

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): February 2, 2023

ESCO TECHNOLOGIES INC.
(Exact Name of Registrant as Specified in Charter)

Missouri
(State or Other
Jurisdiction of Incorporation)

1-10596
(Commission
File Number)

43-1554045
(I.R.S. Employer
Identification No.)

9900A Clayton Road, St. Louis, Missouri
(Address of Principal Executive Offices)

63124-1186
(Zip Code)

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

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2 (b) under the Exchange Act (17 CFR 240.14d-2 (b))
- Pre-commencement communications pursuant to Rule 13e-4 (c) under the Exchange Act (17 CFR 240.113d-4 (c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). 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.

Item 2.02 Results of Operations and Financial Condition

Today, February 8, 2023, the Registrant is issuing a press release (furnished as Exhibit 99.1 to this report) announcing its fiscal 2023 first quarter financial and operating results. See Item 7.01, Regulation FD Disclosure, below.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers

In recognition of his exemplary service to the Company during 2021 and 2022, on February 2, 2023 the Human Resources and Compensation Committee of the Company's Board of Directors approved a special award of 2,507 time-vested Restricted Stock Units (RSUs) to the Company's CFO Christopher L. Tucker, effective February 3, 2023 subject to shareholder approval of the extended 2018 Omnibus Incentive Plan (which was duly obtained as noted in Item 5.07 below). The number of RSUs was based on \$250,000 divided by the Company's NYSE closing stock price on the effective date. The other terms of the award are substantially the same as those of the annual RSU awards granted to the named executive officers in May 2022 pursuant to the Company's current annual LTI program, except that (a) the award will vest on November 5, 2025 (which is the same vesting date as for the May 2022 RSU Awards), and (b) on each dividend date during the award period, a dollar amount equal to the dividends payable on a number of shares equal to the number of RSUs will be accrued, and the total accrued amount will be paid to the recipient in cash upon vesting of the Award.

Item 5.07 Submission of Matters to a Vote of Security Holders

The 2023 Annual Meeting of the Registrant's stockholders was held on February 3, 2023. Each of the 25,885,528 shares of common stock entitled to vote at the meeting was entitled to one vote on each matter voted on at the meeting. The affirmative vote of a majority of the shares represented in person or by proxy at the meeting was required to elect each director and to approve each of the other proposals considered at the meeting. The vote totals below are rounded down to the nearest whole share, and Broker Non-Votes are not considered to be entitled to vote on the matter in question and are therefore not counted in determining the number of votes required for approval.

At the meeting, there were 24,489,224 shares represented and entitled to vote on one or more matters at the meeting, or approximately 94.6% of the outstanding shares. The voting on each of the proposals was as follows:

Proposal 1 – Election of Directors:

Nominee	"For"	"Withhold"	Broker Non-Votes	Percent of Shares Represented and Entitled to Vote on the Nominee Voting "For"	Percent of all Outstanding Shares Voting "For"
Patrick M. Dewar	23,896,253	168,884	424,086	99.30%	92.32%
Vinod M. Khilnani	23,831,421	233,716	424,086	99.03%	92.06%
Robert J. Phillippy	21,149,833	2,915,304	424,086	87.89%	81.71%

Because each nominee received a majority of the shares represented at the meeting and entitled to vote on the nominee, all of the nominees were duly elected.

Proposal 2 – Approval of an extension and certain amendments of the Registrant's 2018 Omnibus Incentive Plan (the "Plan"):

"For"	"Against"	"Abstain"	Broker Non-Votes	Percent of Shares Represented and Entitled to Vote on the Proposal Voting "For"	Percent of all Outstanding Shares Voting "For"
23,464,940	594,397	10,400	419,486	97.49%	90.65%

Because the proposal received a majority of the shares represented at the meeting and entitled to vote on the matter, it was duly approved. The Plan as so amended and restated is attached hereto as Exhibit 10.1. The amendments to the Plan were described in the Company's Proxy Statement filed with the Commission on December 14, 2022 and set forth in Appendix A thereto.

Proposal 3 – Advisory vote on the resolution to approve the compensation of the Registrant’s executive officers (“Say on Pay”):

“For”	“Against”	“Abstain”	Broker Non-Votes	Percent of Shares Represented and Entitled to Vote on the Proposal Voting “For”	Percent of all Outstanding Shares Voting “For”
23,841,549	218,128	10,060	419,486	99.05%	92.10%

Because the proposal received a majority of the shares represented at the meeting and entitled to vote on the matter, it was duly approved.

Proposal 4 – Advisory vote on the frequency of the advisory votes on executive compensation (“Say on Pay Frequency”):

“1 Year”	“2 Years”	“3 Years”	“Abstain”	Broker Non-Votes	Percent of Shares Represented and Entitled to Vote on the Proposal Voting “1 Year”	Percent of all Outstanding Shares Voting “1 Year”
22,599,667	3,948	1,458,062	8,059	419,486	93.89%	87.31%

Because a significant majority of the shares favored holding the Say-on-Pay vote every “1 Year,” which was the one recommended by the Board as well as the one the Company has historically used, the Company plans to continue to hold a Say-on-Pay vote every year.

Proposal 5 – Ratification of the Registrant’s appointment of Grant Thornton LLP as the Registrant’s independent registered public accounting firm for the 2022 fiscal year:

“For”	“Against”	“Abstain”	Broker Non-Votes	Percent of Shares Represented and Entitled to Vote on the Proposal Voting “For”	Percent of all Outstanding Shares Voting “For”
24,446,764	36,119	6,339	0	99.83%	94.44%

Because the proposal received a majority of the shares represented at the meeting and entitled to vote on the matter, it was duly approved.

Item 7.01 Regulation FD Disclosure

Today, February 8, 2023, the Registrant is issuing a press release (Exhibit 99.1) announcing its fiscal 2023 first quarter financial and operating results. The Registrant will conduct a related Webcast conference call today at 4:00 p.m. Central Time. The press release will be posted on the Registrant’s web site located at <http://www.escotechnologies.com> and can be viewed through the “Investor News” page of the web site under the “Investor Center” tab, although the Registrant reserves the right to discontinue that availability at any time.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	Description of Exhibit
10.1	2018 Omnibus Incentive Plan, As Amended and Restated Effective February 3, 2023
99.1	Press Release dated February 8, 2023
104	Cover Page Inline Interactive Data File

Other Matters

The information in this report furnished pursuant to Item 2.02 and Item 7.01, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 as amended (“Exchange Act”) or otherwise subject to the liabilities of that section, unless the Registrant incorporates it by reference into a filing under the Securities Act of 1933 as amended or the Exchange Act.

References to the Registrant’s web site address are included in this Form 8-K and the press release only as inactive textual references, and the Registrant does not intend them to be active links to its web site. Information contained on the Registrant’s web site does not constitute part of this Form 8-K or the press release.

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 hereunto duly authorized.

Date: February 8, 2023

ESCO TECHNOLOGIES INC.

By: /s/Christopher L. Tucker

Christopher L. Tucker
Senior Vice President
and Chief Financial Officer

ESCO TECHNOLOGIES INC.

2018 OMNIBUS INCENTIVE PLAN

As Amended and Restated Effective February 3, 2023

1. Purpose of the Plan.

This **ESCO Technologies Inc. 2018 Omnibus Incentive Plan** (the “Plan”) has been adopted by ESCO Technologies Inc., a Missouri corporation (the “Company”), to:

- (a) attract and retain executive, managerial and other employees and non-employee directors;
- (b) motivate participants, by means of appropriate incentives, to achieve long-range goals;
- (c) provide incentive compensation opportunities that are competitive with those of other similar businesses; and
- (d) in the case of stock-based awards, further align a participant’s interests with those of the Company’s stockholders through compensation that is based on the Company’s common stock, and thereby promote the long-term financial interests of the Company, including the growth in value of the Company’s equity and enhancement of long-term stockholder returns.

