0.30 per share)	—	—	—	(6.4)	—	—	(6.4)	—
Incentive plan activity	—	—	4.8	—	—	—	4.8	—
Balance, September 30, 2024	21.0	$ 0.2	$ 315.4	$ 1,168.0	$ (24.5)	$ (1.2)	$ 1,457.9	$ —

The quarterly changes in shareholders' equity during the nine months ended September 30, 2023 are as follows:

(in millions, except per share data)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity	Redeemable Non-controlling Interests
Balance, December 31, 2022	20.8	$ 0.2	$ 299.2	$ 1,130.2	$ (33.3)	$ (1.2)	$ 1,395.1	$ 17.9
Net income	—	—	—	37.4	—	—	37.4	—
Other comprehensive income	—	—	—	—	7.1	—	7.1	—
Dividends ($0.29 per share)	—	—	—	(6.1)	—	—	(6.1)	—
Incentive plan activity	0.1	—	1.6	—	—	—	1.6	—
Balance, March 31, 2023	20.9	$ 0.2	$ 300.8	$ 1,161.5	$ (26.2)	$ (1.2)	$ 1,435.1	$ 17.9
Net loss	—	—	—	(18.6)	—	—	(18.6)	(4.2)
Other comprehensive income	—	—	—	—	5.1	—	5.1	—
Dividends ($0.29 per share)	—	—	—	(6.1)		—	(6.1)	—
Incentive plan activity	—	—	3.1	—	—	—	3.1	—
Other	—	—	(4.2)	—	—	—	(4.2)	4.2
Balance, June 30, 2023	20.9	$ 0.2	$ 299.7	$ 1,136.8	$ (21.1)	$ (1.2)	$ 1,414.4	$ 17.9
Net income	—	—	—	8.3	—	—	8.3	(0.1)
Other comprehensive loss	—	—	—	—	(11.5)	—	(11.5)	—
Dividends ($0.29 per share)	—	—	—	(6.1)	—	—	(6.1)	—
Incentive plan activity	—	—	2.9	—	—	—	2.9	—
Other			(0.1)	—			(0.1)	0.1
Balance, September 30, 2023	20.9	$ 0.2	$ 302.5	$ 1,139.0	$ (32.6)	$ (1.2)	$ 1,407.9	$ 17.9

We intend to declare regular quarterly cash dividends on our common stock, as determined by our board of directors, after taking into account our current and projected cash flows, earnings, financial position, debt covenants and other relevant factors. In accordance with the board of directors' declaration, total dividend payments of $19.0 million were made during the nine months ended September 30, 2024.

In October 2024, our board of directors declared a dividend of $ 0.30 per share, payable on December 18, 2024, to shareholders of record as of December 4, 2024.

Enpro's board of directors approved a new share repurchase authorization in October 2024, replacing the previous $ 50.0 million authorization that recently expired. No shares were purchased under the prior repurchase program. Under the replacement authorization, which is identical to the prior authorization, the Company may repurchase up to $50.0 million of shares in both open market and privately negotiated transactions. The Company's management is authorized to determine the timing and amount of any such repurchases based on its evaluation of market conditions, capital alternatives, and other factors. Repurchases may also be made under Rule 10b5-1 plans, which could result in the repurchase of shares during periods when the Company otherwise would be precluded from doing so under insider trading laws. The renewed share repurchase authorization expires in October 2026.

In 2023, we changed our performance share awards so that awards granted under our equity compensation plan to executives and other key employees are to be paid in shares of our common stock at the end of the three-year vesting period. Awards issued in 2022 will be payable in cash at the end of the vesting period based upon the performance of Enpro's share price relative to an industry peer group. Compensation expense related to performance shares granted in 2023 and 2024 is computed using the fair value of the awards on the grant date, which is expensed on a straight-line basis over the three-year vesting period. Compensation expense for awards granted in 2022 is computed based upon the current estimate of total projected cash to be paid at vesting and the portion of the vesting period that has elapsed.

In February 2024, we issued stock options to certain key executives for approximately 50,000 common shares with an exercise price of $ 156.20 per share. The options vest pro-rata on the first, second and third anniversaries of the grant date, subject to continued employment. No options have a term greater than 10 years.

We determine the fair value of stock options using the Black-Scholes option pricing formula as of the grant date. Key inputs into this formula include expected term, expected volatility, expected dividend yield, and the risk-free interest rate. This fair value is amortized on a straight-line basis over the vesting period and recorded in selling, general and administrative costs on our Consolidated Income Statement.

The expected term represents the period that our stock options are expected to be outstanding and is determined based on historical experience of similar awards, given the contractual terms of the awards, vesting schedules, and expectations of future employee behavior. The fair value of stock options reflects a volatility factor calculated using historical market data for Enpro's common stock. The time frame used was approximated as a six-year period from the grant date for the awards. The dividend assumption is based on our expectations as of the grant date. We base the risk-free interest rate on the yield to maturity at the time of the stock option grant on zero-coupon U.S. government bonds having a remaining life equal to the option's expected life.

The option awards issued in February 2024 had a fair value of $ 66.84 per share at their grant date. The following assumptions were used to estimate the fair value of the 2024 option awards:

Average expected term	6 years
Expected volatility	40.61 %
Risk-free interest rate	4.33 %
Expected dividend yield	0.77 %

11. Business Segment Information

We aggregate our operating businesses into two reportable segments, Sealing Technologies and Advanced Surface Technologies. Factors considered in determining our reportable segments include the economic similarity of the businesses, the nature of products sold, or solutions provided, the production processes and the types of customers and distribution methods.

Our Sealing Technologies segment engineers and manufactures value-added products and solutions that safeguard a variety of critical environments, including: metallic, non-metallic and composite material gaskets; dynamic seals; compression packing; elastomeric components; custom-engineered mechanical seals used in diverse applications; hydraulic components; test, measurement and sensing applications; sanitary gaskets; hoses and fittings for hygienic process industries; fluid transfer products for the pharmaceutical and biopharmaceutical industries; and commercial vehicle solutions used in wheel-end and suspension components that customers rely upon to ensure safety on our roadways.

These products are used in a variety of markets, including chemical and petrochemical processing, nuclear energy, hydrogen, natural gas, food and biopharmaceutical processing, primary metal manufacturing, mining, water and waste treatment, commercial vehicle, aerospace (including commercial space), medical, filtration and semiconductor fabrication. In all these industries, the performance and durability of our proprietary products and solutions are vital for the safety and environmental protection of our customers' processes. Many of our products and solutions are used in highly demanding applications, often in harsh environments, where the cost of failure is extremely high relative to the cost of our offerings to our customers. These environments include those where extreme temperatures, extreme pressures, corrosive agents, strict tolerances, or worn equipment create challenges for product performance. Sealing Technologies offers customers widely recognized applied engineering, innovation, process know-how and enduring reliability, driving a lasting aftermarket for many of our products and solutions.

Our Advanced Surface Technologies (AST) segment applies proprietary technologies, processes, and capabilities to deliver a highly differentiated suite of products and solutions for challenging applications in high-growth markets. The segment's products and solutions are used in demanding environments requiring performance, precision and repeatability, with a low tolerance for failure. AST's products and solutions include: (i) cleaning, coating, testing, refurbishment and verification for critical components and assemblies used in semiconductor manufacturing equipment, with meaningful exposures to state-of-the-art advanced node chip applications; (ii) designing, manufacturing and selling specialized optical filters and proprietary thin-film coatings for the most challenging applications in the industrial technology, life sciences, and semiconductor markets; (iii) engineering and manufacturing complex front-end wafer processing sub-systems and new and refurbished electrostatic chuck pedestals for the semiconductor equipment industry; and (iv) engineering and manufacturing edge-welded metal bellows for the semiconductor equipment industry and critical applications in the space, aerospace and defense markets. In many instances, AST capabilities drive products and solutions that enable the performance of our customers' high-value processes through an entire life cycle.

We measure operating performance based on segment earnings before interest, income taxes, depreciation, amortization, and other selected items ("Adjusted Segment EBITDA"), which is segment revenue reduced by operating expenses and other costs identifiable with the segment, excluding acquisition and divestiture expenses, restructuring costs, impairment charges, non-controlling interest compensation, amortization of the fair value adjustment to acquisition date inventory, and depreciation and amortization. Adjusted Segment EBITDA is not defined under GAAP and may not be comparable to similarly-titled measures used by other companies. Corporate expenses include general corporate administrative costs. Segments non-operating expenses and income, corporate expenses, net interest expense, goodwill impairment, and income taxes are not included in the computation of Adjusted Segment EBITDA. The accounting policies of the reportable segments are the same as those for Enpro.

In the first quarter of 2024, we refined our definition of Adjusted Segment EBITDA and corporate expenses to include certain other income or expenses previously reported in other expense, net. These items were primarily comprised of bank fees and certain foreign exchange transaction gains and losses. As a result of this change, for the quarter ended September 30, 2023, we recast our results to decrease Sealing Technologies Adjusted Segment EBITDA by $0.1 million, increase Advanced Surface Technologies Adjusted Segment EBITDA by $ 0.3 million, and increase corporate expenses by $0.4 million. For the nine months ended September 30, 2023, we increased Advanced Surface Technologies Adjusted Segment EBITDA by $0.2 million and increased corporate expenses by $ 1.3 million.

Non-controlling interest compensation allocation represents compensation expense associated with a portion of the rollover equity from the acquisition of Alluxa. This expense was recorded in selling, general, and administrative expenses in our Consolidated Statements of Operations and is directly related to the terms of the acquisition. In February 2024, Enpro acquired all of the Alluxa non-controlling interests and became the sole owner of Alluxa.

Segment operating results and other financial data for the quarters and nine months ended September 30, 2024 and 2023 were as follows:

	Quarters Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(in millions)			
Sales				
Sealing Technologies	$ 168.6	$ 161.4	$ 524.2	$ 511.4
Advanced Surface Technologies	92.5	89.4	266.6	299.1
	261.1	250.8	790.8	810.5
Intersegment sales	(0.2)	(0.1)	(0.5)	(0.3)
Total sales	$ 260.9	$ 250.7	$ 790.3	$ 810.2
Adjusted Segment EBITDA				
Sealing Technologies	$ 55.1	$ 47.9	$ 173.5	$ 153.9
Advanced Surface Technologies	19.2	19.3	55.6	72.8
	$ 74.3	$ 67.2	$ 229.1	$ 226.7
Reconciliation of Income from Continuing Operations Before Income Taxes to Adjusted Segment EBITDA				
Income from continuing operations before income taxes	$ 24.0	$ 22.9	$ 74.7	$ 28.4
Acquisition expenses	0.3	—	3.8	—
Non-controlling interest compensation allocation	—	—	—	(0.3)
Amortization of fair value adjustment to acquisition date inventory	—	—	1.7	—
Restructuring and impairment expense	4.4	2.0	5.5	2.6
Depreciation and amortization expense	25.2	23.5	75.0	70.9
Corporate expenses	10.3	9.8	33.0	36.4
Interest expense, net	9.0	7.1	26.7	23.6
Goodwill impairment	—	—	—	60.8
Other expense, net	1.1	1.9	8.7	4.3
Adjusted Segment EBITDA	$ 74.3	$ 67.2	$ 229.1	$ 226.7

Segment assets are as follows:

	September 30, 2024	December 31, 2023
	(in millions)	
Sealing Technologies	$ 917.5	$ 687.1
Advanced Surface Technologies	1,338.9	1,385.9
Corporate	277.4	426.5
	$ 2,533.8	$ 2,499.5

Revenue by End Market

Due to the diversified nature of our business and the differentiated portfolio of products and solutions that we offer, we sell into a number of end markets. Underlying economic conditions within these markets are a major driver of our segments' sales performance. Below is a summary of our third-party sales by major end market with which we did business for the quarters and nine months ended September 30, 2024 and September 30, 2023:

(in millions)	Quarter Ended September 30, 2024 Sealing Technologies	Advanced Surface Technologies	Total
Aerospace	$ 16.1	$ 4.7	$ 20.8
Chemical and material processing	21.6	—	21.6
Food and pharmaceutical	16.6	—	16.6
General industrial	43.0	5.8	48.8
Commercial vehicle	41.1	—	41.1
Oil and gas	13.1	1.3	14.4
Power generation	15.5	—	15.5
Semiconductors	1.6	80.5	82.1
Total third-party sales	$ 168.6	$ 92.3	$ 260.9

