# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-Q

**(Mark one)**

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**For the quarterly period ended September 30, 2021**

**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 No. 0-07099**

# CECO ENVIRONMENTAL CORP.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of Incorporation or organization)** | **13-2566064**<br>**(IRS Employer Identification No.)** |
| **14651 North Dallas Parkway**<br>**Suite 500**<br>**Dallas, Texas**<br>**(Address of principal executive offices)** | **75254**<br>**(Zip Code)** |

**Registrant's telephone number, including area code: (214) 357-6181**

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.01 per share | CECE | The NASDAQ Stock Market LLC |

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 (§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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☐ | Accelerated Filer | ☒ |
| Non-Accelerated Filer | ☐ | Smaller reporting company | ☒ |
| Emerging growth company | ☐ | | |

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

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

The number of shares outstanding of each of the issuer's classes of common equity, as of the latest practical date: 35,809,090 shares of common stock, par value $0.01 per share, as of November 3, 2021.

**CECO ENVIRONMENTAL CORP. AND SUBSIDIARIES**
QUARTERLY REPORT ON FORM 10-Q
For the quarter ended September 30, 2021

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**PART I – FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS**

## CONDENSED CONSOLIDATED BALANCE SHEETS

| (dollars in thousands, except per share data) | (unaudited) September 30, 2021 | December 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 31,925 | $ 35,992 |
| Restricted cash | 2,541 | 1,819 |
| Accounts receivable, net | 70,024 | 63,046 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | 50,536 | 45,498 |
| Inventories, net | 18,609 | 17,343 |
| Prepaid expenses and other current assets | 12,229 | 11,530 |
| Prepaid income taxes | 3,844 | 7,790 |
| Assets held for sale | — | 467 |
| Total current assets | 189,708 | 183,485 |
| Property, plant and equipment, net | 15,893 | 16,228 |
| Right-of-use assets from operating leases | 10,998 | 11,376 |
| Goodwill | 161,593 | 161,820 |
| Intangible assets – finite life, net | 27,658 | 29,637 |
| Intangible assets – indefinite life | 9,701 | 12,937 |
| Deferred charges and other assets | 3,125 | 3,831 |
| Total assets | $ 418,676 | $ 419,314 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Current portion of debt | $ 3,750 | $ 3,125 |
| Accounts payable and accrued expenses | 89,633 | 84,997 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 24,559 | 20,691 |
| Income taxes payable | 467 | 543 |
| Total current liabilities | 118,409 | 109,356 |
| Other liabilities | 19,486 | 20,576 |
| Debt, less current portion | 62,182 | 69,491 |
| Deferred income tax liability, net | 7,188 | 6,970 |
| Operating lease liabilities | 8,884 | 9,310 |
| Total liabilities | 216,149 | 215,703 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock, $.01 par value; 10,000 shares authorized, none issued | — | — |
| Common stock, $.01 par value; 100,000,000 shares authorized, 35,809,061 and 35,504,757 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively | 358 | 355 |
| Capital in excess of par value | 257,482 | 255,296 |
| Accumulated loss | (37,916) | (38,141) |
| Accumulated other comprehensive loss | (14,401) | (14,496) |
| | 205,523 | 203,014 |
| Less treasury stock, at cost, 659,417 and 137,920 shares at September 30, 2021 and December 31, 2020, respectively | (4,101) | (356) |
| Total CECO shareholders' equity | 201,422 | 202,658 |
| Non-controlling interest | 1,105 | 953 |
| Total shareholders' equity | 202,527 | 203,611 |
| Total liabilities and shareholders' equity | $ 418,676 | $ 419,314 |

The notes to the condensed consolidated financial statements are an integral part of the above statements.

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(unaudited)**

| (dollars in thousands, except per share data) | Three months ended September 30, 2021 | Three months ended September 30, 2020 | Nine months ended September 30, 2021 | Nine months ended September 30, 2020 |
|---|---|---|---|---|
| Net sales | $ 79,979 | $ 77,425 | $ 230,551 | $ 233,081 |
| Cost of sales | 57,254 | 52,615 | 158,164 | 154,176 |
| Gross profit | 22,725 | 24,810 | 72,387 | 78,905 |
| Selling and administrative expenses | 20,929 | 18,989 | 60,894 | 59,374 |
| Amortization and earnout expenses | 1,776 | 2,050 | 5,849 | 5,546 |
| Restructuring expenses | 397 | 871 | 655 | 1,753 |
| Acquisition and integration expenses | 219 | 368 | 357 | 1,067 |
| Executive transition expenses | — | 1,514 | 29 | 1,514 |
| (Loss) income from operations | (596) | 1,018 | 4,603 | 9,651 |
| Other income (expense), net | 185 | (290) | (1,155) | 1,057 |
| Interest expense | (722) | (772) | (2,152) | (2,739) |
| (Loss) income before income taxes | (1,133) | (44) | 1,296 | 7,969 |
| Income tax expense | 63 | 206 | 813 | 1,549 |
| Net (loss) income | (1,196) | (250) | 483 | 6,420 |
| Non-controlling interest | 53 | (11) | 259 | (11) |
| Net (loss) income attributable to CECO Environmental Corp. | $ (1,249) | $ (239) | $ 224 | $ 6,431 |
| (Loss) earnings per share: | | | | |
| Basic | $ (0.04) | $ (0.01) | $ 0.01 | $ 0.18 |
| Diluted | $ (0.04) | $ (0.01) | $ 0.01 | $ 0.18 |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 35,472,298 | 35,358,913 | 35,463,279 | 35,263,688 |
| Diluted | 35,472,298 | 35,358,913 | 35,729,887 | 35,471,551 |

The notes to the condensed consolidated financial statements are an integral part of the above statements.

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
**(unaudited)**

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **(dollars in thousands)** | **2021** | **2020** | **2021** | **2020** |
| Net (loss) income | $ (1,196) | $ (250) | $ 483 | $ 6,420 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation (loss) gain | (250) | 1,365 | 95 | 271 |
| Comprehensive (loss) income | $ (1,446) | $ 1,115 | $ 578 | $ 6,691 |

The notes to the condensed consolidated financial statements are an integral part of the above statements.

# CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
## (unaudited)

| | Common Stock | | Capital in excess of | Accumulated | Accumulated Other Comprehensi ve | Treasury Stock | | Non-controlling | Total Shareholders ' |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | par value | Loss | Loss | Shares | Amount | interest | Equity |
| Balance December 31, 2019 | 35,275 | $ 353 | $ 253,869 | $ (46,344) | $ (14,505) | (138) | $ (356) | $ — | $ 193,017 |
| Net income for the three months ended March 31, 2020 | | | | 3,412 | | | | | 3,412 |
| Restricted stock units issued | 63 | 1 | (153) | — | | | | | (152) |
| Share based compensation earned | — | — | 597 | — | | | | | 597 |
| Translation loss | | | | | (2,268) | | | | (2,268) |
| Balance March 31, 2020 | 35,338 | $ 354 | $ 254,313 | $ (42,932) | $ (16,773) | (138) | $ (356) | $ — | $ 194,606 |
| Net income for the three months ended June 30, 2020 | | | | 3,258 | | | | | 3,258 |
| Restricted stock units issued | 155 | 1 | (144) | (8) | | | | | (151) |
| Share based compensation earned | — | — | 154 | — | | | | | 154 |
| Translation gain | | | | | 1,174 | | | | 1,174 |
| Balance June 30, 2020 | 35,493 | 355 | 254,323 | (39,682) | (15,599) | (138) | (356) | - | 199,041 |
| Net loss for the three months ended September 30, 2020 | | | | (239) | | | | (11) | (250) |
| Restricted stock units issued | 12 | — | (38) | — | | | | | (38) |
| Share based compensation earned | — | — | 486 | — | | | | | 486 |
| Translation gain | | | | | 1,365 | | | | 1,365 |
| Non-controlling interest acquired | | | | | | | | $ 992 | 992 |
| Balance September 30, 2020 | 35,505 | $ 355 | $ 254,771 | $ (39,921) | $ (14,234) | (138) | $ (356) | $ 981 | $ 201,596 |

| | Common Stock | | Capital in excess of | Accumulated | Accumulated Other Comprehensi ve | Treasury Stock | | Non-controlling | Total Shareholders ' |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | par value | Loss | Loss | Shares | Amount | interest | Equity |
| Balance December 31, 2020 | 35,505 | $ 355 | $ 255,296 | $ (38,141) | $ (14,496) | (138) | $ (356) | $ 953 | $ 203,611 |
| Net income for the three months ended March 31, 2021 | | | | 1,181 | | | | 117 | 1,298 |
| Exercise of stock options | 2 | — | 13 | — | | | | | 13 |
| Restricted stock units issued | 40 | 1 | (134) | — | | | | | (133) |
| Share based compensation earned | 21 | — | 807 | — | | | | | 807 |
| Translation gain | | | | | 55 | | | | 55 |
| Balance March 31, 2021 | 35,568 | 356 | 255,982 | (36,960) | (14,441) | (138) | (356) | $ 1,070 | $ 205,651 |
| Net income for the three months ended June 30, 2021 | | | | 293 | | | | 89 | 382 |
| Restricted stock units issued | 181 | 1 | (271) | — | | | | | (270) |
| Share based compensation earned | — | — | 887 | — | | | | | 887 |
| Translation gain | | | | | 290 | | | | 290 |
| Non-controlling interest distribution | | | | | | | | (107) | (107) |
| Balance June 30, 2021 | 35,749 | $ 357 | $ 256,598 | $ (36,667) | $ (14,151) | (138) | $ (356) | $ 1,052 | $ 206,833 |
| Net loss for the three months ended September 30, 2021 | | | | (1,249) | | | | 53 | (1,196) |
| Restricted stock units issued | 41 | 1 | (111) | — | | | | | (110) |
| Share based compensation earned | 19 | — | 995 | — | | | | | 995 |
| Translation loss | | | | | (250) | | | | (250) |
| Common stock repurchase (See Note 8) | | | | | | (521) | (3,745) | | (3,745) |
| Balance September 30, 2021 | 35,809 | $ 358 | $ 257,482 | $ (37,916) | $ (14,401) | (659) | $ (4,101) | $ 1,105 | $ 202,527 |

The notes to the condensed consolidated financial statements are an integral part of the above statements.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
## (unaudited)

| (dollars in thousands) | Nine months ended September 30, 2021 | 2020 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 483 | $ 6,420 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 7,373 | 7,224 |
| Unrealized foreign currency loss | 1,531 | 302 |
| Fair value adjustment to earnout liabilities | 500 | — |
| Earnout payments | (587) | — |
| (Gain) loss on sale of property and equipment | (67) | 104 |
| Debt discount amortization | 304 | 311 |
| Share-based compensation expense | 2,466 | 1,237 |
| Bad debt expense | 456 | 625 |
| Inventory reserve expense | 428 | 453 |
| Deferred income tax benefit | — | 13 |
| Changes in operating assets and liabilities, net of divestitures: | | |
| Accounts receivable | (7,502) | 12,705 |
| Costs and estimated earnings in excess of billings on uncompleted contracts | (5,091) | (5,714) |
| Inventories | (2,172) | 2,568 |
| Prepaid expense and other current assets | 3,448 | (1,713) |
| Deferred charges and other assets | 43 | (2,858) |
| Accounts payable and accrued expenses | 5,655 | 443 |
| Billings in excess of costs and estimated earnings on uncompleted contracts | 3,903 | (13,504) |
| Income taxes payable | (23) | 21 |
| Other liabilities | (916) | 478 |
| Net cash provided by operating activities | 10,232 | 9,115 |
| Cash flows from investing activities: | | |
| Acquisitions of property and equipment | (1,740) | (2,875) |
| Net proceeds from sale of assets | 533 | 605 |
| Net cash paid for acquisition | — | (5,895) |
| Net cash used in investing activities | (1,207) | (8,165) |
| Cash flows from financing activities: | | |
| Borrowings on revolving credit lines | 32,100 | 87,000 |
| Repayments on revolving credit lines | (36,900) | (74,500) |
| Repayments of long-term debt | (2,188) | (4,384) |
| Payments on finance leases and financing liability | (411) | (333) |
| Earnout payments | (823) | — |
| Proceeds from employee stock purchase plan and exercise of stock options | 239 | — |
| Distributions to non-controlling interests | (107) | — |
| Common stock repurchase | (3,745) | — |
| Net cash (used in) provided by financing activities | (11,835) | 7,783 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (535) | 657 |
| Net (decrease) increase in cash, cash equivalents and restricted cash | (3,345) | 9,390 |
| Cash, cash equivalents and restricted cash at beginning of period | 37,811 | 36,958 |
| Cash, cash equivalents and restricted cash at end of period | $ 34,466 | $ 46,348 |
| Cash paid (received) during the period for: | | |
| Interest | $ 1,609 | $ 2,450 |
| Income taxes | $ (2,678) | $ (112) |

The notes to the condensed consolidated financial statements are an integral part of the above statements.

## 1. Basis of Reporting for Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements of CECO Environmental Corp. and its subsidiaries (the “Company,” “CECO,” “we,” “us,” or “our”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to those rules and regulations. In the opinion of management, the accompanying unaudited condensed consolidated financial statements of the Company contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position as of September 30, 2021 and the results of operations, cash flows and shareholders’ equity for the three-month and nine-month periods ended September 30, 2021 and 2020. The results of operations for the three-month and nine-month periods ended September 30, 2021 are not necessarily indicative of the results to be expected for the full year. The balance sheet as of December 31, 2020 has been derived from the audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 as filed with the SEC on March 3, 2021 (the “Form 10-K”).

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

These financial statements and accompanying notes should be read in conjunction with the audited financial statements and the notes thereto included in the Form 10-K.

Unless otherwise indicated, all balances within tables are in thousands, except per share amounts.

*COVID-19*

A novel strain of coronavirus (“COVID-19”) surfaced in late 2019 and has spread around the world, including to the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic. As of October 31, 2021, the virus, including new emerging variants, continues to spread and has had a significant impact on worldwide economic activity, on macroeconomic conditions and the end markets of our business.

The outbreak and a continued spread of COVID-19 has resulted in a substantial curtailment of business activities worldwide and has caused weakened economic conditions, both in the United States and abroad. Although vaccines are available in various countries where we operate, it is possible the COVID-19 pandemic may continue to have a negative impact on the Company's ongoing operations and the end markets in which it serves. However, the full impact of the COVID-19 pandemic continues to evolve as of the date of this filing, and as such, it is uncertain as to the full magnitude or lasting impact that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the pandemic on its financial condition, liquidity, operations, suppliers, industry, and workforce.

## 2. New Financial Accounting Pronouncements

### Accounting Standards adopted in Fiscal 2021

On January 1, 2021, the beginning of the Company's fiscal year, the Company adopted Accounting Standards Update ("ASU") No. 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes” (“ASU 2019-12”), which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The adoption of ASU 2019-12 did not have a material impact on our financial statements.

### Accounting Standards to be Adopted

None.

## 3. Accounts Receivable

| (table only in thousands) | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Contract receivables | $ 61,675 | $ 57,435 |
| Trade receivables | 11,752 | 8,721 |
| Allowance for doubtful accounts | (3,403) | (3,110) |
| Total accounts receivable | $ 70,024 | $ 63,046 |

Balances billed but not paid by customers under retainage provisions in contracts within the Condensed Consolidated Balance Sheets amounted to approximately $1.7 million and $1.5 million at September 30, 2021 and December 31, 2020, respectively. Retainage receivables on contracts in progress are generally collected within a year after contract completion.

Bad debt expense was approximately $0.4 million and $0.1 million for the three-month periods ended September 30, 2021 and 2020, respectively, and $0.5 million and $0.6 million for the nine-month periods ended September 30, 2021 and 2020, respectively.