2. Types of Incentive Compensation Awards Available Under the Plan.

The following types of incentive compensation awards (“Awards”) may be granted under the Plan:

- (a) **Stock-Based Awards.** Awards granted on the basis of shares of Common Stock (defined in Section 3) or the value thereof (“Stock-Based Awards”), whether paid in cash or distributed in Common Stock, as follows:
 - (i) Stock options as described in Section 6 (“Stock Options”);
 - (ii) Stock appreciation rights as described in Section 7 (“Tandem SARs”);
 - (iii) Performance-accelerated restricted share awards as described in Section 8 (“PARS Awards”);
 - (iv) Other restricted share awards as described in Section 9 (“Other Restricted Share Awards”); and
 - (v) Other Stock-Based Awards as described in Section 10 (“Other Stock-Based Awards”).
- (b) **Cash-Based Awards.** Awards other than Stock-Based Awards, which are valued and paid in cash (“Cash-Based Awards”), as follows:
 - (i) Long term cash incentive awards as described in Section 12 (“Long Term Cash Incentive Awards”); and
 - (ii) Other cash incentive awards as described in Section 13 (“Other Cash Incentive Awards”).
- (c) **Director Share Awards.** Awards of compensation to Non-Employee Directors as described in Section 14 (“Director Share Awards”).

3. Stock Available Under the Plan.

(a) **Number of Shares Available.** The following shares of common stock of the Company, par value \$0.01 per share (“Common Stock”) are hereby reserved and made available for issuance pursuant to Stock-Based Awards under the Plan:

- (i) 977,878 shares of Common Stock approved in 2018; plus
- (ii) An additional 550,000 shares of Common Stock approved in 2023.

(b) **Adjustments in Numbers of Shares.** The number of shares of Common Stock allocated to the Plan shall be appropriately adjusted to reflect subsequent stock dividends, stock splits, reverse stock splits and similar matters affecting the number of outstanding shares of Common Stock.

(c) **No Reload.** Shares which have once been the subject of any Stock-Based Award or Director Share Award but which are not actually issued or delivered to the participant, by reason of expiration or cancellation of the Award, termination of the participant’s employment or service as a Non-Employee Director, failure to meet performance goals or other terms of such Award, tender of the shares in payment for a Stock Option, delivery or withholding of the shares in satisfaction of any tax withholding obligation, or any other reason whatsoever, shall not be returned to the Plan and shall not again become available for Awards under the Plan.

4. Administration.

(a) Committee. The Plan shall be administered by the Human Resources and Compensation Committee (the “Committee”) of the Company’s Board of Directors (the “Board”). The Committee shall at all times be constituted to comply with Rule 16b-3(d) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or any successor to such Rule, and the independence requirements of the New York Stock Exchange or other applicable exchange.

(b) Authority of Committee. Subject to the express provisions of the Plan, the Committee shall have plenary authority, in its discretion, to determine the individuals to whom, and the time or times at which, Awards shall be granted and for each Award the potential number or value of shares of Common Stock (in the case of Stock-Based Awards) or the potential cash incentive (in the case of Cash-Based Awards) subject to the Award. The Committee shall be responsible for determining the terms and conditions of Awards, which may include the accrual of dividends or dividend equivalents on deferred and/or unvested shares to be distributed in cash or shares as the Committee may determine with respect to that portion of an award for which applicable performance criteria, if any, have been satisfied when an award is vested and payable. In making such determinations the Committee may take into account the nature of the services rendered by the respective individuals, their present and potential contributions to the Company’s success, and such other factors as the Committee, in its discretion, shall deem relevant. Subject to the express provisions of the Plan, the Committee shall also have plenary authority to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it, to determine the terms and provisions of the respective Awards (which need not be identical for all recipients) and to make all other determinations necessary or advisable for the administration of the Plan. The Committee’s determinations on the matters referred to in this Section 4 shall be conclusive.

(c) Limited Authority to Delegate. The Committee may delegate to the Chief Executive Officer the authority to grant Stock Options of up to 10,000 shares of Common Stock per person (and 50,000 per year in the aggregate) to selected employees who are not reporting persons under Section 16 of the Exchange Act. The Committee may delegate to the Executive Committee of the Board the authority to grant Stock-Based Awards other than Stock Options of up to 10,000 shares of Common Stock per person (and 50,000 per year in the aggregate) to selected employees who are not reporting persons under Section 16 of the Exchange Act.

(d) Award Agreement. Every Award granted under the Plan shall be memorialized by a written agreement (“Award Agreement”) setting forth in writing all of the terms and conditions of the Award, including without limitation the number or value of shares of Common Stock, or the cash, as the case may be, which the holder shall be entitled to receive depending upon satisfaction of the vesting, service, performance or other criteria specified in the Award, which Award Agreement shall be delivered to the participant receiving the Award promptly as practicable after the Award is approved by the Committee or its delegate.

(e) Effective Dates of Awards; No Retroactive Grants. Awards may be granted with an effective date which is on or after, but not before, the date the material terms of the Award are approved by the Committee or other authorized person, and which, in the case of Stock-Based Awards, is a trading day on the New York Stock Exchange. Notwithstanding the foregoing, the performance and/or service criteria for an Award (if any) may be determined with respect to a period (such as a fiscal year) which begins prior to the effective date of the Award, provided that the effective date of the Award must be prior to the time it can be determined whether the criteria will be satisfied.

(f) Sub-Plans and Performance Programs.

(i) For clarity and convenience in granting, administering and referring to Awards which have similar provisions or which are made to similarly-situated recipients, the Committee may authorize sub-plans (hereafter, “Sub-Plans”) under the Plan. Each Sub-Plan shall be subject to all of the terms, conditions and restrictions in the Plan, and all Sub-Plans in the aggregate shall not exceed the limitations, including without limitation those on the aggregate number of authorized shares, set forth in the Plan.

(ii) The Committee may establish from time to time one or more performance programs under the Plan or any Sub-Plan, each with one or more specified objectives and specified performance periods over which the specified objectives are targeted for achievement. The specified performance criteria, performance goals and/or service contingencies need not be the same for all participants and may be established for the Company as a whole or separately for its various groups, divisions and subsidiaries, all as the Committee may determine in its discretion. Performance criteria may, but need not, be limited to those specified in subsection 15(g).

5. Eligibility.

(a) Incentive Stock Options (defined in subsection 6(a)) may be granted only to full-time or part-time employees of the Company or its Qualifying Corporate Subsidiaries as defined in clause 5(d)(iii).

(b) Tandem SARS and Stock Options other than Incentive Stock Options may be granted only to full-time or part-time employees of the Company or its Subsidiaries.

(c) PARS Awards, Other Restricted Share Awards, Other Stock-Based Awards and Cash-Based Awards may be granted only to full time employees (or such other employees as the Company may determine) of the Company or its Subsidiaries who are determined by the Committee in its discretion to be management personnel important to the future success of the Company; such management personnel may, but need not be, officers of the Company or of its Subsidiaries or divisions.

(d) Director Share Awards may be granted only to directors who are not employees of the Company or its Subsidiaries (“Non-Employee Directors”).

(e) For purposes of the eligibility and service requirements set forth in the Plan:

(i) The term “employees” does not include temporary employees, contract employees, or Non-Employee Directors;

(ii) “Subsidiary” means any domestic or foreign corporation, limited liability company, partnership or other entity in which the Company controls, directly or indirectly, 50% or more of the voting power or equity interests; for clarity, the term includes a Qualifying Corporate Subsidiary;

(iii) “Qualifying Corporate Subsidiary” means any domestic or foreign corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the Incentive Stock Option in question, each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in such chain; or such other meaning as may be hereafter ascribed to it in Section 424 of the Code; and

(iv) the term “corporation” has the meaning ascribed to it in Internal Revenue Regulations Section 1.421-1(i)(1).

6. Stock Options.

(a) Types of Stock Options. In the discretion of the Committee (or the Chief Executive Officer with respect to Stock Options granted under subsection 4(c)), Stock Options may or may not be intended to qualify as incentive stock options within the meaning of Section 422 of the Code (“Incentive Stock Options”). Neither the Company nor the Chief Executive Officer nor the Committee shall have any liability to the optionee or any other person on account of the failure of a Stock Option to qualify as an Incentive Stock Option.

(b) Limitation on Incentive Stock Options. The maximum aggregate fair market value (determined at the time an Incentive Stock Option is granted) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any optionee during any calendar year (under all plans of the Company and its Subsidiaries) shall not exceed \$100,000.