(in millions)	Quarter Ended September 30, 2023 Sealing Technologies	Advanced Surface Technologies	Total
Aerospace	$ 11.2	$ 2.9	$ 14.1
Chemical and material processing	20.8	—	20.8
Food and pharmaceutical	15.9	—	15.9
General industrial	39.4	4.8	44.2
Commercial vehicle	51.5	—	51.5
Oil and gas	4.7	1.9	6.6
Power generation	15.6	—	15.6
Semiconductors	2.2	79.8	82.0
Total third-party sales	$ 161.3	$ 89.4	$ 250.7

(in millions)	Nine Months Ended September 30, 2024 Sealing Technologies	Advanced Surface Technologies	Total
Aerospace	$ 44.2	$ 9.3	$ 53.5
Chemical and material processing	65.9	—	65.9
Food and pharmaceutical	51.6	—	51.6
General industrial	129.2	18.3	147.5
Commercial vehicle	134.0	—	134.0
Oil and gas	40.2	4.3	44.5
Power generation	52.9	—	52.9
Semiconductors	6.2	234.2	240.4
Total third-party sales	$ 524.2	$ 266.1	$ 790.3

	Nine Months Ended September 30, 2023		
(in millions)	Sealing Technologies	Advanced Surface Technologies	Total
Aerospace	$ 37.4	$ 6.9	$ 44.3
Chemical and material processing	65.3	—	65.3
Food and pharmaceutical	50.8	—	50.8
General industrial	127.6	19.6	147.2
Commercial vehicle	157.2	—	157.2
Oil and gas	15.3	6.4	21.7
Power generation	51.2	—	51.2
Semiconductors	6.5	266.0	272.5
Total third-party sales	$ 511.3	$ 298.9	$ 810.2

12. Derivatives and Hedging

We are exposed to foreign currency risks that arise from normal business operations. These risks include the translation of local currency balances on our foreign subsidiaries' balance sheets, intercompany loans with foreign subsidiaries and transactions denominated in foreign currencies. We strive to control our exposure to these risks through our normal operating activities and, where appropriate, through derivative instruments. We periodically enter into contracts to hedge forecasted transactions that are denominated in foreign currencies. As part of our regular practice, we have entered into a forward contract to hedge a 95 million Euro exposure on an intercompany note agreement related to proceeds from the sale of our former GGB business, allocated to foreign subsidiaries. We expect this intercompany note to be settled in the first half of 2025. The notional amount of foreign exchange contracts was $111.8 million and $110.5 million at September 30, 2024 and December 31, 2023 respectively. All foreign exchange contracts outstanding at September 30, 2024 expired in October 2024.

The earnings impact of these foreign exchange contracts are recorded in selling, general and administrative expense in the Consolidated Statements of Operations, except for the impacts of the forward contract related to proceeds from the sale of our former GGB business that is recorded is Other Expense. The balances of foreign exchange derivative assets are recorded in other current assets and the balances of foreign exchange derivative liabilities are recorded in accrued expenses in the Consolidated Balance Sheets.

In May 2019, we entered into cross-currency swap agreements (the "Swap") with an aggregate notional amount of $ 100.0 million to manage an increased portion of our foreign currency risk by effectively converting a portion of the interest payments related to our fixed-rate USD-denominated Senior Notes, including the semi-annual interest payments thereunder, to interest payments on fixed-rate Euro-denominated debt of 89.6 million EUR with a weighted average interest rate of 3.5%, with interest payment dates of April 15 and October 15 of each year. The Swap matures on October 15, 2026.

During the term of the Swap, we will receive semi-annual payments from the counterparties due to the difference between the interest rate on the Senior Notes and the interest rate on the Euro debt underlying the Swap. There was no principal exchange at the inception of the arrangement, and there will be no exchange at maturity. At maturity (or earlier at our option), we and the counterparty will settle the Swap at its fair value in cash based on the aggregate notional amount and the then-applicable currency exchange rate compared to the exchange rate at the time the Swap was entered into.

We have designated the Swap as a qualifying hedging instrument and are accounting for it as a net investment hedge. At September 30, 2024, the fair value of the Swap equaled $2.6 million and was recorded within our other (non-current) assets on the Consolidated Balance Sheet. The gains and losses resulting from fair value adjustment to the Swap, excluding interest accruals related to the above receipts, are recorded in accumulated other comprehensive income within our cumulative foreign currency translation adjustment, as the Swap is effective in hedging the designated risk. Cash flows related to the Swap are included in operating activities in the Consolidated Statements of Cash Flows, aside from the ultimate settlement at maturity with the counterparty, which will be included in investing activities.

13. Fair Value Measurements

Assets and liabilities measured at fair value on a recurring basis are summarized as follows:

	Fair Value Measurements as of	
	September 30, 2024	December 31, 2023
	(in millions)	
Assets		
Foreign currency derivatives	$ 2.6	$ 3.1
Deferred compensation assets	14.0	12.5
	$ 16.6	$ 15.6
Liabilities		
Deferred compensation liabilities	$ 14.7	$ 13.3

Our deferred compensation assets and liabilities are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. Our foreign currency derivatives are classified as Level 2 since their value is calculated based upon observable inputs including market USD/Euro exchange rates and market interest rates.

The carrying values of our significant financial instruments reflected in the Consolidated Balance Sheets, including our Senior Notes that have a determinable fair-value based on quoted market prices for identical liabilities and are classified as a Level 2 since the market is not active, approximated their respective fair values.

14. Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component (after tax) for the quarter ended September 30, 2024 are as follows:

(in millions)	Unrealized Translation Adjustments	Pension Plans	Total
Beginning balance	$ 12.0	$ (45.8)	$ (33.8)
Other comprehensive income before reclassifications	8.9	—	8.9
Amounts reclassified from accumulated other comprehensive loss	—	0.4	0.4
Net current-period other comprehensive income attributable to Enpro Inc.	8.9	0.4	9.3
Ending balance	$ 20.9	$ (45.4)	$ (24.5)

Changes in accumulated other comprehensive income (loss) by component (after tax) for the quarter ended September 30, 2023 are as follows:

(in millions)	Unrealized Translation Adjustments	Pension Plans	Total
Beginning balance	$ 23.4	$ (44.5)	$ (21.1)
Other comprehensive loss before reclassifications	(11.8)	—	(11.8)
Amounts reclassified from accumulated other comprehensive income	—	0.3	0.3
Net current-period other comprehensive income attributable to Enpro Inc.	(11.8)	0.3	(11.5)
Ending balance	$ 11.6	$ (44.2)	$ (32.6)

Changes in accumulated other comprehensive income (loss) by component (after tax) for the nine months ended September 30, 2024 are as follows:

(in millions)	Unrealized Translation Adjustments	Pension Plans	Total
Beginning balance	$ 24.1	$ (46.3)	$ (22.2)
Other comprehensive loss before reclassifications	(3.2)	—	(3.2)
Amounts reclassified from accumulated other comprehensive loss	—	0.9	0.9
Net current-period other comprehensive income	(3.2)	0.9	(2.3)
Ending balance	$ 20.9	$ (45.4)	$ (24.5)

Changes in accumulated other comprehensive income (loss) by component (after tax) for the nine months ended September 30, 2023 are as follows:

(in millions)	Unrealized Translation Adjustments	Pension Plans	Total
Beginning balance	$ 11.8	$ (45.1)	$ (33.3)
Other comprehensive income before reclassifications	(0.2)	—	(0.2)
Amounts reclassified from accumulated other comprehensive (loss)	—	0.9	0.9
Net current-period other comprehensive income	(0.2)	0.9	0.7
Ending balance	$ 11.6	$ (44.2)	$ (32.6)

Reclassifications out of accumulated other comprehensive income (loss) for the quarters and nine months ended September 30, 2024 and September 30, 2023 are as follows:

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)				Affected Statement of Operations Caption
	Quarters Ended September 30,		Nine Months Ended September 30,		
(in millions)	2024	2023	2024	2023	
Pension adjustments:					
Actuarial losses	$ 0.4	$ 0.3	$ 1.2	$ 1.1	Other expense
Total before tax	0.4	0.3	1.2	1.1	Income before income taxes
Tax expense	—	—	(0.3)	(0.2)	Income tax benefit (expense)
Net of tax	$ 0.4	$ 0.3	$ 0.9	$ 0.9	Net income

15. Commitments and Contingencies

General

A description of certain environmental and other legal matters relating to certain of our subsidiaries is included in this section. In addition to the matters noted herein, we are from time to time subject to, and are presently involved in, other litigation and legal proceedings arising in the ordinary course of business. We believe the outcome of such other litigation and legal proceedings will not have a material adverse effect on our financial condition, results of operations and cash flows. Expenses for administrative and legal proceedings are recorded when incurred.

Environmental

Our facilities and operations are subject to federal, state and local environmental and occupational health and safety laws and regulations of the U.S. and foreign countries. We take a proactive approach in our efforts to comply with these laws and regulations as they relate to our manufacturing operations and in proposing and implementing any remedial plans that may be necessary. We also regularly conduct comprehensive environmental, health and safety audits at our facilities to maintain compliance and improve operational efficiency.

Although we believe past operations were in substantial compliance with the then applicable regulations, we or one or more of our subsidiaries are involved with various investigation and remediation activities at 19 sites, which includes the sites discussed in additional detail below. At 14 of these sites, the future cost per site for us or our subsidiaries is expected to exceed $100,000. We do not conduct manufacturing operations at any of these sites. At all 19 sites, one or more of our subsidiaries (or an entity that merged with and into one of our subsidiaries) formerly conducted business operations but no longer do. Among these 19 sites, investigations have been completed for 15 sites and are in progress at 4 sites. Among the 15 sites where investigations have been completed, 8 sites have remediation systems that are operating and our only obligation at the other 7 sites is to conduct periodic monitoring. In addition to the 19 sites referenced above, the United States Environmental Protection Agency (the "EPA") has provided us notice that Enpro has potential responsibility at 1 additional site where one of our subsidiaries formerly conducted business operations but no longer does. We have responded to the EPA that we do not have responsibility at that site and are awaiting EPA's response.

Our policy is to accrue environmental investigation and remediation costs when it is probable that a liability has been incurred and the amount can be reasonably estimated. For sites with multiple future projected cost scenarios for identified feasible investigation and remediation options where no one estimate is more likely than all the others, our policy is to accrue the lowest estimate among the range of estimates. The measurement of the liability is based on an evaluation of currently available facts with respect to each individual situation and takes into consideration factors such as existing technology, presently enacted laws and regulations and prior experience in the remediation of similar contaminated sites. Liabilities are established for all sites based on these factors. As assessments and remediation progress at individual sites, these liabilities are reviewed and adjusted to reflect additional technical data and legal information. As of September 30, 2024 and December 31, 2023, we had recorded liabilities aggregating $37.4 million and $39.0 million, respectively, for estimated future expenditures relating to environmental contingencies. The current portion of our aggregate environmental liability included in accrued liabilities was $9.0 million at September 30, 2024. These amounts have been recorded on an undiscounted basis in the Consolidated Balance Sheets. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other parties potentially being fully or partially liable, technology and information related to individual sites, we cannot develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities.

We believe that our accruals for specific environmental liabilities are adequate based on currently available information. Based upon limited information regarding any incremental remediation or other actions that may be required at these sites, we cannot estimate any further loss or a reasonably possible range of loss related to these matters. Actual costs to be incurred in future periods may vary from estimates because of the inherent uncertainties in evaluating environmental exposures due to unknown and changing conditions, changing government regulations and legal standards regarding liability.

Lower Passaic River Study Area

Based on our prior ownership of Crucible Steel Corporation a/k/a Crucible, Inc. (“Crucible”), we have contingent liabilities in several environmental matters, including the Lower Passaic River Study Area of the Diamond Alkali Superfund Site in New Jersey. Crucible operated a steel mill abutting the Passaic River in Harrison, New Jersey from the 1930s until 1974, which was one of many industrial operations on the river dating back to the 1800s. Certain contingent environmental liabilities related to this site were retained by a predecessor of EnPro Holdings when it sold a majority interest in Crucible Materials Corporation (the successor of Crucible) in 1985. The EPA notified our subsidiary in September 2003 that it is a potentially responsible party (“PRP”) for Superfund response actions in the lower 17-mile stretch of the Passaic River known as the Lower Passaic River Study Area.

