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 MARCH 31, 2022

OR

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

COMMISSION FILE NUMBER 1-10596

ESCO TECHNOLOGIES INC.
(Exact name of registrant as specified in its charter)

MISSOURI (State or other jurisdiction of incorporation or organization)	43-1554045 (I.R.S. Employer Identification No.)
9900A CLAYTON ROAD ST. LOUIS, MISSOURI (Address of principal executive offices)	63124-1186 (Zip Code)

(314) 213-7200
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐

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

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

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

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

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

Class	**Shares outstanding at April 30, 2022**
Common stock, $.01 par value per share	25,850,916

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	Three Months Ended March 31, 2022	2021
Net sales	$ 204,928	165,894
Costs and expenses:		
Cost of sales	128,375	103,553
Selling, general and administrative expenses	47,959	38,746
Amortization of intangible assets	6,510	4,917
Interest expense, net	1,020	432
Other income, net	(604)	(1,903)
Total costs and expenses	183,260	145,745
Earnings before income taxes	21,668	20,149
Income tax expense	5,085	4,745
Net earnings	$ 16,583	15,404
Earnings per share:		
Basic -		
Net earnings	0.64	0.59
Diluted -		
Net earnings	$ 0.64	0.59

See accompanying notes to consolidated financial statements.

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

	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Net sales	$ 381,938	328,568
Costs and expenses:		
Cost of sales	236,680	203,175
Selling, general and administrative expenses	94,594	79,746
Amortization of intangible assets	12,977	9,865
Interest expense, net	1,753	973
Other income, net	(571)	(1,880)
Total costs and expenses	345,433	291,879
Earnings before income taxes	36,505	36,689
Income tax expense	8,398	8,467
Net earnings	$ 28,107	28,222
Earnings per share:		
Basic — Net earnings	$ 1.08	1.08
Diluted — Net earnings	$ 1.08	1.08

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	**2021**	**2022**	**2021**
Net earnings	$ 16,583	15,404	28,107	28,222
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(2,811)	116	(5,311)	5,465
Total other comprehensive income (loss), net of tax	(2,811)	116	(5,311)	5,465
Comprehensive income	$ 13,772	15,520	22,796	33,687

See accompanying notes to consolidated financial statements.

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

	March 31, 2022	September 30, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 54,324	56,232
Accounts receivable, net of allowance for doubtful accounts of $3,403 and $3,445, respectively	140,497	146,341
Contract assets	111,453	93,771
Inventories, net	175,152	147,148
Other current assets	31,972	22,662
Total current assets	513,398	466,154
Property, plant and equipment, net of accumulated depreciation of $156,237 and $147,551, respectively	156,963	154,265
Intangible assets, net of accumulated amortization of $162,869 and $149,892, respectively	407,203	409,250
Goodwill	508,406	504,853
Operating lease assets	30,139	31,846
Other assets	9,677	10,977
Total assets	$ 1,625,786	1,577,345
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and short-term borrowings	$ 20,000	20,000
Accounts payable	71,811	56,669
Contract liabilities	108,629	106,045
Accrued salaries	30,150	39,768
Accrued other expenses	47,205	52,513
Total current liabilities	277,795	274,995
Deferred tax liabilities	82,187	73,560
Non-current operating lease liabilities	26,302	28,032
Other liabilities	42,329	47,062
Long-term debt	176,000	134,000
Total liabilities	604,613	557,649
Shareholders' equity:		
Preferred stock, par value $.01 per share, authorized 10,000,000 shares	—	—
Common stock, par value $.01 per share, authorized 50,000,000 shares, issued 30,705,913 and 30,666,173 shares, respectively	307	307
Additional paid-in capital	298,353	297,644
Retained earnings	854,946	830,989
Accumulated other comprehensive loss, net of tax	(7,472)	(2,161)
	1,146,134	1,126,779
Less treasury stock, at cost: 4,826,545 and 4,604,741 common shares, respectively	(124,961)	(107,083)
Total shareholders' equity	1,021,173	1,019,696
Total liabilities and shareholders' equity	$ 1,625,786	1,577,345

See accompanying notes to consolidated financial statements.

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

	Six Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net earnings	$ 28,107	28,222
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	24,292	20,115
Stock compensation expense	3,428	2,745
Changes in assets and liabilities	(41,451)	9,179
Gain on sale of building and land	—	(1,950)
Effect of deferred taxes	8,627	(989)
Net cash provided by operating activities	23,003	57,322
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(15,592)	(6,684)
Proceeds from sale of building and land	—	1,950
Additions to capitalized software	(4,727)	(3,973)
Capital expenditures	(20,715)	(13,153)
Net cash used by investing activities	(41,034)	(21,860)
Cash flows from financing activities:		
Proceeds from long-term debt and short-term borrowings	88,000	34,000
Principal payments on long-term debt and short-term borrowings	(46,000)	(74,368)
Purchases of common stock into treasury	(17,878)	—
Dividends paid	(4,150)	(4,167)
Other	(2,719)	—
Net cash provided (used) by financing activities	17,253	(44,535)
Effect of exchange rate changes on cash and cash equivalents	(1,130)	2,166
Net decrease in cash and cash equivalents	(1,908)	(6,907)
Cash and cash equivalents, beginning of period	56,232	52,560
Cash and cash equivalents, end of period	$ 54,324	45,653
Supplemental cash flow information:		
Interest paid	$ 1,002	281
Income taxes paid (including state and foreign)	1,558	14,047

See accompanying notes to consolidated financial statements.

1. BASIS OF PRESENTATION

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

The Company's results for the three-month period ended March 31, 2022 are not necessarily indicative of the results for the entire 2022 fiscal year. References to the second quarters of 2022 and 2021 represent the fiscal quarters ended March 31, 2022 and 2021, respectively. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates. Certain prior period deferred revenue amounts have been reclassified to noncurrent to conform with the current year presentation.

2. EARNINGS PER SHARE (EPS)

Basic EPS is calculated using the weighted average number of common shares outstanding during the period. Diluted EPS is calculated using the weighted average number of common shares outstanding during the period plus shares issuable upon the assumed exercise of dilutive common share options and vesting of performance-accelerated restricted shares (restricted shares) by using the treasury stock method. The number of shares used in the calculation of earnings per share for each period presented is as follows (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Weighted Average Shares Outstanding — Basic	25,953	26,038	26,008	26,038
Dilutive Restricted Shares	92	163	90	154
Adjusted Shares — Diluted	26,045	26,201	26,098	26,192

3. ACQUISITION

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

4. SHARE-BASED COMPENSATION

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

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

Compensation expense related to the PARS/RSU awards was $1.5 million and $2.8 million for the three and six-month periods ended March 31, 2022, respectively, and $1.1 million and $2.1 million for the corresponding periods in 2021. As of March 31, 2022, there were 210,119 unvested stock units outstanding.

Non-Employee Directors Plan

Compensation expense related to the non-employee director grants was $0.3 million and $0.6 million for the three and six-month periods ended March 31, 2022, respectively, and $0.3 million and $0.6 million for the corresponding periods in 2021.

The total share-based compensation cost that has been recognized in the results of operations and included within selling, general and administrative expenses (SG&A) was $1.7 million and $3.4 million for the three and six-month periods ended March 31, 2022, respectively, and $1.4 million and $2.7 million for the corresponding periods in 2021. The total income tax benefit recognized in results of operations for share-based compensation arrangements was $0.3 million and $0.5 million for the three and six-month periods ended March 31, 2022, respectively, and $0.3 million and $0.7 million for the corresponding periods in 2021. As of March 31, 2022, there was $10.9 million of total unrecognized compensation cost related to share-based compensation arrangements. That cost is expected to be recognized over a remaining weighted-average period of 1.9 years.