(c) Individual Limit on Number of Stock Options and Tandem SARS. The aggregate number of shares of Common Stock with respect to which Stock Options and Tandem SARS may be granted to any individual during any calendar year may not exceed one hundred fifty thousand shares (150,000).

(d) Minimum Exercise Prices. The exercise price of Common Stock purchased under each Stock Option shall not be less than 100% of the fair market value of the Common Stock on the effective date of the Stock Option. Such fair market value per share shall generally be the closing price per share of the Common Stock on the New York Stock Exchange on the effective date; provided, however, that the Committee may adopt any other criterion for the determination of such fair market value as it may determine to be appropriate and in compliance with, or in conformity with the requirements of, any laws and regulations applicable to the Company and the Stock Option.

(e) Payment of Exercise Price. The exercise price for Common Stock subject to a Stock Option is to be paid in full upon the exercise of the Stock Option, either:

(i) In cash; or

(ii) By the tender to the Company (either actually or by attestation) of shares of Common Stock owned by the optionee for at least six (6) months having a fair market value equal to the cash exercise price of the Stock Option being exercised, with the fair market value of such stock to be determined in such appropriate manner as may be provided for by the Committee or the Company as may be required in order to comply with, or to conform to the requirements of, any applicable laws or regulations applicable to the Company and the Stock Options; or

(iii) Except as may be limited or prohibited by the Committee or the Company, by effecting a “cashless exercise” of the Stock Option by means of a “same day sale” in which the option shares are sold through a broker selected by the optionee and a portion of the proceeds equal to the exercise price plus any taxes due is paid to the Company; or

(iv) By any combination of the foregoing payment methods; or

(v) By such other method or methods as may be determined by the Committee or the Company.

Provided, however, that no shares of Common Stock may be tendered in exercise of an Incentive Stock Option if such shares were acquired by the optionee through the exercise of an Incentive Stock Option unless (A) the tendered shares have been held by the optionee for at least one year and (B) the Incentive Stock Option through which such tendered shares were received was granted at least two years prior to the tender.

(f) Use of Exercise Proceeds. The proceeds from the exercise of a Stock Option shall be added to the general funds of the Company or to treasury shares, as the case may be, and used for such corporate purposes as the Company shall determine.

(g) Term of Stock Options. The term of a Stock Option shall be five (5) years from its effective date, or such shorter period as the Committee may determine. Subject to the other provisions of this Section 6, a Stock Option will be exercisable at such time or times within the stated term, and subject to such restrictions and conditions, as the Committee shall, in each circumstance, approve, which need not be uniform for all optionees.

(h) Employment Requirement. No Stock Option may be exercised unless the optionee is an employee of the Company or a Subsidiary at the time of exercise and has been so employed continuously since the granting of the Stock Option, except that:

(i) If the employment of an optionee terminates with the consent and approval of the Company, the Committee or its designee, may, in its absolute discretion, permit the optionee to exercise a Stock Option (to the extent the optionee was entitled to exercise it at the date of such termination of employment) (A) within ninety (90) days after such termination, or (B) for Stock Options other than Incentive Stock Options, within one (1) year after termination of the optionee’s employment on account of retirement on or after age 55, but in no event after the expiration of its term as specified in the Award Agreement.

(ii) An optionee whose employment terminates on account of disability may exercise such Stock Option (to the extent the optionee was entitled to exercise it at the date of such termination) within one (1) year of such termination of employment, but in no event after the expiration of its term as specified in the Award Agreement. For this purpose “disability” means permanent and total disability within the meaning of Section 22(e)(3) of the Code, which, as of the date hereof, means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. An optionee shall be considered disabled only if the optionee furnishes such proof of disability as the Committee may require.

(iii) In the event of the death of an optionee, the optionee’s Stock Option may be exercised (to the extent the optionee was entitled to exercise it at the date of death) by the optionee’s personal representative, by the person succeeding to ownership of the Stock Option under the optionee’s last will, or by such other person legally entitled to do so, at any time within a period of one (1) year after the optionee’s death, but in no event after the expiration of its term as specified in the Award Agreement.

(iv) The Committee may delegate its authority to extend a Stock Option beyond termination of employment hereunder to such employee or employees as it deems appropriate, so long as the optionees whose options have been extended by such employee or employees are not reporting persons under Section 16 of the Exchange Act.

(v) Stock Option Award Agreements may contain such provisions as the Committee shall approve with reference to the effect of approved leaves of absence.

A Stock Option shall not be affected by any change in the optionee’s employment so long as the optionee continues to be an employee of the Company or a Subsidiary thereof.

(i) Non-Transferability of Stock Options. Each Stock Option granted under the Plan shall, by its terms, be non-transferable otherwise than by will or the laws of descent and distribution, and may be exercised during the lifetime of the optionee only by the optionee. Notwithstanding the foregoing, the Committee may permit a Stock Option which is not an Incentive Stock Option to be transferred to a trust for the benefit of the optionee’s immediate family member(s) or a partnership, limited liability company, or similar entity in which the optionee’s immediate family member(s) comprise the majority partners or equity holders. For purposes of this provision, an optionee’s immediate family shall mean the optionee’s spouse, children and grandchildren.

(j) Successive Stock Option Grants. Successive Stock Option grants may be made to any optionee under the Plan.

(k) Vesting. Subject to the other provisions and limitations of the Plan, the Committee may, in its sole discretion, determine the time when, or criteria upon which, options may vest including, but not limited to stock price, continued service or performance measures. The vesting criteria, which need not be uniform for all optionees, shall be specified in the Award Agreement.

7. Tandem SARs.

(a) Grant. At the time of grant of a Stock Option, the Committee, in its discretion, may grant to the optionee, in tandem with the Stock Option (the "Linked Option"), a Tandem SAR for all or any part of the number of shares covered by the Linked Option. The Tandem SAR Award Agreement shall specify the Linked Option in respect of which the Tandem SAR is granted. A Tandem SAR shall specify a time period for its exercise, which may not extend beyond, but may be less than, the time period during which the Linked Option may be exercised.

(b) Exercise. At any time when a Tandem SAR and its Linked Option are both exercisable, the optionee may, in lieu of exercising the Linked Option, elect to exercise the Tandem SAR, by delivering to the Company a written notice stating that the optionee elects to exercise the Tandem SAR as to the number of shares specified in the notice and stating what portion, if any, of the Tandem SAR Exercise Amount the holder requests to have paid in cash and what portion, if any, the holder requests to have paid in Common Stock. For purposes of this section, "Tandem SAR Exercise Amount" means the excess of the closing price per share of the Common Stock on the New York Stock Exchange on the date of exercise over the exercise price per share under the Linked Option, multiplied by the number of shares as to which the Tandem SAR is exercised. The Committee promptly shall cause to be paid to such holder the Tandem SAR Exercise Amount either in cash, in Common Stock, or any combination of cash and stock as it may determine. Such determination may be either in accordance with the request made by the optionee or otherwise, in the sole discretion of the Committee.

(c) Effect of Exercise. Any exercise of the Linked Option by the optionee shall reduce the Tandem SAR by the same number of shares as to which the Linked Option is exercised; and any exercise of the Tandem SAR shall reduce the Linked Option by the same number of shares as to which the Tandem SAR is exercised. The failure of the optionee to fully exercise it within the time period specified shall not reduce the optionee's remaining exercise rights under the Linked Option.

(d) Other Provisions of Plan Applicable. All provisions of the Plan applicable to Stock Options granted hereunder shall apply with equal effect to Tandem SARs.

8. PARS Awards.

(a) Definition; Performance Objectives. A PARS Award is a right to receive shares of Common Stock (which may include stock with certain restrictions attached) at a future time specified in the Award Agreement (the "PARS Award Term") if specified performance goals and/or service contingencies established from time to time by the Committee and set forth in the PARS Award are achieved.

(b) Grants of PARS Awards. Eligible employees may be granted PARS Awards under any one or more of the performance programs. The number of shares per PARS Award and the PARS Award frequency shall be determined at the discretion of the Committee. In determining the participants in any performance program, the Committee shall take into account such factors as the participant's level of responsibility, job performance, level and types of compensation, and such other factors as the Committee deems relevant.