EnPro Holdings and approximately 70 of the numerous other PRPs, known as the Cooperating Parties Group, are parties to a May 2007 Administrative Order on Consent with the EPA to perform a Remedial Investigation/Feasibility Study (“RI/FS”) of the contaminants in the Lower Passaic River Study Area. In September 2018, EnPro Holdings withdrew from the Cooperating Parties Group but remains a party to the May 2007 Administrative Order on Consent. The RI/FS was completed and submitted to the EPA at the end of April 2015. The RI/FS recommends a targeted dredge and cap remedy with monitored natural recovery and adaptive management for the Lower Passaic River Study Area. The cost of such remedy is estimated to be $726 million. Previously, on April 11, 2014, the EPA released its Focused Feasibility Study (the “FFS”) with its proposed plan for remediating the lower eight miles of the Lower Passaic River Study Area. The FFS calls for bank-to-bank dredging and capping of the riverbed of that portion of the river and estimates a range of the present value of aggregate remediation costs of approximately $953 million to approximately $1.73 billion, although estimates of the costs and the timing of costs are inherently imprecise. On March 3, 2016, the EPA issued the final Record of Decision ("ROD") as to the remedy for the lower eight miles of the Lower Passaic River Study Area, with the maximum estimated cost being reduced by the EPA from $ 1.73 billion to $1.38 billion, primarily due to a reduction in the amount of cubic yards of material that will be dredged. In October

2016, Occidental Chemical Corporation, the successor to the entity that operated the Diamond Alkali chemical manufacturing facility, reached an agreement with the EPA to develop the design for this proposed remedy at an estimated cost of $165 million. The EPA has estimated that it will take approximately four years to develop this design. On June 30, 2018, Occidental Chemical Corporation sued over 120 parties, including the Company, in the United States District Court for New Jersey seeking recovery of response costs under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA").

No final allocations of responsibility have been made among the numerous PRPs that have received notices from the EPA, there are numerous identified PRPs that have not yet received PRP notices from the EPA, and there are likely additional PRPs that have not yet been identified.

On April 14, 2021, the EPA issued its proposed remedy for the upper nine miles of the river, with an estimated present value cost of approximately $441 million. The proposed remedy would involve dredging and capping of the river sediment as an interim remedy followed by a period of monitoring to evaluate the response of the river system to the interim remedy.

When the EPA initiated the allocation process in 2017, it explained that a fair, carefully structured, information-based allocation was necessary to promote settlements. With the completion of the allocation process, in the second quarter of 2021 the EPA began settlement negotiations with the parties that participated in the allocation process, including EnPro Holdings. In September 2022, EnPro Holdings paid $5.9 million as part of a settlement between those parties and EPA. The payment will be held in escrow until court approval of the settlement. Our reserve for this site at September 30, 2024 was $0.7 million. Further adjustments to our reserve for this site are possible as new or additional information becomes available.

Except with respect to the Lower Passaic River Study Area, we are unable to estimate a reasonably possible range of loss related to any other contingent environmental liability based on our prior ownership of Crucible. See the section entitled “Crucible Steel Corporation a/k/a Crucible, Inc.” in this footnote for additional information.

Arizona Uranium Mines

EnPro Holdings has received notices from the EPA asserting that it is a potentially responsible party under the CERCLA as the successor to a former operator of eight uranium mines in Arizona, which are collectively one of the 19 sites referenced above. The former operator conducted operations at the mines from 1954 to 1957. In the 1990s, remediation work performed by others at these sites consisted of capping the exposed areas of the mines. We have previously reserved amounts of probable loss associated with these mines, principally including the cost of the investigative work to be conducted at such mines. We entered into an Administrative Settlement Agreement and Order on Consent for Interim Removal Action with the EPA effective November 7, 2017 for the performance of this work. We entered into a First Modification of Original Administrative Settlement Agreement and Order on Consent effective July 8, 2022 for the performance of Engineering Evaluations and Cost Analyses of potential remedial options at each of the sites. In 2020, the EPA initiated group discussions with EnPro Holdings and other potentially responsible parties to resolve various technical issues, including the development of cleanup standards. Based on these discussions and subsequent discussions with other responsible parties with similar sites, we have concluded that further remedial work beyond maintenance of and minor repairs to the existing caps is probable, and we are evaluating the feasibility of various remediation scenarios. Our reserve at September 30, 2024 for this site was $11.1 million, which is the low end of the range of our reasonably likely liability with respect to these sites and reflects the reasonable liability associated with consolidating and capping waste from each mine on-site. EPA has requested evaluation of a remediation scenario involving the excavation, hauling, consolidation, and capping of waste from multiple mines at an alternative off-site location, which, if required by EPA, would require an upward adjustment of the reserve. Based on currently available facts, this higher cost remediation scenario is currently not more likely to be required than the lower cost cap-in-place remediation scenario. We are not able at this time to estimate the upper end of a range of liability with respect to these sites.

On October 18, 2021, the United States District Court for the District of Arizona approved and entered a Consent Decree pursuant to which the U.S government will reimburse the Company for 35% of necessary costs of response, as defined in 42 U.S.C. section 9601(25), previously or to be in the future incurred by the Company which arise out of or in connection with releases or threatened releases of hazardous substances at or emanating from the mine sites. We expect future contributions of $2.8 million from the U.S. government towards remediation of the site. This amount was included in other assets in the accompanying consolidated balance sheet at September 30, 2024.

GGB Industrial Site Remediation Act (ISRA) Investigation and Cleanup

Under the agreement governing the November 2022 sale of GGB to The Timken Company, Enpro retained responsibility for compliance with New Jersey's Industrial Site Remediation Act ("ISRA") with respect to two GGB facilities located in Thorofare, New Jersey, which are collectively one of the 19 sites referenced above. ISRA requires the environmental investigation and remediation of industrial properties in association with the closure, sale or transfer of operations. All work under ISRA must be conducted under the direction of a Licensed Site Remediation Professional (“LSRP”) certified by a state licensing board. On September 9, 2024, the Company’s LSRP submitted Preliminary Assessment and Site Investigation Reports (“PA/SI Reports”) for this site to the state agency, confirming that the preliminary assessment identified, among other things, concentrations of certain per- and polyfluoroalkyl substances (“PFAS”) in soil and groundwater at the site. The PA/SI Reports also include the LSRP’s recommendations to further investigate the PFAS impacts in soil and, depending upon the results of further technical consultation with the state agency, the PFAS impacts in groundwater at the site. Our reserve at September 30, 2024 for the site was $2.2 million, which includes additional reserves accrued in the second quarter of 2024 pertaining to further investigation and cleanup. These reserves are based on currently available facts about the site and may be revised as investigation of the site continues in accordance with the ISRA requirements, or based on future technical consultation with the state agency.

Water Valley Litigation

In connection with operation of a former operation of a division of EnPro Holdings, the Company has been implementing and managing a solution to clean trichloroethylene ("TCE") soil and groundwater contamination at the location of a former operation in Water Valley, Mississippi (the “Water Valley Facility”). The Water Valley Facility was operated by a corporate predecessor of EnPro Holdings from 1972 through 1996, prior to Enpro’s formation in 2002. By 1987, TCE was no longer used at the Water Valley Facility. In 1996, Enpro Holdings’ corporate predecessor sold the division, including the Water Valley Facility, to Borg Warner. In 2021, BorgWarner sold the Water Valley Facility to Solero Technologies, which currently operates it.

On June 4, 2024, eight former employees at the Water Valley Facility filed a complaint in the United States District Court, Northern District of Mississippi against EnPro Industries, Inc., EnPro Holdings and others alleging personal injury and other claims related to alleged occupational exposure to TCE. Legal counsel for the eight claimants have indicated in preliminary discussions with the Company's legal counsel that they have identified a significant number of additional potential claimants in this matter for whom they may file complaints. At this time, the Company does not have further information regarding additional potential claimants and no such additional claims have been filed.

Our reserve at September 30, 2024 for the site was $ 11.9 million for on-going cleanup and monitoring costs and operation of a permanent vapor intrusion remediation system. Given the early stage of the litigation, Enpro cannot estimate a range of reasonably possible outcomes of the eight pending claims or any other claims based on similar allegations, and no reserves have been accrued for the litigation at September 30, 2024.

Other Environmental

In addition to the four sites discussed above, we have additional reserves of $ 11.5 million for the remaining 15 sites. These amounts represent a reasonable estimate of our probable future costs to remediate these sites given the facts and circumstances known at September 30, 2024.

Crucible Steel Corporation a/k/a Crucible, Inc.

Crucible, which was engaged primarily in the manufacture and distribution of high technology specialty metal products, was a wholly owned subsidiary of EnPro Holdings until 1983 when its assets and liabilities were distributed to a new subsidiary, Crucible Materials Corporation. EnPro Holdings sold a majority of the outstanding shares of Crucible Materials Corporation in 1985 and divested its remaining minority interest in 2004. Crucible Materials Corporation filed for Chapter 11 bankruptcy protection in May 2009 and is no longer conducting operations.

We have certain ongoing obligations, which are included in other liabilities in our Consolidated Balance Sheets, including workers’ compensation, retiree medical and other retiree benefit matters, in addition to those mentioned previously related to EnPro Holdings' period of ownership of Crucible. Based on EnPro Holdings' prior ownership of Crucible, we may have certain additional contingent liabilities, including liabilities in one or more significant environmental matters included in the matters discussed in “Environmental” above. We are investigating these matters. Except with respect to those matters for which we have an accrued liability as discussed in "Environmental" above, we are unable to estimate a reasonably possible range of loss related to these contingent liabilities.

Warranties

We provide warranties on many of our products. The specific terms and conditions of these warranties vary depending on the product and the market in which the product is sold. We record a liability based upon estimates of the costs we may incur under our warranties after a review of historical warranty experience and information about specific warranty claims. Adjustments are made to the liability as claims data, historical experience, and trends result in changes to our estimate.

Changes in the product warranty liability for the nine months ended September 30, 2024 and 2023 are as follows:

	2024	2023
	(in millions)	
Balance at beginning of year	$ 6.4	$ 5.2
Net charges to expense	0.5	1.3
Settlements made	(1.0)	(1.0)
Balance at end of period	$ 5.9	$ 5.5

16. Divestitures

On January 30, 2023, we completed the sale of Garlock Pipeline Technologies, Inc. ("GPT"). In the first quarter of 2023, we received $28.4 million, net of transaction fees. We recorded a pre-tax gain on the sale of discontinued operations of $14.6 million in the first quarter of 2023. This business comprised our remaining Engineered Materials segment ("Engineered Materials"). In connection with the divestiture of our Engineered Materials segment, we paid $3.1 million in the first quarter of 2023 related to the finalization of the sale of our GGB business, which closed in December of 2022. Accordingly, we have recast, for all periods presented, the financial condition, results of operations, and cash flows of Engineered Materials as discontinued operations in the accompanying financial statements.

For the nine months ended September 30, 2023, the results of operations from the discontinued Engineered Materials segment were as follows:

(in millions)	2023
Net sales	$ 2.0
Cost of sales	1.3
Gross profit	0.7
Operating expenses:	
Selling, general and administrative	0.4
Total operating expenses	0.4
Income from discontinued operation before income tax	0.3
Income tax expense	(0.1)
Income from discontinued operations, net of tax	0.2
Gain from sale of discontinued operation, net of tax	11.2
Income from discontinued operations, including gain on sale, net of tax	$ 11.4

Pursuant to applicable accounting guidance for the reporting of discontinued operations, allocations to Engineered Materials for corporate services not expected to continue at the divested business subsequent to closing have not been reflected in the above results of discontinued operations and have been reclassified to income from continuing operations in the accompanying consolidated financial statements of the Company for all periods. In addition, divestiture-related costs previously not allocated to Engineered Materials that were incurred as a result of the divestiture of Engineered Materials have been reflected in the financial results of discontinued operations.