## 4. Inventories

| (table only in thousands) | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Raw materials | $ 14,603 | $ 14,262 |
| Work in process | 5,916 | 5,594 |
| Finished goods | 945 | 496 |
| Obsolescence allowance | (2,855) | (3,009) |
| Total inventories | $ 18,609 | $ 17,343 |

Amounts credited to the allowance for obsolete inventory and charged to cost of sales amounted to $0.2 million for the three-month periods ended September 30, 2021 and 2020, and $0.4 million and $0.5 million for the nine-month periods ended September 30, 2021 and 2020, respectively.

## 5. Goodwill and Intangible Assets

| (table only in thousands) | Nine months ended September 30, 2021 | | Year ended December 31, 2020 | |
|---|---|---|---|---|
| Goodwill / Tradename | Goodwill | Tradename | Goodwill | Tradename |
| Beginning balance | $ 161,820 | $ 12,937 | $ 152,020 | $ 14,291 |
| Acquisitions and related adjustments | — | — | 9,107 | — |
| Transfers to finite life classification | — | (3,150) | — | (700) |
| Impairment charge | — | — | — | (850) |
| Foreign currency translation | (227) | (86) | 693 | 196 |
| | $ 161,593 | $ 9,701 | $ 161,820 | $ 12,937 |

| (table only in thousands) | As of September 30, 2021 | | As of December 31, 2020 | |
|---|---|---|---|---|
| Intangible assets – finite life | Cost | Accum. Amort. | Cost | Accum. Amort. |
| Technology | $ 14,457 | $ 13,532 | $ 14,457 | $ 13,008 |
| Customer lists | 73,199 | 52,729 | 73,199 | 48,959 |
| Tradename | 9,728 | 2,476 | 6,578 | 1,758 |
| Foreign currency adjustments | (2,420) | (1,431) | (2,826) | (1,954) |
| | $ 94,964 | $ 67,306 | $ 91,408 | $ 61,771 |

Activity for the nine months ended September 30, 2021 and 2020 is as follows:

| (table only in thousands) | 2021 | 2020 |
|---|---|---|
| Intangible assets – finite life, net at beginning of period | $ 29,637 | $ 31,283 |
| Amortization expense | (5,029) | (5,448) |
| Transfers from indefinite life classification | 3,150 | 700 |
| Acquisition and related adjustments | — | 4,840 |
| Foreign currency adjustments | (100) | 102 |
| Intangible assets – finite life, net at end of period | $ 27,658 | $ 31,477 |

Amortization expense of finite life intangible assets was $1.7 million and $1.9 million for the three-month periods ended September 30, 2021 and 2020, respectively and $5.0 million and $5.4 million for the nine-month periods ended September 30, 2021 and 2020, respectively. Amortization over the next five years for finite life intangibles is expected to be $1.6 million for the remainder of 2021, $5.8 million in 2022, $5.0 million in 2023, $4.3 million in 2024, and $3.2 million in 2025.

During the nine-month period ended September 30, 2021, the Company reassessed the useful lives of certain tradenames and determined that $3.2 million of their tradenames would have useful lives of 10 years now versus indefinite.

The Company completes an annual (or more often if circumstances require) goodwill and indefinite life intangible asset impairment assessment on October 1. As a part of its impairment assessment, the Company first qualitatively assesses whether current events or changes in circumstances lead to a determination that it is more likely than not (defined as a likelihood of more than 50 percent) that the fair value of a reporting unit or indefinite life intangible asset is less than its carrying amount. If there is a qualitative determination that the fair value is more likely than not greater than the carrying value, the Company does not need to quantitatively test for impairment. If this qualitative assessment indicates a more likely than not potential that the asset may be impaired, the estimated fair value is calculated. If the estimated fair value is less than carrying value, an impairment charge is recorded.

As of September 30, 2021, we reviewed our previous forecasts and assumptions based on our current projections, which are subject to various risks and uncertainties, including projected revenue, projected operational profit, terminal growth rates, and the cost of capital. The Company did not identify any triggering events during the three-month period ended September 30, 2021 that would require an interim impairment assessment of goodwill or intangible assets.

The Company's assumptions about future conditions important to its assessment of potential impairment of its goodwill and indefinite life intangible assets, including the impacts of the COVID-19 pandemic, are subject to uncertainty, and the Company will continue to monitor these conditions in future periods as new information becomes available, and will update its analyses accordingly.

## 6. Accounts Payable and Accrued Expenses

| (table only in thousands) | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Trade accounts payable, including amounts due to subcontractors | $ 59,694 | $ 55,899 |
| Compensation and related benefits | 6,486 | 5,079 |
| Accrued warranty | 2,884 | 4,090 |
| Contract liabilities | 5,123 | 3,974 |
| Short-term lease liability | 2,382 | 2,274 |
| Other | 13,064 | 13,681 |
| Total accounts payable and accrued expenses | $ 89,633 | $ 84,997 |

## 7. Senior Debt

Debt consisted of the following:

| (table only in thousands) | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Outstanding borrowings under the Credit Facility (defined below).<br>Term loan payable in quarterly principal installments of $0.9 million through June 2023, and $1.3 million thereafter with balance due upon maturity in June 2024. | | |
| - Term loan | $ 44,063 | $ 46,250 |
| - Revolving credit loan | 22,900 | 27,700 |
| - Unamortized debt discount | (1,031) | (1,334) |
| Total outstanding borrowings under the Credit Facility | 65,932 | 72,616 |
| Less: current portion | (3,750) | (3,125) |
| Total debt, less current portion | $ 62,182 | $ 69,491 |

Scheduled principal payments under our Credit Facility are $0.9 million remaining in 2021, $3.7 million in 2022, $4.4 million in 2023, and $58.0 million in 2024.

United States Debt

As of September 30, 2021 and December 31, 2020, $12.9 million and $7.6 million of letters of credit were outstanding, respectively. Total unused credit availability under the Company's senior secured term loan and senior secured revolver loan with sub-facilities for letters of credit, swing-line loans and senior secured multi-currency loans (collectively, the "Credit Facility") was $37.1 million and $60.8 million at September 30, 2021 and December 31, 2020, respectively. Revolving loans may be borrowed, repaid and reborrowed until June 11, 2024, at which time all outstanding balances of the Credit Facility must be repaid.

The weighted average stated interest rate on outstanding borrowings was 2.49% and 2.31% at September 30, 2021 and December 31, 2020, respectively.

Under the terms of the Credit Facility, the Company is required to maintain certain financial covenants, including the maintenance of a Consolidated Net Leverage Ratio. Through September 30, 2021, the maximum Consolidated Net Leverage Ratio was 3.50, after which time the Consolidated Net Leverage Ratio will then decrease to 3.25 until the end of the term of the Credit Facility.

As of September 30, 2021 and December 31, 2020, the Company was in compliance with all related financial and other restrictive covenants under the Credit Facility.

Foreign Debt

The Company has a number of bank guarantee facilities and bilateral lines in various countries currently supported by cash, letters of credit or pledged assets and collateral under the Credit Facility. The Credit Facility allows letters of credit and bank guarantee issuances of up to $50.0 million from the bilateral lines secured by pledged assets and collateral under the Credit Facility. As of September 30, 2021, $16.5 million in bank guarantees were outstanding. In addition, a subsidiary of the Company located in the Netherlands has a Euro-denominated bank guarantee agreement secured by local assets under which $1.2 million in bank guarantees were outstanding as of September 30, 2021. As of September 30, 2021, the borrowers of these facilities and agreements were in compliance with all related financial and other restrictive covenants.

## 8. Earnings per Share

The computational components of basic and diluted earnings per share for the three-month periods ended September 30, are below.

| (table only in thousands) | 2021 | 2020 |
|---|---|---|
| **Numerator** (for basic and diluted earnings per share) | | |
| Net loss attributable to CECO Environmental Corp. | $ (1,249) | $ (239) |
| **Denominator** | | |
| Basic weighted-average shares outstanding | 35,472 | 35,359 |
| Common stock equivalents arising from stock options and restricted stock awards | — | — |
| Diluted weighted-average shares outstanding | 35,472 | 35,359 |

The computational components of basic and diluted earnings per share for the nine-month periods ended September 30, are below.

| (table only in thousands) | 2021 | 2020 |
|---|---|---|
| **Numerator** (for basic and diluted earnings per share) | | |
| Net income attributable to CECO Environmental Corp. | $ 224 | $ 6,431 |
| **Denominator** | | |
| Basic weighted-average shares outstanding | 35,463 | 35,264 |
| Common stock equivalents arising from stock options and restricted stock awards | 267 | 208 |
| Diluted weighted-average shares outstanding | 35,730 | 35,472 |

Options and restricted stock units included in the computation of diluted earnings per share are calculated using the treasury stock method. For the three-month periods ended September 30, 2021 and 2020, zero, and during the nine-month periods ended September 30, 2021 and 2020, 1.8 million and 0.9 million, respectively, of outstanding options and restricted stock units were excluded from the computation of diluted earnings per share due to their having an anti-dilutive effect.

Once a restricted stock unit vests, it is included in the computation of weighted average shares outstanding for purposes of basic and diluted earnings per share.

Common Stock Repurchase

On August 3, 2021, the Company's Board of Directors authorized a share repurchase program under which CECO may purchase up to $5.0 million of its outstanding shares of common stock through December 31, 2021. The authorization permits the Company to repurchase shares in the open market, through accelerated share repurchases, block trades, 10b5-1 plans or through privately negotiated transactions in accordance with applicable laws, rules and regulations. Through September 30, 2021, the Company has repurchased approximately 520,000 shares of common stock at a cost of $3.7 million.

**9. Share-Based Compensation**

The Company accounts for share-based compensation in accordance with Accounting Standards Codification (“ASC”) Topic 718, “Compensation – Stock Compensation,” which requires the Company to recognize compensation expense for share-based awards, measured at the fair value of the awards at the grant date. The Company recognized $0.9 million and $0.5 million of share-based compensation related expense during the three-month periods ended September 30, 2021 and 2020, respectively, and $2.4 million and $1.2 million during the nine-month periods ended September 30, 2021 and 2020, respectively.

The Company granted zero and 1.2 million options during the three- and nine-month periods ended September 30, 2021 and 2020, respectively.

The weighted-average fair value of stock options granted during the three and nine months ended September 30, 2020 was estimated at $1.98 per option, using the Black-Scholes option-pricing model based on the following assumptions:

*Expected Volatility*: The Company utilizes a volatility factor based on the Company's historical stock prices for a period of time equal to the expected term of the stock option utilizing weekly price observations. For the three and nine months ended September 30, 2020, the Company utilized a weighted-average volatility factor of 52.5%.

*Expected Term*: For the three and nine months ended September 30, 2020, the Company utilized a weighted-average expected term factor of 5.0 years.

*Risk-Free Interest Rate*: The risk-free interest rate utilized is based upon the implied yields currently available on U.S. Treasury zero-coupon issues over the expected term of the stock options. For the three and nine months ended September 30, 2020, the Company utilized a weighted-average risk free interest rate of 0.3%.

The Company granted approximately 5,000 and 144,000 restricted stock units during the three-month periods ended September 30, 2021 and 2020, respectively, and approximately 465,000 and 648,000 restricted stock units during the nine-month periods ended September 30, 2021 and 2020, respectively. The weighted-average fair value of restricted stock units granted was estimated at $8.50 and $6.35 per unit during the nine months ended September 30, 2021 and 2020, respectively. The fair value of 2021 and 2020 time-based restricted stock units was determined by using the value of stock in the open market on the grant date. The fair value of the 2021 and 2020 performance-based restricted stock units was determined by using the Monte Carlo valuation model.

The fair value of the stock-based awards granted is recorded as compensation expense on a straight-line basis over the vesting periods of the awards.

There were 2,000 and zero options exercised during the nine months ended September 30, 2021 and 2020, respectively. The Company received approximately $13,000 from a non-employee director exercising options during the nine months ended September 30, 2021. The intrinsic value of options exercised during the nine months ended September 30, 2021 was approximately $3,000.

**10. Pension and Employee Benefit Plans**

We sponsor a non-contributory defined benefit pension plan for certain union employees. The plan is funded in accordance with the funding requirements of the Employee Retirement Income Security Act of 1974.

We also sponsor a postretirement health care plan for office employees retired before January 1, 1990. The plan allowed retirees who attained the age of 65 to elect the type of coverage desired.

We present the components of net periodic benefit cost (gain) within "Other income" on the Condensed Consolidated Statements of Operations.

Retirement and health care plan expense is based on valuations performed by plan actuaries as of the beginning of each fiscal year. The components of the expense consisted of the following:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **(table only in thousands)** | **2021** | **2020** | **2021** | **2020** |
| Pension plan: | | | | |
| Interest cost | $ 194 | $ 259 | $ 582 | $ 775 |
| Expected return on plan assets | (378) | (443) | (1,133) | (1,151) |
| Amortization of net actuarial loss | 103 | 67 | 308 | 199 |
| Net periodic benefit (gain) cost | $ (81) | $ (117) | $ (243) | $ (177) |
| Health care plan: | | | | |
| Interest cost | $ 1 | $ 1 | $ 2 | $ 2 |
| Amortization of loss | 2 | 2 | 6 | 6 |
| Net periodic benefit cost | $ 3 | $ 3 | $ 8 | $ 8 |

We made contributions to our defined benefit plans of zero and approximately $0.1 million during the nine months ended September 30, 2021 and 2020, respectively. For the remainder of 2021, we do not expect to make any contributions to fund the pension plan or the retiree health care plan. The unfunded liability of the plans of $9.5 million and $9.7 million as of September 30, 2021 and December 31, 2020, respectively, is included in "Other liabilities" on our Condensed Consolidated Balance Sheets.

## 11. Income Taxes

We file income tax returns in various federal, state and local jurisdictions. Tax years from 2017 forward remain open for examination by Federal authorities. Tax years from 2015 forward remain open for all significant state and foreign authorities.

We account for uncertain tax positions pursuant to ASC Topic 740, "Income Taxes." As of September 30, 2021 and December 31, 2020, the liability for uncertain tax positions totaled approximately $0.1 million, which is included in "Other liabilities" on our Condensed Consolidated Balance Sheets. We recognize accrued interest related to uncertain tax positions and penalties, if any, in income tax expense within the Condensed Consolidated Statements of Operations.

Certain of the Company's undistributed earnings of our foreign subsidiaries are not permanently reinvested. Since foreign earnings have already been subject to United States income tax in 2017 as a result of the 2017 Tax Cuts and Jobs Act, we intend to repatriate foreign-held cash as needed. We record deferred income tax attributable to foreign withholding taxes that would become payable should we decide to repatriate cash held in our foreign operations. As of September 30, 2021 and December 31, 2020, we have recorded deferred income taxes of approximately $1.2 million and $0.9 million, respectively, on the undistributed earnings of our foreign subsidiaries.

Income tax expense was $0.1 million for the third quarter of 2021 and $0.8 million for the first nine months of 2021 compared with income tax expense of $0.2 million for the third quarter of 2020 and $1.5 million for the first nine months of 2020. The effective income tax rate for the third quarter of 2021 was (5.6)% compared with (468.2)% for the third quarter of 2020. The effective income tax rate for the first nine months of 2021 was 62.7% compared with 19.4% for the first nine months of 2020. The effective income tax rate for the three and nine months ended September 30, 2021 is different than the United States federal statutory rate. Our effective tax rate is affected by certain other permanent differences, including state income taxes, non-deductible incentive stock-based compensation, the Global Intangible Low-Taxed Income inclusion and Foreign-Derived Intangible Income deduction, tax credits, and differences in tax rates among the jurisdictions in which we operate.