5. INVENTORIES

Inventories, net, consist of the following:

(In thousands)	**March 31, 2022**	**September 30, 2021**
Finished goods	$ 37,434	32,998
Work in process	46,447	34,201
Raw materials	91,271	79,949
Total inventories, net	$ 175,152	147,148

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Included on the Company's Consolidated Balance Sheets at March 31, 2022 and September 30, 2021 are the following intangible assets gross carrying amounts and accumulated amortization:

(Dollars in thousands)	**March 31, 2022**	**September 30, 2021**
Goodwill	$ 508,406	504,853
Intangible assets with determinable lives:		
Patents		
Gross carrying amount	$ 2,208	2,131
Less: accumulated amortization	1,029	972
Net	$ 1,178	1,159
Capitalized software		
Gross carrying amount	$ 98,398	93,671
Less: accumulated amortization	67,013	63,740
Net	$ 31,385	29,931
Customer relationships		
Gross carrying amount	$ 292,887	288,530
Less: accumulated amortization	88,933	80,882
Net	$ 203,954	207,648
Other		
Gross carrying amount	$ 14,567	13,080
Less: accumulated amortization	5,897	4,301
Net	$ 8,670	8,779
Intangible assets with indefinite lives:		
Trade names	$ 162,016	161,733

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

(Dollars in millions)	USG	Test	Aerospace & Defense	Total
Balance as of September 30, 2021	366.5	34.1	104.3	504.9
Acquisition activity and adjustments	0.3	—	5.7	6.0
Foreign currency translation	(2.5)	—	—	(2.5)
Balance as of March 31, 2022	$ 364.3	34.1	110.0	508.4

7. BUSINESS SEGMENT INFORMATION

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

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

The USG segment's operations consist primarily of Doble Engineering Company and related subsidiaries including Morgan Schaffer and Altanova (collectively, Doble), and NRG Systems, Inc. (NRG). Doble is an industry leader in the development, manufacture and delivery of diagnostic testing solutions that enable electric power grid operators to assess the integrity of high voltage power delivery equipment. It combines three core elements for customers – diagnostic test and condition monitoring instruments, expert consulting, and testing services – and provides access to its large reserve of related empirical knowledge. NRG is a global market leader in the design and manufacture of decision support tools for the renewable energy industry, primarily wind and solar.

The Test segment's operations consist primarily of ETS-Lindgren Inc. and related subsidiaries (ETS-Lindgren). ETS-Lindgren is an industry leader in designing and manufacturing products which provide its customers with the ability to identify, measure and contain magnetic, electromagnetic and acoustic energy. ETS-Lindgren also manufactures radio frequency shielding products and components used by manufacturers of medical equipment, communications systems, electronic products, and shielded rooms for high-security data processing and secure communication.

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

(In thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
NET SALES				
Aerospace & Defense	$ 84,821	82,528	155,065	149,144
USG	64,191	39,555	127,676	94,095
Test	55,916	43,811	99,197	85,329
Consolidated totals	$ 204,928	165,894	381,938	328,568
EBIT				
Aerospace & Defense	$ 14,349	17,006	24,304	25,266
USG	11,314	6,725	24,705	19,456
Test	8,494	5,688	12,459	11,030
Corporate (loss)	(11,469)	(8,838)	(23,210)	(18,090)
Consolidated EBIT	22,688	20,581	38,258	37,662
Less: Interest expense	(1,020)	(432)	(1,753)	(973)
Earnings before income taxes	$ 21,668	20,149	36,505	36,689

Non-GAAP Financial Measures

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

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

8. DEBT

The Company's debt is summarized as follows:

(In thousands)	March 31, 2022	September 30, 2021
Total borrowings	$ 196,000	154,000
Current portion of long-term debt	(20,000)	(20,000)
Total long-term debt, less current portion	$ 176,000	134,000

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

At March 31, 2022, the Company had approximately $296 million available to borrow under the Credit Facility, plus the $250 million increase option, subject to lender approval, in addition to $54.3 million cash on hand. The Company classified $20 million as the current portion of long-term debt as of March 31, 2022, as the Company intends to repay this amount within the next twelve months; however, the Company has no contractual obligation to repay such amount during the next twelve months. The letters of credit issued and outstanding under the Credit Facility totaled $8.1 million at March 31, 2022.

Interest on borrowings under the Credit Facility is calculated at a spread over either the New York Federal Reserve Bank Rate, the prime rate or the London Interbank Offered Rate (LIBOR), depending on various factors. The Credit Facility also requires a facility fee ranging from 10 to 25 basis points per annum on the unused portion. The Credit Facility is secured by the unlimited guaranty of the Company's direct and indirect material U.S. subsidiaries and the pledge of 100% of the equity interests of its direct and indirect material foreign subsidiaries. The financial covenants of the Credit Facility include a leverage ratio and an interest coverage ratio. The weighted average interest rates were 1.29% and 1.23% for the three and six-month periods ending March 31, 2022, respectively, and 1.27% and 1.40% for the three and six-month periods ending March 31, 2021. As of March 31, 2022, the Company was in compliance with all covenants.

9. INCOME TAX EXPENSE

The second quarter 2022 effective income tax rate was 23.5% compared to 23.5% in the second quarter of 2021. The effective income tax rate in the first six months of 2022 was 23.0% compared to 23.1% for the first six months of 2021. There were no significant or unusual items impacting the 2022 second quarter or year-to-date effective tax rate.

10. SHAREHOLDERS' EQUITY

The change in shareholders' equity for the first three and six months of 2022 and 2021 is shown below (in thousands):

	Three Months Ended March 31,		Six Months Ended March 31,	
	2022	2021	2022	2021
Common stock				
Beginning balance	307	306	307	306
Stock plans	—	—	—	—
Ending balance	307	306	307	306
Additional paid-in-capital				
Beginning balance	296,277	294,735	297,644	293,682
Stock plans	2,076	1,061	709	2,114
Ending balance	298,353	295,796	298,353	295,796
Retained earnings				
Beginning balance	840,434	786,563	830,989	775,829
Net earnings common stockholders	16,583	15,404	28,107	28,222
Dividends paid	(2,071)	(2,083)	(4,150)	(4,167)
Ending balance	854,946	799,884	854,946	799,884
Accumulated other comprehensive income (loss)				
Beginning balance	(4,661)	1,692	(2,161)	(3,657)
Foreign currency translation	(2,811)	116	(5,311)	5,465
Ending balance	(7,472)	1,808	(7,472)	1,808
Treasury stock				
Beginning balance	(117,080)	(107,134)	(107,083)	(107,134)
Issued under stock plans	(7,881)	—	(17,878)	—
Ending balance	(124,961)	(107,134)	(124,961)	(107,134)
Total equity	1,021,173	990,660	1,021,173	990,660

11. FAIR VALUE MEASUREMENTS

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

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

Financial Assets and Liabilities

The Company has estimated the fair value of its financial instruments as of March 31, 2022 and September 30, 2021 using available market information or other appropriate valuation methodologies. The carrying amounts of cash and cash equivalents, receivables, inventories, payables, and other current assets and liabilities approximate fair value because of the short maturity of those instruments.

Fair Value of Financial Instruments

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

Nonfinancial Assets and Liabilities

The Company's nonfinancial assets such as property, plant and equipment, and other intangible assets are not measured at fair value on a recurring basis; however they are subject to fair value adjustments in certain circumstances, such as when there is evidence that an impairment may exist. No impairments were recorded during the three and six-month periods ended March 31, 2022.

12. REVENUES

Disaggregation of Revenues

Revenues by customer type, geographic location, and revenue recognition method for the three and six-month periods ended March 31, 2022 are presented in the tables below as the Company deems it best depicts how the nature, amount, timing and uncertainty of net sales and cash flows are affected by economic factors. The tables below also include a reconciliation of the disaggregated revenue within each reportable segment.

Three months ended March 31, 2022 *(In thousands)*	**Aerospace & Defense**	**USG**	**Test**	**Total**
Customer type:				
Commercial	$ 33,562	$ 63,379	$ 51,903	$ 148,844
U.S. Government	51,259	812	4,013	56,084
Total revenues	$ 84,821	$ 64,191	$ 55,916	$ 204,928
Geographic location:				
United States	$ 72,621	$ 41,458	$ 31,071	$ 145,150
International	12,200	22,733	24,845	59,778
Total revenues	$ 84,821	$ 64,191	$ 55,916	$ 204,928
Revenue recognition method:				
Point in time	$ 35,666	$ 51,202	$ 14,838	$ 101,706
Over time	49,155	12,989	41,078	103,222
Total revenues	$ 84,821	$ 64,191	$ 55,916	$ 204,928

Six months ended March 31, 2022 *(In thousands)*	**Aerospace & Defense**	**USG**	**Test**	**Total**
Customer type:				
Commercial	$ 61,489	$ 126,221	$ 92,941	$ 280,651
U.S. Government	93,576	1,455	6,256	101,287
Total revenues	$ 155,065	$ 127,676	$ 99,197	$ 381,938
Geographic location:				
United States	$ 133,313	$ 80,199	$ 54,047	$ 267,559
International	21,752	47,477	45,150	114,379
Total revenues	$ 155,065	$ 127,676	$ 99,197	$ 381,938
Revenue recognition method:				
Point in time	$ 64,223	$ 102,037	$ 27,660	$ 193,920
Over time	90,842	25,639	71,537	188,018
Total revenues	$ 155,065	$ 127,676	$ 99,197	$ 381,938

Revenues by customer type, geographic location, and revenue recognition method for the three and six-month periods ended March 31, 2021 are presented in the tables below.