In connection with the sale of a business in 2020, which was not classified as a discontinued operation, we received a long-term promissory note as partial consideration. We evaluate the collectability of the note at least quarterly and based on the evaluation, we provided a $4.5 million reserve in the first quarter of 2024. The net book value of the note after the reserve was $4.0 million as of September 30, 2024. We will continue to monitor the collectability of the note and will record adjustments to the estimated net realizable value as deemed necessary until the note is settled. This note matures in 2026.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following is management’s discussion and analysis of certain significant factors that have affected our financial condition, cash flows and operating results during the periods included in the accompanying unaudited consolidated financial statements and the related notes. You should read this in conjunction with those financial statements and the audited consolidated financial statements and related notes included in our annual report on Form 10-K for the fiscal year ended December 31, 2023.

Forward-Looking Information

This quarterly report on Form 10-Q includes statements that reflect projections or expectations of the future financial condition, results of operations and business of Enpro that are subject to risk and uncertainty. We believe those statements to be “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this report, the words “may,” “hope,” “will,” “should,” “expect,” “plan,” “anticipate,” “intend,” “believe,” “estimate,” “predict,” “potential,” “continue,” “likely,” and other expressions generally identify forward-looking statements.

We cannot guarantee actual results or events will not differ materially from those projected, estimated, assigned or anticipated in any of the forward-looking statements contained in this report. Important factors that could result in those differences include those specifically noted in the forward-looking statements and those identified in Item 1A, “Risk Factors” of our annual report on Form 10-K for the year ended December 31, 2023, which include:

- economic conditions in the markets served by our businesses and the businesses of our customers, some of which are cyclical and experience periodic downturns;
- the impact of geopolitical activity on those markets, including instabilities associated with the armed conflict in Ukraine, the armed conflicts in the Middle East and any conflict or threat of conflict that may affect Taiwan;
- uncertainties with respect to the imposition of government embargoes, tariffs and trade protection measures, such as “anti-dumping” duties applicable to classes of products, and import or export licensing requirements, as well as the imposition of trade sanctions against a class of products imported from or sold and exported to, or the loss of “normal trade relations” status with, countries in which we conduct business, could significantly increase our cost of products or otherwise reduce our sales and harm our business;
- uncertainties with respect to prices and availability of raw materials, including as a result of instabilities from geopolitical conflicts;
- uncertainties with respect to our ability to achieve anticipated growth within the semiconductor, life sciences, and other technology-enabled markets, including uncertainties with respect to receipt of CHIPS Act support;
- the impact of fluctuations in relevant foreign currency exchange rates or unanticipated increases in applicable interest rates;
- unanticipated delays or problems in introducing new products;
- the impact of any labor disputes;
- announcements by competitors of new products, services or technological innovations;
- changes in our pricing policies or the pricing policies of our competitors;
- risks related to the reliance of our Advanced Surface Technologies segment on a small number of significant customers;
- uncertainties with respect to our ability to identify and complete business acquisitions consistent with our strategy and to successfully integrate any businesses that we acquire; and
- uncertainties with respect to the amount of any payments required to satisfy contingent liabilities, including those related to discontinued operations, other divested businesses and discontinued operations of our predecessors, including liabilities for certain products, environmental matters, employee benefit and statutory severance obligations and other matters.

We caution investors not to place undue reliance on our forward-looking statements, which speak only as of the date on which such statements were made.

Whenever you read or hear any subsequent written or oral forward-looking statements attributed to us or any person acting on our behalf, you should keep in mind the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Non-GAAP Financial Information

In our discussion of our outlook and results of operations, we utilize financial measures that have not been prepared in conformity with generally accepted accounting principles in the United States ("GAAP"). They include adjusted income from continuing operations, adjusted diluted earnings per share, adjusted earnings before interest, taxes, depreciation, and amortization ("adjusted EBITDA"), and total adjusted segment EBITDA. Tables showing the reconciliation of these non-GAAP financial measures to the comparable GAAP measures are included in "— Results of Operations" and "—Reconciliations of Non-GAAP Financial Measures to the Comparable GAAP Measures "

We believe these non-GAAP metrics are commonly used financial measures for investors to evaluate our operating performance and, when read in conjunction with our consolidated financial statements, present a useful tool to evaluate our ongoing operations and performance from period to period. In addition, these non-GAAP measures are some of the factors we use in internal evaluations of the overall performance of our businesses. We acknowledge that there are many items that impact our reported results and the adjustments reflected in these non-GAAP measures are not intended to present all items that may have impacted these results. In addition, these non-GAAP measures we use are not necessarily comparable to similarly titled measures used by other companies.

Discontinued Operations

On January 30, 2023, we completed the sale of Garlock Pipeline Technologies, Inc. ("GPT") for gross proceeds of $28.4 million. We recorded a pre-tax gain on the sale of discontinued operations of $14.6 million in the first quarter of 2023. This business comprised our remaining Engineered Materials segment ("Engineered Materials"). Accordingly, we have recast, for all periods presented, the financial condition, results of operations, and cash flows of Engineered Materials as discontinued operations in the accompanying financial statements. Furthermore, unless otherwise specified, amounts presented in Management's Discussion and Analysis are for continuing operations only.

Overview

Overview. We are a leading-edge industrial technology company focused on critical applications across a diverse group of growing end markets such as semiconductor, photonics, industrial process, aerospace, food, biopharmaceutical, nuclear and life sciences. We have 13 primary manufacturing and service facilities located in 6 countries, including the United States. Enpro is a leader in applied engineering and designs, develops, manufactures, and markets proprietary, value-added products and solutions that safeguard a variety of critical environments.

Over the past several years, we have executed several strategic initiatives to create a portfolio of businesses that offer proprietary, industrial technology-related products and solutions with high barriers to entry, compelling margins, strong cash flow, and recurring aftermarket revenue in markets with favorable secular tailwinds.

We are committed to our strategy to create long-term shareholder value through earnings growth, strong free cash flow generation, and a balanced capital allocation approach. We will continue to focus our investments on new products, technology innovation, and productivity and continuous improvement initiatives. In connection with our growth strategy, we continue to evaluate acquisition opportunities that fit our strategic frameworks, based on a consistent criteria that includes compelling margins, leading technology, aftermarket/recurring revenue characteristics, and high cash flow return on investment in markets that have secular tailwinds.

We manage our business as two segments: a Sealing Technologies segment and an Advanced Surface Technologies segment.

Our Sealing Technologies segment engineers and manufactures value-added products and solutions that safeguard a variety of critical environments, including: metallic, non-metallic and composite material gaskets; dynamic seals; compression packing; elastomeric components; custom-engineered mechanical seals used in diverse applications; hydraulic components; test, measurement and sensing applications; sanitary gaskets; hoses and fittings for hygienic process industries; fluid transfer products for the pharmaceutical and biopharmaceutical industries; and commercial vehicle solutions used in wheel-end and suspension components that customers rely upon to ensure safety on our roadways.

These products are used in a variety of markets, including chemical and petrochemical processing, nuclear energy, hydrogen, natural gas, food and biopharmaceutical processing, primary metal manufacturing, mining, water and waste treatment, commercial vehicle, aerospace (including commercial space), medical, filtration and semiconductor fabrication. In all these industries, the performance and durability of our proprietary products and solutions are vital for the safety and environmental protection of our customers’ processes. Many of our products and solutions are used in highly demanding applications, often in harsh environments, where the cost of failure is extremely high relative to the cost of our offerings to our customers. These environments include those where extreme temperatures, extreme pressures, corrosive agents, strict tolerances, or worn equipment create challenges for product performance. Sealing Technologies offers customers widely recognized applied engineering, innovation, process know-how and enduring reliability, driving a lasting aftermarket for many of our products and solutions.

Our Advanced Surface Technologies (AST) segment applies proprietary technologies, processes, and capabilities to deliver a highly differentiated suite of products and solutions for challenging applications in high-growth markets. The segment's products and solutions are used in demanding environments requiring performance, precision and repeatability, with a low tolerance for failure. AST's products and solutions include: (i) cleaning, coating, testing, refurbishment and verification for critical components and assemblies used in semiconductor manufacturing equipment, with meaningful exposures to state-of-the-art advanced node chip applications; (ii) designing, manufacturing and selling specialized optical filters and proprietary thin-film coatings for the most challenging applications in the industrial technology, life sciences, and semiconductor markets; (iii) engineering and manufacturing complex front-end wafer processing sub-systems and new and refurbished electrostatic chuck pedestals for the semiconductor equipment industry; and (iv) engineering and manufacturing edge-welded metal bellows for the semiconductor equipment industry and critical applications in the space, aerospace and defense markets. In many instances, AST capabilities drive products and solutions that enable the performance of our customers' high-value processes through an entire life cycle.

Our goodwill is not amortized, but instead is subject to impairment testing that is conducted at least once each calendar year in the fourth quarter. We review market expectations and our actual and projected financial performance quarterly to determine if a triggering event exists that warrants the performance of an interim impairment test. We performed an interim review as of September 30, 2024, and concluded that no triggering event existed as of that date.

We will perform our next annual goodwill impairment test in the fourth quarter of 2024. The market conditions in 2024 and the near-term outlook for the semiconductor industry, (including our Semiconductor reporting unit which is included in the Advanced Surface Technologies segment), has been and is projected to be softer than we projected at the time of our annual test in the fourth quarter of 2023. The fair value of our Semiconductor reporting unit at the time of our fourth quarter 2023 test exceeded its book value by approximately 20%, which we expect will be lower when we complete our test in the fourth quarter of 2024. The fair value of our three reporting units within our Sealing Technologies segment significantly exceeded their book value at the time of last year's annual goodwill impairment tests.

Acquisitions

On January 29, 2024, Enpro acquired all of the equity securities of Advanced Micro Instruments, Inc. ("AMI"), a privately held company, for $209.4 million, net of cash acquired. In connection with the acquisition of AMI, there were $0.2 million and $3.7 million of acquisition-related costs incurred during the quarter and nine months ended September 30, 2024, respectively, which were expensed during such periods and included in selling, general, and administrative expense in the accompanying Consolidated Statements of Operations.

AMI is a leading provider of highly-engineered, application-specific analyzers and sensing technologies that monitor critical parameters to maintain infrastructure integrity, enable process efficiency, enhance safety, and facilitate the clean energy transition. AMI is included within the Sealing Technologies segment.

Based in Costa Mesa, California, AMI serves customers in the midstream natural gas, biogas, industrial processing, cryogenics, food processing, laboratory wastewater and aerospace markets, The company offers a portfolio of oxygen, hydrogen, sulfide and moisture analyzers and proprietary sensing capabilities that detect contaminants in a variety of processes, including natural gas and biogas streams, which enable operators to avoid flaring and, thereby, reduce CO_2 emissions.

Highlights. Financial highlights of our continuing operations for the quarters and nine months ended September 30, 2024 and September 30, 2023 are as follows:

	Quarters Ended September 30,				Nine Months Ended September 30,			
	2024		2023		2024		2023	
	(in millions, except per share data)							
Net sales	$	260.9	$	250.7	$	790.3	$	810.2
Income from continuing operations attributable to Enpro Inc.	$	19.8	$	8.3	$	59.0	$	15.7
Net income attributable to Enpro Inc.	$	19.8	$	8.3	$	59.0	$	27.1
Diluted earnings per share from continuing operations attributable to Enpro Inc.	$	0.94	$	0.39	$	2.80	$	0.75
Adjusted income from continuing operations attributable to Enpro Inc.[1]	$	36.7	$	33.1	$	113.7	$	112.1
Adjusted diluted earnings per share[1]	$	1.74	$	1.58	$	5.39	$	5.35
Adjusted EBITDA [1]	$	64.1	$	57.7	$	196.6	$	191.1

[1] A reconciliation of non-GAAP measures to their respective GAAP measure is located in the Reconciliation of Non-GAAP Financial Measures to the Comparable GAAP Measure at the end of this section.