## 12. Financial Instruments

Our financial instruments consist primarily of investments in cash and cash equivalents, receivables and certain other assets, foreign debt and accounts payable, which approximate fair value at September 30, 2021 and December 31, 2020, due to their short-term nature or variable, market-driven interest rates.

The fair value of the debt issued under the Credit Facility was $67.0 million and $74.0 million at September 30, 2021 and December 31, 2020, respectively.

At September 30, 2021 and December 31, 2020, the Company had cash and cash equivalents of $31.9 million and $36.0 million, respectively, of which $24.7 million and $28.0 million, respectively, was held outside of the United States, principally in the Netherlands, United Kingdom, China, and Canada.

## 13. Commitments and Contingencies – Legal Matters

*Asbestos cases*

Our subsidiary, Met-Pro Technologies LLC ("Met-Pro"), beginning in 2002, began to be named in asbestos-related lawsuits filed against a large number of industrial companies including, in particular, those in the pump and fluid handling industries. In management's opinion, the complaints typically have been vague, general and speculative, alleging that Met-Pro, along with the numerous other defendants, sold unidentified asbestos-containing products and engaged in other related actions which caused injuries (including death) and loss to the plaintiffs. Counsel has advised that more recent cases typically allege more serious claims of mesothelioma. The Company's insurers have hired attorneys who, together with the Company, are vigorously defending these cases. Many cases have been dismissed after the plaintiff fails to produce evidence of exposure to Met-Pro's products. In those cases, where evidence has been produced, the Company's experience has been that the exposure levels are low and the Company's position has been that its products were not a cause of death, injury or loss. The Company has been dismissed from or settled a large number of these cases. Cumulative settlement payments from 2002 through September 30, 2021 for cases involving asbestos-related claims were $4.1 million, of which, together with all legal fees other than corporate counsel expenses, $4.0 million has been paid by the Company's insurers. The average cost per settled claim, excluding legal fees, was approximately $36,000.

Based upon the most recent information available to the Company regarding such claims, there were a total of 223 cases pending against the Company as of September 30, 2021 (with Illinois, New York, Pennsylvania and West Virginia having the largest number of cases), as compared with 200 cases that were pending as of December 31, 2020. During the nine months ended September 30, 2021, 86 new cases were filed against the Company, and the Company was dismissed from 42 cases and settled 21 cases. Most of the pending cases have not advanced beyond the early stages of discovery, although a number of cases are on schedules leading to or scheduled for trial. The Company believes that its insurance coverage is adequate for the cases currently pending against the Company and for the foreseeable future, assuming a continuation of the current volume, nature of cases and settlement amounts. However, the Company has no control over the number and nature of cases that are filed against it, nor as to the financial health of its insurers or their position as to coverage. The Company also presently believes that none of the pending cases will have a material adverse impact upon the Company's results of operations, liquidity or financial condition.

*Other*

The Company is also a party to routine contract and employment-related litigation matters, warranty claims and routine audits of state and local tax returns arising in the ordinary course of its business.

The final outcome and impact of open matters, and related claims and investigations that may be brought in the future, are subject to many variables, and cannot be predicted. In accordance with ASC 450, "Contingencies," and related guidance, we record accruals for estimated losses relating to claims and lawsuits when available information indicates that a loss is probable and the amount of the loss, or range of loss, can be reasonably estimated. The Company expenses legal costs as they are incurred.

We are not aware of any pending claims or assessments, other than as described above, which may have a material adverse impact on our liquidity, financial position, results of operations, or cash flows.

## 14. Acquisitions and Joint Ventures

*Environmental Integrated Solutions*

On June 4, 2020, the Company acquired 100% of the equity interests of Environmental Integrated Solutions ("EIS") for $10.3 million in cash, which was financed through our revolving credit facility. As additional consideration, the former owners are entitled to earn-out payments based upon a multiple of specified financial results through December 31, 2021. Based on projections at the acquisition date, the Company estimated the fair value of the earn-out to be $0.6 million. During 2020, the Company increased the earnout liability to $1.7 million at December 31, 2020 based on the estimated fair value at that date. During 2021, the Company made earnout payments of $0.8 million related to 2020 performance and earnout payments of $0.6

million related to first half 2021 performance. As of September 30, 2021, the earnout liability recorded in “Accounts payable and accrued expenses” on the Condensed Consolidated Balance Sheets is $0.8 million.

EIS engineers products that clean air through a variety of technologies including volatile organic compounds abatement, odor control, and other air pollution control solutions, which complements our Industrial Solutions Segment businesses. The following table summarizes the fair values of the assets acquired and liabilities assumed at the date of closing.

| **(table only in thousands)** | | |
|---|---|---|
| Current assets (including cash of $4,212) | $ | 6,416 |
| Property and equipment | | 26 |
| Other assets | | 44 |
| Goodwill | | 7,022 |
| Intangible - finite life | | 4,840 |
| Total assets acquired | | 18,348 |
| Current liabilities assumed | | (6,514) |
| Deferred income tax liability | | (920) |
| Net assets acquired | $ | 10,914 |

Goodwill recognized represents value the Company expects to be created by combining the various operations of the acquired businesses with the Company’s operations, including the expansion into markets within existing business segments, access to new customers and potential cost savings and synergies. Goodwill related to this acquisition is not deductible for tax purposes.

The Company acquired customer lists and tradename intangible assets valued at $4.2 million and $0.6 million, respectively. These assets were determined to have useful lives of 10 years.

Acquisition and integration expenses on the Condensed Consolidated Statements of Operations are related to acquisition activities, which include retention, legal, accounting, banking, and other expenses. For the three months ended September 30, 2021 and 2020, EIS accounted for $5.7 million and $5.3 million in revenue and $0.7 million and $0.4 million in net income, respectively, and for the nine months ended September 30, 2021 and 2020, EIS accounted for $13.9 million and $5.8 million in revenue and $1.6 million and $0.6 million in net income, respectively.

*Mader*

On July 31, 2020, the Company entered into a joint venture agreement (“JV Agreement”) with Mader Holdings L.P. (“Mader”) in which CECO contributed the net assets of its Effox-Flextor damper business and Mader contributed the net assets of their damper business. Under the terms of the JV Agreement, CECO holds 70% of the equity in the joint venture, and 50% voting interest. We determined CECO was the primary beneficiary of this variable interest entity and therefore the 30% non-controlling equity interest is in the Consolidated Balance Sheet. The results of the joint venture are included in our Engineered Systems segment. The fair value of Mader’s net assets contributed was $1.0 million. As of September 30, 2021 there were $8.0 million in current assets, $8.7 million in long-lived assets, and $8.0 million in total liabilities related to the Effox-Mader joint venture included in our Condensed Consolidated Balance Sheets. For the three months ended September 30, 2021 and 2020, the Effox-Mader joint venture accounted for $4.9 million and $3.5 million in revenue and $0.3 million and $0.1 million in net income, respectively, and for the nine months ended September 30, 2021 and 2020, the Effox-Mader joint venture accounted for $14.5 million and $10.5 million in revenue and $1.5 million and $1.2 million in net income, respectively.

The following table summarizes the fair values of the assets acquired and liabilities assumed at the JV Agreement date.

| **(table only in thousands)** | | |
|---|---|---|
| Current assets (including cash of $229) | $ | 2,040 |
| Property and equipment | | 103 |
| Goodwill | | 2,085 |
| Deferred income tax asset | | 287 |
| Total assets acquired | | 4,515 |
| Current liabilities assumed | | (515) |
| Other liabilities | | (500) |
| Long term debt | | (2,508) |
| Net assets acquired | $ | 992 |

Goodwill recognized represents value the Company expects to be created by combining the various operations of the joint venture with the Company's operations, including the expansion into markets within existing business segments, access to new customers and potential cost savings and synergies. Goodwill related to this joint venture is not deductible for tax purposes.

The following unaudited pro forma financial information represents the Company's results of operations as if the EIS acquisition and the joint venture with Mader had occurred on January 1, 2020:

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| **(table in thousands, except per share data)** | **2021** | **2020** | **2021** | **2020** |
| Net sales | $ 79,979 | $ 77,943 | $ 230,551 | $ 246,550 |
| Net (loss) income attributable to CECO Environmental Corp. | (1,249) | (222) | 224 | 7,975 |
| Earnings per share: | | | | |
| Basic | $ (0.04) | $ (0.01) | $ 0.01 | $ 0.23 |
| Diluted | $ (0.04) | $ (0.01) | $ 0.01 | $ 0.22 |

The pro forma results have been prepared for informational purposes only and include adjustments to amortize acquired intangible assets with finite life, reflect additional interest expense on debt used to fund the acquisition, and to record the income tax consequences of the pro forma adjustments. These pro forma results do not purport to be indicative of the results of operations that would have occurred had the purchase been made as of the beginning of the periods presented or of the results of operations that may occur in the future.

## 15. Business Segment Information

The Company's operations are organized and reviewed by management along with its solutions or end markets that the segment serves and presented in two reportable segments. During the first quarter of 2021, management determined that a realignment of the Company's segments was necessary to better reflect the solutions we provide, and the end markets we serve. As a result of this realignment, we combined the operating results of the prior Industrial Solutions segment and Fluid Handling Solutions segment into a single reportable segment named the Industrial Process Solutions segment. In addition, the Energy Solutions segment was renamed the Engineered Systems segment. The results of the segments are reviewed through the "Income from operations" line on the Condensed Consolidated Statements of Operations.

The Company's reportable segments are organized as groups of similar products and services, as described as follows:

**Engineered Systems segment:** Our Engineered Systems segment, formerly known as the Energy Solutions segment, serves the power generation, refinery, water/wastewater and midstream oil & gas markets. We are a key part of helping meet the global demand for environmental and equipment protection through our highly engineered emissions management, product recovery, thermal acoustics, and water & gas separation solutions.

**Industrial Process Solutions segment:** Our Industrial Process Solutions segment is the combination of the segments formerly known as our Industrial Solutions segment and our Fluid Handling Solutions segment, which serves the broad industrial air pollution control, beverage can, fluid handling, electric vehicle production, food and beverage, semi-conductor, process filtration, pharmaceutical, petrochemical, wastewater treatment, wood manufacturing, desalination, and aquaculture markets. We protect the air we collectively breathe, maintain clean and safe operations for employees, lower energy consumption, minimize waste for customers, and ensure they meet regulatory compliance standards for toxic emissions, fumes, volatile organic compounds and odors.

The financial segment information is presented in the following tables:

| (dollars in thousands) | Three months ended September 30, 2021 | Three months ended September 30, 2020 | Nine months ended September 30, 2021 | Nine months ended September 30, 2020 |
|---|---|---|---|---|
| **Net sales (less intra-, inter-segment sales)** | | | | |
| Engineered Systems segment | $ 44,779 | $ 49,709 | $ 130,196 | $ 149,429 |
| Industrial Process Solutions segment | 35,200 | 27,716 | 100,355 | 83,652 |
| **Net sales** | $ 79,979 | $ 77,425 | $ 230,551 | $ 233,081 |

| (dollars in thousands) | Three months ended September 30, 2021 | Three months ended September 30, 2020 | Nine months ended September 30, 2021 | Nine months ended September 30, 2020 |
|---|---|---|---|---|
| **(Loss) income from operations** | | | | |
| Engineered Systems segment | $ 4,301 | $ 7,276 | $ 16,105 | $ 24,479 |
| Industrial Process Solutions segment | 2,669 | 1,539 | 10,932 | 6,471 |
| Corporate and Other[1] | (7,566) | (7,797) | (22,434) | (21,299) |
| (Loss) income from operations | $ (596) | $ 1,018 | $ 4,603 | $ 9,651 |

(1) Includes corporate compensation, professional services, information technology, and other general and administrative corporate expenses.

| (dollars in thousands) | Three months ended September 30, 2021 | Three months ended September 30, 2020 | Nine months ended September 30, 2021 | Nine months ended September 30, 2020 |
|---|---|---|---|---|
| **Property and equipment additions** | | | | |
| Engineered Systems segment | $ 15 | $ 148 | $ 79 | $ 446 |
| Industrial Process Solutions segment | 241 | 132 | 603 | 901 |
| Corporate and Other | 487 | 603 | 1,058 | 1,528 |
| Property and equipment additions | $ 743 | $ 883 | $ 1,740 | $ 2,875 |

| (dollars in thousands) | Three months ended September 30, 2021 | Three months ended September 30, 2020 | Nine months ended September 30, 2021 | Nine months ended September 30, 2020 |
|---|---|---|---|---|
| **Depreciation and amortization** | | | | |
| Engineered Systems segment | $ 1,061 | $ 1,245 | $ 3,198 | $ 3,690 |
| Industrial Process Solutions segment | 1,070 | 1,154 | 3,212 | 3,065 |
| Corporate and Other | 336 | 177 | 963 | 469 |
| Depreciation and amortization | $ 2,467 | $ 2,576 | $ 7,373 | $ 7,224 |

| (dollars in thousands) | September 30, 2021 | December 31, 2020 |
|---|---|---|
| **Identifiable assets** | | |
| Engineered Systems segment | $ 260,603 | $ 270,573 |
| Industrial Process Solutions segment | 147,869 | 135,204 |
| Corporate and Other[2] | 10,204 | 13,537 |
| Identifiable assets | $ 418,676 | $ 419,314 |

(2) Corporate and Other assets consist primarily of cash and income tax related assets.

| (dollars in thousands) | September 30, 2021 | December 31, 2020 |
|---|---|---|
| **Goodwill** | | |
| Engineered Systems segment | $ 99,558 | $ 99,785 |
| Industrial Process Solutions segment | 62,035 | 62,035 |
| Goodwill | $ 161,593 | $ 161,820 |

**Intra-segment and Inter-segment Revenues**

The Company has multiple divisions that sell to each other within segments (intra-segment sales) and between segments (inter-segment sales) as indicated in the following tables:

| | Three months ended September 30, 2021 | | | | |
|---|---|---|---|---|---|
| | | | Less Inter-Segment Sales | | |
| (dollars in thousands) | Total Sales | Intra-Segment Sales | Industrial Process Solutions | Engineered Systems | Net Sales to Outside Customers |
| **Net sales** | | | | | |
| Engineered Systems segment | $ 45,559 | $ (472) | $ (308) | $ — | $ 44,779 |
| Industrial Process Solutions segment | 35,525 | (308) | — | (17) | 35,200 |
| **Net sales** | $ 81,084 | $ (780) | $ (308) | $ (17) | $ 79,979 |

| | Three months ended September 30, 2020 | | | | |
|---|---|---|---|---|---|
| | | | Less Inter-Segment Sales | | |
| (dollars in thousands) | Total Sales | Intra-Segment Sales | Industrial Process Solutions | Engineered Systems | Net Sales to Outside Customers |
| **Net sales** | | | | | |
| Engineered Systems segment | $ 51,203 | $ (1,071) | $ (423) | $ — | $ 49,709 |
| Industrial Process Solutions segment | 30,944 | (3,117) | — | (111) | 27,716 |
| **Net sales** | $ 82,147 | $ (4,188) | $ (423) | $ (111) | $ 77,425 |

| | Nine months ended September 30, 2021 | | | | |
|---|---|---|---|---|---|
| | | | Less Inter-Segment Sales | | |
| (dollars in thousands) | Total Sales | Intra-Segment Sales | Industrial Process Solutions | Engineered Systems | Net Sales to Outside Customers |
| **Net sales** | | | | | |
| Engineered Systems segment | $ 137,104 | $ (6,359) | $ (549) | $ — | $ 130,196 |
| Industrial Process Solutions segment | 109,703 | (8,363) | — | (985) | 100,355 |
| **Net sales** | $ 246,807 | $ (14,722) | $ (549) | $ (985) | $ 230,551 |

| | Nine months ended September 30, 2020 | | | | |
|---|---|---|---|---|---|
| | | | Less Inter-Segment Sales | | |
| (dollars in thousands) | Total Sales | Intra-Segment Sales | Industrial Process Solutions | Engineered Systems | Net Sales to Outside Customers |
| **Net sales** | | | | | |
| Engineered Systems segment | $ 159,181 | $ (8,861) | $ (891) | $ — | $ 149,429 |
| Industrial Process Solutions segment | 95,272 | (10,718) | — | (902) | 83,652 |
| **Net sales** | $ 254,453 | $ (19,579) | $ (891) | $ (902) | $ 233,081 |

**ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The Company's Condensed Consolidated Statements of Operations for the three-month and nine-month periods ended September 30, 2021 and 2020 reflect the consolidated operations of the Company and its subsidiaries.