Three months ended March 31, 2021 *(In thousands)*	**Aerospace & Defense**	**USG**	**Test**	**Total**
Customer type:				
Commercial	$ 33,223	$ 38,549	$ 39,305	$ 111,077
U.S. Government	49,305	1,006	4,506	54,817
Total revenues	$ 82,528	$ 39,555	$ 43,811	$ 165,894
Geographic location:				
United States	$ 72,287	$ 27,445	$ 22,965	$ 122,697
International	10,241	12,110	20,846	43,197
Total revenues	$ 82,528	$ 39,555	$ 43,811	$ 165,894
Revenue recognition method:				
Point in time	$ 37,127	$ 27,563	$ 9,248	$ 73,938
Over time	45,401	11,992	34,563	91,956
Total revenues	$ 82,528	$ 39,555	$ 43,811	$ 165,894

Six months ended March 31, 2021 ***(In thousands)***	**Aerospace & Defense**	**USG**	**Test**	**Total**
Customer type:				
Commercial	$ 61,089	$ 92,414	$ 76,027	$ 229,530
U.S. Government	88,055	1,681	9,302	99,038
Total revenues	$ 149,144	$ 94,095	$ 85,329	$ 328,568
Geographic location:				
United States	$ 129,824	$ 64,490	$ 46,231	$ 240,545
International	19,320	29,605	39,098	88,023
Total revenues	$ 149,144	$ 94,095	$ 85,329	$ 328,568
Revenue recognition method:				
Point in time	$ 64,000	$ 69,931	$ 18,116	$ 152,047
Over time	85,144	24,164	67,213	176,521
Total revenues	$ 149,144	$ 94,095	$ 85,329	$ 328,568

Revenue Recognition

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

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

Remaining Performance Obligations

Remaining performance obligations, which is the equivalent of backlog, represent the expected transaction price allocated to contracts that the Company expects to recognize as revenue in future periods when the Company performs under the contracts. These remaining obligations include amounts that have been formally appropriated under contracts with the U.S. Government, and exclude unexercised contract options and potential orders under ordering-type contracts such as Indefinite Delivery, Indefinite Quantity contracts. At March 31, 2022, the Company had $670.9 million in remaining performance obligations of which the Company expects to recognize revenues of approximately 77% in the next twelve months.

Contract assets and liabilities

Assets and liabilities related to contracts with customers are reported on a contract-by-contract basis at the end of each reporting period. Because of the timing difference of revenue recognition and customer billing, these contracts will often result in revenue recognized in excess of billings and billings in excess of costs incurred. At March 31, 2022, contract assets and liabilities totaled

$111.5 million and $113.0 million, respectively. During the first six months of 2022, the Company recognized approximately $51 million in revenues that were included in the contract liabilities balance at September 30, 2021. The increase in net contract assets in the first six months of 2022 was due to revenue being recognized for performance completed during the period that exceeded customer billings. Other factors that impacted the change in net contract liabilities were immaterial. At October 1, 2020, contract assets and liabilities totaled $94.3 million and $100.6 million, respectively.

13. LEASES

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

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

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

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

The components of lease costs are shown below:

(Dollars in thousands)	**Three Months Ended March 31, 2022**	**Three Months Ended March 31, 2021**
Finance lease cost		
Amortization of right-of-use assets	$ 607	$ 492
Interest on lease liabilities	291	311
Operating lease cost	1,578	1,424
Total lease costs	$ 2,476	$ 2,227

(Dollars in thousands)	**Six Months Ended March 31, 2022**	**Six Months Ended March 31, 2021**
Finance lease cost		
Amortization of right-of-use assets	$ 1,214	$ 985
Interest on lease liabilities	593	623
Operating lease cost	3,131	2,877
Total lease costs	$ 4,938	$ 4,485

Additional information related to leases are shown below:

(Dollars in thousands)	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 1,512	$ 1,375
Operating cash flows from finance leases	245	311
Financing cash flows from finance leases	304	419
Right-of-use assets obtained in exchange for operating lease liabilities	346	—

(Dollars in thousands)	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 3,008	$ 2,800
Operating cash flows from finance leases	492	623
Financing cash flows from finance leases	605	838
Right-of-use assets obtained in exchange for operating lease liabilities	1,247	—

	March 31, 2022	March 31, 2021
Weighted-average remaining lease term		
Operating leases	9.9 years	5.8 years
Finance leases	12.5 years	12.2 years
Weighted-average discount rate		
Operating leases	3.12 %	3.11 %
Finance leases	4.58 %	4.31 %

The following is a reconciliation of future undiscounted cash flows to the operating and finance lease liabilities, and the related ROU assets, presented on our Consolidated Balance Sheet on March 31, 2022:

(Dollars in thousands) Years Ending September 30:	Operating Leases	Finance Leases
2022 (excluding the six months ended March 31, 2022)	$ 2,843	1,100
2023	5,244	2,256
2024	4,198	2,315
2025	3,639	2,370
2026 and thereafter	20,161	21,431
Total minimum lease payments	36,085	29,472
Less: amounts representing interest	5,145	7,670
Present value of net minimum lease payments	$ 30,940	21,802
Less: current portion of lease obligations	4,638	1,277
Non-current portion of lease obligations	26,302	20,525
ROU assets	$ 30,139	18,129

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

14. ADJUSTED QUARTERLY FINANCIAL INFORMATION

During 2021, the Company identified immaterial errors in the historical consolidated financial statements of Westland, within the A&D segment, that are being corrected as an immaterial revision of those financial statements. Specifically, the adjustments include net sales being overstated by $0.8 million in the second quarter of 2021, along with inventory being overstated and cost of goods sold being understated by $0.4 million in the second quarter of 2021. The tax impact of correcting these errors was a reduction in tax expense of $0.3 million in the second quarter of 2021. The table below shows the impact of these adjustments to the second quarter of 2021. Management has determined that these adjustments are not material to the prior year period.

(Dollars in thousands, except per share amounts)	Second Quarter (As Reported)	Second Quarter (As Adjusted)
2021		
Net sales	$ **166,644**	**165,894**
Cost of sales	**103,113**	**103,553**
Earnings before income taxes	**21,339**	**20,149**
Income tax expense	**5,025**	**4,745**
Net earnings	**16,314**	**15,404**
Diluted earnings (loss) per share:		
Net earnings	$ **0.62**	**0.59**

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

COVID-19 TRENDS AND UNCERTAINTIES

The COVID-19 global pandemic has continued to create significant and unprecedented challenges, including constraints on the Company's supply chain. The economic uncertainty, changes in the propensity for the general public to travel by air, and reductions in demand for commercial aircraft as a result of the COVID-19 pandemic have adversely impacted net sales and operating results in certain of our A&D reporting units. Additionally, the electric utility market has been impacted by reduced domestic electricity consumption related to the pandemic, which in turn impacts utility spending on investments in grid maintenance and testing.

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

We are also monitoring the impacts of COVID-19 on the fair value of assets. We do not currently anticipate any material asset impairments as a result of the COVID-19 global pandemic. We determined that there was no impairment for the three and six-month period ended March 31, 2022. We will continue to monitor the impacts of COVID-19 on the fair value of assets. For further discussion, refer to Management's Discussion and Analysis contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021.

RESULTS OF OPERATIONS

References to the second quarters of 2022 and 2021 represent the three-month periods ended March 31, 2022 and 2021, respectively.