(c) Determination of Achievement of Objectives. The Committee, in regard to any performance program adopted by it, may thereafter change or modify the terms of the program, so long as the number of shares subject to the PARS Award is not reduced and the PARS Award Term is not extended, and the Committee may determine reasonably whether any performance goal of any program has been met. The Committee may, but is not obligated to, authorize a distribution of all or a portion of the PARS Award based upon its discretionary evaluation of the Company's financial performance during the period of the PARS Award even if the performance goals are not fully met.

9. Other Restricted Share Awards.

Subject to the terms of the Plan, the Committee may also grant eligible employees Other Restricted Share Awards, which may include grants of Common Stock subject to specified restrictions or conditions (including without limitation forfeiture of the shares in certain events), or grants of rights to receive shares of Common Stock in the future upon the satisfaction of specified conditions. Such Other Restricted Share Awards shall include an employment requirement not less restrictive than that specified in section 15(m) and if to NEOs, shall comply with Section 11, and shall otherwise be subject to all of the limitations and restrictions provided in the Plan. Such Other Restricted Share Awards may also specify, without limitation, restrictions on transfer of such Other Restricted Share Award and/or the underlying Common Stock, and whether the participant may make elections with respect to the taxation of such Other Restricted Share Award either with or without the consent of the Committee.

10. Other Stock-Based Awards.

The Committee may from time to time grant Other Stock-Based Awards pursuant to which shares may be acquired in the future, such as Other Stock-Based Awards denominated in Common Stock, stock units, securities convertible into Common Stock or phantom securities, including, without limitation, Performance Share Unit Awards (“PSUs”) and Restricted Share Unit Awards (“RSUs”). The Committee, in its sole discretion, shall determine, and provide in the applicable Award Agreement, the terms and conditions of such Other Stock-Based Awards. The Committee may, in its sole discretion, direct that shares of Common Stock issued pursuant to Other Stock-Based Awards shall be subject to restrictive legends, stop transfer instructions or other restrictions as it may deem appropriate.

11. Special Provisions for Stock-Based Awards to Named Executive Officers.

Every Stock-Based Award granted to a person who is a “named executive officer” of the Company as defined in Item 402(a)(3) of Securities and Exchange Commission Regulation S-K (an “NEO”) shall provide that, in addition to any other applicable restrictions on transfer, the NEO may not dispose of any portion of the beneficial interest in Common Stock received (net of any withheld shares) on account of such Award: (i) within 12 months after the Common Stock is delivered to the NEO, or such earlier time as the person ceases to be an NEO; or (ii) if after such disposition the NEO would fail to satisfy the NEO’s minimum ownership requirement for Company Common Stock established by the Company.

12. Long Term Cash Incentive Awards.

Long Term Cash Incentive Awards provide for the payment of cash if certain performance goals are met over a specified performance period. The Committee may also permit Long-Term Cash Incentive Awards to be distributed in shares of Common Stock, which may be issued subject to restrictions to be determined by the Committee in each specific case. Each performance goal and performance period shall be set forth in the relevant Long Term Cash Incentive Award agreement, which need not be uniform for all awardees.

13. Other Cash Incentive Awards.

The Committee may grant Other Cash Incentive Awards, upon such terms, conditions and restrictions as the Committee shall determine in its sole discretion and specify in a corresponding Award Agreement.

14. Director Share Awards.

(a) Types of Director Share Awards. The Committee may grant Director Share Awards to persons who are Non-Employee Directors on the grant date. Director Share Awards may consist of either shares of Common Stock or cash awards that the recipient has elected to defer and receive in shares of Common Stock at the end of the deferral period.

(b) Limits on Amount of Director Share Awards. A Non-Employee Director may not be granted Director Share Awards in any fiscal year of the Company for shares of Common Stock having an aggregate value which, together with any cash compensation earned by such Non-Employee Director for such fiscal year, exceeds \$600,000. For this purpose, the value of each Director Share Award shall be the aggregate fair market value of the underlying shares of Common Stock on the effective date of the Award. Any shares which the recipient has elected to receive in lieu of payment of all or a portion of the recipient’s cash retainer or other cash fees shall be counted as shares and not cash.

(c) Terms and Conditions of Director Share Awards. The Committee shall be responsible for determining the terms and conditions of Director Share Awards, which may include service, vesting, retention, or other requirements, procedures and limitations in respect of elective deferrals, and the accrual of dividends or dividend equivalents on deferred and/or unvested shares.

15. Additional Provisions.

(a) No Rights as Shareholder until Stock Issued. Except as provided in Sections 4(b) or 14, the recipient of a Stock-Based Award or Director Share Award shall have no voting rights, dividend rights, or other rights of a shareholder with respect to the shares of Common Stock subject to the Award until such shares are actually issued to the recipient.

(b) No Adjustment of Award Shares for Dividends or Rights. Except as provided in Sections 4(b), 14 or 16, no adjustment shall be made in the number of shares of Common Stock subject to a Stock-Based Award or Director Share Award on account of dividends which may be paid, or other rights which may be issued to, the holders of Common Stock during the term of such Award, and no dividends or dividend equivalents shall be paid or accrued on any such shares unless the shares have actually been issued to the participant pursuant to the Award prior to the record date for payment of the dividend or rights.

(c) No Right to Continue As Employee or Director. No participant in the Plan shall have any right because of being a participant in the Plan or receiving an Award to continue in the service of the Company or of any of its subsidiaries for any period of time, or any right to a continuation of the participant's present or any other level of compensation; and such rights and powers as the Company now has or which it may have in the future to dismiss or discharge any participant from employment or to change the assignments of any participant, or to remove a director, are expressly reserved to the Company.

(d) Tax Withholding. At the time any Award is paid out to the recipient, the Company shall withhold (or direct the appropriate Subsidiary to withhold) from such payout any amount necessary to satisfy the tax withholding requirements in respect of such payout under the tax laws applicable to the payout; and if permitted by applicable law, the Company may withhold (or direct the appropriate Subsidiary to withhold) additional amounts at such rate as it may determine in its discretion to be advisable up to the highest individual marginal Federal income tax and applicable state income tax rate then in effect. In the case of Awards payable in shares of Common Stock, the Company shall effect such withholding, unless otherwise required by applicable law, by deducting from the distribution shares of Common Stock having a fair value equal to the amount to be withheld.

(e) Common Stock. The Company may, in its discretion, fund Stock-Based Awards or Director Share Awards using either treasury shares or authorized but unissued shares. The Board and the Company's officers are authorized to take such action as may be necessary to provide for the issuance of any and all of the shares which may be necessary to satisfy the Company's obligations hereunder and to cause said shares to be registered under the Securities Act of 1933, as amended (the "Securities Act"), and to be listed on the New York Stock Exchange and any other stock exchanges on which Common Stock may at such time be listed; provided that in the Company's discretion, shares of Common Stock delivered to participants hereunder in satisfaction of an Award may be issued as restricted stock under the Securities Act, or otherwise subject to specified restrictions on resale.

(f) Minimum Vesting Periods. Except as may be provided pursuant to Section 15(l) in the event of a Change of Control, the minimum vesting period for any Award shall be 1 year; except that Awards which amount in the aggregate to no more than 5% of the total number of shares available under the Plan, and which are made to participants who are not NEOs or Non-Employee Directors, may have a shorter vesting period.

(g) Performance-Based Awards. The Committee may structure any Award as a "Performance-Based Award" such that the amount payable shall be subject to the attainment of specified performance criteria within a specified performance period.