CECO Environmental Corp. (the "Company," "CECO," "we," "us," or "our") is a global leader in industrial air quality and fluid handling serving a broad landscape of industrial and other niche markets through an attractive asset-light business model. We focus on engineering, designing, building, and installing systems that capture, clean and destroy airborne contaminants from industrial facilities, including equipment that controls hazardous emissions from such facilities, as well as fluid handling and filtration systems. CECO provides innovative technology and application expertise that helps companies grow their businesses with safe, clean, and more efficient solutions to protect our shared environment.

CECO serves diverse industries globally by working to improve air quality, optimizing the energy value chain, and providing customized Engineered Systems in our customers' mission critical applications. The industries CECO serves include power generation, petrochemical processing, general industrial, refining, midstream oil & gas, electric vehicle production, poly silicon fabrication, battery recycling, beverage can, and water/wastewater treatment, along with a wide range of other industries.

***COVID-19***

A novel strain of coronavirus ("COVID-19") surfaced in late 2019 and has spread around the world, including to the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic. As of October 31, 2021, the virus continues to spread and has had a significant impact on worldwide economic activity and on macroeconomic conditions and the end markets of our business.

As a key supplier to critical infrastructure projects, CECO has worked to maintain ongoing operations. Within the United States, certain portions of our business have been designated an essential business, and we continue to operate our business in compliance with applicable state and local laws and are observing recommended Centers for Disease Control and Prevention guidelines to minimize the risk of spreading the COVID-19 virus including implementing, where possible, work-from-home procedures and additional sanitization efforts where facilities remain open to provide necessary services. This allows us to continue to serve our customers, however, the COVID-19 pandemic has also disrupted our international operations. Some of our facilities and our suppliers have experienced temporary disruptions as a result of the COVID-19 pandemic, and we continue to work closely with our global supply chain to proactively support customers during this critical time. We cannot predict whether our facilities will experience more significant disruptions in the future or the impact on our suppliers.

The senior management team meets regularly to review and assess the status of the Company's operations and the health and safety of its employees. The senior management team continues to monitor and manage the Company's ability to operate effectively and, to date, the Company has not experienced any significant disruptions within its supply chain as a result of the COVID-19 pandemic; however, we have experienced some short-term execution issues associated with supply chain and logistics costs, customer delays and labor shortages. Although vaccines are available in various countries where we operate, health concern risks remain and notwithstanding the Company's continued efforts, it is possible the COVID-19 pandemic could further impact our operations and the operations of our suppliers and venders, particularly in light of newly emerging variant strains of the virus becoming more dominant and the potential resumption of high levels of infection and hospitalization. We cannot predict whether any of our manufacturing, operations or suppliers will be disrupted by these events, or how long such disruptions would last. COVID-19 has had and may have further negative impacts on our operations, customers and supply chain despite the preventative and precautionary measures being taken. COVID-19 began to impact the Company during the first quarter of 2020 and if the COVID-19 pandemic worsens or the pandemic continues longer than presently expected, COVID-19 could impact our results of operations, financial position and cash flows.

**Note Regarding Use of Non-GAAP Financial Measures**

The Company's unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These GAAP financial statements include certain charges the Company believes are not indicative of its core ongoing operational performance.

As a result, the Company provides financial information in this Management's Discussion and Analysis that was not prepared in accordance with GAAP and should not be considered as an alternative to the information prepared in accordance with GAAP. The Company provides this non-GAAP financial information because the Company's management utilizes it to evaluate its ongoing financial performance and the Company believes it provides greater transparency to investors as supplemental information to its GAAP results.

The Company provides non-GAAP operating income and non-GAAP operating margin to exclude certain items that the Company believes are not indicative of its ongoing operations. These items relate to the Company's acquisitions, divestitures, restructuring expenses and other items described below in "Consolidated Results." The Company believes that evaluation of its financial performance compared with prior and future periods can be enhanced by a presentation of results that exclude the impact of these items. The Company believes that these items are not necessarily indicative of its ongoing operations and their exclusion provides individuals with additional information to compare the Company's results over multiple periods. The Company's financial statements may continue to be affected by items similar to those excluded in the non-GAAP adjustments described above, and exclusion of these items from our non-GAAP financial measures should not be construed as an inference that all such costs are unusual or infrequent.

**Results of Operations**

***Consolidated Results***

Our Condensed Consolidated Statements of Operations for the three-month and nine-month periods ended September 30, 2021 and 2020 are as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **(dollars in millions)** | **2021** | **2020** | **2021** | **2020** |
| Net sales | $ 80.0 | $ 77.4 | $ 230.6 | $ 233.1 |
| Cost of sales | 57.3 | 52.6 | 158.2 | 154.2 |
| Gross profit | $ 22.7 | $ 24.8 | $ 72.4 | $ 78.9 |
| *Percent of sales* | *28.4%* | *32.0%* | *31.4%* | *33.8%* |
| Selling and administrative expenses | 20.9 | 18.9 | 60.9 | 59.3 |
| *Percent of sales* | *26.1%* | *24.4%* | *26.4%* | *25.4%* |
| Amortization and earnout expenses | 1.8 | 2.1 | 5.8 | 5.5 |
| Restructuring expenses | 0.4 | 0.9 | 0.7 | 1.8 |
| Acquisition and integration expenses | 0.2 | 0.4 | 0.4 | 1.1 |
| Executive transition expenses | — | 1.5 | — | 1.5 |
| Operating (loss) income | $ (0.6) | $ 1.0 | $ 4.6 | $ 9.7 |
| *Operating margin* | *(0.8)%* | *1.3%* | *2.0%* | *4.2%* |

To compare operating performance between the three-month and nine-month periods ended September 30, 2021 and 2020, the Company has adjusted GAAP operating income to exclude (1) amortization of intangible assets, earnout and retention expenses, (2) restructuring expenses primarily relating to severance, facility exits, and associated legal expenses, (3) acquisition and integration expenses, which include legal, accounting, and other expenses, and (4) executive transition expenses, including severance for its former Chief Executive Officer, fees and expenses incurred in the search, for and hiring, of a new Chief Executive Officer. See "Note

Regarding Use of Non-GAAP Financial Measures" above. The following table presents the reconciliation of GAAP operating income and GAAP operating margin to non-GAAP operating income and non-GAAP operating margin:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| (dollars in millions) | 2021 | 2020 | 2021 | 2020 |
| Operating (loss) income as reported in accordance with GAAP | $ (0.6) | $ 1.0 | $ 4.6 | $ 9.7 |
| *Operating margin in accordance with GAAP* | *(0.8)%* | *1.3%* | *2.0%* | *4.2%* |
| Amortization and earnout expenses | 1.8 | 2.1 | 5.8 | 5.5 |
| Restructuring expenses | 0.4 | 0.9 | 0.7 | 1.8 |
| Acquisition and integration expenses | 0.2 | 0.4 | 0.4 | 1.1 |
| Executive transition expenses | — | 1.5 | — | 1.5 |
| Non-GAAP operating income | $ 1.8 | $ 5.9 | $ 11.5 | $ 19.6 |
| *Non-GAAP operating margin* | *2.3%* | *7.6%* | *5.0%* | *8.4%* |

Net sales for the third quarter of 2021 increased $2.6 million, or 3.4%, to $80.0 million compared with $77.4 million in the third quarter of 2020. The increase is attributable to increases of $2.5 million in our Regenerative Thermal Oxidizer ("RTO") solutions, $1.2 million in our mist elimination products, and $0.8 million in our custom-designed sheet metal fabrication products. These increases were partially offset by the effects of the COVID-19 pandemic on global demand for certain products in 2021, which includes a decrease of $2.1 million for our custom-engineered cyclone systems.

Net sales for the first nine months of 2021 decreased $2.5 million, or 1.1%, to $230.6 million compared with $233.1 million in the first nine months of 2020. The decrease is primarily attributable to the effects of the COVID-19 pandemic on the global demand for certain products in 2021, which include decreases of $8.9 million in our custom-engineered cyclone systems, $5.6 million in our Selective Catalytic Reduction ("SCR") technologies, and $3.4 million in custom designed sheet metal fabrication products. These decreases were partially offset by increases of $8.1 million in volatile organic compounds ("VOC") abatement solutions from the Environmental Integrated Solutions ("EIS") business and $7.3 million in our RTO solutions.

Gross profit decreased $2.1 million, or 8.5%, to $22.7 million in the third quarter of 2021 compared with $24.8 million in the third quarter of 2020. The decrease in gross profit is primarily related to inflation, supply chain challenges, and lower margin mix of projects executed during the period compared to the prior period. Gross profit as a percentage of sales decreased to 28.4% in the third quarter of 2021 compared with 32.0% in the third quarter of 2020.

Gross profit decreased $6.5 million, or 8.4%, to $72.4 million in the first nine months of 2021 compared with $78.9 million in the first nine months of 2020. The decrease in gross profit is primarily related to inflation, supply chain challenges, and lower margin mix of projects executed during the nine-month period ended September 30, 2021. Gross profit as a percentage of sales decreased to 31.4% in the first nine months of 2021 compared with 33.8% in the first nine months of 2020.

Orders booked increased $25.8 million, or 38.6%, to $92.6 million during the third quarter of 2021 compared with $66.8 million in the third quarter of 2020. Orders booked were $270.2 million for the first nine months of 2021 compared with $202.4 million during the first nine months of 2020, an increase of $67.8 million, or 33.5%. The increase is primarily attributable to increases in the electrical vehicle production, engineered wood, aluminum beverage can, refinery and power generation end markets.

Selling and administrative expenses were $20.9 million for the third quarter of 2021 compared with $18.9 million for the third quarter of 2020. The increase is primarily attributable to cost reduction measures related to the COVID-19 pandemic implemented in the third quarter of 2020, but did not recur in the third quarter of 2021, such as furloughs and one-time reductions including wage reductions and travel restrictions. Selling and administrative expenses as a percentage of sales was 26.1% in the third quarter of 2021 compared with 24.4% in the third quarter of 2020.

Selling and administrative expenses were $60.9 million for the first nine months of 2021 compared with $59.3 million for the first nine months of 2020. The increase is primarily attributed to cost reduction measures related to the COVID-19 pandemic implemented in 2020, but did not recur in 2021, such as furlough and one-time reductions including wage reductions and travel restrictions. Selling and administrative expenses increased as a percentage of sales to 26.4% in the first nine months of 2021 compared with 25.4% in the first nine months of 2020.

Amortization and earnout expense was $1.8 million for the third quarter of 2021 compared with $2.1 million for the third quarter of 2020. The decrease in expense is attributable to a $0.3 million decrease in definite lived asset amortization.

Amortization expense was $5.8 million for the first nine months of 2021 compared with $5.5 million for the first nine months of 2020. The increase in expense is attributable to a $0.7 million increase in earnout expense offset by a $0.4 million decrease in definite lived asset amortization.

Operating income decreased $1.6 million to $(0.6) million in the third quarter of 2021 compared with $1.0 million during the third quarter of 2020. Operating income decreased $5.1 million to $4.6 million in the first nine months of 2021 compared with $9.7 million during the first nine months of 2020. The decreases in operating income for the three- and nine-month periods ended September 30, 2021 are primarily attributable to a lower margin mix of products sold during the year, increased selling and administrative expenses and increases in earnout expenses, as described above, partially offset by decreases in restructuring expenses, acquisition and integration expenses, and executive transition expenses.

Non-GAAP operating income was $1.8 million for the third quarter of 2021 compared with $5.9 million for the third quarter of 2020. The decrease in non-GAAP operating income is primarily attributable to the increase in selling and administrative expenses, which was primarily attributable to the discontinuation of certain cost reduction measures related to the COVID-19 pandemic, such as furloughs and one-time reductions including wage reductions and travel restrictions, which were implemented in the third quarter of 2020, but did not recur in the third quarter of 2021, as well as, a decrease in gross profit. Non-GAAP operating income as a percentage of sales decrease2.3%d to  for the third quarter of 2021 from 7.6% for the third quarter of 2020.

Non-GAAP operating income was $11.5 million for the first nine months of 2021 compared with $19.6 million for the first nine months of 2020. The decrease5.0% in non-GAAP operating income is primarily attributable to the decrease in net sales and gross profit. Non-GAAP operating income as a percentage of sales decreased to  for the first nine months of 2021 from 8.4% for the first nine months of 2020.

Interest expense decreased to $0.7 million in the third quarter of 2021 and $2.2 million for the first nine months of 2021 compared with interest expense of $0.8 million in the third quarter of 2020 and $2.7 million for the first nine months of 2020. The decrease in interest expense is primarily due to a reduced debt balance for the three- and nine-month periods in 2021 compared to 2020.

Income tax expense was $0.1 million for the third quarter of 2021 and $0.8 million for the first nine months of 2021 compared with income tax expense of $0.2 million for the third quarter of 2020 and $1.5 million for the first nine months of 2020. The effective income tax rate for the third quarter of 2021 was (5.6)% compared with (468.2)% for the third quarter of 2020. The effective income tax rate for the first nine months of 2021 was 62.7% compared with 19.4% for the first nine months of 2020. The effective income tax rate for the three and nine months ended September 30, 2021 is different than the United States federal statutory rate. Our effective tax rate is affected by certain other permanent differences, including state income taxes, non-deductible incentive stock-based compensation, the Global Intangible Low-Taxed Income inclusion and Foreign-Derived Intangible Income deduction, tax credits, and differences in tax rates among the jurisdictions in which we operate.

***Business Segments***

During the first quarter of 2021, management determined that a realignment of the Company's segments was necessary to better reflect the solutions we provide, and the end markets we serve. As a result of this realignment, we combined the operating results of the prior Industrial Solutions segment and Fluid Handling Solutions segment into a single reportable segment named the Industrial Process Solutions segment. In addition, the Energy Solutions segment was renamed the Engineered Systems segment. The results of the segments for the prior year periods have been re-cast to reflect this re-alignment. See note 15 to the consolidated financial statements included in this report.

The Company's operations are organized and reviewed by management along its product lines or end market that the segment serves and are presented in two reportable segments. The results of the segments are reviewed through "Income from operations" on the unaudited Condensed Consolidated Statements of Operations.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **(dollars in thousands)** | **2021** | **2020** | **2021** | **2020** |
| **Net sales (less intra-, inter-segment sales)** | | | | |
| Engineered Systems segment | $ 44,779 | $ 49,709 | $ 130,196 | $ 149,429 |
| Industrial Process Solutions segment | 35,200 | 27,716 | 100,355 | 83,652 |
| **Net sales** | $ 79,979 | $ 77,425 | $ 230,551 | $ 233,081 |

| (dollars in thousands) | Three months ended September 30, 2021 | Three months ended September 30, 2020 | Nine months ended September 30, 2021 | Nine months ended September 30, 2020 |
|---|---|---|---|---|
| **(Loss) income from Operations** | | | | |
| Engineered Systems segment | $ 4,301 | $ 7,276 | $ 16,105 | $ 24,479 |
| Industrial Process Solutions segment | 2,669 | 1,539 | 10,932 | 6,471 |
| Corporate and Other[1] | (7,566) | (7,797) | (22,434) | (21,299) |
| (Loss) income from operations | $ (596) | $ 1,018 | $ 4,603 | $ 9,651 |

(1) Includes corporate compensation, professional services, information technology and other general and administrative corporate expenses.