OVERVIEW

In the second quarter of 2022, sales, net earnings and diluted earnings per share were $204.9 million, $16.6 million and $0.64 per share, respectively, compared to $165.9 million, $15.4 million and $0.59 per share, respectively, in the second quarter of 2021. In the first six months of 2022, sales, net earnings and diluted earnings per share were $381.9 million, $28.1 million and $1.08 per share, respectively, compared to $328.6 million, $28.2 million and $1.08 per share, respectively, in the first six months of 2021.

NET SALES

In the second quarter of 2022, net sales of $204.9 million were $39.0 million, or 23.5%, higher than the $165.9 million in the second quarter of 2021. In the first six months of 2022, net sales of $381.9 million were $53.3 million, or 16.2%, higher than the $328.6 million in the first six months of 2021. The increase in net sales in the second quarter of 2022 as compared to the second quarter of 2021 was due to a $24.6 million increase in the USG segment, a $12.1 million increase in the Test segment, and a $2.3 million increase in the Aerospace & Defense segment. The increase in net sales in the first six months of 2022 as compared to the first six months of 2021 was due to a $33.5 million increase in the USG segment, a $13.8 million increase in the Test segment, and a $6.0 million increase in the Aerospace & Defense segment.

-Aerospace & Defense (A&D)

In the second quarter of 2022, net sales of $84.8 million were $2.3 million, or 2.8%, higher than the $82.5 million in the second quarter of 2021. In the first six months of 2022, net sales of $155.1 million were $6.0 million, or 4.0%, higher than the $149.1 million in the first six months of 2021. The sales increase in the second quarter of 2022 compared to the second quarter of 2021 was mainly due to a $2.8 million increase in net sales at Mayday, a $1.0 million increase in net sales at PTI, a $0.9 million increase in net sales at Globe, an $0.8 million increase in net sales at Westland, a $0.4 million increase in net sales at Crissair, primarily due to an increase in commercial aerospace sales driven by the rebound from the COVID-19 pandemic, partially offset by a $3.6 million decrease in sales at VACCO driven by timing of navy defense projects. The sales increase in the first six months of 2022 compared to the first six months of 2021 was mainly due to a $4.5 million increase in net sales at Mayday, a $5.4 million increase in net sales at PTI, a $3.4 million increase in net sales at Westland, and a $0.3 million increase in net sales at Globe, primarily due to an increase in commercial aerospace sales driven by the rebound from the COVID-19 pandemic, partially offset by a $7.6 million decrease in net sales at VACCO driven by timing of navy defense projects.

-USG

In the second quarter of 2022, net sales of $64.2 million were $24.6 million, or 62.1%, higher than the $39.6 million in the second quarter of 2021. In the first six months of 2022, net sales of $127.7 million were $33.6 million, or 35.7%, higher than the $94.1 million in the first six months of 2021. The increase in the second quarter and first six months of 2022 compared to the corresponding periods of 2021 was mainly due to higher product and service revenue at Doble primarily driven by the acquisitions of Altanova and Phenix, and an increase in product sales at NRG. The revenue contribution from the Altanova and Phenix acquisitions totaled $10.4 million and $25.0 million for the second quarter and first six months of 2022, respectively.

-Test

In the second quarter of 2022, net sales of $55.9 million were $12.1 million, or 27.6%, higher than the $43.8 million in the second quarter of 2021. In the first six months of 2022, net sales of $99.2 million were $13.9 million, or 16.3%, higher than the $85.3 million in the first six months of 2021. The increase in the second quarter of 2022 as compared to the second quarter of 2021 was primarily due to higher sales from the Company's U.S. and Asian operations totaling $12.8 million partially offset by a $0.7 million decrease in sales from the segment's European operations due to the timing of test and measurement chamber projects. The increase in the first six months of 2022 compared to the first six months of 2021 was due to higher sales from the Company's Asian and U.S. operations totaling $17.3 million partially offset by a $3.4 million decrease in sales from the segment's European operations due to the timing of test and measurement chamber projects.

ORDERS AND BACKLOG

Backlog was $670.9 million at March 31, 2022 compared with $592.0 million at September 30, 2021. The Company received new orders totaling $236.5 million in the second quarter of 2022 compared to $176.2 million in the second quarter of 2021. Of the new orders received in the second quarter of 2022, $94.6 million related to Aerospace & Defense products, $86.5 million related to USG products, and $55.4 million related to Test products. Of the new orders received in the second quarter of 2021, $88.2 million related to Aerospace & Defense products, $43.6 million related to USG products, and $44.4 million related to Test products.

The Company received new orders totaling $460.9 million in the first six months of 2022 compared to $333.9 million in the first six months of 2021. Of the new orders received in the first six months of 2022, $184.8 million related to Aerospace & Defense products, $152.7 million related to USG products, and $123.4 million related to Test products. Of the new orders received in the first six months of 2021, $153.6 million related to Aerospace & Defense products, $92.4 million related to USG products, and $87.9 million related to Test products.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative (SG&A) expenses for the second quarter of 2022 were $48.0 million (23.4% of net sales), compared with $38.7 million (23.3% of net sales) for the second quarter of 2021. For the first six months of 2022, SG&A expenses were $94.6 million (24.8% of net sales) compared to $79.7 million (24.3% of net sales) for the first six months of 2021. The increase in SG&A in the second quarter and first six months of 2022 compared to the corresponding periods of 2021 was mainly due to higher expenses at Doble as a result of the SG&A contribution from the Altanova and Phenix acquisitions and higher expenses at Corporate due to acquisition related costs and professional fees.

AMORTIZATION OF INTANGIBLE ASSETS

Amortization of intangible assets from continuing operations was $6.5 million and $13.0 million for the second quarter and first six months of 2022, respectively, compared to $4.9 million and $9.9 million for the corresponding periods of 2021. Amortization expenses consist of amortization of acquired intangible assets from acquisitions and other identifiable intangible assets (primarily software). The increase in amortization expense in the second quarter and first six months of 2022 compared to the corresponding periods of 2021 was mainly due to the Company's recent acquisitions of Phenix, Altanova and NEco.

OTHER INCOME, NET

Other income, net, was $0.6 million of income in the second quarter of 2022 compared to $1.9 million of income in the second quarter of 2021. There were no individually significant items in other income, net, in the second quarter of 2022. The principal component of other income, net, in the second quarter of 2021 was a gain of approximately $2 million for the final settlement on the sale of the Doble Watertown, MA building, partially offset by facility consolidation charges for the Doble Manta facility.

Other income, net, was $0.6 million of income in the first six months of 2022 compared to $1.9 million of income in the first six months of 2021. There were no individually significant items in other income, net, in the first six months of 2022. The principal component of other income, net, in the first six months of 2021 was a gain of approximately $2 million for the final settlement on the sale of the Doble Watertown, MA building, partially offset by facility consolidation charges for the Doble Manta facility.

EBIT

The Company evaluates the performance of its operating segments based on EBIT, and provides EBIT on a consolidated basis, which is a non-GAAP financial measure. Please refer to the discussion of non-GAAP financial measures in Note 7 to the Consolidated Financial Statements, above. EBIT was $22.7 million (11.1% of net sales) for the second quarter of 2022 compared to $20.6 million (12.4% of net sales) for the second quarter of 2021. For the first six months of 2022, EBIT was $38.3 million (10.0% of net sales) compared to $37.7 million (11.5% of net sales) for the first six months of 2021.

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

	Three Months Ended March 31,		**Six Months Ended March 31,**	
(In thousands)	**2022**	**2021**	**2022**	**2021**
Net earnings	$ 16,583	15,404	28,107	28,222
Plus: Interest expense, net	1,020	432	1,753	973
Plus: Income tax expense	5,085	4,745	8,398	8,467
Consolidated EBIT	$ 22,688	20,581	38,258	37,662

– Aerospace & Defense

EBIT in the second quarter of 2022 was $14.3 million (16.9% of net sales) compared to $17.0 million (20.6% of net sales) in the second quarter of 2021. EBIT in the first six months of 2022 was $24.3 million (15.7% of net sales) compared to $25.3 million (16.9% of net sales) in the first six months of 2021. The decrease in EBIT in the second quarter and first six months of 2022 compared to the corresponding periods of 2021 was mainly due to lower sales volumes at VACCO and unfavorable product mix impact at PTI and Crissair partially offset by an increase in EBIT at Westland, Mayday and Globe due to the higher sales volumes as mentioned above. EBIT in the first six months of 2022 was negatively impacted by a $0.3 million inventory step-up charge related to the NEco acquisition. EBIT in the first six months of 2021 was negatively impacted by a $0.3 million inventory step-up charge related to the ATM acquisition.