(i) Performance Criteria for Performance-Based Awards. The performance criteria for any Performance-Based Award shall consist of objective tests which may, but need not, be based on one or more of the following: earnings per share; adjusted earnings per share; sales; earnings; cash flow; profitability; customer satisfaction; investor relations; revenues; financial return ratios; market performance; shareholder return and/or value; operating profits (including earnings before income taxes, depreciation and amortization); net profits; earnings per share growth; adjusted earnings per share growth; profit returns and margins; stock price; working capital; business trends; production cost; project milestones; plant and equipment performance; safety performance; environmental performance; gross margin; operating margin; net margin; expense margins; EBIT margin; EBIT growth; EBITDA margin; EBITDA growth; adjusted EBITDA growth; adjusted EBITDA; NOPAT margin; net assets; working capital; asset turnover; working capital turnover; accounts receivable turnover; accounts payable turnover; inventory turnover; inventory days outstanding; accounts receivable days outstanding; accounts payable days outstanding; debt to equity; debt to capital; current ratio; return on equity; return on assets; return on net assets; return on invested capital; return on gross assets; return on tangible assets; cash flow return on investment; cash value added; price to earnings ratio; market to book ratio; market to capital ratio; cost of capital; cost of debt; cost of equity; market risk premium; stock price appreciation with or without divisions; total shareholder return; economic value added; economic profit; sales growth percentage; EPS growth percentage; cash flow growth year over year; return on total capital; ESG performance metrics; or any combination of the foregoing. Performance criteria may be measured solely on a corporate, subsidiary, business unit or individual basis, or a combination thereof; may be measured in absolute levels or relative to another company or companies, a peer group, an index or indices or Company performance in a previous period; and may be measured annually or over a longer period of time. Satisfaction of Common Stock ownership guidelines may also be a prerequisite to payment.

(ii) Establishment of Performance Goals. The performance goals for each Performance-Based Award and the amount payable or distributable depending on the extent to which those goals are met shall be established in writing for each specified period of performance by the Committee while the outcome of whether or not those goals will be achieved is substantially uncertain.

(h) Maximum Distributions. In no event shall the total distributions of Common Stock under the Plan or pursuant to a particular type of Award exceed the number of shares authorized in Section 3 or 14 (as such number may be adjusted as provided in Section 16).

(i) Compliance with Code Section 409A. It is intended that no Award granted under the Plan shall be subject to any interest or additional tax under Section 409A of the Code, and the terms of the Plan should be construed accordingly. In the event Code Section 409A is amended after the date hereof, or regulations or other guidance is promulgated after the date hereof that would make an Award under the Plan subject to the provisions of Code Section 409A, then the terms and conditions of the Plan shall be interpreted and applied, to the extent possible, in a manner to avoid the imposition of the provisions of Code Section 409A. Notwithstanding the preceding, a participant shall be responsible for any and all tax liabilities, including liability under 409A (but excluding the employer's share of employment taxes) with respect to Awards made to the participant; and neither the Committee nor the Company shall have any liability to a participant for reimbursement or otherwise on account of any such tax liabilities which may be imposed on the participant.

(j) Amendments to Awards. The Committee reserves the right to amend the terms of any outstanding Award, provided that:

(i) No amendment may reduce the rights of the recipient of the Award without the consent of such recipient; and

(ii) Except for adjustments described in Section 16, shareholder approval shall be required to (A) reduce the exercise price of outstanding Stock Options or Tandem SARs or (B) cancel outstanding Stock Options or Tandem SARs in exchange for cash or other Awards having an exercise price that is less than the exercise price of the original Stock Options or Tandem SARs.

(k) Limitation on Acceleration Upon Change of Control. No Award may permit acceleration of vesting or payment by reason of a Change of Control of the Company prior to the date on which the Change of Control is consummated, except where the participant's employment is terminated within 90 days prior to a Change of Control at the direction of a third party who, at such time, had taken steps reasonably calculated to effect the Change of Control, and acceleration in such event is expressly provided for in a written severance agreement with the participant the terms of which have been approved by the Committee. For purposes of this section 15, "Change of Control" means any of the following events, provided it constitutes a change of control within the meaning of Code Section 409A as applicable:

(i) The individuals who constitute the Board on the effective date of the Award (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person who becomes a director subsequent to the effective date of the Award whose election or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of the Company, as such terms are used in Securities and Exchange Commission Rule 14a-11) shall be, for purposes of this section, considered as though such person were a member of the Incumbent Board; or

(ii) Any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) ("Acquirer") directly or indirectly acquires or beneficially owns (as defined in Rule 13d-3 under the Exchange Act) more than either (x) 50% of the then outstanding shares of Common Stock ("Outstanding Common Stock") or (y) 50% of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors ("Outstanding Voting Securities"), provided that no acquisition or beneficial ownership by the Company or a Subsidiary or an employee benefit plan (or related trust) sponsored or maintained by the Company or a Subsidiary shall be considered in determining if either of such thresholds has been met; or

(iii) The sale or other disposition of all or substantially all of the assets of the Company (in a single transaction or a series of transactions, provided that in the latter case the date of consummation of the Change of Control shall be the date on which the first sale or disposition in such series occurs): or

(iv) The commencement of a shareholder-approved liquidation or dissolution of the Company; or

(v) The consummation of a reorganization, merger, share exchange or consolidation (a "Business Combination"), unless immediately after the Business Combination:

(A) All or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of both the outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors (or other governing body) of the entity resulting from such Business Combination (including, without limitation, an entity that as a result of such transaction owns the Company through one or more subsidiaries); and

(B) No individual, entity or group (excluding any employee benefit plan or related trust of the entity resulting from such Business Combination) beneficially owns, directly or indirectly, more than 50% of either the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities of such entity entitled to vote generally in the election of directors (or other governing body) of the entity resulting from such Business Combination, except to the extent that such individual, entity or group owned more than 50% of the Outstanding Common Stock or Outstanding Voting Securities prior to the Business Combination; and

(C) At least a majority of the members of the board of directors or other governing body of the entity resulting from such Business Combination were members of the Board at the time of the execution of the initial agreement, or at the time of the initial Board action, approving such Business Combination.

Notwithstanding the foregoing, "Change of Control" shall not include a transaction commonly known as a Reverse Morris Trust transaction.

(l) Treatment of Stock-Based Awards Upon Change of Control. Notwithstanding any provision herein to the contrary, if (i) there is a Change of Control before Shares have been issued under a PARS Award to an NEO, or under any PSU Award, RSU Award or Other Stock-Based Award, and (ii) the Change of Control results in the Company's common stock no longer being publicly held and traded on the New York Stock Exchange before all Shares have been issued under such Award, and (iii) the Award holder has been continuously employed by the Company or a Subsidiary through and on the effective date of the Change of Control (the "CoC Effective Date"); then (A) below shall apply, or if the conditions in (A) cannot be met then (B) shall apply:

(A) The Award shall be replaced by an equity award agreement of the Acquirer, provided all of the following conditions are met:

(I) Acquirer's common stock is publicly held and widely traded on an established U.S. stock exchange, either NYSE or NASDAQ; and

(II) The Company's common stock (or units of thereof) underlying the Award are converted to Acquirer's common stock (or units thereof) at a total value equal to the total value of the Award ("Replacement Units") under an equity award agreement ("Replacement Agreement") with terms at least as favorable as the terms of the Award. For the purposes of conversion, the value of the Award shall be calculated based on the average closing price of Company shares for the ten days prior to the Change of Control and the value of the Replacement Units shall be calculated based on the average closing price of common stock of the Acquirer for the ten days prior to the Change of Control. The Replacement Agreement shall provide that each Replacement Unit when vested shall equal one share of Acquirer's common stock, and unless earlier distributed such Acquirer common stock (net of tax withholdings) will be distributed three years after the original date of the award of the Award ("Replacement Award"). The Replacement Agreement shall also provide that Replacement Units shall vest and Acquirer common stock issued equivalent to such Replacement Units (net of tax withholdings) on termination of employment Without Cause or termination with Good Reason (as those terms are defined in any previously executed agreement signed by the participant), and upon retirement with at least 5 years of total employment with the Company and/or the Acquirer ("CoC Retirement"), the participant shall receive the number of shares equal to the undistributed shares under the Award multiplied by the percentage which is the number of months elapsed during the Award Term as of the CoC Retirement date compared to the total number of months in the Award Term. If employment ends prior to the vesting of such Replacement Units other than for CoC Retirement, Without Cause or with Good Reason, Replacement Units shall not vest and the Replacement Award shall be cancelled.