*Engineered Systems Segment*

Our Engineered Systems segment net sales decreased $4.9 million to $44.8 million for the third quarter of 2021 compared with $49.7 million in the same period of 2020. The decrease is primarily attributable to the effects of COVID-19 on global demand for certain products, which included decreases of $2.1 million in custom-engineered cyclone systems, $1.3 million in products serving the midstream oil & gas end markets, and $1.2 million in products serving the power generation end markets.

Our Engineered Systems segment net sales decreased $19.2 million to $130.2 million in the first nine months of 2021 compared with $149.4 million in the same period of 2020. The decrease is primarily attributable to the effects of COVID-19 on global demand for certain products, which included decreases of $8.9 million in custom-engineered cyclone systems, $5.6 million in our SCR technologies, and $5.7 million in products serving the midstream oil & gas end markets.

Operating income for the Engineered Systems segment decreased $3.0 million to $4.3 million in the third quarter of 2021 compared with $7.3 million in the same period of 2020. The operating income decrease is primarily attributable to a decrease in gross profit of $2.7 million due to a decrease in net sales, inflation, supply chain challenges, and product mix.

Operating income for the Engineered Systems segment decreased $8.4 million to $16.1 million in the first nine months of 2021 compared with $24.5 million in the same period of 2020. The operating income decrease is primarily attributable to a decrease in gross profit of $8.6 million due to lower net sales, inflation, supply chain challenges, and product mix.

*Industrial Process Solutions Segment*

Our Industrial Process Solutions segment net sales increased $7.5 million to $35.2 million in the third quarter of 2021 compared with $27.7 million in the third quarter of 2020. The increase is primarily attributable to increases across all products serving industrial air end markets.

Our Industrial Process Solutions segment net sales increased $16.7 million to $100.4 million in the first nine months of 2021 compared with $83.7 million in the first nine months of 2020. The increase is primarily attributable to increases of $8.1 million in our VOC abatement solutions business from the EIS acquisition, $7.3 million in our RTO system solutions, $3.4 million in our custom-designed collection and ventilation solutions and $1.8 million in our fluid filtration solutions.  These increases were offset by decreased net sales of $3.4 million for our custom-designed sheet metal fabrication products.

Operating income for the Industrial Process Solutions segment increased $1.2 million to $2.7 million in the third quarter of 2021 compared with $1.5 million in the third quarter of 2020. The increase is primarily attributable to a $0.5 million increase in gross profit driven by increased net sales and a $0.7 million decrease in restructuring expenses, partially offset by inflation, supply chain challenges and product mix.

Operating income for the Industrial Process Solutions segment increased $4.4 million to $10.9 million in the first nine months of 2021 compared with $6.5 million in the first nine months of 2020. The increase is primarily attributable to an increase of $2.1 million in gross profit driven by increased net sales, a $1.6 million decrease in selling and administrative expenses related to cost reduction measures implemented in 2020 and decreased restructuring costs of $1.1 million, which were partially offset by inflation, supply chain challenges, product mix, and increased earnout expenses of $0.7 million.

*Corporate and Other Segment*

Operating expense for the Corporate and Other segment decreased $0.2 million to $7.6 million for the third quarter of 2021 compared with $7.8 million for the third quarter of 2020.  The decrease is attributable to decreased restructuring expenses, acquisition and integration expenses and executive transition expenses of $1.8 million which were offset by increased selling and administrative expenses of $1.6 million related to the discontinuation of proactive cost reduction measures taken in response to the COVID-19 pandemic during the third quarter of 2020, such as furloughs and one-time reductions including wage reductions and  travel restrictions, which did not recur in the third quarter of 2021.

Operating expense for the Corporate and Other segment increased $1.1 million to $22.4 million for the first nine months of 2021 compared with $21.3 million for the first nine months of 2020. The increase is primarily attributable to $3.1 million of increased selling and administrative expense related to the discontinuation of certain cost reduction measures in response to the COVID-19 pandemic, such as furloughs and one-time reductions including wage reductions and travel restrictions, which were offset by decreased restructuring expenses, acquisition and integration expenses, and executive transition expenses of $1.9 million.

**Backlog**

Backlog (i.e., unfulfilled or remaining performance obligations) represents the sales we expect to recognize for our products and services for which control has not yet transferred to the customer. Backlog increased to $219.1 million as of September 30, 2021 from $183.1 million as of December 31, 2020. During the first nine months of 2021, the Company removed $3.6 million of orders that were previously disclosed as backlog in prior quarters due to customer cancellations. Our customers may have the right to cancel a given order. Historically, cancellations have not been common. Backlog is adjusted on a quarterly basis for adjustments in foreign currency exchange rates. Substantially all backlog is expected to be delivered within 12 to 18 months. Backlog is not defined by GAAP and our methodology for calculating backlog may not be consistent with methodologies used by other companies.

**New Accounting Pronouncements**

For information regarding recent accounting pronouncements, see Note 2 to the unaudited condensed consolidated financial statements within Item 1 of this Quarterly Report on Form 10-Q.

**Liquidity and Capital Resources**

Our principal sources of liquidity are cash flow from operations and available borrowings under our Credit Facility (as defined below). Our principal uses of cash are operating costs, payment of principal and interest on our outstanding debt, working capital and other corporate requirements.

When we undertake large jobs, our working capital objective is to make these projects self-funding. We work to achieve this by obtaining initial down payments, progress billing contracts, utilizing extended payment terms from material suppliers when possible, and paying sub-contractors after payment from our customers, which is an industry practice. Our investment in net working capital is funded by cash flow from operations and by our revolving line of credit.

At September 30, 2021, the Company had working capital of $71.3 million, compared with $74.1 million at December 31, 2020. The ratio of current assets to current liabilities was 1.60 to 1.00 on September 30, 2021, as compared with a ratio of 1.68 to 1.00 at December 31, 2020.

At September 30, 2021 and December 31, 2020, cash and cash equivalents totaled $31.9 million and $36.0 million, respectively. As of September 30, 2021 and December 31, 2020, $24.7 million and $28.0 million, respectively, of our cash and cash equivalents were held by certain non-United States subsidiaries, as well as being denominated in foreign currencies.

Debt consisted of the following:

| **(table only in thousands)** | **September 30, 2021** | **December 31, 2020** |
|---|---|---|
| Outstanding borrowings under the Credit Facility (defined below).<br>Term loan payable in quarterly principal installments of $0.9 million through June 2023, and $1.3 million thereafter with balance due upon maturity in June 2024. | | |
| - Term loan | $ 44,063 | $ 46,250 |
| - Revolving Credit Loan | 22,900 | 27,700 |
| - Unamortized debt discount | (1,031) | (1,334) |
| Total outstanding borrowings under Credit Facility | $ 65,932 | $ 72,616 |
| | | |
| Less: current portion | (3,750) | (3,125) |
| Total debt, less current portion | $ 62,182 | $ 69,491 |

Credit Facility

The Company's outstanding borrowings in the United States consist of a senior secured term loan and a senior secured revolver loan with sub-facilities for letters of credit, swing-line loans and multi-currency loans (collectively, the "Credit Facility"). As of September 30, 2021 and December 31, 2020, the Company was in compliance with all related financial and other restrictive covenants under the Credit Facility.

See Note 7 to the unaudited condensed consolidated financial statements within Item 1 of this Quarterly Report on Form 10-Q for further information on the Company's debt facilities.

Total unused credit availability under our existing Credit Facility is as follows:

| (dollars in millions) | | September 30, 2021 | | December 31, 2020 |
|---|---|---|---|---|
| Credit Facility, revolving loans | $ | 140.0 | $ | 140.0 |
| Draw down | | (22.9) | | (27.7) |
| Letters of credit open | | (12.9) | | (7.6) |
| Total unused credit availability | $ | 104.2 | $ | 104.7 |
| Amount available based on borrowing limitations | $ | 37.1 | $ | 60.8 |

**Overview of Cash Flows and Liquidity**

| | For the Nine months ended September 30, | | | |
|---|---|---|---|---|
| (dollars in thousands) | | 2021 | | 2020 |
| Net cash provided by operating activities | $ | 10,232 | $ | 9,115 |
| Net cash used in investing activities | | (1,207) | | (8,165) |
| Net cash (used in) provided by financing activities | | (11,835) | | 7,783 |
| Effect of exchange rate changes on cash and cash equivalents | | (535) | | 657 |
| Net (decrease) increase in cash | $ | (3,345) | $ | 9,390 |

**Operating Activities**

For the nine months ended September 30, 2021, $10.2 million of cash was provided by operating activities compared with $9.1 million in the prior year period, a $1.1 million increase. Cash flow from operating activities in the first nine months of 2021 had a favorable impact year-over-year primarily due to certain improvements in net working capital.

**Investing Activities**

For the nine months ended September 30, 2021, net cash used in investing activities was $(1.2) million compared with $(8.2) million used in investing activities in the prior year period. For the nine months ended September 30, 2021, the $(1.2) million cash used in investing activities was the result of $(1.7) million cash used for the acquisition of property and equipment, offset by $0.5 million of proceeds from the disposal of assets held for sale. In the prior year period, cash flow of $(8.2) million used in investing activities was the result of $(5.9) million used, net of cash acquired, for the EIS acquisition and $(2.9) million used for the acquisition of property and equipment, offset by proceeds from the disposal of assets held for sale of $0.6 million.

**Financing Activities**

For the nine months ended September 30, 2021, $(11.8) million was used in financing activities compared with $7.8 million provided by financing activities in the prior year period, a decrease of $(19.6) million. For the nine months ended September 30, 2021, the Company used $(3.7) million to repurchase common stock, $(0.8) million to make earnout payments, $(0.1) million in non-controlling interest distributions, and received $0.2 million from proceeds from employee stock purchase plan and exercise of stock options. Additionally, for the first nine months ended September 30, 2021, the Company used $(4.8) million for net repayments on the Company's revolving credit lines and $(2.2) million in repayment on long-term debt. In the prior year period, the Company had net borrowings of $12.5 million on its revolving credit facility, of which $10.3 million was used to fund the EIS acquisition on June 4, 2020, and $(4.4) million on long-term debt.

**Critical Accounting Policies and Estimates**

Management's discussion and analysis of the Company's financial condition and results of operations are based upon the Company's condensed consolidated financial statements. The preparation of these financial statements requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities and reported amounts of revenues and expenses. Such estimates include revenue recognition, the valuation of trade receivables, inventories, goodwill, intangible assets, other long-lived assets, legal contingencies, guarantee obligations and assumptions used in the calculation of income taxes, assumptions used in business combination accounting and related balances, and pension and post-retirement benefits, among others. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors. Management monitors economic conditions and other factors and will adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Management believes there have been no changes during the nine-month period ended September 30, 2021, other than as disclosed in Note 2 to the condensed consolidated financial statements within Item 1 of this quarterly Report on Form 10-Q, to the items that the Company disclosed as its critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

**Forward-Looking Statements**

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934 which are intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. Any statements contained in this Quarterly Report on Form 10-Q, other than statements of historical fact, including statements about management's beliefs and expectations, are forward-looking statements and should be evaluated as such. These statements are made on the basis of management's views and assumptions regarding future events and business performance. We use words such as "believe," "expect," "anticipate," "intends," "estimate," "forecast," "project," "will," "plan," "should" and similar expressions to identify forward-looking statements. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from any future results, performance or achievements expressed or implied by such statements. Potential risks and uncertainties, among others, that could cause actual results to differ materially are discussed under "Part I – Item 1A. Risk Factors" of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and include, but are not limited to:

- the sensitivity of our business to economic and financial market conditions generally and economic conditions in CECO's service areas;
- dependence on fixed price contracts and the risks associated therewith, including actual costs exceeding estimates and method of accounting for revenue;
- the effect of growth on CECO's infrastructure, resources, and existing sales;
- the ability to expand operations in both new and existing markets;
- the potential for contract delay or cancellation as a result of on-going or worsening supply chain challenges;
- liabilities arising from faulty services or products that could result in significant professional or product liability, warranty, or other claims;
- changes in or developments with respect to any litigation or investigation;
- failure to meet timely completion or performance standards that could result in higher cost and reduced profits or, in some cases, losses on projects;
- the potential for fluctuations in prices for manufactured components and raw materials, including as a result of tariffs and surcharges;
- the substantial amount of debt incurred in connection with our strategic transactions and our ability to repay or refinance it or incur additional debt in the future;
- the impact of federal, state or local government regulations;
- our ability to repurchase shares of our common stock and the amounts and timing of repurchases, if any;
- economic and political conditions generally;
- our ability to successfully realize the expected benefits of our restructuring program;
- our ability to successfully integrate acquired businesses and realize the synergies from strategic transactions; and
- unpredictability and severity of catastrophic events, including cyber security threats, acts of terrorism or outbreak of war or hostilities or public health crises, such as uncertainties regarding the extent and duration of impacts of matters associated with COVID-19, as well as management's response to any of the aforementioned factors.

Many of these risks are beyond management's ability to control or predict. Should one or more of these risks or uncertainties materialize, or should the assumptions prove incorrect, actual results may vary in material aspects from those currently anticipated. Investors are cautioned not to place undue reliance on such forward-looking statements as they speak only to our views as of the date the statement is made. Furthermore, forward-looking statements speak only as of the date they are made. Except as required under the federal securities laws or the rules and regulations of the Securities and Exchange Commission, we undertake no obligation to update or review any forward-looking statements, whether as a result of new information, future events or otherwise.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks, primarily changes in interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange and interest rates. For the Company, these exposures are primarily related to changes in interest rates. We do not currently hold any derivatives or other financial instruments purely for trading or speculative purposes.

The carrying value of the Company's long-term debt and current maturities of long-term debt was $67.0 million at September 30, 2021. Market risk was estimated as the potential decrease (increase) in future earnings and cash flows resulting from a hypothetical 10% increase (decrease) in the Company's estimated weighted average borrowing rate at September 30, 2021. Most of the interest on the Company's debt is indexed to either the LIBOR or EURIBOR market rates. The estimated impact of a hypothetical 10% change in the estimated weighted average borrowing rate at September 30, 2021 is $0.2 million on an annual basis.

The Company has wholly-owned subsidiaries in several countries, including in the Netherlands, Canada, the People's Republic of China, Mexico, United Kingdom, Singapore, Shanghai, Pune India, Dubai and Chile. In the past, we have not hedged our foreign currency exposure, and fluctuations in exchange rates have not materially affected our operating results. Future changes in exchange rates may positively or negatively impact our revenues, operating expenses and earnings.  Since most of our foreign sales are denominated in the local currency, we do not anticipate that exposure to foreign currency rate fluctuations will be material in 2021.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2021.  Management believes that the condensed consolidated financial statements included in this report fairly present in all material respects the Company's financial condition, results of operations and cash flows for each of the periods presented in this report.

### Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the first nine months ended September 30, 2021 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### Limitations on the Effectiveness of Controls

Control systems, no matter how well conceived and operated, are designed to provide a reasonable, but not an absolute, level of assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. The Company conducts periodic evaluations of its internal controls to enhance, where necessary, its procedures and controls.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

See Note 13 to the unaudited Condensed Consolidated Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q for information regarding legal proceedings in which we are involved.