-USG

EBIT in the second quarter of 2022 was $11.3 million (17.6% of net sales) compared to $6.7 million (17.0% of net sales) in the second quarter of 2021. EBIT in the first six months of 2022 was $24.7 million (19.3% of net sales) compared to $19.5 million (20.7% of net sales) in the first six months of 2021. The increase in EBIT in the second quarter and first six months of 2022 compared to the corresponding periods of 2021 was mainly due to the higher sales volumes at Doble and NRG as mentioned above. EBIT in the first six months of 2022 was negatively impacted by approximately $0.5 million of inventory step-up charges related to the Altanova acquisition.

-Test

EBIT in the second quarter of 2022 was $8.5 million (15.2% of net sales) compared to $5.7 million (13.0% of net sales) in the second quarter of 2021. EBIT in the first six months of 2022 was $12.5 million (12.6% of net sales) compared to $11.0 million (12.9% of net sales) in the first six months of 2021. The increase in EBIT in the second quarter and first six months of 2022 compared to the corresponding periods of 2021 was primarily due to product mix and higher margins on projects mainly from the segment's Asian and U.S. operations.

– Corporate

Corporate costs included in EBIT were $11.5 million and $23.2 million in the second quarter and first six months of 2022, respectively, compared to $8.8 million and $18.1 million in the corresponding periods of 2021. The increase in Corporate costs in the second quarter and first six months of 2022 compared to the corresponding periods of 2021 was mainly due to the increase in amortization expense of acquired intangible assets related to the Company's recent acquisitions of Phenix, Altanova and NEco.

INTEREST EXPENSE, NET

Interest expense was $1.0 million and $1.8 million in the second quarter and first six months of 2022, respectively, and $0.4 million and $1.0 million in the corresponding periods of 2021. The increase in interest expense in the second quarter and first six months of 2022 compared to the corresponding periods of 2021 was mainly due to higher average outstanding borrowings. Average outstanding borrowings were $197 million and $190 million in the second quarter and first six months of 2022, respectively, and $23 million and $47 million in the corresponding periods of 2021.

INCOME TAX EXPENSE

The second quarter 2022 effective income tax rate was 23.5% compared to 23.5% in the second quarter of 2021. The effective income tax rate in the first six months of 2022 was 23.0% compared to 23.1% for the first six months of 2021. There were no significant or unusual items impacting the 2022 second quarter or year-to-date effective tax rate.

CAPITAL RESOURCES AND LIQUIDITY

The Company's overall financial position and liquidity remains strong. Working capital (current assets less current liabilities) increased to $235.6 million at March 31, 2022 from $191.2 million at September 30, 2021. Inventories increased by $28.0 million during this period due to a $12.6 million increase within the Test segment, a $10.2 million increase within the USG segment and a $5.2 million increase within the Aerospace & Defense segment resulting primarily from the timing of receipt of raw materials to meet anticipated demand and an increase in work in process inventories due to timing of manufacturing existing orders.

Net cash provided by operating activities was $23.0 million and $57.3 million in the first six months of 2022 and 2021, respectively. The decrease in net cash provided by operating activities in the first six months of 2022 as compared to the first six months of 2021 was mainly driven by higher working capital requirements.

Capital expenditures were $20.7 million and $13.2 million in the first six months of 2022 and 2021, respectively. The increase in the first six months of 2022 compared to the prior year period was mainly due to the purchase of the NRG building of approximately $10 million in the first quarter of 2022. In addition, the Company incurred expenditures for capitalized software of $4.7 million and $4.0 million in the first six months of 2022 and 2021, respectively.

Acquisition

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

Credit Facility

At March 31, 2022, the Company had approximately $296 million available to borrow under its bank credit facility, a $250 million increase option subject to lender approval, and $54.3 million cash on hand. At March 31, 2022, the Company had $196 million of outstanding borrowings under the credit facility in addition to outstanding letters of credit of $8.1 million. Cash flow from operations and borrowings under the Company's credit facility are expected to meet the Company's capital requirements and operational needs for the foreseeable future. The Company's ability to access the additional $250 million increase option of the credit facility is subject to acceptance by participating or other outside banks.

Share Repurchases

During the first six months of 2022, the Company repurchased approximately 229,000 shares for approximately $18.0 million. For further information on the share repurchases during the second quarter of 2022, see Part II, Item 2 of this Report.

Dividends

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

CRITICAL ACCOUNTING POLICIES

Management has evaluated the accounting policies used in the preparation of the Company's financial statements and related notes and believes those policies to be reasonable and appropriate. Certain of these accounting policies require the application of significant judgment by Management in selecting appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on historical experience, trends in the industry, information provided by customers and information available from other outside sources, as appropriate. The most significant areas involving Management judgments and estimates may be found in the Critical Accounting Policies section of Management's Discussion and Analysis and in Note 1 to the Consolidated Financial Statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021.

OTHER MATTERS

Contingencies

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

FORWARD LOOKING STATEMENTS

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

Investors are cautioned that such statements are only predictions and speak only as of the date of this Form 10-Q, and the Company undertakes no duty to update them except as may be required by applicable laws or regulations. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment, including but not limited to those described in Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021, and the following: the continuing impact of the COVID-19 pandemic including the impacts of known or unknown COVID-19 variants, labor shortages, facility closures, shelter in place policies or quarantines, material shortages, transportation delays, termination or delays of Company contracts and the inability of our suppliers or customers to perform, the impacts of natural disasters on the Company's operations and those of the Company's customers and suppliers; the timing and content of future contract awards or customer orders; the appropriation, allocation and availability of Government funds; the termination for convenience of Government and other customer contracts or orders; weakening of economic conditions in served markets; the success of the Company's competitors; changes in customer demands or customer insolvencies; competition; intellectual property rights; technical difficulties; the availability of selected acquisitions; delivery delays or defaults by customers; performance issues with key customers, suppliers and subcontractors; material changes in the costs and availability of certain raw materials; inflationary pressures on the Company's costs of materials, components and supplies; labor disputes; changes in U.S. tax laws and regulations; other changes in laws and regulations including but not limited to changes in accounting standards and foreign taxation; changes in interest rates; costs relating to environmental matters arising from current or former facilities; uncertainty regarding the ultimate resolution of current disputes, claims, litigation or arbitration; and the integration of recently acquired businesses.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risks relating to the Company's operations result primarily from changes in interest rates and changes in foreign currency exchange rates. The Company is exposed to market risk related to changes in interest rates and selectively uses derivative financial instruments, including forward contracts and swaps, to manage these risks. The Company's Canadian subsidiary Morgan Schaffer enters into foreign exchange contracts to manage foreign currency risk as a portion of their revenue is denominated in U.S. dollars. All derivative instruments are reported on the balance sheet at fair value. For derivative instruments designated as cash flow hedges, the gain or loss on the respective derivative is deferred in accumulated other comprehensive income until recognized in earnings with the underlying hedged item. There has been no material change to the Company's market risks since September 30, 2021. Refer to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021 for further discussion about market risk.