(B) The Award shall not be replaced if the Successor Entity determines it will not or cannot replace the Award. In such event and for the 2020 PARS Award, the Award will be converted into the right to receive cash in an amount equal to the Award (or Target Award for PSU Awards) multiplied by the average of the daily closing price of the Company's common stock on the New York Stock Exchange over the last ten trading days preceding the CoC Effective Date, and such cash shall be paid (net of tax withholdings) within 30 days after the CoC Effective Date.

(m) Employment Requirement. Except as otherwise herein provided or determined by the Committee, an employee, in order to be entitled to receive any distribution in respect of an Award, must be continuously in the employ of the Company or a Subsidiary from the effective date of the Award until the expiration of the relevant performance and/or service period, except for leaves of absence which may be approved by the Company, and except that:

(i) Exception for Retirement. For a participant whose employment terminates on account of retirement with the approval of the Committee, except as may otherwise be determined by the Committee in its sole discretion:

(A) Any Stock-Based Award granted to the participant within 12 months prior to the participant's retirement date shall be forfeited and no distribution shall be made;

(B) With respect to any other outstanding Stock-Based Award,

(I) That portion, if any, of a PARS Award for which the distribution date has been accelerated in full or in part due to satisfaction of the applicable performance goal(s) prior to the participant's retirement date shall vest and be distributed in full;

(II) With respect to any outstanding PSU Award, the Award shall be prorated based on the number of months elapsed during the Award term as of the effective date of retirement compared to the total number of months in the original Award term, and the prorated PSU Award will be used in the calculation of the actual number of shares deemed earned at the end of the PSU's Awards performance period based on the achievement of the applicable performance goals for each performance measure and shall be distributed as specified in the PSU Award;

(III) All other outstanding Awards (including any non-distributed portion of an Award distributed in part under the preceding clause (B)) shall vest and be distributed pro rata based on the number of months elapsed during the Award Term as of the retirement date compared to the total number of months in the Award Term; and

(C) Any distribution to which the retired participant shall be entitled under this Section 15(l) shall be made as soon as administratively feasible but not later than 2½ months after the participant's retirement date.

(ii) Discretionary Exception for Death or Disability. The Committee, in its absolute discretion, may make such full, pro-rata, or no share distribution as it may determine, to a participant whose employment terminates on account of death or disability (as defined in section 6(h)(ii) and (iii)) prior to the time the participant is entitled to receive distribution in respect of the Award. If termination is on account of death, the Committee may make any distribution it authorizes to the participant's surviving spouse, heirs or estate, as the Committee may determine.

(n) Ownership Requirements. In addition to the retention requirements for NEOs in Section 11, the Committee may establish ownership requirements and require that a participant retain shares received from the payout of a Stock-Based Award until ownership requirements are achieved. Thereafter a participant must maintain ownership of a sufficient number of shares of Company Stock to ensure that ownership requirements remain satisfied. The Committee may also require the participant to certify ownership of such shares from time to time in its discretion and to secure approval of any sales or other disposition of Common Stock.

(o) Clawback. Notwithstanding any provisions to the contrary under this Plan, employee Award agreements may contain clawback provisions as may be established and/or amended from time to time. The Committee may require a participant to forfeit, return or reimburse the Company all or a portion of the Award and any amounts paid thereunder pursuant to the terms of an Award's clawback provision or as necessary or appropriate to comply with applicable laws.

16. Adjustments to Stock-Based Awards Upon Changes in Capitalization or Corporate Acquisitions.

(a) Notwithstanding any other provisions of the Plan, Stock Option and Tandem SAR agreements may contain such provisions as the Committee shall determine to be appropriate for the adjustment of the number and class of shares subject to each outstanding Stock Option or Tandem SAR and the Stock Option prices and Tandem SAR exercise amounts in the event of changes in the outstanding Common Stock by reason of stock dividends, stock splits, reverse stock splits, recapitalization, mergers, consolidations, split-ups, combinations or exchanges of shares and the like; and in the event of any such change in the outstanding Common Stock, the aggregate number and class of shares available under the Plan and the maximum number of shares and respective exercise prices as to which Stock Options and Tandem SARs which have been granted or may be granted to any individual shall be appropriately adjusted by the Committee, whose determination shall be conclusive.

(b) In the event the Company or a Subsidiary enters into a transaction described in Section 424(a) of the Code with any other corporation, the Committee may grant a Stock Option or Tandem SAR to employees or former employees of such corporation in substitution of a Stock Option or Tandem SAR previously granted to them upon such terms and conditions as shall be necessary to qualify such grant as a substitution described in Section 424(a) of the Code.

(c) In the event of stock dividends, stock splits or reverse stock splits affecting the number of outstanding shares of Common Stock during the term of the Plan, appropriate adjustments shall be made to outstanding Awards, including but not limited to per-share-based objectives and the number of shares awarded, if and as may be required in the Committee's discretion to fairly reflect the effect of such stock dividend, stock split or reverse stock split on the interests of the recipients of the Awards.

(d) In the event of a special, non-recurring distribution with respect to Common Stock, the Committee may (i) adjust the number of shares subject to each outstanding Stock Option and Tandem SAR, and the exercise price per share in such manner as it deems just and equitable to reflect such distribution, and (ii) pay such special bonus or take such other action with respect to PARS Awards, Other Restricted Share Awards, Other Stock-Based Awards and Director Share Awards as it deems just and equitable to reflect such distribution.

(e) In no event shall the foregoing adjustments cause the total number of shares used under the Plan or for a particular type of Award to exceed the number authorized under Section 3 or Section 14 (as may be adjusted).

17. Data Privacy.

As a condition of acceptance of an Award, each participant explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of personal data as described in this Section 17 for the exclusive purpose of implementing, administering and managing the participant's participation in the Plan. The participant understands that the Company holds certain personal information about the participant, including the participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to Common Stock awarded, canceled, exercised, vested, unvested or outstanding in the participant's favor, for the purpose of implementing, managing and administering the Plan (the "Data"). The participant further understands that the Company may transfer the Data internally as necessary for the purpose of implementation, management and administration of the participant's participation in the Plan, and that the Company may further transfer the Data to any third parties assisting the Company in the implementation, management, and administration of the Plan. The participant understands that these recipients may be located in the participant's country, or elsewhere, and that the recipient's country may have different data privacy laws and protections than the participant's country. The participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The participant, through participation in the Plan and acceptance of an Award under the Plan, authorizes such recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the participant may elect to deposit any Shares. The participant understands that the Data will be held only as long as is necessary to implement, manage, and administer the participant's participation in the Plan. The participant understands that he or she may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data, or refuse or withdraw the consents herein in writing, in any case without cost, by contacting the Company's Vice President of Human Resources. The participant understands that refusal or withdrawal of consent may affect the participant's ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, the participant understands that he or she may contact the Company's Vice President of Human Resources.

18. Amendment and Termination.

Either the Board or the Committee may at any time amend or terminate the Plan; provided, however, that neither the Board nor the Committee may, without shareholder approval, increase (except under the anti-dilution provisions hereof, including those under Section 16) either the maximum number of shares as to which Stock-Based Awards may be granted under the Plan or any specified limit on any particular type or types of Award, or change the class of employees to whom an Award may be granted, or withdraw the authority to administer the Plan from a committee whose members satisfy the requirements of Section 4(a). No amendment or termination of the Plan may adversely affect any holder of an outstanding Award without the consent of the holder.

19. Term of Plan.

The Plan became effective on February 2, 2018. Unless terminated earlier pursuant to Section 19, or extended with the approval of the shareholders, the Plan shall terminate at the close of the Company's 2028 Annual Meeting of Shareholders, and no Award shall be granted hereunder after the termination of the Plan. Awards outstanding at the termination of the Plan shall continue in accordance with their terms and shall not be affected by such termination.



NEWS FROM

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ESCO REPORTS FIRST QUARTER FISCAL 2023 RESULTS

- *Q1 GAAP EPS \$0.57 / Adjusted EPS \$0.60* -
- *Q1 Sales increase 16% to \$206 Million* -
- *\$229 Million in Q1 Orders / Book-to-bill of 1.11x* -

ST. LOUIS, February 8, 2023 – ESCO Technologies Inc. (NYSE: ESE) (ESCO, or the Company) today reported its operating results for the first quarter ended December 31, 2022 (Q1 2023).