### ITEM 1A. RISK FACTORS

There have been no material changes in the Company's risk factors that we disclosed in "Part I – Item 1A. Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2020.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table provides information about our purchases of our equity securities for the quarter ended September 30, 2021:

| | Issuer's Purchases of Equity Securities | | | |
|---|---|---|---|---|
| Period (amounts in thousands, except per share data) | Total Number of Shares Purchased [1] | 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 |
| July 1, 2021 - July 31, 2021 | — | $ — | — | $ — |
| August 1, 2021 - August 31, 2021 | 232 | 7.21 | 232 | 3,324 |
| September 1, 2021 - September 30, 2021 | 289 | 7.16 | 289 | 1,255 |
| Total | 521 | $ 7.18 | 521 | |

(1) On August 3, 2021, the Company publicly announced that its Board of Directors has authorized a $5.0 million share repurchase program. The program expires on December 31, 2021. See Note 8 for additional information.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS

| | |
|---|---|
| 10.1 | CECO Environmental Corp. Executive Change in Control Severance Plan |
| 31.1 | Rule 13(a)/15d-14(a) Certification by Chief Executive Officer |
| 31.2 | Rule 13(a)/15d-14(a) Certification by Chief Financial Officer |
| 32.1 | Certification of Chief Executive Officer (18 U.S. Section 1350) |
| 32.2 | Certification of Chief Financial Officer (18 U.S. Section 1350) |
| 101.INS | Inline XBRL Instance Document |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

## SIGNATURES

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

CECO Environmental Corp.

By: /s/ Matthew Eckl

**Matthew Eckl**

**Chief Financial Officer**

**(principal financial officer and duly authorized officer)**

Date: November 8, 2021

# CECO ENVIRONMENTAL CORP.

## EXECUTIVE CHANGE IN CONTROL SEVERANCE PLAN

1. **Scope.** This CECO Environmental Corp. Executive Change in Control Severance Plan (this "***Plan***") applies to such officers and/or key employees of CECO Environmental Corp. (the "***Company***") as may be determined by the Compensation Committee (or its successor, the "***Compensation Committee***") of the Board of Directors of the Company (the "***Board***") from time to time ("***Participants***"). Except as otherwise determined by the Compensation Committee, Participants in the Plan are generally anticipated to be direct reports to the Company's Chief Executive Officer. Each Participant will be designated by the Compensation Committee as a Tier 1 Participant or a Tier 2 Participant upon being included as a Participant, and the Company shall communicate such designation to the Participant and memorialize it in the records of the Company. Certain capitalized terms used in this Plan have the meanings ascribed to them in **Section 14** of this Plan.

2. **Purpose.** The purpose of this Plan is to set forth certain compensation and benefits that are due to a Participant upon the Participant's termination of employment with the Company as described herein.

3. **Participation**

(a) Each Participant is an at-will employee whose employment may be terminated by the Participant or the Company at any time for any reason, subject to the notice provisions set forth in **Section 4** of this Plan. Upon the termination of employment of a Participant, this Plan shall govern the rights and responsibilities of the Company and the Participant with respect to the matters addressed by this Plan; provided, however, that:

(i) Notwithstanding anything contained in this Plan to the contrary, in the event a Participant and the Company are parties to an offer letter, or employment, change in control, severance or similar agreement currently in effect as of the Effective Date (other than an equity award agreement) (an "***Individual Agreement***"), that addresses compensation and/or benefits to be provided to such Participant in the event (within a period of time specified in the Individual Agreement after the date on which a change in control of the Company occurs) the Participant experiences a qualifying termination of employment as described in such Individual Agreement, then such Participant shall not receive the compensation and/or benefits that might otherwise be due to such Participant under this Plan (including under **Section 5** hereof), but instead such Individual Agreement shall control regarding any such compensation and/or benefits, and there shall be no duplication of payments or benefits under this Plan and any such Individual Agreement; and

(ii) Notwithstanding anything contained in this Plan to the contrary, in the event a Participant and the Company are as of the Effective Date parties to an Individual Agreement that addresses compensation and/or benefits to be provided to such Participant in the event of the termination of the employment of such Participant under circumstances other than as described under **Section 3(a)(i)** above, then such Participant shall not receive the compensation and/or benefits that might otherwise be due to such Participant under this Plan (including under **Section 6** hereof), but instead such Individual Agreement shall control regarding any such compensation and/or benefits, and there shall be no duplication of payments or benefits under this Plan and any such Individual Agreement.

(b) In consideration of a Participant's participation in this Plan, the Participant will devote substantially all of the Participant's business time and efforts to the service of the Company, except for (i) usual vacation periods and reasonable periods of illness, (ii) reasonable periods of time devoted to the Participant's personal financial affairs, and (iii) services as a director or trustee of other corporations or organizations, either for profit or not for profit, that are not in competition with the Company; provided, however, that in no event shall the Participant devote less than 90% of the Participant's business time and efforts to the service of the Company.

4. **Notice Period.**

(a) Termination Without Cause. While a Participant is employed by the Company, the Company may terminate the Participant's employment at any time without Cause pursuant to written notice provided to the Participant not less than 45 days in advance of such termination. Any termination under this **Section 4(a)** will be effective at such time as may be specified in that written notice, subject to the preceding sentence.

(b) Termination Without Good Reason. While a Participant is employed by the Company, the Participant may terminate the Participant's employment at any time without Good Reason pursuant to written notice provided to the Company not less than 45 days in advance of such termination. Any termination under this **Section 4(b)** will be effective at such time as the Participant may specify in that written notice, subject to the preceding sentence.

5. **Qualifying Termination in Connection with a Change in Control**. If, within one year after the date on which a Change in Control occurs, the Company terminates the employment of a Participant (other than due to Cause, a Disability Termination, or the Participant's death) or the Participant terminates the Participant's employment for Good Reason, then the Company will pay and provide to the Participant the amounts and benefits specified in this **Section 5** subject to the Participant's compliance with the terms of this Plan (including **Section 9** hereof), except that the Company will not be obligated to pay the lump sum amounts specified in **Section 5 (c)**, **(d)**, **(e)**, **(f)** and **(g)** unless either (x) the Company is deemed to have waived its right to present and

require a Release as provided in **Section 8(b)** or (y) the Participant has timely executed a Release as contemplated by **Section 8(c)**. The amounts and benefits specified in this **Section 5** are as follows:

(a) A lump sum amount equal to the Participant's Base Salary earned as of the Termination Date and any accrued but unused paid time off for the calendar year through the Termination Date, to the extent not already paid in accordance with Company policy (collectively, "***Accrued Base Compensation***"). The Company will pay this amount to the Participant within 30 days following the Termination Date and in accordance with applicable law.

(b) A lump sum amount equal to the Participant's annual cash incentive bonus ("***Annual Bonus***") earned for the calendar year immediately preceding the calendar year in which the termination of employment occurs, to the extent not already paid ("***Accrued Bonus***"). The Company will pay this amount to the Participant on the same date and in the same amount that the Annual Bonus for such year would have been paid if the Participant's employment had not been terminated, but in any event not later than March 15 of the calendar year in which the termination of employment occurs.

(c) For a Tier 1 Participant, a lump sum amount equal in value to the Tier 1 Participant's Annual Bonus that would have been earned for the calendar year in which the termination of employment occurs at the "Target" level. Subject to **Section 10**, the Company will pay this amount to the Tier 1 Participant as soon as practicable (but no later than 74 days) following the Termination Date.

(d) For a Tier 2 Participant, a lump sum amount equal in value to the Tier 2 Participant's Annual Bonus that would have been earned for the calendar year in which the termination of employment occurs, pro-rated based on the number of days that the Tier 2 Participant is employed by the Company during the applicable performance period, and calculated on the basis of actual performance of the applicable performance objectives for the entire performance period. Subject to **Section 10**, the Company will pay this amount to the Tier 2 Participant on the same date that the Annual Bonus for such year would have been paid if the Tier 2 Participant's employment had not been terminated, but in any event not later than March 15 of the calendar year following the calendar year in which the termination of employment occurs.

(e) A lump sum amount equal to the product of the Applicable CIC Multiplier multiplied by the greater of the Participant's annual Base Salary rate as of the Termination Date or the Participant's highest annual Base Salary rate in effect during the six months preceding the Change in Control. Subject to **Section 10**, the Company will pay this amount to the Participant as soon as practicable (but no later than 74 days) following the Termination Date.

(f) If the Participant timely elects continuation coverage under the Company's health, dental and vision plans pursuant to COBRA, the Company will pay to the insurance carrier for the Participant's benefit the Company's subsidy toward the cost of medical coverage for similarly situated active executives enrolled in the same coverage in which he or she was enrolled at the time of the Termination Date for a period not to exceed the product of (i) the Applicable COBRA Multiplier multiplied by (ii) 12 months. The Company's payment of such subsidy will be treated as a taxable payment to the Participant.

(g) Reasonable executive-level outplacement services through a provider of the Company's choice with a value not to exceed $20,000. Such benefit shall be taxable to the Participant. Such outplacement services cannot extend beyond the last day of the second calendar year following the calendar year of termination and the reimbursements for those services must be fully paid no later than the last day of the third calendar year following the calendar year of termination.

(h) The Company will, at a Participant's request, transfer any life insurance policy regarding the Participant that has no cash surrender value to the Participant, to the extent permitted by the policy and applicable law.

For purposes of this Plan, if the Company terminates the employment of a Participant (other than due to Cause, a Disability Termination, or the Participant's death) within six months before a Change in Control occurs, and such termination is either at the request of a third party who has indicated an intention or taken steps reasonably calculated to effect a Change in Control, or effected as a condition to consummation of a Change in Control, and the Change in Control actually occurs, then such termination shall be considered to be a qualifying termination in connection with a Change in Control as described in the first sentence of this **Section 5**. In such circumstance (and only in such circumstance), and solely for purposes of this **Section 5** (other than **Section 5(a)**) and the related Release terms and conditions under **Section 8**, the date of the Change in Control shall be deemed to be the Participant's Termination Date and date of termination of employment, and the Participant's Annual Bonus and Base Salary as of such date shall be deemed to be on the same terms and conditions that applied at the time of the Participant's actual termination of employment prior to the Change in Control, plus in all cases the maximum period for receiving outplacement services and related reimbursements shall be measured from the date of the Participant's actual termination of employment prior to the Change in Control. No Participant shall receive a duplication of payments or benefits under **Section 5**, **Section 6** and **Section 7** of this Plan.

6. **Qualifying Termination Not in Connection with a Change in Control.** If the employment of a Participant is terminated by the Company (other than due to Cause, Disability Termination or death) and **Section 5** does not apply, then the Company will pay and provide to such Participant the amounts and benefits specified in this **Section 6** subject to such Participant's compliance with the terms of this Plan (including **Section 9** hereof), except that the Company will not be obligated to pay such amounts and benefits unless either (x) the Company is deemed to have waived its right to present and require a Release as provided in **Section 8(b)** or (y) such Participant

has timely executed a Release as contemplated by **Section 8(c)**. The amounts and benefits specified in this **Section 6** are as follows:

(a) A lump sum amount equal to 26 weeks of such Participant's Base Salary as of the Termination Date. Subject to **Section 10**, the Company will pay this amount to such Participant as soon as practicable (but no later than 74 days) following the Termination Date.

(b) If the Participant timely elects continuation coverage under the Company's health, dental and vision plans pursuant to COBRA, the Company will pay to the insurance carrier for the Participant's benefit the Company's subsidy toward the cost of medical coverage for similarly situated active executives enrolled in the same coverage in which he or she was enrolled at the time of the Termination Date for a period not to exceed the product of (i) the Applicable COBRA Multiplier multiplied by (ii) 12 months. The Company's payment of such subsidy will be treated as a taxable payment to the Participant.

Except for the benefits stated in this **Section 6**, such Participant's participation in all benefit plans, programs and arrangements of the Company shall cease as of the Termination Date and otherwise be governed by the terms of the plans, programs or arrangements, if any, governing such benefits. No Participant shall receive a duplication of payments or benefits under **Section 5**, **Section 6** and **Section 7** of this Plan.

7. **Termination for Cause; Voluntary Termination**. If the Company terminates the employment of a Participant with Cause or a Participant voluntarily terminates employment with the Company (other than for Good Reason), the Company shall pay or provide to the Participant his or her (a) Accrued Base Compensation, and (b) continuing health, dental and vision insurance through the Termination Date. The Accrued Base Compensation shall be payable within 30 days following the Termination Date. Except for the benefits stated in this **Section 7**, the Participant's participation in all benefit plans, programs and arrangements of the Company shall cease as of the Termination Date and otherwise be governed by the terms of the plans, programs or arrangements, if any, governing such benefits. No Participant shall receive a duplication of payments or benefits under **Section 5**, **Section 6** and **Section 7** of this Plan.

8. **Release**. This **Section 8** will apply only upon termination of a Participant's employment by the Company without Cause or by the Participant for Good Reason, as further described in this Plan.

(a) Presentation of Release by the Company. If this **Section 8** applies, the Company may present to the Participant (or in the case of the Participant's death or legal incapacity, to the Participant's personal representative), not later than 21 days after the Termination Date, a release, in a form reasonably acceptable to and provided by the Company (a "***Release***"), of all current and future claims, known or unknown, arising on or before the date on which the Release is to be executed, that the Participant or the Participant's assigns have or may have against the Company or any Subsidiary, and the directors, officers, and affiliates of any of them (which Release will require the Participant to affirm the Participant's obligations as set forth in this Plan), together with a covering message in which the Company advises the Participant (or the Participant's personal representative) that the Release is being presented in accordance with this **Section 8(a)** and that a failure by the Participant (or the Participant's personal representative) to execute and return the Release as contemplated by **Section 8(c)** would relieve the Company of the obligation to make payments otherwise due to the Participant (or to the Participant's personal representative) under one or more portions of **Section 5** or **Section 6**, as the case may be.

(b) Effect of Failure by the Company to Present Release. If the Company fails to present a Release and covering message to the Participant (or the Participant's personal representative) as contemplated by **Section 8(a)**, the Company will be deemed to have waived the requirement that the Participant (or the Participant's personal representative) execute a Release as a condition to receiving payments under any portion of **Section 5** or **Section 6**, as the case may be.

(c) Execution of Release by the Participant or the Participant's Personal Representative. If the Company does present a Release and covering message to the Participant (or the Participant's personal representative) as contemplated by **Section 8(a)**, the Participant (or the Participant's personal representative) will have until 60 days after the Termination Date (i.e., at least 39 days after presentation of the Release to the Participant (or the Participant's personal representative)) within which to deliver an executed copy of the Release to the Company and thereby satisfy the condition to receiving payments under any portion of **Section 5** or **Section 6**, as the case may be, provided that the Participant (or the Participant's personal representative) does not revoke the execution of the Release during any applicable revocation period.

(d) Effect of Failure to Execute Release or of Revocation of Release. If the Participant (or the Participant's personal representative) fails to deliver an executed copy of the Release to the Company within 60 days after the Termination Date or revokes the execution of the Release during any applicable revocation period, the Participant (or the Participant's personal representative) will be deemed to have waived the right to receive all payments under **Section 5** or **Section 6**, as the case may be, that were conditioned on the Release.

9. **Trade Secrets and Confidential Information; Non-Disparagement; Non-Competition and Non-Solicitation**. By participating in this Plan, a Participant acknowledges the Company's reliance on and expectation of the Participant's continued commitment to performance of the Participant's duties and responsibilities while the Participant is employed by the Company and the Participant assumes the obligations set out in this **Section 9** in light of that reliance and expectation on the part of the Company.