ITEM 4. CONTROLS AND PROCEDURES

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

PART II. OTHER INFORMATION

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

ISSUER PURCHASES OF EQUITY SECURITIES*

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs*
January 1-31, 2022	—	$ N/A	—	$ 190.0 million
February 1-28, 2022	42,217	$ 71.04	42,217	$ 187.0 million
March 1-31, 2022	71,131	$ 70.27	71,131	$ 182.0 million
Total	113,348	$ 70.56	113,348	$ 182.0 million

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

ITEM 6. EXHIBITS

Exhibit Number	Description	Document Location
3.1(a)	Restated Articles of Incorporation	Exhibit 3(a) to the Company's Form 10-K for the fiscal year ended September 30, 1999
3.1(b)	Amended Certificate of Designation, Preferences and Rights of Series A Participating Cumulative Preferred Stock of the Registrant	Exhibit 4(e) to the Company's Form 10-Q for the fiscal quarter ended March 31, 2000
3.1(c)	Articles of Merger effective July 10, 2000	Exhibit 3(c) to the Company's Form 10-Q for the fiscal quarter ended June 30, 2000
3.1(d)	Amendment of Articles of Incorporation effective February 5, 2018	Exhibit 3.1 to the Company's Form 8-K filed February 7, 2018
3.2	Bylaws	Exhibit 3.1 to the Company's Form 8-K filed November 19, 2019
10.1	Sub-Plan for Compensation of Non-Employee Directors under 2018 Omnibus Incentive Plan	Filed herewith
10.2	Form of Director Share Award Agreement for Non-Employee Directors	Filed herewith
31.1	Certification of Chief Executive Officer	Filed herewith
31.2	Certification of Chief Financial Officer	Filed herewith
32	Certification of Chief Executive Officer and Chief Financial Officer	Filed herewith
101.INS	XBRL Instance Document*	Submitted herewith
101.SCH	XBRL Schema Document*	Submitted herewith
101.CAL	XBRL Calculation Linkbase Document*	Submitted herewith
101.DEF	XBRL Definition Linkbase Document*	Submitted herewith
101.LAB	XBRL Label Linkbase Document*	Submitted herewith
101.PRE	XBRL Presentation Linkbase Document*	Submitted herewith
104	Cover Page Interactive Data File (contained in Exhibit 101)	Submitted herewith

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

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ESCO TECHNOLOGIES INC.

/s/ Christopher L. Tucker
Christopher L. Tucker
Senior Vice President and Chief Financial Officer
(As duly authorized officer and principal accounting and financial officer of the registrant)

Dated: May 10, 2022

Exhibit 10.1

ESCO TECHNOLOGIES INC.

SUB-PLAN FOR THE COMPENSATION OF NON-EMPLOYEE DIRECTORS UNDER THE 2018 OMNIBUS INCENTIVE PLAN, AS AMENDED

1. Purpose. This Sub-Plan has been adopted by the Human Resources and Compensation Committee (the "HRCC") of ESCO Technologies Inc. (the "Company") pursuant to the Company's 2018 Omnibus Incentive Plan, as amended (the "Omnibus Plan"), to provide for the compensation of the Company's non-employee directors ("Directors") who contribute to the Company's success by their ability, ingenuity and knowledge, and to better ensure that the interests of the Directors are more closely aligned with the interests of the Company's shareholders by paying a significant portion of their compensation in shares of the Company's common stock ("Common Stock"). This Sub-Plan is intended as a continuation of the Company's Compensation Plan for Non-Employee Directors under which compensation was awarded to Directors through 2021, and all awards and elections, including deferral elections, and accruals of Share Units, made under that Plan shall continue in effect under this Sub-Plan according to their terms.

2. Payment of Annual Retainer.

(a) Each Director shall receive an annual retainer fee (the "Retainer Fee") in an amount determined from time to time by action of the HRCC. The HRCC shall also determine from time to time the frequency of and/or the conditions which must be satisfied regarding the payments and distributions of the Retainer Fee.

(b) The HRCC shall also determine what portion (if any) of the Retainer Fee shall be payable in cash (the "Cash Portion of the Retainer Fee"), and what portion (if any) of the Retainer Fee shall be awarded in shares. Such shares may be restricted or unrestricted shares of Common Stock ("Shares") or restricted share units (RSUs) representing rights to acquire Shares subject to specified service or other conditions determined by the HRCC from time to time (in either case, the "Stock Portion of the Retainer Fee"). The Stock Portion of the Retainer Fee shall be either a predetermined number of Shares or RSUs or a number of Shares or RSUs having an aggregate Fair Market Value on the date as of which the Stock Portion of the Retainer Fee is awarded (the "Award Date") or such other amount as may be determined by the HRCC from time to time. For purposes of this Sub-Plan, "Fair Market Value" as of a given date shall mean the closing price of the Common Stock on the New York Stock Exchange ("NYSE") on such date, or if such date is not a trading day on the NYSE, then on the last previous trading day. Where the Stock Portion of the Retainer Fee is awarded as RSUs, conversion of the RSUs into Shares shall occur on the Vesting Date hereinafter defined and such Shares shall be distributed as promptly thereafter as practicable. A new Director elected to the Board and serving as a Director for a partial year may be awarded only a portion of the Cash Portion of the Retainer Fee and or Stock Portion of the Retainer Fee as determined by the HRCC in its sole discretion.

(c) To be entitled to the full Cash Portion of the Retainer Fee, a Director must be serving on the Board on the day the Cash Portion of the Retainer Fee is paid and must not have given notice of retirement, resignation or to not stand for reelection to the Board of Directors. To be entitled to receive the Shares constituting or underlying the Stock Portion of the Retainer Fee, a Director must be serving on the Board continuously from the Award Date until the close of business on the date all of the conditions specified in the Award have been satisfied (the "Vesting Date").

(d) If a director dies or becomes disabled prior to the vesting and payment of any unvested Shares, such Shares will be forfeited. The HRCC may permit or provide for partial vesting and/or payment of such portion of the Share Retainer Fee in its sole discretion.

3. Other Cash Compensation. In addition to payment of the Retainer Fee provided for in Section 2, each Director shall be paid such additional cash fees for service as chair of a committee or service as lead director and/or such other fees as may be approved by the HRCC from time to time.

4. Elective Deferral of Compensation.

(a) Election to Defer. Directors may elect to defer the receipt of (i) all (but not less than all) of the Cash Portion of the Retainer Fee and other cash compensation (together, "Cash Compensation") and/or (ii) all (but not less than all) of the Stock Portion of the Retainer Fee ("Stock Compensation"), in each case by executing and delivering an election form to the Company no later than the end of the calendar year preceding the calendar year in which such amounts will be earned and subject to such other conditions as the HRCC shall determine. Any new Director may make such elections at any time up to 30 days after the date he or she becomes a Director, for Cash Compensation and/or Stock Compensation paid after the effective date of the election form. Any new deferral election form filed by a Director shall apply only to Cash Compensation and/or Stock Compensation awarded after the calendar year in which such new election form is filed and shall be irrevocable as to amounts awarded in the following calendar year, or in the case of an election by a new Director made in the same calendar year that he or she joins the Board such deferral election shall be irrevocable for the remainder of the calendar year. An election to defer receipt of the Cash Compensation and/or the Stock Compensation shall remain in effect until a new election form is delivered to the Company, provided that once distributions have commenced no further deferrals may be elected. A deferral election made under the Compensation Plan for Non-Employee Directors shall remain effective for all future compensation awarded under this Sub-Plan until a new deferral election form is received from the Director.

(b) Deferred Compensation Account.

(i) The Company shall establish a deferred compensation bookkeeping account (the "Account") for each Director electing to defer Cash Compensation and/or Stock Compensation. As of the date Cash Compensation or Stock Compensation would otherwise be paid or awarded to the Director absent the deferral election, the Company shall credit to the Account the amount of Cash Compensation and/or Stock Compensation which the Director has elected to defer. The credit shall be in stock units ("Stock Units") only, determined as follows:

(A) For each share of Common Stock which the Director elects to defer, the Company shall credit the Account with one Stock Unit.

(B) For any Cash Compensation which the Director elects to defer, the Company shall credit the Account with that number of Stock Units equal to the dollar amount of such compensation, divided by the Fair Market Value per share of the Common Stock as of the day such Cash Compensation would otherwise have been paid.

(ii) The Account shall be credited, as of the payment date of any cash dividends paid on Common Stock, with additional Stock Units equal to the product of the per share dividend and the number of Stock Units credited to the Account and dividing such product by the Fair Market Value per share of the Common Stock as of the dividend payment date. The Account shall be credited, as of the payment date of any stock dividends paid on Common Stock with additional Stock Units equal to the product of the per share dividend and the number of Stock Units credited to the Account.

(c) Distribution of Deferred Compensation Account.

(i) Except as otherwise provided in this Sub-Plan, the balance in the Account shall be distributed to the Director, or in the case of installment payments, the installments shall begin, on the date which the Director has specified on the election form; provided, however, that such distributions must begin no later than the Director's 65th birthday or upon termination of the Director's service as a Director, whichever is later. Distributions shall be made in cash and/or in shares of Common Stock as the Director has specified on the election form; provided that the portion of the Account representing deferrals of the Stock Portion of the Retainer Fee may only be distributed in the form of Common Stock.