Results of Operations

	Quarters Ended September 30, 2024	Quarters Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
	(in millions)			
Sales				
Sealing Technologies	$ 168.6	$ 161.4	$ 524.2	$ 511.4
Advanced Surface Technologies	92.5	89.4	266.6	299.1
	261.1	250.8	790.8	810.5
Intersegment sales	(0.2)	(0.1)	(0.5)	(0.3)
Net sales	$ 260.9	$ 250.7	$ 790.3	$ 810.2
Income from continuing operations attributable to Enpro Inc., net of tax	$ 19.8	$ 8.3	$ 59.0	$ 15.7
Adjusted Segment EBITDA				
Sealing Technologies	$ 55.1	$ 47.9	$ 173.5	$ 153.9
Advanced Surface Technologies	19.2	19.3	55.6	72.8
Total Adjusted Segment EBITDA	$ 74.3	$ 67.2	$ 229.1	$ 226.7
Reconciliations of Income from Continuing Operations to Adjusted Segment EBITDA				
Income from continuing operations attributable to Enpro Inc., net of tax	$ 19.8	$ 8.3	$ 59.0	$ 15.7
Plus: net loss attributable to redeemable non-controlling interests	—	(0.1)	—	(4.3)
Income from continuing operations	19.8	8.2	59.0	11.4
Income tax expense	(4.2)	(14.7)	(15.7)	(17.0)
Income from continuing operations before income taxes	24.0	22.9	74.7	28.4
Acquisition expenses	0.3	—	3.8	—
Non-controlling interest compensation allocation	—	—	—	(0.3)
Amortization of the fair value adjustment to acquisition date inventory	—	—	1.7	—
Restructuring and impairment expense	4.4	2.0	5.5	2.6
Depreciation and amortization expense	25.2	23.5	75.0	70.9
Corporate expenses	10.3	9.8	33.0	36.4
Interest expense, net	9.0	7.1	26.7	23.6
Goodwill impairment	—	—	—	60.8
Other expense (income), net	1.1	1.9	8.7	4.3
Adjusted Segment EBITDA	$ 74.3	$ 67.2	$ 229.1	$ 226.7

We measure operating performance of our reportable segments based on segment earnings before interest, income taxes, depreciation, amortization, and other selected items ("Adjusted Segment EBITDA" or "Segment AEBITDA"), which is segment revenue reduced by operating expenses and other costs identifiable with the segment, excluding acquisition and divestiture expenses, restructuring costs, impairment charges, non-controlling interest compensation, amortization of the fair value adjustment to acquisition date inventory, and depreciation and amortization. Adjusted Segment EBITDA is not defined under GAAP and may not be comparable to similarly-titled measures used by other companies. Corporate expenses include general corporate administrative costs. Segment non-operating expenses and income, corporate expenses, net interest expense, goodwill impairment, and income taxes are not included in the computation of Adjusted Segment EBITDA. The accounting policies of the reportable segments are the same as those for Enpro.

In the first quarter of 2024, we refined our definition of Adjusted Segment EBITDA and corporate expenses to include certain other income or expenses previously reported in other expense, net. These items were primarily comprised of bank fees and certain foreign exchange transaction gains and losses. As a result of this change, for the quarter ended September 30, 2023, we recast our results to decrease Sealing Technologies Adjusted Segment EBITDA by $0.1 million, increase Advanced Surface Technologies Adjusted Segment EBITDA by $0.3 million, and increase corporate expenses by $0.4 million. For the nine months ended September 30, 2023, we increased Advanced Surface Technologies Adjusted Segment EBITDA by $0.2 million and increased corporate expenses by $1.3 million.

Other expense, net in the table above contains all items included in other expense (non-operating) on our Consolidated Statements of Operations for the respective periods presented.

Third Quarter of 2024 Compared to the Third Quarter of 2023

Sales of $260.9 million in the third quarter of 2024 increased 4.1% from $250.7 million last year. The following table summarizes the impact of a divestiture and foreign currency on sales by segment:

Sales	**Percent Change Quarter Ended September 30, 2024 vs. Quarter Ended September 30, 2023**			
increase/(decrease)	Acquisition	Foreign Currency	Organic	Total
Enpro Inc.	3.4 %	(0.2) %	0.9 %	4.1 %
Sealing Technologies	5.1 %	(0.2) %	(0.4)%	4.5 %
Advanced Surface Technologies	— %	— %	3.5 %	3.5 %

Following is a discussion of operating results for each segment for the third quarter of 2024 as compared to the third quarter of 2023:

Sealing Technologies. Sales of $168.6 million in the third quarter of 2024 increased 4.5% compared to $161.4 million in the same period of 2023. Excluding the unfavorable foreign exchange translation ($0.4 million) and the sales from a recent acquisition ($8.3 million), sales were down 0.4% or $0.7 million. Organic sales were relatively flat as strategic pricing actions, strength in general industrial, particularly in Europe, aerospace and firm food and pharma and nuclear demand offset a 33% decline in commercial vehicle OEM sales and slow Asian industrial markets.

Adjusted Segment EBITDA of $55.1 million in the third quarter of 2024 increased 15.0% from $47.9 million in the third quarter of 2023. Segment AEBITDA margin increased to 32.7% in the third quarter of 2024 from 29.7% last year. Excluding the unfavorable foreign exchange translation ($0.4 million) and the contribution from a business recently acquired of $4.2 million, adjusted Segment EBITDA increased 7.1%, or $3.4 million. The increase was driven primarily by strategic pricing actions, favorable aftermarket sales mix and continuous improvement initiatives.

Advanced Surface Technologies. Sales of $92.5 million in the third quarter of 2024 increased 3.5% or $3.1 million compared to sales of $89.4 million in the same period last year. Growth in advanced node cleaning solutions sales offset a difficult demand environment for wafer fab equipment and slow optical filter sales.

Adjusted Segment EBITDA of $19.2 million in the third quarter of 2024 decreased 0.5% from $19.3 million in the comparable period of 2023. Segment AEBITDA margin decreased to 20.8% from 21.6% in the third quarter of 2023. The $0.1 million decrease in Adjusted Segment EBITDA was primarily driven by higher labor and manufacturing overhead ($1.9 million) and increased selling, general, and administrative expenses ($1.8 million) mostly offset by higher volume and favorable mix ($3.6 million).

Corporate expenses for the third quarter of 2024 increased $0.5 million as compared to the same period in 2023, primarily due to an increase in share price-based incentive compensation expense, partially offset by lower current-year annual incentive compensation expense and professional fees.

Interest expense, net in the third quarter of 2024 increased by $1.9 million from the third quarter of 2023 primarily driven by lower interest income on cash balances following the acquisition of AMI, partially offset by lower average outstanding debt.

Other expense, net in the third quarter of 2024 decreased $0.8 million compared to the same period in 2023, primarily driven by decreased environmental related costs ($0.4 million) and lower non-service pension related costs ($0.4 million).

The effective tax rates for the quarters ended September 30, 2024 and 2023 were 17.4% and 63.9%, respectively. The effective tax rate for the quarter ended September 30, 2024 is lower than the U.S. Federal tax rate primarily driven by favorable adjustments resulting from the completion of the 2023 year-end U.S. Federal income tax return. The effective tax rate for the quarter ended September 30, 2023 is higher than the U.S. Federal tax rate primarily driven by the impact of the second quarter 2023 impairment of non-deductible goodwill on the annual effective tax rate and an increase in the valuation allowance in the third quarter 2023 on certain foreign net operating losses.

Income from continuing operations attributable to Enpro Inc., net of tax was $19.8 million, or $0.94 per share, in the third quarter of 2024 compared to $8.3 million, or $0.39 per share, in the third quarter of 2023. Earnings per share is expressed on a fully diluted basis.

Nine Months Ended September 30, 2024 Compared to the Nine Months Ended September 30, 2023

Sales of $790.3 million in the first nine months of 2024 decreased 2.5% from $810.2 million in the first nine months of 2023. The following table summarizes the impact of an acquisition and foreign currency on sales by segment:

Sales	**Percent Change Nine Months Ended September 30, 2024 vs. Nine Months Ended September 30, 2023**			
increase/(decrease)	Acquisition	Foreign Currency	Organic	Total
Enpro Inc.	3.1 %	(0.1) %	(5.5)%	(2.5)%
Sealing Technologies	4.9 %	(0.1) %	(2.3)%	2.5 %
Advanced Surface Technologies	— %	— %	(10.9)%	(10.9)%

Following is a discussion of operating results for each segment for the first nine months of 2024 as compared to the first nine months of 2023:

Sealing Technologies. Sales of $524.2 million in the first nine months of 2024 reflect a 2.5% increase compared to the $511.4 million in the same period of 2023. Excluding the unfavorable foreign exchange translation ($0.7 million) and the sales from a recent acquisition of $25.1 million, sales were down 2.3%, or $11.6 million. The decrease in sales was driven by weakness in commercial vehicle OEM sales largely offset by firm demand across other markets and the impact of strategic pricing actions.

Adjusted Segment EBITDA of $173.5 million in the first nine months of 2024 increased 12.7% from $153.9 million in the first nine months of 2023. Segment AEBITDA margin of 33.1% in the first nine months of 2024 increased from 30.1% last year. Excluding the unfavorable foreign exchange translation ($0.4 million) and the contribution from a business recently acquired of $13.4 million, adjusted Segment EBITDA increased 4.3%, or $6.6 million. The increase in segment AEBITDA was primarily driven by strategic pricing, favorable mix, and the benefit from continuous improvement initiatives.

Advanced Surface Technologies. Sales of $266.6 million in the first nine months of 2024 decreased 10.9%, or $32.5 million, compared to the $299.1 million in the same period of 2023. The decrease was driven primarily by weakness in the semiconductor capital equipment demand.

Adjusted Segment EBITDA of $55.6 million in the first nine months of 2024 decreased 23.6% from $72.8 million in the comparable period last year. Segment AEBITDA margins decreased to 20.9% from 24.3% in the first nine months of 2023. The decrease in adjusted Segment EBITDA was driven by lower sales volumes ($19.4 million), higher selling, general, and administrative costs ($2.2 million), and higher labor and manufacturing overhead ($1.3 million), partially offset by a favorable mix ($5.7 million).

Corporate expenses for the first nine months of 2024 decreased $3.4 million as compared to the same period in 2023 driven primarily by a decrease in share price-based incentive compensation expense, lower current-year annual incentive compensation expense, and decreased professional fees.

Interest expense, net in the first nine months of 2024 increased by $3.1 million compared to the first nine months of 2023, driven by lower interest income on cash balances following the acquisition of AMI, partially offset by lower average outstanding debt.

Other expense, net in the first nine months of 2024 increased $4.4 million compared to the same period last year, primarily due to the increase in the valuation reserve on a long-term promissory note received in partial consideration for the sale of a non-strategic business in 2020 ($4.5 million) and increased environmental related costs ($1.8 million), partially offset by income realized from the settlement of a legacy claim ($0.6 million) and lower non-service pension related costs ($1.0 million).

The effective tax rates for the nine months ended September 30, 2024 and 2023 were 21.0% and 59.8%, respectively. The effective tax rate for the nine months ended September 30, 2024 is consistent with the U.S. Federal tax rate as a result of higher tax rates in most foreign jurisdictions offset by the favorable adjustments resulting from the completion of the 2023 year-end U.S. Federal income tax return and an additional tax benefit related to share-based payment awards. The effective tax rate for the nine months ended September 30, 2023 is higher than the U.S. Federal tax rate primarily driven by impairment of non-deductible goodwill, valuation allowance on certain foreign net operating losses, and higher tax rates in most foreign jurisdictions partially offset by a tax benefit related to share-based payment awards.

Income from continuing operations attributable to Enpro Inc., net of tax was $59.0 million, or $2.80 per share, in the first nine months of 2024 compared to $15.7 million, or $0.75 per share, in the first nine months of 2023. Earnings per share is expressed on a diluted basis.

Backlog

As of September 30, 2024, the aggregate amount of transaction price of remaining performance obligations, or backlog, on a consolidated basis was $241.6 million. Approximately 95% of these obligations are expected to be satisfied within one year. There is no certainty these orders will result in actual sales at the times or in the amounts ordered. In addition, for most of our business, backlog is not particularly predictive of future performance because of our short lead times and some seasonality.