Operating Highlights

- Q1 2023 GAAP EPS increased 30 percent to \$0.57 per share compared to \$0.44 per share in Q1 2022. Q1 2023 Adjusted EPS also increased 30 percent to \$0.60 per share compared to \$0.46 per share in Q1 2022.
- Q1 2023 Sales increased \$28.5 million (16.1 percent) to \$205.5 million compared to \$177.0 million in Q1 2022.
- Q1 2023 Entered Orders increased \$4.5 million (2 percent) over the prior year period to \$228.9 million (book-to-bill of 1.11x), resulting in record backlog of \$718 million.
- Net cash used by operating activities was \$9 million in Q1 2023, as cash flow was negatively impacted by higher inventory related to increased backlog, lower accrued expenses related to the timing of payments in the quarter, and the effect of deferred taxes.
- Net debt (total borrowings less cash on hand) was \$80 million, resulting in a 0.72x leverage ratio and \$610 million in liquidity at December 31, 2022.

Bryan Sayler, Chief Executive Officer and President, commented, “Our fiscal year got off to a strong start with double digit revenue growth and improved operating margins across all three of our business segments. We saw broad strength across our end-markets, highlighted by 30 percent growth in commercial aerospace and 45 percent growth in renewables revenue compared to the prior year. While we continue to feel some pressures related to supply chain performance and labor shortages, our teams across the Company are navigating those challenges well and have executed at a high level.

“We had another solid quarter for entered orders, driven by strength across our commercial aerospace, Navy, electric utility, and renewables end-markets. With \$229 million in orders and a book-to-bill of 1.11x, our record ending backlog of \$718 million gives us confidence as we work toward delivering the guidance for 2023 that was communicated in November.”

Segment Performance

Aerospace & Defense (A&D)

- Sales increased \$12.8 million (18 percent) to \$83.0 million in Q1 2023 from \$70.2 million in Q1 2022. Revenues were strong across all end-markets, led by commercial aerospace sales which increased \$6.9 million (30 percent) to \$30.0 million in the quarter. In addition, sales to defense aerospace, Navy, and space markets also achieved double digit growth compared to the prior year Q1.
- Q1 2023 EBIT increased \$2.5 million to \$12.5 million from \$10.0 million in Q1 2022. Adjusted EBIT also increased \$2.5 million in Q1 2023 to \$12.7 million (15.3 percent margin) from \$10.2 million (14.4 percent margin) in Q1 2022.
- Entered Orders increased \$7 million (8 percent) to \$97 million in Q1 2023 compared to \$90 million in Q1 2022. The increase in orders was driven by Columbia and Virginia Class funding and a strong quarter for Navy spares. The orders strength in the quarter resulted in a segment book-to-bill of 1.17x and record ending backlog of \$423 million.

Utility Solutions Group (USG)

- Sales increased \$7.5 million (12 percent) to \$71.0 million in Q1 2023 from \$63.5 million in Q1 2022. Doble's sales increased by \$3.0 million (6 percent) driven by a strong quarter for protection testing, both instruments and PowerBase™ software. NRG sales increased \$4.5 million (45 percent) on continued strength in the renewables end-market.
 - EBIT increased \$2.7 million in Q1 2023 to \$16.1 million from \$13.4 million in Q1 2022. There were no adjustments to Q1 2023 EBIT of \$16.1 million (22.7 percent margin), which increased \$2.3 million from Q1 2022 Adjusted EBIT of \$13.8 million (21.8 percent margin).
 - Entered Orders increased \$14 million (21 percent) to \$80 million in Q1 2023. The orders growth was primarily driven by a \$10 million (18 percent) increase at Doble related to strong calendar year-end utility spending. Continuing strength in protection testing (hardware and software) and condition monitoring and services opportunities driven by Altanova in EMEA contributed to the orders growth in the quarter. NRG orders increased by \$4 million (35 percent) related to continuing strength in wind and solar. USG's book-to-bill of 1.13x in the quarter resulted in ending backlog of \$137 million.
-

Test

- Sales increased \$8.2 million (19 percent) to \$51.5 million in Q1 2023 from \$43.3 million in Q1 2022, primarily due to increased test and measurement projects in the U.S and Europe and domestic medical shielding.
- EBIT increased \$1.4 million in Q1 2023 to \$5.4 million (10.5 percent margin) from \$4.0 million (9.2 percent margin) in Q1 2022. There were no adjustments in either year for the Test segment.
- Entered Orders decreased \$16.4 million to \$51.5 million in Q1 2023 compared to \$67.9 million in Q1 2022. The decrease was due to large orders related to power filters and test and measurement projects in the U.S. and China in the prior year quarter. Test's book-to-bill of 1.0x resulted in flat ending backlog of \$159 million compared to the prior year end.

Share Repurchase Program

During Q1 2023, the Company repurchased approximately 58,000 shares for \$5.1 million, of which \$4.1 million was paid in the quarter and the remainder settled in January, 2023.

Dividend Payment

The next quarterly cash dividend of \$0.08 per share will be paid on April 18, 2023 to stockholders of record on April 3, 2023.

Business Outlook – 2023

Management's expectations for 2023 remain consistent with the details outlined in our November 17, 2022, release. Our 2023 guidance represents mid-single digit revenue growth driving Adjusted EBIT and Adjusted EBITDA margin expansion, despite continuing inflationary pressures and higher interest rates.

The strength of our Q1 results gives us added confidence in our 2023 forecast and we are narrowing our full year guidance to \$3.50 to \$3.60. Consistent with prior years, revenues and Adjusted EPS are expected to grow sequentially throughout the year. Our expectation is for Q2 Adjusted EPS to be in the range of \$0.68 to \$0.74 per share.

Acquisition Update

On February 1, 2023, the Company acquired CMT Materials, LLC and its affiliate Engineered Syntactic Systems, LLC (CMT). CMT, based in Attleboro, Massachusetts, is a leading supplier of syntactic materials for buoyancy and specialty applications. They are experts in designing and manufacturing custom syntactic foam components and systems, which are utilized in industrial, oceanographic, military, and naval applications. CMT brings proprietary technology and capabilities to our A&D business and will strengthen our offerings on underwater platforms for the Navy. The business has annualized sales of approximately \$15 million and will become part of Globe Composite Solutions within our A&D segment.

Conference Call

The Company will host a conference call today, February 8, at 4:00 p.m. Central Time, to discuss the Company's Q1 2023 results. A live audio webcast and an accompanying slide presentation will be available on ESCO's investor website at <https://investor.escotechnologies.com>. For those unable to participate, a webcast replay will be available after the call on ESCO's investor website.

Forward-Looking Statements

Statements in this press release regarding Management's expectations for fiscal 2023, the effects of continuing inflationary pressures, higher interest rates, pressures related to supply chain performance and labor shortages, our guidance for 2023 including revenues, revenue growth, Adjusted EPS, Adjusted EBIT and Adjusted EBITDA margin; the effects of acquisitions, and any other statements which are not strictly historical, are "forward-looking statements within the meaning of the safe harbor provisions of the U.S. securities laws.

Investors are cautioned that such statements are only predictions and speak only as of the date of this release, and the Company undertakes no duty to update them except as may be required by applicable laws or regulations. The Company's actual results in the future may differ materially from those projected in the forward-looking statements due to risks and uncertainties that exist in the Company's operations and business environment including but not limited to those described in Item 1A, "Risk Factors", of the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2022; the availability and acceptance of viable COVID-19 vaccines by enough of the U.S. and world's population to curtail the pandemic; the continuing impact of the COVID-19 pandemic and the effects of known or unknown COVID-19 variants including 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 success of the Company's acquisition efforts; delivery delays or defaults by customers; performance issues with key customers, suppliers and subcontractors; changes in the costs and availability of certain raw materials; labor disputes; changes in U.S. tax laws and regulations; other changes in laws and regulations including but not limited to changes in accounting standards and foreign taxation; changes in interest rates; costs relating to environmental matters arising from current or former facilities; uncertainty regarding the ultimate resolution of current disputes, claims, litigation or arbitration; and the integration of recently acquired businesses.