(ii) Distributions shall be made either in a lump sum or, as specified on the Director's election form, in quarterly, semi-annual or annual installments, over a period not to exceed 5 years from the Commencement Date; provided, that Common Stock may not be distributed more frequently than semi-annually. An election to change the medium (i.e. cash or stock) of distribution with respect to the Account must be received by the Company prior to January 1 of the calendar year in which distributions are to be made pursuant to such election and must be approved in advance by the HRCC. An election to change the form (lump sum or installments) or the timing of distributions with respect to the Account must be approved in advance by the HRCC and (A) in the case of any such elections which were received by the Company prior to January 1, 2008, applied only to amounts that would not otherwise have been payable in 2007 and would not have caused an amount to be paid in 2007 that would not otherwise have been payable in 2007, and (B) in the case of any other such election, must be received by the Company at least one year prior to the date such distribution would otherwise be made or commence, and payment or commencement of such distribution shall be deferred for a period of five years (or such longer period elected by the Director) from the date such distribution would otherwise have been made or commenced.

(iii) Notwithstanding the provisions of any election under paragraph 4(c)(i) or 4(c)(ii):

(A) If the Director's service on the Board terminates by reason of the Director's death, the vested balance in the Account (determined in accordance with paragraph 4(c)(i) as of the date of death) shall be payable in a lump sum in cash on a date selected by the Company occurring within 30 days after January 1 of the following calendar year.

(B) If the Director's service on the Board terminates by reason of the Director's disability (as hereafter defined), the vested balance in the Account (determined in accordance with paragraph 4(c)(i) as of the date of disability) shall be paid in a lump sum in cash on a date selected by the Company which is within 30 days following the Director's disability. For this purpose, disability means only the Director's inability to engage in any substantial gainful activity (including but not limited to service on the Board) by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

(iv) The amount of each distribution from the Account shall be determined as follows:

(A) If in cash, the distribution shall be a dollar amount equal to the number of Stock Units to be distributed multiplied by the Fair Market Value per share of Common Stock as of the day prior to the distribution date.

(B) If in Common Stock, the distribution shall be a number of shares of Common Stock equal to the number of Stock Units to be distributed, rounded down to the nearest whole share of Common Stock, and any fractional share shall be paid in cash in an amount equal to the fractional share multiplied by the Fair Market Value per share as of the day prior to the distribution date.

(d) Change in Control.

(i) Notwithstanding any other provision of this Sub-Plan, if a Change in Control occurs and within one year subsequent to such Change in Control the Director ceases to serve as a member of the Board for any reason, the balance in the Director's Account shall be paid in a lump sum to the Director, in the manner determined in paragraph 4(d)(ii) below, not later than 2½ months after the date the Director ceases to serve.

(ii) The payment made pursuant to 4(d)(i) shall be a Cash Distribution in an amount equal to the greater of the following:

(A) the number of Stock Units then credited to the Account multiplied by the Fair Market Value per share of Common Stock as of either (I) the date of termination of the Director's service on the Board (if such Common Stock is still in existence), or (II) the date of the Change in Control, whichever is greater; or

(B) the number of Stock Units then credited to the Account multiplied by the fair market value per share of the consideration received by holders of Common Stock in the Change in Control as of either (i) the date of termination of the Director's service on the Board, or (ii) the last day on which the Common Stock is traded prior to the date of the Change in Control, whichever is greater.

(iii) Notwithstanding paragraph 4(d)(ii) above, if the consideration in the Change in Control takes the form of stock of an acquiring corporation, payment may at the discretion of the HRCC be in the form of such stock of such corporation in lieu of cash, provided that for purposes of calculating the number of shares of the acquiring corporation to be received, a Director's Account shall be converted to stock of the acquiring corporation using the same conversion ratios applied to the Common Stock of the Company that is converted to shares of the acquiring corporation.

(iv) As used in this Plan, "Change in Control" means:

(A) A merger, consolidation or reorganization of the Company in which, as a consequence of the transaction, a majority of the incumbent Directors immediately prior to such transaction are replaced during the 12-month period following such transaction as directors of the continuing or surviving corporation by directors whose appointment or election is not endorsed by a majority of such incumbent Directors; or

(B) The acquisition, directly or indirectly, of the power to vote more than 50% of the outstanding Common Stock and/or any other stock of the Company with voting rights by any person, entity or "group" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934); or

(C) Any sale or other transfer, in one or a series of related transactions occurring within a 12-month period, by any person, entity or "group" (within the meaning of Section 409A, as hereinafter defined) of all or substantially all of the assets of the Company.

(v) The Company shall promptly reimburse the Director for all legal fees and expenses reasonably incurred in successfully obtaining or enforcing any right or benefit provided under this Section.

5. Distribution of Common Stock. The maximum number of shares of Common Stock available for distribution pursuant to this Sub-Plan or to any Director hereunder shall be as specified in the Company's 2018 Omnibus Incentive Plan, as from time to time amended, or its successor plan. The shares of Common Stock issuable to Directors under this Sub-Plan may be issued from shares held in the Company's treasury or from original-issue shares as determined by the appropriate officers of the Company.

6. Adjustment to Shares of Stock Issuable Pursuant to Plan. In the event of any change in the outstanding shares of Common Stock of the Company by reason of any stock split, stock dividend or recapitalization of the Company, an equitable adjustment shall be made to the number of shares of Common Stock issuable under this Sub-Plan, the amount of the Stock Portion of the Retainer Fee set forth in Section 2 and the number of Stock Units credited to the Account for any Director, as the HRCC determines is necessary or appropriate, in its discretion, to give proper effect to such corporate action. Any such adjustment determined in good faith by the HRCC in accordance with the provisions of the Omnibus Plan shall be conclusive and binding for all purposes of this Sub-Plan.

7. Amendments. Section 4(d) of this Sub-Plan may not be amended or modified or terminated after the occurrence of a Change in Control with respect to benefits accrued as of such occurrence. This Sub-Plan may otherwise be amended, modified or terminated by the HRCC at any time, provided that no such action shall reduce the amounts credited to the Account of any Director immediately prior to such action or change the time, method or manner of distribution of such Account, or shall be contrary to the provisions of the Omnibus Plan.

8. Section 409A Compliance. It is intended that no compensation awarded under this Sub-Plan shall be subject to any interest or additional tax under Section 409A of the Internal Revenue Code of 1986 (together with any successor statute, "Section 409A"), and the terms of this Sub-Plan should be construed accordingly. In the event Section 409A is amended after the date hereof, or regulation or other guidance is promulgated after the date hereof that would make any compensation under this Sub-Plan subject to the provisions of Section 409A, then the terms and conditions of this Sub-Plan shall be interpreted and applied, to the extent possible, in a manner to avoid the imposition of the provisions of Section 409A. If any award of compensation to a Director under this Sub-Plan may result in the application of Section 409A, then the Company and the Director will negotiate in good faith to amend this Sub-Plan and/or the award to the extent necessary to comply with the requirements of Section 409A, provided that no such amendment shall increase the total financial obligation of the Company under the award. Notwithstanding the preceding, the Director shall be responsible for any and all tax liabilities, including liability under Section 409A with respect to compensation Awards made to the participant; and neither the Committee nor the Company shall have any liability to a Director for reimbursement or otherwise on account of any such tax liabilities which may be imposed on the Director.

9. Miscellaneous.

(a) The provisions of this Sub-Plan shall be binding upon and enforceable against the Company and/or the continuing or surviving corporation in a Change of Control.

(b) Neither the Director nor any other person shall have any interest in any fund or in any specific asset of the Company by reason of amounts credited to the Account of a Director hereunder, or the right to exercise any of the rights or privileges of a shareholder (including the right to vote) with respect to any Stock Units credited to the Account or to receive any distribution under this Sub-Plan except as expressly provided for in this Sub-Plan. Distributions hereunder shall be made from the general assets of the Company, and the rights of the Director shall be those of an unsecured general creditor of the Company.

(c) The Company may require that the Directors shall agree to acquire shares of Common Stock under this Sub-Plan for investment and not for resale or distribution except pursuant to a registration statement under the Securities Act of 1933 or an exemption from such registration, and may require that certificates representing such shares shall bear a customary restrictive legend to this effect.