Liquidity and Capital Resources

Cash requirements for, but not limited to, working capital, capital expenditures, acquisitions, and debt repayments have been funded from cash balances on hand, revolver borrowings and cash generated from operations. We are proactively pursuing acquisition opportunities. Should we need additional capital, we have resources available, which are discussed in this section under the heading “Capital Resources.”

As of September 30, 2024, we held $27.6 million of cash and cash equivalents in the United States and $179.3 million of cash outside of the United States. If the funds held outside the United States were needed for our operations in the U.S., we have several methods to repatriate without significant tax effects, including repayment of intercompany loans, distributions subject to a 100 percent dividends-received deduction for income tax purposes, or distributions of previously-taxed earnings.

Because of the transition tax, GILTI, and Subpart F provisions, undistributed earnings of our foreign subsidiaries totaling $187.1 million at December 31, 2023 have been subjected to U.S. income tax or are eligible for the 100 percent dividends-received deduction under Section 245A of the Internal Revenue Code provided in the Tax Cuts and Jobs Act. Additionally, undistributed earnings are estimated to be $230.5 million as of September 30, 2024. Whether through the application of the 100 percent dividends received deduction, or distribution of these previously-taxed earnings, we do not intend to distribute foreign earnings that will be subject to any significant incremental U.S. or foreign tax. During the first nine months of 2024, we repatriated $42.6 million which was utilized to paydown our U.S.-based indebtedness and reduce our interest expense. We have determined that estimating any tax liability on our investment in foreign subsidiaries is not practicable. Therefore, we have not recorded any deferred tax liability on undistributed earnings of foreign subsidiaries.

Cash Flows

Operating activities of continuing operations provided $103.5 million of cash in the first nine months of 2024 and $154.8 million of cash in the first nine months of 2023. The year-over-year decrease was primarily driven by the decline in revenue, timing of working capital, and payments related to short-term operating liabilities, as well as $19.2 million of additional tax payments made in 2024.

Investing activities of continuing operations used $229.5 million of cash in the first nine months of 2024 compared to $4.7 million of cash provided by investing activities last year. The acquisition of AMI ($209.4 million) and capital expenditures ($18.8 million) were the primary uses of cash for investing activities in the year-to-date period. In the first nine months of 2023, investing activities provided $4.7 million, with $25.7 million received from the sale of businesses more than offsetting $20.7 million for capital expenditures.

Financing activities of continuing operations used $44.0 million of cash in the first nine months of 2024, driven by $18.3 million used for the acquisition of non-controlling interests, primarily for the acquisition of the Alluxa non-controlling interests, $19.0 million used for dividends and $6.1 million in net repayments of debt. Financing activities in the first nine months of 2023 used $162.8 million, primarily from $143.1 million in net repayments of debt and $18.3 million used for dividends paid.

Capital Resources

Senior Secured Credit Facilities. On December 17, 2021, we entered into a Third Amended and Restated Credit Agreement (the “Amended Credit Agreement”) among the Company and EnPro Holdings, as borrowers, certain foreign subsidiaries of the Company from time-to-time party thereto, as designated borrowers, the guarantors party thereto, the lenders party thereto and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.

The Amended Credit Agreement provides for credit facilities in the initial aggregate principal amount of $1,007.5 million, consisting of a five-year, senior secured revolving credit facility of $400.0 million (the “Revolving Credit Facility”), a $142.5 million senior secured term loan facility in replacement of the our existing senior secured term loan facility, maturing September 25, 2024 (the “Term Loan A-1 Facility”), a five-year, senior secured term loan facility of $315.0 million (the “Term Loan A-2 Facility”) and a 364-day, senior secured term loan facility of $150.0 million (the “364-Day Facility” and together with the Revolving Credit Facility, the Term Loan A-1 Facility and the Term Loan A-2 Facility, the “Facilities”). The Amended Credit Agreement also provides that we may seek incremental term loans and/or additional revolving credit commitments in an amount equal to the greater of $275.0 million and 100% of consolidated EBITDA for the most recently ended four-quarter period for which we have reported financial results, plus additional amounts based on a consolidated senior secured leverage ratio. The Amended Credit Agreement became effective on December 17, 2021.

Borrowings under the 364-Day Facility bore interest at an annual rate of LIBOR plus 1.50% or base rate plus 0.50%. Initially, borrowings under the Facilities (other than the 364-Day Facility) bore interest at an annual rate of LIBOR plus 1.75% or base rate plus 0.75%, although these interest rates were subject to incremental increase or decrease based on a consolidated total net leverage ratio. On November 8, 2022, we entered into a First Amendment to the Amended Credit Agreement, which replaced the LIBOR-based interest rate option with an option based on Term SOFR ("Secured Overnight Financing Rate") plus (i) a credit spread adjustment of 0.10% and (ii) 1.75%, again subject to incremental increase or decrease based on a consolidated total net leverage ratio. In addition, a commitment fee accrues with respect to the unused amount of the Revolving Credit Facility at an annual rate of 0.225%, which rate is also subject to incremental increase or decrease based on a consolidated total net leverage ratio.

The Term Loan A-1 Facility amortized on a quarterly basis in an annual amount equal to 2.50% of the original principal amount of the Term Loan A-1 Facility ($150.0 million) in year one after the closing, 5.00% of such original principal amount in year two and 1.25% of such original principal amount in each of the first three quarters of year three, with the remaining outstanding principal amount payable at maturity. The Term Loan A-2 Facility amortizes on a quarterly basis in an annual amount equal to 2.5% of the original principal amount of the Term Loan A-2 Facility in each of years one through three, 5.0% of such original principal amount in year four and 1.25% of such original principal amount in each of the first three quarters of year five, with the remaining outstanding principal amount payable at maturity. The 364-Day Facility did not amortize and was repaid in full in the third quarter of 2022. On July 26, 2023, we voluntarily prepaid all outstanding borrowings and accrued and unpaid interest under the Term Loan A-1 Facility (a remaining principal balance of $133.1 million and accrued interest of $0.6 million). The Facilities are subject to prepayment with the net cash proceeds of certain asset sales not reinvested in acquisitions within a specified period, casualty or condemnation events, and non-permitted debt issuances. There is no prepayment penalty for a full or partial repayment of the Facilities at any time.

The Company and EnPro Holdings are the permitted borrowers under the Facilities. The Company may also from time to time designate any of its wholly owned foreign subsidiaries as a borrower under the Revolving Credit Facility. Each of the Company’s domestic subsidiaries (other than any subsidiaries that may be designated as “unrestricted” by the Company from time to time, and inactive subsidiaries) is required to guarantee the obligations of the borrowers under the Facilities, and each of the Company’s existing domestic subsidiaries (other than inactive subsidiaries) has entered into the Amended Credit Agreement to provide such a guarantee.

Borrowings under the Facilities are secured by a first-priority pledge of the following assets:

- 100% of the capital stock of each domestic subsidiary of the Company (other than unrestricted or inactive subsidiaries);
- 65% of the capital stock of any first-tier foreign subsidiary of the Company and its domestic subsidiaries (other than unrestricted or inactive subsidiaries); and
- substantially all of the assets (including, without limitation, machinery and equipment, inventory and other goods, accounts receivable, bank accounts, general intangibles, financial assets, investment property, license rights, patents, trademarks, trade names, copyrights, chattel paper, insurance proceeds, contract rights, hedge agreements, documents, instruments, indemnification rights, tax refunds and cash, but excluding real estate interests) of the Company and its domestic, consolidated subsidiaries (other than unrestricted or inactive subsidiaries).

The Amended Credit Agreement contains certain financial covenants and required financial ratios, including:

- a maximum consolidated total net leverage ratio of not more than 4.75 to 1.0 (with total debt, for the purposes of such ratio, to be net of up to $150 million of unrestricted cash of Enpro Inc. and its consolidated subsidiaries), which ratio will decrease to 4.5 to 1.0 for each fiscal quarter beginning with the fiscal quarter ending March 31, 2022 and ending with the fiscal quarter ending December 31, 2022, and to 4.0 to 1.0 for each quarter thereafter; and, once so decrease, may be increased (up to three times) at the borrowers' option to not more than 4.5 to 1.0 for the for-quarter period following a significant acquisition; and
- a minimum consolidated interest coverage ratio of at least 2.5 to 1.0.

The Amended Credit Agreement contains affirmative and negative covenants (subject, in each case, to customary exceptions and qualifications), including covenants that limit our ability to, among other things:

- grant liens on our assets;
- incur additional indebtedness (including guarantees and other contingent obligations);
- make certain investments (including loans and advances);
- merge or make other fundamental changes;
- sell or otherwise dispose of property or assets;
- pay dividends and other distributions and prepay certain indebtedness;
- make changes in the nature of our business;
- enter into transactions with our affiliates;
- enter into burdensome contracts; and
- modify or terminate documents related to certain indebtedness.

We were in compliance with all of the covenants of the Amended Credit Agreement as of September 30, 2024.

The borrowing availability under our Revolving Credit Facility at September 30, 2024 was $390.0 million after giving consideration to $10.0 million of outstanding letters of credit. The balance of borrowings outstanding under the Term Loan A-2 Facility at September 30, 2024 was $293.3 million.

Senior Notes. In October 2018, we completed the offering of $350.0 million aggregate principal amount of 5.75% Senior Notes due 2026 (the "Senior Notes").

The Senior Notes were issued to investors at 100% of the principal amount thereof. The Senior Notes are unsecured, unsubordinated obligations of Enpro and mature on October 15, 2026. Interest on the Senior Notes accrues at a rate of 5.75% per annum and is payable semi-annually in cash in arrears on April 15 and October 15 of each year, commencing April 15, 2019. The Senior Notes are required to be guaranteed on a senior unsecured basis by each of Enpro's existing and future direct and indirect domestic subsidiaries that is a borrower under, or guarantees, our indebtedness under the Revolving Credit Facility or guarantees any other Capital Markets Indebtedness (as defined in the indenture governing the Senior Notes) of Enpro or any of the guarantors. We may, on any one or more occasions, redeem all or a part of the Senior Notes at specified redemption prices plus accrued and unpaid interest.

Each holder of the Senior Notes may require us to repurchase some or all of the Senior Notes held by such holder for cash upon the occurrence of a defined "change of control" event. Our ability to redeem the Senior Notes prior to maturity is subject to certain conditions, including in certain cases the payment of make-whole amounts.

The indenture governing the Senior Notes requires us to offer to repurchase the Senior Notes at a price equal to 100.0% of the principal amount thereof plus accrued and unpaid interest, in the event that the net cash proceeds of certain asset sales are not reinvested in acquisitions, capital expenditures, or used to repay or otherwise reduce specified indebtedness within a specified period, to the extent the remaining net proceeds exceed a specified amount.

At September 30, 2024, we were in compliance with all of the covenants of the indenture governing the Senior Notes.

Share Repurchase Program. Enpro's board of directors approved a new share repurchase authorization in October 2024, replacing the previous $50.0 million authorization that recently expired. No shares were purchased under the prior repurchase program. Under the replacement authorization, which is identical to the prior authorization, the Company may repurchase up to $50.0 million of shares in both open market and privately negotiated transactions. The Company's management is authorized to determine the timing and amount of any such repurchases based on its evaluation of market conditions, capital alternatives, and other factors. Repurchases may also be made under Rule 10b5-1 plans, which could result in the repurchase of shares during periods when the Company otherwise would be precluded from doing so under insider trading laws. The renewed share repurchase authorization expires in October 2026.

Critical Accounting Estimates

Please refer to "Critical Accounting Estimates" in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our annual report on Form 10-K for the fiscal year ended December 31, 2023, for a discussion of our critical accounting estimates, which is incorporated here by reference.

Contingencies

A description of our contingencies is included in Note 15 to the Consolidated Financial Statements in this report, which is incorporated herein by reference.

Supplemental Guarantor Financial Information

On October 17, 2018, we completed the offering of the Senior Notes. The Senior Notes are fully and unconditionally guaranteed on an unsecured, unsubordinated, joint and several basis by our wholly owned direct and indirect domestic subsidiaries, that are each guarantors of our Revolving Credit Facility, including subsidiaries that were wholly owned at the time they provided the guarantee but thereafter became majority owned subsidiaries (collectively, the "Guarantor Subsidiaries"). The Guarantor Subsidiaries at September 30, 2024 comprise all of our consolidated domestic subsidiaries at that date. Our subsidiaries organized outside of the United States (collectively, the "Non-Guarantor Subsidiaries") do not guarantee the Senior Notes.