(a) Trade Secrets and Confidential Information.

(i) The Participant agrees that he or she shall protect the Company's and its affiliates' Trade Secrets and Confidential Information and shall not disclose to any Person, or otherwise use or disseminate, except in connection with the performance of his or her duties for the Company, any Trade Secrets or Confidential Information; provided, however, that the Participant may make disclosures required by a valid order or subpoena issued by a court or administrative agency of competent jurisdiction, in which event the Participant will promptly notify the Company or its affiliates in writing of such order or subpoena to provide the Company or its affiliates an opportunity to protect their interests.

(ii) The Participant further confirms that during his or her employment with the Company, he or she has not and will not offer, disclose or use on the Participant's own behalf or on behalf of the Company, any information the Participant received prior to employment by the Company which was supplied to the Participant confidentially or which the Participant should reasonably know to be confidential.

(iii) The Participant's obligations under this **Section 9(a)** shall apply during his or her employment and after his or her Termination Date, shall continue through any 12-month anniversary of a Change in Control, and shall continue for five years after such Termination Date and/or 12-month anniversary of a Change in Control, and shall survive any expiration or termination of this Plan (provided, however, that, for purposes of clarification, the Participant's obligations under this **Section 9(a)** as to any information or material that is Confidential Information or a Trade Secret, as applicable, shall not be subject to any expiration date).

(iv) Nothing in this Plan or any ancillary agreement prohibits a Participant from reporting, without prior notice to the Company, possible violations of law or regulation to any governmental agency or entity, otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, and, for the avoidance of doubt, a Participant is not prohibited from providing information voluntarily to the Securities and Exchange Commission pursuant to Section 21F of the Securities Exchange Act of 1934, as amended. Each Participant is hereby notified in accordance with the Defend Trade Secrets Act of 2016 that the Participant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a Trade Secret that: (A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding. Each Participant is further notified that if the Participant files a lawsuit for retaliation by Company for reporting a suspected violation of law, the Participant may disclose Trade Secrets to the Participant's attorney and use the Trade Secret information in the court proceeding if the Participant: (x) files any document containing the Trade Secret under seal; and (y) does not disclose the Trade Secret, except pursuant to court order. A Participant does not need the prior authorization of Company to make any such reports or disclosures, and a Participant is not required to notify Company that the Participant has made such reports or disclosures.

(b) Non-Disparagement. Each Participant agrees not to make any communications or engage in any conduct that is or could reasonably be construed to be disparaging of the Company, its affiliates or their respective officers, directors, founders, employees, agents, stockholders, products or services. The Company agrees the provisions of this **Section 9(b)** do not apply to disclosures required in the ordinary course of business communications between a Participant and his or her attorney; communications by a Participant required by law, by court order or court directive; communications by a Participant in the scope of pursuing a complaint or claim with a governmental agency; or communications by a Participant during participation in a governmental agency investigation of claims.

(c) Non-Competition and Non-Solicitation.

(i) Each Participant acknowledges and agrees that, unless otherwise required by law, both during his or her employment and for six months (12 months in the case of a Tier 1 Participant) after the last day of his or her employment with the Company, he or she has not and will not, directly or indirectly, engage in, provide, or perform any services on behalf of, invest in, own or otherwise finance, consult for, or serve as a partner, manager, director, officer, employee, independent contractor or agent of, any Person - or in the case of an entity that is organized into divisions or units, any distinct division or operating unit of such entity - in the Territory that derives income from providing goods or services substantially similar to those which comprise the Company's Business. A Participant's ownership of less than two percent (2%) of the outstanding, publicly traded equity of a competitor of the Company shall not be deemed a breach of this **Section 9(c)(i)**.

(ii) Each Participant acknowledges and agrees that both during his or her employment and for six months (12 months in the case of a Tier 1 Participant) after the last day of his or her employment with the Company, the Participant has not and will not, directly or indirectly, whether on behalf of the Participant or others, solicit Customers for the purpose of providing goods and/or services competitive with the Company's Business.

(iii) Each Participant acknowledges and agrees that both during his or her employment and for six months (12 months in the case of a Tier 1 Participant) after the last day of his or her employment with the Company, the Participant has not and will not, directly or indirectly, whether on behalf of the Participant or others, solicit, lure or attempt to hire away any of the Company's or its affiliates' employees or agents. Notwithstanding the foregoing, this **Section 9(c)(iii)** shall not prevent a Participant from soliciting an employee or agent who has discontinued all business dealings with the Company for at least six continuous months. Notwithstanding the foregoing, a general advertisement to which an employee or agent of the Company responds shall not be deemed a breach of this **Section 9(c)(iii)**.

(d) Remedies. Each Participant acknowledges that the remedy at law for any breach by the Participant of this **Section 9** may be inadequate and that the damages following from any such breach may not be readily susceptible to being measured in monetary terms. Accordingly, the Participant agrees that, upon adequate proof of the Participant's violation of any legally enforceable provision of this **Section 9**, the Company will be entitled to immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach. Nothing in this **Section 9** will be deemed to limit the Company's remedies at law or in equity for any breach by the Participant of any of the provisions of this **Section 9** that may be pursued or availed of by the Company.

(e) Acknowledgement. Each Participant has carefully considered the nature and extent of the restrictions upon the Participant and the rights and remedies conferred upon the Company under this **Section 9**, and hereby acknowledges and agrees that the same are reasonable in time and territory, are designed to eliminate competition that otherwise would be unfair to the Company, do not stifle the inherent skill and experience of the Participant, would not operate as a bar to the Participant's sole means of support, are fully required to protect the legitimate interests of the Company, and do not confer a benefit upon the Company disproportionate to the detriment to the Participant. If a Participant is subject to any restrictive covenants under any plan, policy, document or Individual Agreement (collectively, the "***Other Restrictive Covenants***"), the Participant is obligated to abide by both the Other Restrictive Covenants and the restrictive covenants set forth in this Plan, regardless of whether they are similar.

10. **Tax Matters; Section 409A.**

(a) The payments and benefits provided under this Plan will be subject to all applicable federal, state and other governmental withholdings.

(b) To the extent applicable, it is intended that this Plan comply with or be exempt from the provisions of Section 409A, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to a Participant. Consistent with that intent, and to the extent required under Section 409A, for benefits that are to be paid in connection with a termination of employment, "termination of employment" or any similar term shall be limited to such a termination that constitutes a "separation from service" under Section 409A. Notwithstanding any provision of **Section** 5, **Section 6** or **Section 7** to the contrary, if the period commencing on the date of the Participant's termination of employment begins in one taxable year of the Participant and the 74th day following the date of such termination of employment is in a subsequent taxable year, any amounts payable under **Section** 5, **Section 6** or **Section 7** which are considered deferred compensation subject to Section 409A shall be paid in such subsequent taxable year.

(c) Notwithstanding any provision of this Plan to the contrary, if a Participant is a "specified employee," determined pursuant to procedures adopted by the Company in compliance with Section 409A, on the date of his or her separation from service (within the meaning of Treasury Regulation section 1.409A-1(h)) and if any portion of the payments or benefits to be received by the Participant upon his or her termination of employment would constitute a "deferral of compensation" subject to Section 409A, then to the extent necessary to comply with Section 409A, amounts that would otherwise be payable pursuant to this Plan during the six-month period immediately following the Participant's termination of employment will instead be paid or made available on the earlier of (i) the first business day of the seventh month after the Termination Date, or (ii) the Participant's death. For purposes of application of Section 409A, to the extent applicable, each payment made under this Plan shall be treated as a separate payment and not one of a series of payments for purposes of Section 409A.

(d) Notwithstanding any provision of this Plan to the contrary, to the extent any reimbursement or in-kind benefit provided under this Plan is nonqualified deferred compensation within the meaning of Section 409A: (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; (ii) the reimbursement of an eligible expense must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred; and (iii) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(e) In no event shall this **Section 10** or any other provisions of this Plan be construed to require the Company to provide any gross-up for the tax consequences under Section 409A of any provisions of, or payments under, this Plan, and the Company shall have no responsibility for tax consequences under Section 409A to a Participant resulting from the terms or operation of this Plan.

11. **Adjustment of Certain Payments and Benefits**. Notwithstanding any provision of this Plan to the contrary, if any payment or benefit to be paid or provided hereunder or under any other plan or agreement would be an "Excess Parachute Payment," within the meaning of

Section 280G of the Code, or any successor provision thereto, but for the application of this sentence, then the payments and benefits to be paid or provided hereunder shall be reduced to the minimum extent necessary (but in no event to less than zero) so that no portion of any such payment or benefit, as so reduced, constitutes an Excess Parachute Payment; <u>provided</u>, <u>however</u>, that the foregoing reduction shall be made only if and to the extent that such reduction would result in an increase in the aggregate payments and benefits to be provided, determined on an after-tax basis (taking into account the excise tax imposed pursuant to Section 4999 of the Code, or any successor provision thereto, any tax imposed by any comparable provision of state law, and any applicable federal, state and local income taxes). The determination of whether any reduction in such payments or benefits to be provided hereunder is required pursuant to the preceding sentence shall be made at the expense of the Company, if requested by the Participant or the Company, by the Company's independent accountants or a nationally recognized law firm chosen by the Company. The fact that the Participant's right to payments or benefits may be reduced by reason of the limitations contained in this Section shall not of itself limit or otherwise affect any other rights of the Participant under this Plan. In the event that any payment or benefit intended to be provided hereunder is required to be reduced pursuant to this Section, then the reduction will be made in accordance with Section 409A and will occur in the following order: (a) first, by reducing any cash payments with the last scheduled payment reduced first; (b) second, by reducing any equity-based benefits that are included at full value under Q&A-24(a) of the Treasury Regulations promulgated under Section 280G of the Internal Revenue Code (the "***280G Regulations***"), with the highest value reduced first; (c) third, by reducing any equity-based benefits included on an acceleration value under Q&A-24(b) or 24(c) of the 280G Regulations, with the highest value reduced first; and (d) fourth, by reducing any non-cash, non-equity based benefits, with the latest scheduled benefit reduced first. Such payments or benefits shall be reduced in a manner that maximizes the Participant's economic position. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code, and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero.

12. **Amendments**. This Plan may be amended or terminated at any time by the Compensation Committee; <u>provided</u>, <u>however</u>, that no such amendment or termination may materially adversely affect any Participant without the Participant's prior written consent unless the Company provides 12 months' written notice of such amendment or termination to any adversely affected Participant.

13. **Effective Date/Termination**. This Plan is effective as of August 11, 2021 (the "***Effective Date***"), and supersedes all prior understandings, agreements or representations, written or oral, with respect to the subject matter herein with respect to Participants.

14. **Definitions.** Any capitalized term that is used, but not otherwise defined, in this Plan shall have the meaning set forth in this Section:

(a) "***Applicable CIC Multiplier***" means the applicable multiplier set forth on **<u>Exhibit A</u>** that applies to a Participant's Participation Tier in respect of a termination of the Participant's employment under **<u>Section 5</u>** of this Plan.

(b) "***Applicable COBRA Multiplier***" means the applicable multiplier set forth on **Exhibit A** that applies to a Participant's Participation Tier in respect of a termination of the Participant's employment under **Section 5** or **Section 6** of this Plan, as applicable.

(c) "***Base Salary***" means the amount a Participant is entitled to receive as base salary from time to time, including any amounts deferred pursuant to any contributions to the Company's 401(k) Retirement Savings Plan and excluding all annual cash performance awards (or equivalent award for annual performance), bonuses, equity sharing plans, overtime, long-term incentive awards, welfare benefit premium reimbursements and other incentive compensation, payable by the Company as consideration for the Participant's services.

(d) "***Cause***" means (i) any use or misappropriation by a Participant of the Company's, or any of Company's affiliates', funds, assets or property for any personal or other improper purpose; (ii) any act of moral turpitude, dishonesty, fraud by or felony conviction of a Participant whether or not such acts were committed in connection with the Company's Business; (iii) any failure by a Participant substantially to perform the lawful instructions of the Person(s) to whom the Participant reports (other than as a result of total or partial incapacity due to Total Disability) following written notice by the Company to the Participant of such failure and 15 days following such notice within which to cure such failure; (iv) any willful or gross misconduct by the Participant in connection with the Participant's duties to the Company which could reasonably be expected to be materially injurious to the financial condition or business reputation of the Company or its affiliates; (v) any failure by the Participant to follow a material Company policy; or (vi) any material breach by the Participant of a material obligation under this Plan.

(e) "***Change in Control***" means the occurrence (after the effective date of this Plan), during Participant's participation in this Plan, of any of the following events:

(i) any Person becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) of 50% or more of either (A) the then-outstanding Common Stock (the "***Outstanding Company Common Stock***") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "***Outstanding Company Voting Securities***"); provided, however, that, for purposes of this definition, the following acquisitions shall not constitute a Change in Control: (w) any acquisition directly from the Company, (x) any acquisition by the Company, (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (y) any acquisition pursuant to a transaction that complies with **Sections 14(f)(iii)(A)**, **(B)** and **(C)** below;

(ii) individuals who, as of the effective date of this Plan, constitute the Board (the "***Incumbent Board***") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a member of the Board subsequent to such effective date whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least three-fourths (3/4) of the directors then comprising the Incumbent Board (either by specific vote or by approval of the proxy statement of the Company in which such individual is named as a nominee for director, without objection to such nomination) shall be considered as though such individual was a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(iii) consummation of a reorganization, merger, statutory share exchange or consolidation or similar transaction involving the Company or any of its Subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or securities of another entity by the Company or any of its Subsidiaries (each, a "***Business Combination***"), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors (or, for a non-corporate entity, equivalent governing body), as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more Subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination) beneficially owns, directly or indirectly, 50% or more of, respectively, the then-outstanding shares of common stock (or, for a non-corporate entity, equivalent securities) of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors (or, for a non-corporate entity, equivalent governing body) of the entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(f) "***COBRA***" means the Consolidated Omnibus Budget Reconciliation Act of 1985.

(g) "***Code***" means the Internal Revenue Code of 1986, as amended.

(h) "***Common Stock***" means the common stock, par value $0.01 per share, of the Company.

(i) "***Company's Business***" means the design, manufacture, sale of, and service related to air and noise pollution control equipment serving the energy and industrial markets and fluid handling and filtration. The Company's Business is further described in any and all manufacturing, marketing and sales manuals and materials of the Company as the same may be altered, amended, supplemented or otherwise changed from time to time, including any such manuals and materials as in effect at any time during the 12-month period immediately prior to a Participant's Termination Date, or of any other products or services substantially similar to or readily substitutable for any such described products and services. The Company's Business shall also include any expansion or acquisition of or by the Company or any plans with respect to expansion or acquisition, as evidenced by the books and records of the Company, at the time of a Participant's Termination Date.