(d) The interest of a Director under this Sub-Plan shall not be assignable by the Director or the Director's beneficiary or legal representative, either by voluntary assignment or by operation of law, and any such attempted assignment shall be ineffective to transfer the Director's interest; provided, however, that (i) the Director may designate beneficiaries to receive any benefit payable under this Sub-Plan upon death, and (ii) the legal representative of the Director's estate may assign his or her interest under this Sub-Plan to the persons entitled to any such benefit.

(e) Nothing contained herein shall impose any obligation on the Company to continue the tenure of the Director beyond the term for which such Director has been elected or prevent his or her removal.

(f) Each Director shall be responsible for payment of any taxes imposed by the federal or any state or local government on any payments or distributions of the Retainer Fee.

(g) This Sub-Plan shall be administered and interpreted by and all questions arising in connection therewith shall be determined by the HRCC, whose interpretation or determination shall be conclusive and binding. All awards and any payments or share distributions are at the sole discretion of the HRCC.

(h) If any amounts deferred pursuant to this Sub-Plan are found in a final judgment or other order to have been includible in gross income by a Director prior to payment of such amounts from his or her Account, such amounts shall be immediately paid to such Director, notwithstanding any election pursuant to Section 4.

(i) The provisions of this Sub-Plan shall be governed by and construed in accordance with the laws of the State of Missouri, without regard to the principles of conflicts of law which might otherwise apply.

10. Effective Date. This Sub-Plan applies to all compensation awarded to Directors beginning in 2022, but unless otherwise expressly provided herein all prior awards, deferral elections and accruals shall remain in effect.

ESCO TECHNOLOGIES INC.
SUB-PLAN FOR THE COMPENSATION OF NON-EMPLOYEE DIRECTORS
UNDER THE 2018 OMNIBUS INCENTIVE PLAN, AS AMENDED

DEFERRED COMPENSATION ELECTION FORM

1. COMPENSATION TO BE DEFERRED:

☐ I hereby elect to defer payment of my Cash Compensation.

☐ I hereby elect to defer distribution of my Stock Compensation.

I understand that all deferrals will be credited as Stock Units to my Deferred Compensation Account.

2. TYPE OF DISTRIBUTION:

Deferred Stock Compensation:

☐ Lump Sum – in shares

☐ Installments over ____years (may not exceed 5 years)

☐ Semi-Annually in shares

☐ Annually in shares

Deferred Cash Compensation:

☐ Lump Sum – in cash

☐ Lump Sum – in shares

☐ Installments over ____years (may not exceed 5 years)

☐ Semi-Annually ______% in cash; ____% in shares

☐ Annually ______% in cash; ____% in shares

☐ Quarterly in cash

3. TIME OF DISTRIBUTION:

☐ Lump sum distribution to be made on __________________________.

☐ Installment distributions to commence on _______________________.

☐ Distribution to be made or commence upon my retirement as a Director of the Company.

4. DESIGNATION OF BENEFICIARY/BENEFICIARIES: (Please include SSAN and address)
In the absence of such designation, any remaining distribution(s) will be made to your estate.

Name	Address	Social Security Number	% (if not 100%)

5. EFFECTIVE PERIOD; REVOCATION:

This deferment will remain in effect with respect to each such subsequent year until such time as I may revoke the deferment or distributions commence, whichever is earlier. Such later filings shall apply only to compensation to be earned after the calendar year in which such later filings are made.

☐ I hereby revoke my previous election to defer payment of my Cash Compensation.

☐ I hereby revoke my previous election to defer payment of my Stock Compensation.

Signature: ______________________________
Print Name: ______________________________
Date Signed: ______________________________

Exhibit 10.2

Form of Award effective January 2022

DIRECTOR SHARE AWARD AGREEMENT (NON-EMPLOYEE DIRECTOR)

To: _______________ (“you”)

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

Subject: Equity Award under the Company’s Sub-Plan for Compensation of Non-Employee Directors Under The 2018 Omnibus Incentive Plan (the “Plan”)

1. Notice of Award.

(a) I am pleased to advise you that the Committee has awarded to you a Restricted Stock Unit Award of _____ units of ESCO Technologies Inc. Common Stock (the “Award Shares”) effective _________, 20__ (the “Award Date”), based upon the fair market value of $______. This Award and the Award Shares are subject to the terms and conditions set forth in this Equity Award Agreement (“Agreement”) and to the applicable provisions and definitions set forth in the Plan. See also Attachment A.

2. Vesting.

(a) The Award Shares are subject to a one-year vesting period ending at the close of business on the first anniversary of the Award Date (the “Vesting Date”). Prior to the Vesting Date the Award Shares will be represented by a number of “Stock Units” equal to the number of Award Shares and held in a bookkeeping account. In the event a dividend is paid on the Common Stock between the Award Date and the Vesting Date, an additional number of Stock Units will be accrued in your account equal to (A) the number of Stock Units held before the dividend, multiplied by (B) the dividend per share of Common Stock, divided by (C) the NYSE closing price of the Common Stock on the dividend date, carried to four decimal places.

(b) If you remain continuously in service as a member of the Board from the Award Date through the Vesting Date, then you will become entitled to receive a number of whole shares of Common Stock equal to the whole number of shares of Stock Units in your account as of the Vesting Date, distributable as of the next NYSE trading day after the Vesting Date, and any fractional share shall be paid in cash in an amount equal to the fractional share multiplied by the fair market value per share as of the Vesting Date, subject to the provisions of Section 2 below.

(c) Your rights in the event of a Change of Control or your death, disability or retirement prior to the Vesting Date are as set forth in the Plan.

3. Elective Deferrals. The shares underlying the Award are eligible for elective deferrals pursuant to the terms of the Plan, as amended. However, in the event of an elective deferral, the period between the Award Date and the Vesting Date will constitute part of the initial deferral period.

4. Choice of Law; Venue. This Award shall be construed and administered in accordance with the laws of the State of Missouri without regard to the principles of conflicts of law which might otherwise apply. In light of the fact that the Company is headquartered in St. Louis, Missouri, the Plan was established and is administered in the State of Missouri and the majority of the Committee’s meetings are held in the State of Missouri, any litigation concerning any aspect of this Award shall be conducted exclusively in the State or Federal Courts in the State of Missouri.

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

6. **Amendment.** This Award may be amended by written consent between the Company and you.

ESCO TECHNOLOGIES INC.	DIRECTOR
______________________________	______________________________
Vice President	*(insert name)*
______________________________	Executed and agreed to______________, 20__
Date	

Attachment A

The principal provisions of the Restricted Stock Unit Award for Non-Management Directors to which this Appendix A is attached are summarized as follows:

- Only non-management Directors are eligible to participate.
- The Human Resources and Compensation Committee (HRCC) will determine the portion of the annual retainer fee to be paid each year in cash and the portion to be paid in Restricted Share Units (RSUs) (“Stock Units”).
- The number of Stock Units awarded will be based on the NYSE closing price of the Company’s Common Stock on the Award Date, or if the Award Date is not a trading day then the last trading day prior to the effective date of the Award.
- The Company will maintain the Stock Units in a bookkeeping account until the underlying Common Stock is distributed.
- Stock Units do not carry any voting rights and may not be transferred.
- No cash dividends will be paid on unvested or deferred Stock Units. Additional Stock Units having a value equal to the dividends otherwise payable on the underlying Common Stock will be credited to your account on each dividend payment date until the underlying Common Stock is distributed.
- Stock Units in your account will vest upon the earlier of (1) your death or disability, (2) a change of control of the Company, or (3) at the close of business on the first anniversary of the Award Date.
- Stock Units will be converted into Company Common Stock and distributed on the first NYSE trading day after the vesting date unless a deferral election has been made as provided in the Plan.

The foregoing is only a summary of certain provisions of the Award provided for quick reference, and is subject in all respects to the definitions and provisions set forth in the Plan and the Award.

Exhibit 31.1

CERTIFICATION

I, Victor L. Richey, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 10, 2022

/s/ Victor L. Richey

Victor L. Richey
Chairman, Chief Executive Officer and President

CERTIFICATION

I, Christopher L. Tucker, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: May 10, 2022

/s/ Christopher L. Tucker
Christopher L. Tucker
Senior Vice President and Chief Financial Officer

Exhibit 32

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

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

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 10, 2022

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

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