The Guarantor Subsidiaries jointly and severally guarantee on an unsecured, unsubordinated basis the performance and punctual payment when due, whether at stated maturity of the Senior Notes, by acceleration or otherwise, all of our obligations under the Senior Notes and the indenture governing the Senior Notes (the "Indenture"), whether for payment of principal of, premium, if any, or interest on the Senior Notes, expenses, indemnification or otherwise (all such obligations guaranteed by the Guarantor Subsidiaries are referred to as the "Guaranteed Obligations"). The Guarantor Subsidiaries have jointly and severally agreed to pay, in addition to the obligations stated above, any and all expenses (including reasonable counsel fees and expenses) incurred by the trustee (the "Trustee") under the Indenture in enforcing any rights under their guarantees of the Guaranteed Obligations.

Each guarantee of a Guarantor Subsidiary is limited to an amount not to exceed the maximum amount that can be guaranteed by it without rendering the guarantee, as it relates to such Guarantor Subsidiary, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. Each guarantee of a Guarantor Subsidiary is a continuing guarantee and shall inure to the benefit of and be enforceable by the Trustee, the holders of the Senior Notes and their successors, transferees and assigns and, subject to the provisions described in the following sentence, remains in full force and effect until payment in full of all of the Guaranteed Obligations of such Guarantor Subsidiary and is binding upon such Guarantor Subsidiary and its successors. A guarantee of the Senior Notes by a Guarantor Subsidiary is subject to release in the following circumstances: (i) the sale, disposition, exchange or other transfer (including through merger, consolidation, amalgamation or otherwise) of the capital stock of the subsidiary made in a manner not in violation of the Indenture; (ii) the designation of the subsidiary as an "Unrestricted Subsidiary" under the Indenture; (iii) the legal defeasance or covenant defeasance of the Senior Notes in accordance with the terms of the Indenture; or (iv) the subsidiary ceasing to be our subsidiary as a result of any foreclosure of any pledge or security interest securing our Revolving Credit Facility or other exercise of remedies in respect thereof.

The following tables present summarized financial information for Enpro Inc. (the "Parent") and the Guarantor Subsidiaries on a combined basis after intercompany eliminations.

The summarized results of operations for the nine months ended September 30, 2024 were as follows:

(in millions)	Parent and Guarantor Subsidiaries
Net sales	$ 559.6
Gross profit	$ 206.7
Net income	$ (1.0)

The summarized balance sheet at September 30, 2024 was as follows:

(in millions)	Parent and Guarantor Subsidiaries
ASSETS	
Current assets	$ 248.7
Non-current assets	1,589.6
Total assets	$ 1,838.3
LIABILITIES AND EQUITY	
Current liabilities	$ 133.4
Non-current liabilities	943.8
Total liabilities	1,077.2
Shareholders’ equity	761.1
Total liabilities and equity	$ 1,838.3

The table above reflects $10.5 million of current intercompany receivables due to the Guarantor Subsidiaries from the Non-Guarantor Subsidiaries and $8.5 million of current intercompany payables due to the Non-Guarantor Subsidiaries from the Guarantor Subsidiaries within total current assets and liabilities.

The summarized results of operations for the year ended December 31, 2023 were as follows:

(in millions)	Parent and Guarantor Subsidiaries
Net sales	$ 754.3
Gross profit	$ 256.9
Loss from continuing operations	$ (68.2)
Income from discontinued operations, net of taxes	$ 11.4
Net loss	$ (56.8)
Net loss attributable to Enpro Inc.	$ (52.9)

Of the $11.4 million reported in income from discontinued operations, net of taxes, $11.2 million related to gain on the sale of discontinued operations recognized by a subsidiary that is a guarantor of the Senior Notes and the remaining $0.2 million related to the operations of former subsidiary guarantors of the Senior Notes included in discontinued operations. All discontinued operations were divested by March 31, 2023 and are no longer guarantors of the Senior Notes.

The summarized balance sheet at December 31, 2023 was as follows:

(in millions)	Parent and Guarantor Subsidiaries	
ASSETS		
Current assets	$	407.8
Non-current assets		1,403.1
Total assets	$	1,810.9
LIABILITIES AND EQUITY		
Current liabilities	$	144.3
Non-current liabilities		921.5
Total liabilities		1,065.8
Redeemable non-controlling interests		17.9
Shareholders' equity		727.2
Total liabilities and equity	$	1,810.9

The table above reflects $9.6 million of current intercompany receivables due to the Guarantor Subsidiaries from the Non-Guarantor Subsidiaries and $8.6 million of current intercompany payables due to the Non-Guarantor Subsidiaries from the Guarantor Subsidiaries within current assets and liabilities.

The Senior Notes are structurally subordinated to the indebtedness and other liabilities of the Non-Guarantor Subsidiaries. The Non-Guarantor Subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Senior Notes or the Indenture, or to make any funds available therefor, whether by dividends, loans, distributions or other payments. Any right that the Company or the Guarantor Subsidiaries have to receive any assets of any of the Non-Guarantor Subsidiaries upon the liquidation or reorganization of any Non-Guarantor Subsidiary, and the consequent rights of holders of Senior Notes to realize proceeds from the sale of any of a Non-Guarantor Subsidiary's assets, would be effectively subordinated to the claims of such Non-Guarantor Subsidiary's creditors, including trade creditors and holders of preferred equity interests, if any, of such Non-Guarantor Subsidiary. Accordingly, in the event of a bankruptcy, liquidation or reorganization of any of the Non-Guarantor Subsidiaries, the Non-Guarantor Subsidiaries will pay the holders of their debts, holders of preferred equity interests, if any, and their trade creditors before they will be able to distribute any of their assets to the Company or any Guarantor Subsidiaries.

If a Guarantor Subsidiary were to become a debtor in a case under the U.S. Bankruptcy Code or encounter other financial difficulty, under federal or state fraudulent transfer or conveyance law, a court may avoid, subordinate or otherwise decline to enforce its guarantee of the Senior Notes. A court might do so if it is found that when such Guarantor Subsidiary entered into its guarantee of the Senior Notes, or in some states when payments became due under the Senior Notes, such Guarantor Subsidiary received less than reasonably equivalent value or fair consideration and either:

- was insolvent or rendered insolvent by reason of such incurrence;
- was left with unreasonably small or otherwise inadequate capital to conduct our business; or
- believed or reasonably should have believed that it would incur debts beyond its ability to pay.

The court might also avoid the guarantee of the Senior Notes without regard to the above factors, if the court found that the Guarantor Subsidiary entered into its guarantee with actual intent to hinder, delay or defraud our creditors.

A court would likely find that a Guarantor Subsidiary did not receive reasonably equivalent value or fair consideration for its guarantee of the Senior Notes, if such Guarantor Subsidiary did not substantially benefit directly or indirectly from the funding made available by the issuance of the Senior Notes. If a court were to avoid a guarantee of the Senior Notes provided by a Guarantor Subsidiary, holders of the Senior Notes would no longer have any claim against such Guarantor Subsidiary. The measures of insolvency for purposes of these fraudulent transfer or conveyance laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer or conveyance has occurred, such that we cannot predict what standards a court would use to determine whether or not a Guarantor Subsidiary was solvent at the relevant time or, regardless of the standard that a court uses, that the guarantee of a Guarantor Subsidiary would not be subordinated to such Guarantor Subsidiary's other debt. As noted above, each guarantee provided by a Guarantor Subsidiary includes a provision intended to limit the Guarantor Subsidiary's liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer or conveyance. This provision may not be effective to protect those guarantees from being avoided under fraudulent transfer or conveyance law, or it may reduce that Guarantor Subsidiary's obligation to an amount that effectively makes its guarantee worthless, and we cannot predict whether a court will ultimately find it to be effective.

On the basis of historical financial information, operating history and other factors, we believe that each of the Guarantor Subsidiaries, after giving effect to the issuance of its guarantee of the Senior Notes when such guarantee was issued, was not insolvent, did not have unreasonably small capital for the business in which it engaged and did not and has not incurred debts beyond its ability to pay such debts as they mature. We cannot assure you, however, as to what standard a court would apply in making these determinations or that a court would agree with our conclusions in this regard.

Reconciliations of Non-GAAP Financial Measures to the Comparable GAAP Measures

We believe that it would be helpful to the readers of the financial statements to understand the impact of certain selected items on our reported income from continuing operations attributable to Enpro Inc. and diluted earnings per share attributable to Enpro Inc. continuing operations, including items that may recur from time to time. The items adjusted for in these non-GAAP financial measures are those that are excluded by management in budgeting or projecting for performance in future periods, as they typically relate to events specific to the period in which they occur. Accordingly, these are some of the factors the company uses in internal evaluations of the overall performance of its businesses. In addition, management believes these non-GAAP financial measures are commonly used financial measures for investors to evaluate the company's operating performance and, when read in conjunction with the company's consolidated financial statements, present a useful tool to evaluate the company's ongoing operations and performance from period to period. Management acknowledges that there are many items that impact a company's reported results and the adjustments reflected in these non-GAAP financial measures are not intended to present all items that may have impacted these results. In addition, these non-GAAP measures are not necessarily comparable to similarly titled measures used by other companies.

The following presents a reconciliation of (i) income (loss) from continuing operations attributable to Enpro Inc., net of tax to adjusted income from continuing operations and adjusted diluted earnings per share and (ii) income (loss) from continuing operations attributable to Enpro Inc., net of tax to adjusted EBITDA for the quarters and nine months ended September 30, 2024 and 2023. The adjustments in the table below relate solely to expenses attributable to Enpro Inc. and have been adjusted to remove any amounts attributable to non-controlling interests.

Reconciliation of Income from Continuing Operations to Adjusted Income from Continuing Operations and Adjusted Diluted Earnings Per Share

	Quarters Ended September 30,					
	2024			2023		
(in millions, except per share amounts)	**$**	**Average common shares outstanding, diluted**	**Per Share**	**$**	**Average common shares outstanding, diluted**	**Per Share**
Income from continuing operations attributable to Enpro Inc., net of tax	$ 19.8	21.1	$ 0.94	$ 8.3	21.0	$ 0.39
Net loss from redeemable non-controlling interests	—			(0.1)		
Income tax expense	4.2			14.7		
Income from continuing operations before income taxes	24.0			22.9		
Adjustments from selling, general, and administrative:						
Acquisition expenses	0.3			—		
Amortization of acquisition-related intangible assets	19.1			17.1		
Adjustments from other operating expense and cost of sales:						
Restructuring and impairment expense	4.5			2.2		
Adjustments from other non-operating expense:						
Environmental reserve adjustment	—			0.4		
Costs associated with previously disposed businesses	0.4			0.4		
Pension expense - non-service cost	—			0.4		
Foreign exchange losses related to the divestiture of a discontinued operation[2]	0.7			0.5		
Other adjustments:						
Other[4]	—			0.2		
Adjusted income from continuing operations before income taxes	49.0			44.1		
Adjusted income tax expense[5]	(12.3)			(11.1)		
Net loss from redeemable non-controlling interests	—			0.1		
Adjusted income from continuing operations attributable to Enpro Inc.	$ 36.7	21.1	$ 1.74[1]	$ 33.1	21.0	$ 1.58[1]

	Nine Months Ended September 30,					
	2024			2023		
(in millions, except per share amounts)	$	Average common shares outstanding, diluted	Per Share	$	Average common shares outstanding, diluted	Per Share
Income from continuing operations attributable to Enpro Inc., net of tax	$ 59.0	21.1	$ 2.80	$ 15.7	21.0	$ 0.75
Net loss from redeemable non-controlling interests	—			(4.3)		
Income tax expense	15.7			17.0		
Income from continuing operations before income taxes	74.7			28.4		
Adjustments from selling, general, and administrative:						
Acquisition expenses	3.8			0.1		
Non-controlling interest compensation allocations[2]	—			(0.3)		
Amortization of acquisition-related intangible assets	56.7			51.5		
Adjustments from other operating expense and cost of sales:						
Restructuring and impairment expense	6.0			3.2		
Amortization of the fair value adjustment to acquisition date inventory	1.7			—		
Adjustments from other non-operating expense:						
Asbestos receivable adjustment	(0.6)			—		
Environmental reserve adjustment	2.3			0.5		
Costs associated with previously disposed businesses	0.8			0.8		
Pension expense - non-service cost	0.1			1.1		
Goodwill impairment	—			56.6		
Foreign exchange losses related to the divestiture of a discontinued operation[2]	1.6			1.5		
Long-term promissory note reserve[3]	4.5			—		
Other adjustments:						
Other[4]	—			0.3		
Adjusted income from continuing operations before income taxes	151.6			143.7		
Adjusted income tax expense[5]	(37.9)			(35.9)		
Net loss from redeemable non-controlling interests	—			4.3		
Adjusted income from continuing operations attributable to Enpro Inc.	$ 113.7	21.1	$ 5.39[1]	$ 112.1	21.0	$ 5.35[1]

[1] Adjusted diluted earnings per share, which amounts were calculated by dividing by the weighted-average shares of diluted common stock outstanding during the periods.