(j) "***Confidential Information***" means: (i) business opportunities; (ii) data and compilations of data relating to the Company's Business; (iii) compilations of information about, and communications and agreements with, customers and potential customers of the Company, including customer and pricing lists; (iv) intellectual property, including computer software, hardware, network and internet technology utilized, modified or enhanced by the Company or by a Participant in furtherance of the Participant's duties with the Company; (v) compilations of data concerning Company products, services, customers, and end users including but not limited to compilations concerning projected sales, new project timelines, inventory reports, sales, and cost and expense reports; (vi) compilations of information about the Company's executives and independent contracting consultants; (vii) the Company's financial information, including, without limitation, projections, amounts charged to customers and amounts charged to the Company by its vendors, suppliers, and service providers; (viii) proposals submitted to the Company's customers, potential customers, wholesalers, distributors, vendors, suppliers and service providers; (ix) the Company's marketing strategies and compilations of marketing data; (x) compilations of data or information concerning, and communications and agreements with, vendors, suppliers and licensors to the Company and other sources of technology, products, services or components used in the Company's Business; (xi) any information concerning services requested and services performed on behalf of customers of the Company, including planned products or services; (xii) the Company's research and development records and data; and (xiii) personnel data learned in the course of performing a Participant's duties to the Company. Confidential Information also includes any summary, extract or analysis of such information together with information that has been received or disclosed to the Company by any third party as to which the Company has an obligation to treat as confidential. Confidential Information shall not include: (x) information generally available to the public other than as a result of improper disclosure by a Participant; (y) information that becomes available to a Participant from a source other than the Company (provided the Participant has no reason to believe that such information was obtained from a source in breach of a duty to the Company); and/or (z) information disclosed pursuant to law, regulations or pursuant to a subpoena, court order or legal process and not otherwise protected from disclosure by a confidentiality arrangement, a protective order or submission to a court, regulatory agency or other legal tribunal under seal or other customary confidentiality process or practice.

(k) "***Customers***" means mean those Persons who are customers of the Company and/or its affiliates with respect to which, within the one-year period preceding the date of a Participant's Termination Date: (i) the Participant had material contact on behalf of the Company; (ii) the Participant acquired, directly or indirectly, Confidential Information or Trade Secrets as a result of his or her employment with the Company; and/or (iii) the Participant exercised oversight or responsibility of subordinates who engaged in material contact on behalf of the Company.

(l) "***Disability Termination***" means termination of the Participant's employment by the Company when the Participant has been Totally Disabled for an aggregate of 120 days in any consecutive 12 calendar months or for 90 consecutive days.

(m) "***Good Reason***" means, in the absence of prior written consent of a Participant: (i) a material diminution in the Participant's duties, authorities or responsibilities; (ii) a material reduction of the Participant's Base Salary or incentive opportunity under the Company's short-term cash incentive program; provided, however, that any reduction that is part of a reduction applicable to all Company executives who report directly to the Company's Chief Executive Officer shall not be deemed "Good Reason" hereunder; (iii) relocation of the Participant's primary workplace, as assigned to the Participant as of the effective date of this Plan, beyond a 50 mile radius from such workplace; or (iv) any material breach by the Company of this Plan; provided, however, that the Participant's termination of employment shall not be deemed to be for Good Reason unless (x) the Participant has notified the Company in writing describing the occurrence of one or more Good Reason events within 90 days of such occurrence, (y) the Company fails to cure such Good Reason event within 30 days after its receipt of such written notice and (z) the Participant's Termination Date occurs within 180 days after the occurrence of the applicable Good Reason event.

(n) "***Participant's Own Occupation***" means the regular occupation in which a Participant is engaged with the Company at the time the Participant has a Total Disability.

(o) "***Person***" means any individual, entity, or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended).

(p) "***Section 409A***" means Section 409A of the Code. References in this Plan to Section 409A are intended to include any proposed, temporary, or final regulations, or any other guidance, promulgated with respect to Section 409A by the U.S. Department of Treasury or the Internal Revenue Service.

(q) “***Subsidiary***” means a corporation, company or other entity (i) more than 50% of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture, limited liability company, unincorporated association or other similar entity), but more than 50% of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company.

(r) “***Termination Date***” means the date on which a Participant’s employment with the Company and its Subsidiaries terminates.

(s) “***Territory***” means the United States and any other country worldwide in which the Company has operations or customers. By participating in this Plan, the Participant acknowledges that the services he or she has performed and may continue to perform on behalf of the Company or its affiliates are at a senior managerial level and are not limited in their territorial scope to any particular city, state, country or region, but instead affect the Company’s activities globally. Specifically, the Participant acknowledges by participating in this Plan that he or she travels throughout the United States to attend Company meetings, visit Company facilities, meet with Company agents and distributors, and attend trade shows. In addition, the Participant acknowledges by participating in this Plan that he or she conducts and directs business on behalf of the Company in other countries throughout the world in which the Company has operations or customers. Accordingly, the Participant agrees by participating in this Plan that restrictions involving the restrictive covenants in this Plan are reasonable and necessary to protect the Confidential Information, Trade Secrets, business relationships, and goodwill of the Company.

(t) “***Total Disability***” shall have either (i) the meaning ascribed to such term (or substantially similar term) in the Company’s long-term disability plan or policy covering the Executive, or (ii) in the absence of such plan or policy, the meaning ascribed to such term (or substantially similar term) in an applicable Individual Agreement, or (iii) in the absence of such plan or policy and such applicable Individual Agreement, a meaning consistent with Code Section 22(e)(3).

(u) “***Totally Disabled***” means that the Participant suffers from Total Disability (and the Participant will be deemed to continue to be Totally Disabled so long as the Participant is not able to work in the Participant’s Own Occupation even if the Participant works in some other capacity).

(v) “***Trade Secrets***” means any information or thing that constitutes a trade secret under any applicable law, including, without limitation, a formula, pattern, compilation, program, device, method, technique, or process, that: (i) derives independent economic value, actual or potential, from not being generally known to the public or to other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

15. **Miscellaneous Provisions**.

(a) No Set Off; No Obligation to Seek Other Employment or to Otherwise Mitigate Damages; No Effect Upon Other Plans. The Company’s obligation to make the payments provided for in this Plan and otherwise to perform its obligations under this Plan will not be affected by any set off, counterclaim, recoupment, defense, or other claim whatsoever that the Company or any Subsidiary or affiliate of the Company may have against the Participant, except that the prohibition on set-off, counterclaim, recoupment, defense, or other claim contained in this sentence will not apply if the Participant's employment is terminated by the Company for Cause. The Participant will not be required to mitigate damages or the amount of any payment provided for under this Plan by seeking other employment or otherwise. The amount of any payment provided for under this Plan will not be reduced by any compensation or benefits earned by the Participant as the result of employment by another employer or otherwise after the Termination Date. Neither the provisions of this Plan nor the making of any payment provided for under this Plan, nor the termination of the Company's obligations under this Plan, will reduce any amounts otherwise payable, or in any way diminish a Participant's rights, under any incentive compensation plan, stock option or stock appreciation rights plan, restricted stock plan or agreement, deferred compensation, retirement, or supplemental retirement plan, stock purchase and savings plan, disability or insurance plan, or other similar contract, plan, or arrangement of the Company or any Subsidiary, all of which will be governed by their respective terms.

(b) Payments Not Compensation. Any participation by a Participant in, and any terminating distributions and vesting rights (other than previously defined) under, the Company-sponsored retirement or savings plans, regardless of whether such plans are qualified or non-qualified for tax purposes, shall be governed by the terms of those respective plans. Any salary continuation or severance benefits shall not be considered compensation for purposes of accruing additional benefits under such plans.

(c) Legal Fees. In the event that a Participant or the Company brings any proceeding or any legal action to enforce the terms of this Plan, each of the Company and the Participant shall bear its own attorneys' fees and costs in connection with such proceeding or legal action.

(d) Payments Are in Lieu of Severance Payments. If a Participant becomes entitled to receive payments under this Plan as a result of termination of the Participant's employment, those payments will be in lieu of any and all other claims or rights that the Participant may have against the Company for severance, separation, and/or salary continuation pay upon that termination of the Participant's employment, except as otherwise provided herein with respect to an Individual Agreement.

(e) Assistance. During a Participant's employment with the Company and thereafter, the Participant will provide reasonable assistance to the Company in litigation and regulatory matters that relate to events that occurred during the Participant's period of employment with the Company and its predecessors, and will provide reasonable assistance to the Company with matters relating to its corporate history from the period of the Participant's employment with it or its predecessors. A Participant will be entitled to reimbursement of reasonable out-of-pocket travel or related costs and expenses relating to any such cooperation or assistance that occurs following the Termination Date.

(f) Termination of Status as Director or Officer. Notwithstanding anything in this Plan to the contrary, unless otherwise agreed to by the Company and a Participant prior to the

Termination Date, a Participant shall be deemed to have automatically resigned from all directorships and offices with the Company and its Subsidiaries, and their affiliates (including joint ventures), as of the Termination Date.

(g) Notices. Notices and all other communications provided for in this Plan must be in writing and will be deemed to have been duly given upon receipt (or rejection) when delivered in person or by overnight delivery (to the chief legal officer of the Company in the case of notices to the Company and to the Participant in the case of notices to a Participant) or mailed by United States registered mail, return receipt requested, postage prepaid, and addressed, if to the Company, to its principal place of business, attention: Chief Legal Officer, and, if to the Participant, to the Participant's home address last shown on the records of the Company, or to such other address or addresses as either party may furnish to the other in accordance with this **Section 15(g)**.

(h) Interpretation. The language in all parts of this Plan shall in all cases be construed according to its fair meaning, and not strictly for or against the Company or a Participant. In this Plan, unless the context otherwise requires, the masculine, feminine and neuter genders and the singular and the plural include one another. There shall be no entitlement to benefits and payments under any of **Section 5**, **Section 6** or **Section 7** hereof if a Participant otherwise has been, is, or will be entitled to benefits under one or more different sections among **Section 5**, **Section 6** and **Section 7**.

(i) Non-Waiver of Rights and Breaches. No failure or delay of the Company or a Participant in the exercise of any right given to the Company or the Participant under this Plan shall constitute a waiver unless the time specified for the exercise of such right has expired, nor shall any single or partial exercise of any right preclude other or further exercise thereof or of any other right. The waiver by the Company or the Participant of any default of the Company or the Participant, as applicable, shall not be deemed to be a waiver of any subsequent default or other default by the Company or the Participant, as applicable.

(j) Successors and Assigns. The rights and obligations of the Company under this Plan will inure to the benefit of, and will be binding on, the Company and its successors and assigns, and the rights and obligations (other than obligations to perform services) of the Participant under this Plan will inure to the benefit of, and will be binding upon, the Participant and the Participant's heirs, personal representatives, and assigns.

(k) Top Hat Plan. This Plan is intended to be a "top hat" plan maintained primarily for a group of management or highly compensated employees.

(l) Governing Law. The provisions of this Plan will be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made in and to be performed exclusively within that State, notwithstanding any conflict of law provision to the contrary. ANY ACTION BROUGHT BY THE COMPANY OR ANY PARTICIPANT SHALL BE BROUGHT AND MAINTAINED IN A COURT OF COMPETENT JURISDICTION IN DALLAS COUNTY IN THE STATE OF TEXAS. EACH PARTICIPANT CONSENTS TO THE EXCLUSIVE JURISDICTION AND VENUE SET FORTH HEREIN, AND CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUIT, ACTION OR PROCEEDING BY THE MAILING OF THE COPIES THEREOF BY

REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, (1) TO THE PARTICIPANT AT HIS OR HER LAST KNOWN ADDRESS AND (2) TO THE COMPANY BY DELIVERY TO ITS REGISTERED AGENT IN THE STATE OF TEXAS.

(m) Severability. If any provision of this Plan is or becomes invalid or unenforceable in any jurisdiction, or would disqualify this Plan or any compensation under this Plan under any law deemed applicable by the Compensation Committee, such provision will be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Compensation Committee, it will be stricken and the remainder of this Plan will remain in full force and effect.

(n) Claims Procedure.

(i) The Compensation Committee has the exclusive right to determine eligibility for benefits under the Plan and to deny or grant a claim, in whole or in part. All claim determinations shall be made by the Compensation Committee (or its delegate) in a uniform and nondiscriminatory manner in accordance with the Plan provisions. The Compensation Committee's decision on a claim for benefits is final and binding on all persons.

(ii) Any Participant or his or her authorized representative who believes he or she may be eligible for benefits under this Plan may file a claim for benefits to which the claimant believes he or she is entitled. Claims under this Plan must be made in writing and delivered to the Compensation Committee, in person or by mail, postage prepaid. When a claim has been properly filed, the Compensation Committee shall, within 90 days after receipt of such claim, send to the claimant notice of the grant or denial, in whole or in part, of such claim unless special circumstances require an extension of time for processing the claim. In no event may the extension exceed 90 days from the end of the initial period. If such extension is necessary, the claimant will be given notice to this effect prior to the expiration of the initial 90-day period. Any notice of extension shall set forth the special circumstances requiring the extension of time and the date by which the Compensation Committee expects to render its decision on the application for benefits.

(iii) The Compensation Committee will provide the claimant with written notice in which the claimant shall be advised as to whether the claim is granted or denied, in whole or in part. If a claim is denied, in whole or in part, the notice shall contain: (A) the specific reasons for the denial; (B) references to pertinent Plan provisions on which the denial is based; (C) a description of any additional material or information necessary to perfect the claim and an explanation of why such material or information is necessary; and (D) an explanation of the Plan's claim review procedure, the time limits applicable under the procedures, and a statement regarding the claimant's right to bring a civil action under Section 502(a) of the Employee Retirement Income Security Act of 1974, as amended (if applicable) following an adverse benefit determination on appeal.

(iv) If a claim is denied, in whole or in part, the claimant shall have the right to request that the Compensation Committee review the denial, provided that the claimant files a written request for review with the Compensation Committee no later than 60 days after the date on which the claimant received written notification of the denial. The request for a review shall be in writing and shall be addressed to the Compensation Committee at the Company's principal office. The request for review shall set forth all of the grounds on which it is based, all facts in support of the request and any other matters which the claimant deems pertinent. The Compensation Committee may require the claimant to submit such additional facts, documents or other material as it may deem necessary or appropriate in making its review. The claimant may submit written comments, documents, records and other information related to the benefit claim on appeal. The claimant must be provided, upon request and free of charge, reasonable access to and copies of any and all records, documents or information on which the Compensation Committee based its determination (the "***Relevant Records***").

(v) The Compensation Committee will provide the claimant with written notification of the benefit determination on review within 60 days after a request for review is received, unless special circumstances require an extension of time for processing the review, in which case the Compensation Committee shall give the claimant written notification within the initial 60-day period specifying the reasons for the extension and when such review shall be completed (provided that such review shall be completed within 120 days after the date on which the request for review was filed). If the Compensation Committee denies the claim on review, in whole or in part, the notification will set forth, in a manner calculated to be understood by the claimant: (A) the specific reason or reasons for the denial; (B) specific references to the Plan provisions on which the denial is based; (C) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to and copies of all Relevant Records; and (D) a description of the claimant's right to obtain information about such procedures and a statement regarding the claimant's right to bring a civil action under section 502(a) of the Employee Retirement Income Security Act of 1974, as amended (if applicable) following the denial on appeal.

*[Remainder of page intentionally left blank]*

**<u>Exhibit A</u>**

**Termination Multipliers**

| Participation Tier | Applicable CIC Multiplier | Applicable COBRA Multiplier |
|---|---|---|
| 1 | 1.0 | 1.0 |
| 2 | 0.5 | 0.5 |

Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Todd Gleason, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CECO Environmental Corp.;
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.

/s/ Todd Gleason

Todd Gleason
Chief Executive Officer

Date: November 8, 2021

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Matthew Eckl, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CECO Environmental Corp.;
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.

/s/ Matthew Eckl

Matthew Eckl
Chief Financial Officer

Date: November 8, 2021

Exhibit 32.1

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 CECO Environmental Corp. (the “Company”) on Form 10-Q for the nine-month period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Todd Gleason, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

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

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

/s/ Todd Gleason

Todd Gleason
Chief Executive Officer

Date: November 8, 2021

Exhibit 32.2

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 CECO Environmental Corp. (the "Company") on Form 10-Q for the nine-month period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew Eckl, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

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

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

/s/ Matthew Eckl
Matthew Eckl
Chief Financial Officer

Date: November 8, 2021