Non-GAAP Financial Measures

The financial measures EBIT, Adjusted EBIT, EBITDA, Adjusted EBITDA and Adjusted EPS are presented in this press release. The Company defines “EBIT” as earnings before interest and taxes, “EBITDA” as earnings before interest, taxes, depreciation and amortization, “Adjusted EBIT” and “Adjusted EBITDA” as excluding the net impact of the items described in the attached Reconciliation of Non-GAAP Financial Measures, and “Adjusted EPS” as GAAP earnings per share (EPS) excluding the net impact of the items described and reconciled in the attached Reconciliation of Non-GAAP Financial Measures.

EBIT, Adjusted EBIT, EBITDA, Adjusted EBITDA and Adjusted EPS are not recognized in accordance with U.S. generally accepted accounting principles (GAAP). However, Management believes EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA are useful in assessing the operational profitability of the Company’s business segments because they exclude interest, taxes, depreciation and amortization, which are generally accounted for across the entire Company on a consolidated basis. EBIT and EBITDA are also measures used by Management in determining resource allocations within the Company as well as incentive compensation. The presentation of EBIT, Adjusted EBIT, EBITDA, Adjusted EBITDA and Adjusted EPS provides important supplemental information to investors by facilitating comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results. The use of non-GAAP financial measures is not intended to replace any measures of performance determined in accordance with GAAP.

ESCO is a global provider of highly engineered products and solutions serving diverse end-markets. It manufactures filtration and fluid control products for the aviation, Navy, space, and process markets worldwide and composite-based products and solutions for Navy, defense, and industrial customers. ESCO is the industry leader in RF shielding and EMC test products; and provides diagnostic instruments, software and services to industrial power users and the electric utility and renewable energy industries. Headquartered in St. Louis, Missouri, ESCO and its subsidiaries have offices and manufacturing facilities worldwide. For more information on ESCO and its subsidiaries, visit the Company’s website at www.escotechnologies.com.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations (Unaudited)
(Dollars in thousands, except per share amounts)

	Three Months Ended December 31, 2022	Three Months Ended December 31, 2021
Net Sales	\$ 205,501	177,010
Cost and Expenses:		
Cost of sales	126,383	108,305
Selling, general and administrative expenses	51,302	46,635
Amortization of intangible assets	6,861	6,467
Interest expense	1,658	733
Other expenses, net	398	33
Total costs and expenses	<u>186,602</u>	<u>162,173</u>
Earnings before income taxes	18,899	14,837
Income tax expense	<u>4,172</u>	<u>3,313</u>
Net earnings	<u>\$ 14,727</u>	<u>11,524</u>
Diluted - GAAP	<u>\$ 0.57</u>	<u>0.44</u>
Diluted - As Adjusted Basis	<u>\$ 0.60(1)</u>	<u>0.46(2)</u>
Diluted average common shares O/S:	<u>25,943</u>	<u>26,142</u>

- (1) Q1 2023 Adjusted EPS excludes \$0.03 per share of after-tax charges associated with executive management transition costs at Corporate and restructuring charges within the A&D segment.
- (2) Q1 2022 Adjusted EPS excludes \$0.02 per share of after-tax charges associated with the Altanova & NEco acquisition inventory step-up charges and Corporate acquisition related costs.

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Condensed Business Segment Information (Unaudited)
(Dollars in thousands)

	GAAP		As Adjusted	
	Q1 2023	Q1 2022	Q1 2023	Q1 2022
Net Sales				
Aerospace & Defense	\$ 82,983	70,244	82,983	70,244
USG	71,045	63,485	71,045	63,485
Test	51,473	43,281	51,473	43,281
Totals	\$ 205,501	177,010	205,501	177,010
EBIT				
Aerospace & Defense	\$ 12,536	9,955	12,735	10,150
USG	16,131	13,391	16,131	13,841
Test	5,411	3,965	5,411	3,965
Corporate	(13,521)	(11,741)	(12,728)	(11,561)
Consolidated EBIT	20,557	15,570	21,549	16,395
Less: Interest expense	(1,658)	(733)	(1,658)	(733)
Less: Income tax expense	(4,172)	(3,313)	(4,400)	(3,503)
Net earnings	\$ 14,727	11,524	15,491	12,159

Note 1: Adjusted net earnings were \$15.5 million in Q1 2023 which excludes \$0.03 per share of after-tax charges associated with executive management transition costs at Corporate and restructuring charges within the A&D segment.

Note 2: Adjusted net earnings were \$12.2 million in Q1 2022 which excludes \$0.02 per share of after-tax charges associated with the Altanova & NEco acquisition inventory step-up charges and Corporate acquisition related costs.

EBITDA Reconciliation to Net earnings:

	Q1 2023	Q1 2022	Q1 2023	Q1 2022
			- As Adj	- As Adj
Consolidated EBITDA	\$ 32,924	27,742	33,916	28,567
Less: Depr & Amort	(12,367)	(12,172)	(12,367)	(12,172)
Consolidated EBIT	20,557	15,570	21,549	16,395
Less: Interest expense	(1,658)	(733)	(1,658)	(733)
Less: Income tax expense	(4,172)	(3,313)	(4,400)	(3,503)
Net earnings	\$ 14,727	11,524	15,491	12,159

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets (Unaudited)
(Dollars in thousands)

	December 31, 2022	September 30, 2022
Assets		
Cash and cash equivalents	\$ 51,922	97,724
Accounts receivable, net	159,658	164,645
Contract assets	122,518	125,154
Inventories	181,743	162,403
Other current assets	18,930	22,696
Total current assets	534,771	572,622
Property, plant and equipment, net	155,722	155,973
Intangible assets, net	394,824	394,464
Goodwill	498,383	492,709
Operating lease assets	42,156	29,150
Other assets	10,133	9,538
	<u>\$ 1,635,989</u>	<u>1,654,456</u>
Liabilities and Shareholders' Equity		
Current maturities of long-term debt	\$ 20,000	20,000
Accounts payable	73,770	78,746
Contract liabilities	121,220	125,009
Other current liabilities	77,770	94,374
Total current liabilities	292,760	318,129
Deferred tax liabilities	81,213	82,023
Non-current operating lease liabilities	38,346	24,853
Other liabilities	45,272	48,294
Long-term debt	112,000	133,000
Shareholders' equity	1,066,398	1,048,157
	<u>\$ 1,635,989</u>	<u>1,654,456</u>

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)
(Dollars in thousands)

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

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Other Selected Financial Data (Unaudited)
(Dollars in thousands)

Backlog And Entered Orders - Q1 2023	Aerospace & Defense	USG	Test	Total
Beginning Backlog - 10/1/22	\$ 408,269	128,156	158,597	695,022
Entered Orders	97,265	80,175	51,460	228,900
Sales	(82,983)	(71,045)	(51,473)	(205,501)
Ending Backlog - 12/31/22	<u>\$ 422,551</u>	<u>137,286</u>	<u>158,584</u>	<u>718,421</u>

ESCO TECHNOLOGIES INC. AND SUBSIDIARIES
Reconciliation of Non-GAAP Financial Measures (Unaudited)

EPS – Adjusted Basis Reconciliation – Q1 2023

EPS – GAAP Basis – Q1 2023	\$	0.57
Adjustments (defined below)		0.03
EPS – As Adjusted Basis – Q1 2023	\$	<u>0.60</u>

Adjustments exclude \$0.03 per share consisting of executive management transition costs at Corporate and restructuring charges within the A&D segment.

The \$0.03 of EPS adjustments per share consists of \$992K of pre-tax charges offset by \$228K of tax benefit for net impact of \$764K.

EPS – Adjusted Basis Reconciliation – Q1 2022

EPS – GAAP Basis – Q1 2022	\$	0.44
Adjustments (defined below)		0.02
EPS – As Adjusted Basis – Q1 2022	\$	<u>0.46</u>

Adjustments exclude \$0.02 per share consisting of Altanova & Neco acquisition inventory step-up charges and Corporate related acquisition costs in the first quarter of 2022.

The \$0.02 of EPS adjustments per share consists of \$825K of pre-tax charges offset by \$190K of tax benefit for net impact of \$635K.