[2] In connection with the sale of GGB, accounted for as a discontinued operation, in the fourth quarter of 2022, we issued an intercompany note between a domestic and foreign entity that is denominated in a foreign currency. As a result of this note, we have recorded losses due to the changes in the foreign exchange rate. The outstanding note is hedged in order to minimize related gains or losses.

[3] We issued a long-term promissory note in connection to the sale of a divested business. As part of our regular review of the note, in the first quarter of 2024 we concluded a reserve was needed for expected credit losses. We will continue to monitor the note regularly and make adjustments to the reserve as needed based on known facts and circumstances.

[4] Other adjustments are included in selling, general, and administrative, cost of sales, and other operating expenses on the consolidated statements of operations.

[5] The adjusted income tax expense presented above is calculated using a normalized company-wide effective tax rate, excluding discrete items, of 25.0%.

Reconciliation of Income from Continuing Operations to Adjusted EBITDA

	Quarters Ended September 30,		Nine Months Ended September 30,	
(in millions)	**2024**	**2023**	**2024**	**2023**
Income from continuing operations attributable to Enpro Inc., net of tax	$ 19.8	$ 8.3	$ 59.0	$ 15.7
Net loss attributable to redeemable non-controlling interests	—	(0.1)	—	(4.3)
Income from continuing operations	19.8	8.2	59.0	11.4
Adjustments to arrive at earnings before interest, income taxes, depreciation, amortization, and other selected items (Adjusted EBITDA):				
Interest expense, net	9.0	7.1	26.7	23.6
Income tax expense	4.2	14.7	15.7	17.0
Depreciation and amortization expense	25.2	23.6	75.0	71.1
Restructuring and impairment expense	4.5	2.2	6.0	3.2
Environmental reserve adjustments	—	0.4	2.3	0.5
Costs associated with previously disposed businesses	0.4	0.4	0.8	0.8
Acquisition expenses	0.3	—	3.8	0.1
Pension expense - non-service cost	—	0.4	0.1	1.1
Non-controlling interest compensation allocation	—	—	—	(0.3)
Asbestos receivable adjustment	—	—	(0.6)	—
Amortization of the fair value adjustment to acquisition date inventory	—	—	1.7	—
Goodwill impairment	—	—	—	60.8
Foreign exchange losses related to the divestiture of a discontinued operation[1]	0.7	0.5	1.6	1.5
Long-term promissory note reserve[2]	—	—	4.5	—
Other	—	0.2	—	0.3
Adjusted EBITDA	$ 64.1	$ 57.7	$ 196.6	$ 191.1

[1] In connection with the sale of GGB, accounted for as a discontinued operation, in the fourth quarter of 2022, we issued an intercompany note between a domestic and foreign entity that is denominated in a foreign currency. As a result of this note, we have recorded losses due to the changes in the foreign exchange rate. The outstanding note is hedged in order to minimize related gains or losses.

[2] We issued a long-term promissory note in connection to the sale of a divested business. As part of our regular review of the note, in the first quarter of 2024 we concluded a reserve was needed for expected credit losses. We will continue to monitor the note regularly and make adjustments to the reserve as needed based on known facts and circumstances.

Adjusted EBITDA as presented in the table above also represents the amount defined as "EBITDA" under the Indenture.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks as part of our ongoing business operations, including risks from changes in foreign currency exchange rates and interest rates that could impact our financial condition, results of operations and cash flows. We manage our exposure to these and other market risks through regular operating and financing activities and through the use of derivative financial instruments. We intend to use derivative financial instruments as risk management tools and not for speculative investment purposes. For information about our interest rate risk, see "Quantitative and Qualitative Disclosures about Market Risk – Interest Rate Risk" in our annual report on Form 10-K for the year ended December 31, 2023.

Foreign Currency Risk

We are exposed to foreign currency risks that arise from normal business operations. These risks include the translation of local currency balances on our foreign subsidiaries' balance sheets, intercompany loans with foreign subsidiaries and transactions denominated in foreign currencies. We strive to control our exposure to these risks through our normal operating activities and, where appropriate, through derivative instruments. We periodically enter into contracts to hedge forecasted transactions that are denominated in foreign currencies. As part of our regular practice, we entered into a forward contract to hedge a 95 million Euro exposure on an intercompany note agreement related to proceeds from the GGB sale allocated to foreign subsidiaries. We expect this intercompany note to be settled during 2024. The notional amount of foreign exchange contracts was $111.8 million and $110.5 million September 30, 2024 and December 31, 2023, respectively. All foreign exchange contracts outstanding at September 30, 2024 expired in October 20224.

The earnings impact of these foreign exchange contract are recorded in selling, general and administrative expense in the Consolidated Statements of Operations. The balances of foreign exchange derivative assets are recorded in other current assets and the balances of foreign exchange derivative liabilities are recorded in accrued expenses in the Consolidated Balance Sheets.

In May 2019, we entered into cross-currency swap agreements with an aggregate notional amount of $100.0 million to manage foreign currency risk by effectively converting a portion of the interest payments related to our fixed-rate USD-denominated Senior Notes, including the semi-annual interest payments thereunder, to interest payments on fixed-rate Euro-denominated debt of 89.6 million EUR with a weighted average interest rate of 3.5%, with interest payment dates of April 15 and October 15 of each year. These swap agreements mature on October 15, 2026.

During the term of these swap agreements, we will receive semi-annual payments from the counterparties due to the difference between the interest rate on the Senior Notes and the interest rate on the Euro debt underlying the additional swap agreements. There was no principal exchange at the inception of the arrangements, and there will be no exchange at maturity. At maturity (or earlier at our option), we and the counterparties will settle swap agreements at their fair value in cash based on the aggregate notional amount and the then-applicable currency exchange rate compared to the exchange rate at the time swap agreements were entered into.

Commodity Risk

We source a wide variety of materials and components from a network of global suppliers. While such materials are typically available from numerous suppliers, commodity raw materials such as steel, engineered plastics, copper and polymers, are subject to price fluctuations, which could have a negative impact on our results. We strive to pass along such commodity price increases to customers to avoid profit margin erosion and utilize lean initiatives to further mitigate the impact of commodity raw material price fluctuations as we achieve improved efficiencies. We do not hedge commodity risk with any market risk sensitive instruments.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). The purpose of our disclosure controls and procedures is to provide reasonable assurance that information required to be disclosed in our reports filed under the Exchange Act, including this report, is recorded, processed, summarized and reported within the time periods specified, and that such information is accumulated and communicated to our management to allow timely decisions regarding disclosure.

Based on the controls evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified, and that management will be timely alerted to material information required to be included in our periodic reports filed with the Securities and Exchange Commission.

In addition, no change in our internal control over financial reporting has occurred during the quarter ended September 30, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

A description of environmental and other legal matters is included in Note 15 to the Consolidated Financial Statements in this report, which is incorporated herein by reference. In addition to the matters noted and discussed in those sections of this report, we are from time to time subject to, and are presently involved in, other litigation and legal proceedings arising in the ordinary course of business. We believe that the outcome of such other litigation and legal proceedings will not have a material adverse effect on our financial condition, results of operations and cash flows.

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

The following table sets forth all purchases made by or on behalf of the Company or any “affiliated purchaser,” as defined in Rule 10b-18(a)(3) under the Exchange Act, of shares of our common stock during each month in the third quarter of 2024.

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs
July 1 - July 31, 2024	—	—	—	$50,000,000 (1)
August 1 - August 31, 2024	—	—	—	$50,000,000 (1)
September 1 - September 30, 2024	369 (2)	$ 161.29 (2)	—	$50,000,000 (1)
Total	369 (2)	$ 161.29 (2)	—	$50,000,000 (1)

(1) In October 2022, our board of directors authorized an expenditure program of up to $50.0 million for the repurchase of our outstanding common shares through October 2024. We have not made any repurchases under this authorization, which expired in October 2024. In October 2024, our board of directors authorized an expenditure program of up to $50.0 million for the repurchase of our outstanding common shares through October 2026.

(2) In September 2024, a total of 369 shares were transferred to a rabbi trust that we established in connection with our Deferred Compensation Plan for Non-Employee Directors, pursuant to which non-employee directors may elect to defer directors’ fees into common stock units. EnPro Holdings furnished these shares in exchange for management and other services provided by Enpro. Of these shares, 61 shares were valued at a price of $156.77 per share, the closing trading price of our common stock on September 18, 2024, and 308 of these shares were valued at a price of $162.18 per share, the closing trading price of our common stock on September 30, 2024. Accordingly, the total 369 shares were valued at a weighted average price of $161.29 per share. We do not consider the transfer of shares from EnPro Holdings in this context to be pursuant to a publicly announced plan or program.

Item 5. Other Information.

During the three months ended September 30, 2024, none of the Company’s directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted or terminated a “Rule 10b5-1 trading arrangement” or adopted or terminated a “non-Rule 10b5-1 trading arrangement” (as such terms are defined in Item 408 of Regulation S-K).

Item 6. Exhibits.

The exhibits to this report on Form 10-Q are listed in the following Exhibit Index.

EXHIBIT INDEX

31.1†	Certification of Chief Executive Officer pursuant to Rule 13a – 14(a)/15d – 14(a)
31.2†	Certification of Chief Financial Officer pursuant to Rule 13a – 14(a)/15d – 14(a)
32†	Certification pursuant to Section 1350
101.SCH†	InlineXBRL Taxonomy Extension Schema Document
101.CAL†	InlineXBRL Taxonomy Extension Calculation Linkbase Document
101.DEF†	InlineXBRL Taxonomy Extension Definitions Linkbase Document
101.LAB†	InlineXBRL Taxonomy Extension Label Linkbase Document
101.PRE†	InlineXBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in the Interactive Data Files submitted as Exhibits 101.*)

† Filed herewith

SIGNATURES

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, in the City of Charlotte, North Carolina on this 5th day of November, 2024.

ENPRO INC.

By: /s/ Robert S. McLean

Robert S. McLean

Executive Vice President, General Counsel and Secretary

By: /s/ Steven R. Bower

Steven R. Bower

Senior Vice President, Controller and Chief Accounting Officer

Exhibit 31.1

CERTIFICATION

I, Eric A. Vaillancourt, certify that:

1. I have reviewed this Form 10-Q for the quarter ended September 30, 2024 of Enpro 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:	November 5, 2024	/s/ Eric A. Vaillancourt
		Eric A. Vaillancourt
		President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Joseph F. Bruderek Jr., certify that:

1. I have reviewed this Form 10-Q for the quarter ended September 30, 2024 of Enpro 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: November 5, 2024

/s/ Joseph F. Bruderek Jr.

Joseph F. Bruderek Jr.

Executive Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION

The undersigned chief executive officer and chief financial officer of the registrant each certifies pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge, this report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that to his knowledge, the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of the registrant.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Enpro Inc. and will be retained by Enpro Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Date:	November 5, 2024	/s/ Eric A. Vaillancourt
		Eric A. Vaillancourt
		President and Chief Executive Officer
Date:	November 5, 2024	/s/ Joseph F. Bruderek Jr.
		Joseph F. Bruderek Jr.
		Executive Vice President and Chief Financial Officer